



Financial Statements 2021



(A free translation of the original in Portuguese)

INDEX

Management report

Message from the Chairman of the Board of Directors	3
Message from the CEO	4
Macroeconomic scenario	6
Corporate values	6
The Company and business overview	7
Geographic distribution	8
Covid-19 Pandemic	8
Corporate structure	9
Dividends and interest on capital	10
Analysis of consolidated financial statements	11
Taxation	17
Main awards received	18
Corporate Governance	18
People management	21
Sustainability	23

Financial statements

Independent auditor's report on the individual and consolidated Financial Statements	27
Balance sheet – assets	33
Balance sheet – liabilities and equity	34
Income statement	35
Statement of comprehensive income	36
Statement of changes in equity	37
Statement of cash flows	38
Statement of value added	40
Notes to the financial statements:	
Operational context	41
Basis of preparation, presentation of financial statements and summary of significant accounting policies	43
Recently issued accounting standards and interpretations	45
Cash and cash equivalentes	46
Investments	47
Trade receivables	47
Other current and non-current assets	49
Investments in subsidiaries and related-party transactions	49
Property and equipment and decommissioned cars for fleet renewal	55
Intangible assets	59
Trade payables	60
Payroll and related taxes	60
Borrowings and debt securities	61
Derivative financial instruments	65
Right of use lease liability	69

Other current and non-current liabilities	71
Provision for risks and escrow deposits	71
Taxes on income – Income tax and social contribution	75
Equity	77
Earnings per share	86
Segment information	87
Net revenue	89
Nature of operating costs and expenses	90
Financial income (expenses)	91
Financial instruments and risk management	92
Supplementary pension plan	98
Information for the cash flow statement	98
Subsequent event	98

Other informations

Management's statement on the financial statements	99
Management's statement on the independent auditor's report	100
Fiscal council's report	101
Statement of the minutes of the meeting of the audit, risk and compliance management committee	102
Comments on the performance of business projections	103
Major highlights of 2021	104

1 - MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear customers, colleagues, and shareholders,

I would like to open this letter with a reflection on our role as citizens aware of our place in the world. We are experiencing an accelerated socio-cultural transformation that directly impacts the way we live, relate to each other, and do business. In the last two years, with the advent of the new coronavirus pandemic, we have witnessed a significant increase in discussions that seek to foster in people and companies a more human, empathetic, and supportive look. The invitation that emerges, in an emerging way for companies, is to deepen the discussions about how to leave a positive legacy for the planet and for people, by generating value for their publics. And we cannot forget the urgency to take systemic actions on the climate change agenda in order to leave a healthy world for future generations.

At Localiza, these discussions are directly reflected in our strategy. After all, sustainability is at the center of our corporate purpose, and the Company has been standing out in important fronts of conscious use of natural resources, such as the reduction and compensation of our CO2 emissions, efficient waste management, and adoption of solar energy in stores and branches. We had relevant advances in the last year and we also turned our attention to initiatives that value the plurality of our team, welcoming our employees and bringing more diversity to the Company. The year 2021 holds an important milestone in our history: in September we launched the Localiza Institute, which supports organizations all over Brazil responsible for fostering entrepreneurship and education among socially vulnerable youngsters. At the end of last year, the results of our first public bidding round were announced, which will benefit 24 organizations all over Brazil by 2022, directly reaching more than 8,000 people.

Sustainability is also about consistency in decision making, always aiming to generate value for the Company's stakeholders. Thus, we manage our business in 2021 with efficiency, resilience, and agility, continuously delivering solid and historical results. Even in an adverse context for the global automotive industry due to the lack of semiconductors for car production, we take a close look at our processes; we increase our efficiency in capital allocation; we accelerate our investments in technology; we optimize costs; we open new ways for growth; and we launch new solutions, always true to our purpose of building the future of sustainable mobility.

Since our founding, we have worked with a long-term vision. As part of the movement to prepare the Company for responsible and sustainable growth, in 2012 we initiated an executive board succession plan, which allowed us to bring in new competencies and broaden our market vision, culminating in my transition to the presidency of the Board of Directors in April 2021. For the first time in our history, the Company would be led by a non-founding executive. Our Board entrusted Bruno Lasansky with the position of CEO of Localiza. Bruno, with us as an executive since the end of 2016, is a brilliant professional who lives our culture on a daily basis and has all the competencies to continue generating extraordinary results. Almost a year after the transition, we are absolutely confident with the choice made, its results and Bruno's leadership.

We have also created, in 2021, a reference management shareholder program. Through this initiative, shares representing up to 2.5% of the Company's capital stock will be granted, over the next 20 years, with a 10-year vesting period, to reference executives, based on performance and behavior that we consider vital for the continuity of the transformation process and the construction of the future of sustainable mobility.

After the announcement made in 2020, another major step this year was the approval by CADE of the merger between Localiza and Unidas. The conclusion of the operation is conditioned to the approval by the authority of the buyer of the assets to be divested, in addition to the fulfillment of other commitments undertaken. In a scenario of many growth opportunities for the mobility sector, we believe that the combined company will create a mobility platform, with the potential to offer increasingly innovative solutions, ensuring greater access to car rentals for the population and companies, as well as providing a better experience, comfort and convenience to customers.

We have a big dream and we have been building our capabilities so that, this year, we can take another significant step towards our goals. We enter 2022 stronger and ready to accelerate our growth, always generating value for our stakeholders and for society.

Eugênio Mattar – Chairman of the Board of Directors

2 - MESSAGE FROM THE CEO

Dear customers, colleagues, and shareholders,

In the year 2021, Localiza achieved expressive results, both in its financial performance and in the evolution of competencies to build the future of sustainable mobility.

The Car Rental Division's net revenue totaled more than R\$4,395.4 million, with annual growth of almost 40%. In addition, we reached a record level of new contracts in the Fleet Management Division, not yet reflected in leased cars by the backlog of new car deliveries. In Seminovos, the price of the car sold rose 26.5% compared to 2020, demonstrating the flexibility and competence of Localiza Seminovos. The customer satisfaction, measured by the NPS (Net Promoter Score), remained at the level of excellence in all divisions and continues to be a major differential of Localiza. In the last quarter, we received the ReclameAqui award for the 7th consecutive time in Rental Cars and 5th consecutive time in Semi-New Cars, another example of the high quality of our service. ROIC (Return on Invested Capital) was 17%, a spread of 13p.p. over the cost of debt after taxes, and a record net profit of over R\$2 billion, evidencing the Company's resilience and adaptability. With rising interest rates and increased volatility, we were agile to raise R\$3.8 billion with an average maturity of 6.1 years, extending Localiza's advantage in cost of debt and entering 2022 with the lowest leverage ratio in the industry, 1.9x net debt/EBITDA, maintaining our AAA seal by the rating agencies.

In 2021, the availability of zero-kilometer vehicles continued to be impacted by the unfolding pandemic and the lack of inputs, especially semiconductors. In this scenario, we worked on lease pricing, fleet utilization, and were very diligent in allocating capital, prioritizing more profitable segments while still nurturing valuable, long-term relationships with customers and partners. We have evolved our maintenance processes to manage costs and maintain high standards of excellence, even with a fleet with a higher average age. Car theft and delinquency costs were impacted in the second half of 2021 due to a higher risk environment. To mitigate this effect, we incorporated new processes and technology that, by the beginning of 2022, will put us at levels comparable to those of 2019 in theft and delinquency. The challenges imposed by the pandemic and the lack of vehicles will certainly leave a legacy of new processes and practices at Localiza that will help us maintain high performance and productivity in the coming years.

Building the Future of Sustainable Mobility

The execution of our strategy of innovation and growth with value creation made robust progress. We launched the Zarp Localiza brand, a differentiated value proposition for renting to app drivers, with a modern, low-cost branch concept and the use of proprietary technology to create competitive advantages in the segment. We continue to accelerate our subscription car: the Localiza Meoo website is already the most accessed of its category, with a delightful experience, and we also launched a new application, which brings the best evaluation of the sector.

Our digital transformation, led by Localiza Labs, our technology and analytics team, had another year of substantial deliveries. We are modernizing our technology stack in order to gain speed and scalability. The number of deploys per day, or code changes in our digital products, increased 130% between 2019 and 2021, bringing much more agility and learning, increasing productivity, which allows us to generate value and test new solutions in the mobility ecosystem. We have also made progress in customer experience, as an example, the Company's top apps have outstanding customer reviews in stores such as Google Play.

We continue to transform the management of our operation, with digital solutions for fueling, washing, handling, management of fines and fleet returns, among others, which will enable productivity gains and greater customer satisfaction. In the last quarter, we launched solutions that will allow us to increase additional revenues and reduce the no-show rate by 2022 in the Car Rental Division. We surpassed 180 thousand connected cars, creating a differential in the management of our fleet and allowing cost reduction through proprietary IoT (internet of things). The convenience of Localiza FAST, our 100% digital rental, is already present in 45 large branches and presented this year a three-digit growth in the number of daily rates.

Another highlight of the year was CADE's approval of the business combination with Unidas, still subject to conditions and pending final approval. If approved, we believe that the Combined Company will be in a unique position, allowing us to offer the best mobility solutions to clients, in addition to generating value for shareholders. Following all legal and antitrust protocols, we are planning the integration in such a way that the Combined Company leverages the best of each company and is able to capture important synergies to advance in the expansion of our scale and scope.

We also had important achievements in our ESG agenda, which was accelerated in 2021 with structuring projects aimed at reducing carbon emissions. We continued to neutralize scopes 1 and 2 and, for the first year, we disclosed the emissions of scope 3, with a complete and audited greenhouse gas inventory, which received the gold seal of the GHG Protocol. Our Diversity and Inclusion Program continues to engage our employees and we were honored at the end of the year to receive the National Award from Aberje (Brazilian Association of Corporate Communication) in the Diversity category. Sustainability is a fundamental part of the Company's strategy and, by 2022, we will continue to act to reduce and neutralize our carbon footprint and promote an increasingly diverse and inclusive environment.

After a robust multi-year process, in April 2021, we took an important step in the Company's history. Eugênio took over as Executive Chairman of the Board and I as CEO of Localiza, continuing our strategy and following the best corporate governance practices, supported by an active and knowledgeable board.

All these results were only possible thanks to the dedication, commitment and very high engagement of Localiza's "Sangue Verde" team, which I would like to deeply thank. Our culture, founded on passion for customers, people who inspire and transform, and extraordinary results, continues to pulsate strong and sustained by more than 48 years of achievements.

Localiza enters 2022 prepared and capitalized to continue to take advantage of the growth opportunities ahead and further expand its market leadership. We are very confident in our capacity to execute with excellence and continue to generate value for shareholders, clients, employees and all of our stakeholders.

Bruno Lasansky – CEO

3 - MACROECONOMIC SCENARIO

Still marked by the effects of the pandemic, 2021 was a year that demanded adaptation from various sectors of the economy, governments, and the population. After an extended period of pandemic, supply chains became disjointed and the supply of various goods was affected. This instability along with supply shortages contributed to the increase in and volatility of prices of various commodities and other inputs, resulting in inflation. Additionally, after a period of lower revenues and higher expenses with aid programs and debt servicing, governments are now living with a more fragile fiscal situation. Brazil lives this context, and with the uncertainties generated under the fiscal and inflationary situation, it sees an elevated future interest rate curve, pricing this risk.

Within this context, Localiza was affected by the mismatch and price increases in the automotive industry chain, which suffered substantially throughout the year in terms of supply and had major production difficulties. This caused the Company to choose to lengthen the cycle of the Rental Cars division, and had to adjust the processes associated with maintenance and preparation of the car for deactivation. Despite the impact on margins, due to the higher variable fleet costs, the company has been gaining scale and expertise by having more frequent maintenance associated with the higher mileage of the cars and greater intelligence in the allocation of cars in the various segments due to this higher mileage. In 2021, the increases in maintenance costs were offset by lower depreciation and higher margins resulting from the sale of decommissioned cars, in a context of scarcity and high prices for used cars.

The Company is also impacted by the increase in interest rates and has been preparing to face this scenario, through a price pass-through and management of costs and productivity, which equalize the level of return to reflect the increase in the cost of capital in addition to higher car prices. We highlight that, besides an active management of its debt in terms of duration and cost, with spreads aligned to the AAA rating by the main rating agencies, the Company also maintains its policy of hedging via swaps the interest rate risk associated with its long-term contracts in Fleet Rental, with the objective of protecting the expected profitability of these contracts, mitigating a risk that could be structural for the Company in moments of high volatility of interest rates.

Despite the economic instability and the direct impact of the limited supply of cars, the Company maintained its investments in technology and data, in developing the team and in opening new ways for growth. Our performance in 2021 reinforces the resilience and adaptability of our team and our business model. We are aware of the macroeconomic challenges, but we are convinced that we are operationally and financially prepared to resume a faster pace of profitable growth and capture new opportunities in the mobility ecosystem, which still has plenty of room for expansion.

4 - CORPORATE VALUES

Localiza's values are based on three pillars: "The client is our passion", "People that inspire and transform" and "Extraordinary results drive us". The way of acting guided by trust and ethics drives to be an admirable company.

In 2021 the Company's purpose evolved to "Building the future of sustainable mobility with you", driving the advancement of our actions in ESG projects and initiatives.



5 - THE COMPANY AND BUSINESS OVERVIEW

Founded in 1973 in Belo Horizonte, State of Minas Gerais, Localiza has been since May 2005 a Brazilian publicly-held company, listed on B3 S.A. - Brasil, Bolsa, Balcão ("B3") Novo Mercado segment, which characterizes the highest corporate governance level in the Brazilian capital market. Localiza's shares are traded under the ticker symbol RENT3.

Localiza and its subsidiaries have the following core activities: Car Rental and Fleet Rental, as described below:

Car rental: This division is responsible for car rentals in locations inside and outside airports, and for insurance stipulation and management of car claims for insurance companies. Cars are rented by legal entities and individuals, in some cases, through distribution channels. Given the need to renew the fleet, Localiza sells its decommissioned cars after approximately 12 months of use. In order to reduce intermediation costs on the sale of decommissioned cars, roughly half of the cars is directly sold to the final consumers. Consequently, the Company optimizes the recoverable amount of these assets, by reducing the depreciation of cars and the net amount invested in fleet renewal, as the selling expense of the Company's own stores is smaller than the discount required by resellers, as well as avoids full dependence on third parties for the sales.

The Car Rental division is responsible for the management and establishment of franchises in geographically defined markets, including the transfer of the necessary know-how to operate the car rental business and licensing of the right to use the Localiza brand. The franchising business is managed by the subsidiary Franchising Brasil in Brazil and by Localiza itself in other countries.

Fleet Rental: Division responsible for fleet rental and long-term rentals, usually from 24 to 36 months, to individuals and legal entities, through Localiza Fleet and Car Rental Systems. The cars of this division are acquired after signature of agreements according to the customers' needs. Therefore, the fleet is more diversified in terms of models and brands. In September 2020, Localiza Meoo was launched, a long-term subscription car solution, aimed at individuals and small and medium-sized entities. Decommissioned cars are sold at the end of the agreements, on average within approximately 30 months of use, directly to the end consumer or to dealers through the Company's own car dealer network

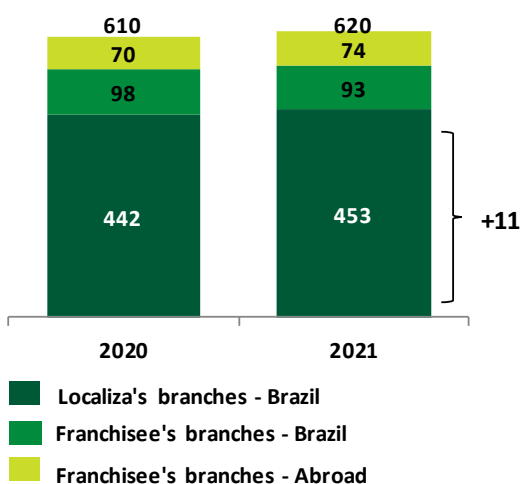


6 - GEOGRAPHIC DISTRIBUTION

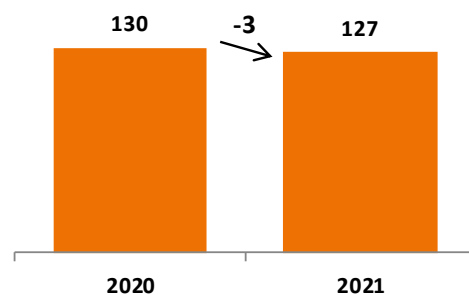
The car rental and fleet rental businesses are highly diversified. The Brazilian Car Rental Association (ABLA), in its 2021 Brazilian Yearbook of the Vehicle Rentals Sector, mentions that there were approximately 11,053 active vehicle rental companies, according to the Annual Social Information Report (RAIS).

Localiza had 620 car rental locations spread across Brazil and other four countries in South America at December 31, 2021. Decommissioned cars are substantially sold to final consumers through 127 points of sale owned by the Company, located in 85 cities throughout Brazil.

Number of car rental locations (Brazil and abroad)



Number of points of sale selling decommissioned cars for fleet renewal (Brazil)



7 - COVID-19 PANDEMIC

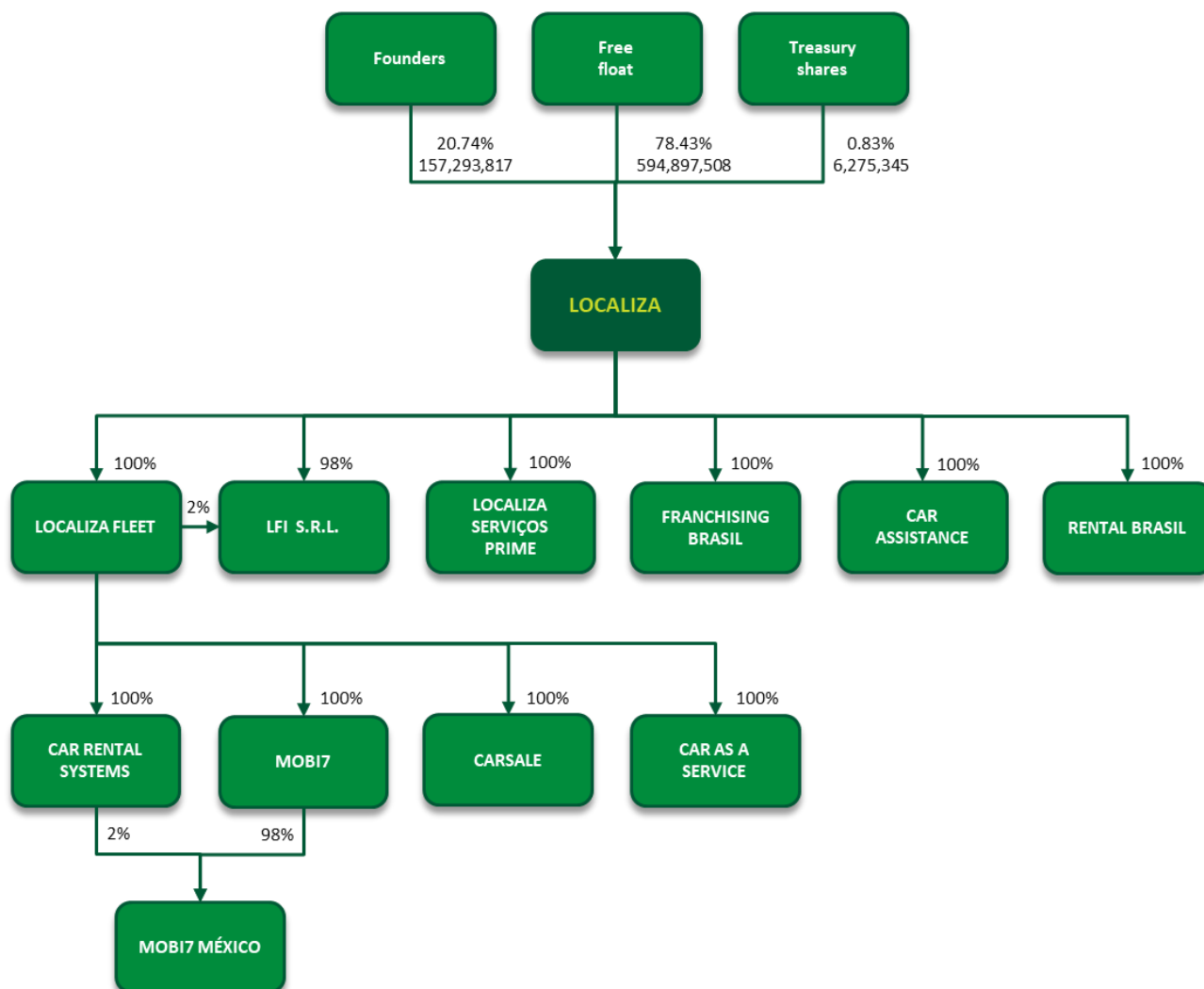
In view of the spread of the Coronavirus (Covid-19) in Brazil, as from the second half of March 2020, all Localiza Seminovos stores and several car rental locations were closed to the public. Car rental locations and stores started reopening at the end of April 2020, after an analysis of the laws applicable to each location, the demand and implementation of protection measures for employees and customers. The activity of car rental was considered as essential by municipalities, states and federal government for serving customers who provide essential services or need private transport on pandemic scenario.

After a consistent resumption of volumes in car rentals and the sale of decommissioned cars for fleet renewal, we once again felt impacts of the pandemic (in a smaller proportion than that observed in the first wave) in March and April 2021, due to the onset of new variants and the recurrence of cases. The scarcity of some supplies, notably semiconductor chips, has been affecting the automotive industry, due to the pandemic, geopolitical factors, among other aspects, resulting in a reduction in the supply of cars and an increase in market prices. The Company was again affected by the lower volume of car purchases due to the fact that automakers had not resumed production levels, as well as the increase in the allowance for doubtful debts and in the car maintenance costs, which were impacted by the aging of the fleet and an increase in the cost of spare parts.

The Company's Management performed various analyses of the impacts of Covid-19, which involved mainly the assessment of indicators of impairment of non-current assets, expected credit losses on trade receivables, measurement of financial instruments, including derivative financial instruments, among others. This interim financial information considers the impacts arising from these analyses.

8 - CORPORATE STRUCTURE

According to the shareholding position at December 31, 2021, the organization chart of the Localiza group is as follows:



Capital market

In 2021, the average daily trading volume of RENT3 was R\$365.0 million (R\$330.6million in 2020).

Additionally, the Company participates in the Level I of the American Depositary Receipts (“ADR”) Program since its approval by CVM on May 22, 2012 and the beginning of trading on June 5, 2012. At December 31, 2021, the Company's position was 6,213,975 ADRs issued in the United States. Each ADR corresponds to 1 (one) Company's share.

Investments in subsidiaries

The table below shows the changes in Localiza's investments in 2021:

	Investments as of December 31, 2020	Equity in the results of subsidiaries	Proposed dividends	(R\$ million) Investments as of December 31, 2021
Localiza Fleet Consolidado	981.2	526.8	(125.1)	1.382.9
Rental Brasil	268.5	21.0	(20.3)	269.2
Localiza Prime	139.3	37.6	(30.6)	146.3
Car Assistance	26.4	23.4	(32.0)	17.8
Franchising Brasil	2.0	2.7	(2.1)	2.6
LFI S.R.L.	0.1	-	-	0.1
Effect from the elimination of IFRS 16 in subsidiary	22.7	11.8	-	34.5
Total investments in subsidiaries	1,440.2	623.3	(210.1)	1,853.4

Combination of Localiza and Unidas businesses

According to the Material Fact dated September 22, 2020, Localiza and Companhia de Locação das Américas (“Unidas” and, in conjunction with Localiza, “Companies”) entered into a “Merger of Shares Agreement” through which the terms and conditions for the implementation of the business combination of the Companies, through the merger of shares of Unidas into Localiza (“Merger of Shares” or “Transaction”), were established.

The transaction will result in the union of shareholders that are a reference and have long experience in the industry, in the combination of talents to provide innovative solutions in mobility, in the creation of a player on a global scale committed with the highest levels of governance and with ambition to provide the best customer experience, increasing the access of the population and companies to car rental. From the economic and financial point of view, the business integration should promote synergies and increases in efficiency in the combined company resulting from the Merger of Shares.

This transaction was approved by the shareholders of the Companies at their respective general shareholders’ meetings held on November 12, 2020. The completion of the Merger of Shares depended on the approval by the Brazilian Antitrust Agency (“CADE”), as well as the verification of other certain usual conditions precedent for operations of this nature.

On February 17, 2021, the notice for Concentration Act 08700.000149/2021-46, referring to the proposed Merger of Shares, was published on CADE’s website.

On September 6, 2021, were issued the opinion nº 13/2021/CGAA1/SGA1 and order nº 1309/21, which the General Superintendence of CADE submits the Act of Concentration to Administrative Court, recommending the approval of operation with remedies in accordance with the Concentration Control Agreement. On December 15, 2021, the CADE Court issued a decision on the aforementioned Concentration Act, which was approved with some structural and behavioral restrictions, as a provisioned in the terms of the CCA negotiated with CADE.

The closing of the deal is still subjected to certain conditions, including the final approval by CADE of the buyer of the assets that will be divested, in the terms of the CCA. Both companies inform that they are in negotiation with parties interested in the remedies and that they will continue operating independently until the closing.

9 - DIVIDENDS AND INTEREST ON CAPITAL

The Company holds a Shareholders' Meeting up to April 30 of each year, when the annual dividend may be declared. However, interim dividends may be declared by the Board of Directors "ad referendum" of the Shareholders' Meeting.

The 3rd paragraph of article 26 of Localiza's by-laws determines that at least 25% of the adjusted net profit must be distributed as mandatory dividend.

Interest on capital and dividends were calculated as follows:

	Individual	
	2021	2020
Profit for the year	2,043,677	1,048,180
Legal reserve (5%)	(102,183)	(52,409)
Profit for the year, basis for dividends proposal	1,941,494	995,771
Minimum dividends (25%)	485,374	248,943
Dividends and interest on capital proposed/distributed:		
Distributed interest on capital	315,395	261,141
Withholding income tax on interest on capital	(36,221)	(30,326)
Distributed interest on capital, net	279,174	230,815
Minimum mandatory dividend	206,200	18,128
Total	485,374	248,943
Percentage on profit for the year deducted from legal reserve	25.0%	25.0%
Gross dividends and interest on capital per share, net of treasury shares at the end of the year (in R\$)	R\$0.693	R\$0.372

On December 31, 2021, the management proposed for deliberation by the Ordinary General Meeting the complementary payment of the minimum mandatory dividend to shareholders in the amount of R\$206.2 million, considering that the amount distributed through interest on equity in 2021 did not reach the 25% of the minimum mandatory dividend.

10 - ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

RESULT

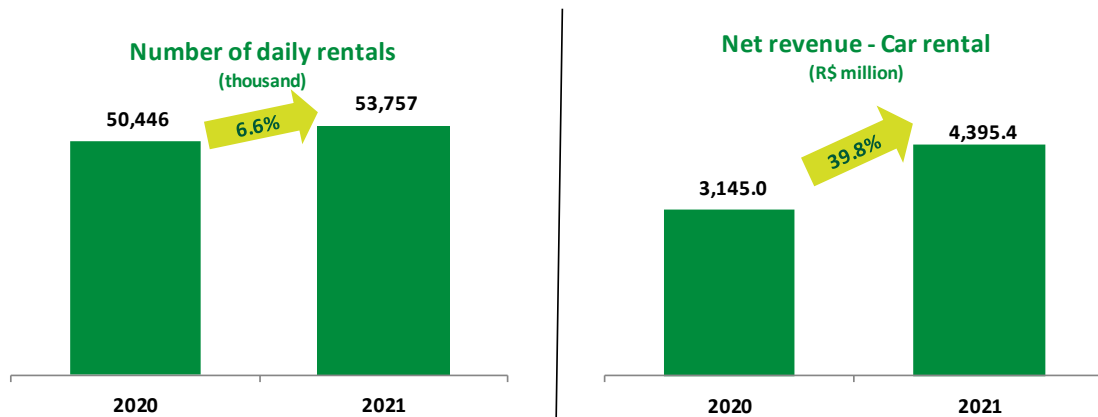
	2020		2021		Variation
	In R\$ million	% of net revenue	In R\$ million	% of net revenue	%
Net revenue:					
Car rental	8,285.8	80.4	8,803.5	80.8	6.2
Fleet rental	2,021.8	19.6	2,097.8	19.2	3.8
Total net revenue	10,307.6	100.0	10,901.3	100.0	5.8
Total costs	(7,408.7)	-71.9	(6,202.6)	-56.9	-16.3
Gross profit	2,898.9	28.1	4,698.7	43.1	62.1
Operating expenses:					
Selling expenses	(888.0)	-8.6	(1,084.1)	-9.9	22.1
General, administrative and other expenses	(209.2)	-2.0	(390.7)	-3.6	86.7
Total operating expenses	(1,097.2)	-10.6	(1,474.8)	-13.5	34.4
Result before finance costs (EBIT)	1,801.7	17.5	3,224.0	29.6	78.9
Finance costs, net	(374.4)	-3.6	(320.9)	-2.9	-14.3
Profit before income tax and social contribution	1,427.3	13.9	2,903.1	26.7	103.4
Income tax and social contribution	(379.1)	-3.7	(859.4)	-7.9	126.7
Net income for the year	1,048.2	10.2	2,043.7	18.8	95.0

Net revenue:

Consolidated net revenues increased 5.8% in 2021 compared to 2020 due to 33.2% growth in Car Rental and Fleet Rental revenues; compensated by a 13.1% decrease in revenues from the sale of decommissioned cars for fleet renewal. The main factors contributing to net revenue growth were:

Car rental: In 2021, total net revenue increased by 6.2% compared to 2020 as a result of:

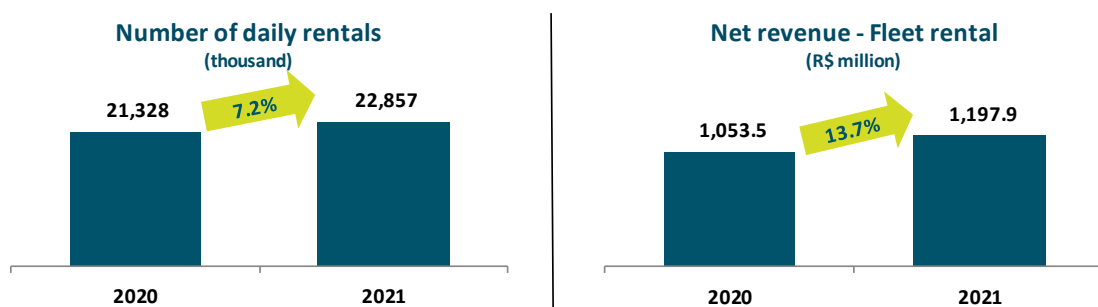
(i) Car Rental: increase of 39.8% in Car Rental revenue, from R\$3,145.0 million in 2020 to R\$4,395.4 million in 2021, due to the increase of 6.6% in the daily volume and increase of 30.9% in the average rental rate, which increased from R\$68.5 to R\$89.7. The increase in the average rate for 2021 reflects the increase in car prices, higher interest rates and business segment mix; and



(ii) Seminovos: 14.3% reduction in the revenue from the sale of cars decommissioned for fleet renewal, from R\$5,140.8 million in 2020 to R\$4,408.1 million in 2021, due to the 32.1% reduction in the volume of cars sold and 26.3% advance in the average sale price of cars in the Car Rental division in 2021.

Fleet Rental: 3.8% increase in total net revenue for 2021 compared to 2020, due to:

(i) Fleet Rental: 13.7% increase in Fleet Rental revenue, from R\$1,053.5 million in 2020 to R\$1,197.9 million in 2021, due mainly to the 7.2% growth in daily rentals in this division.

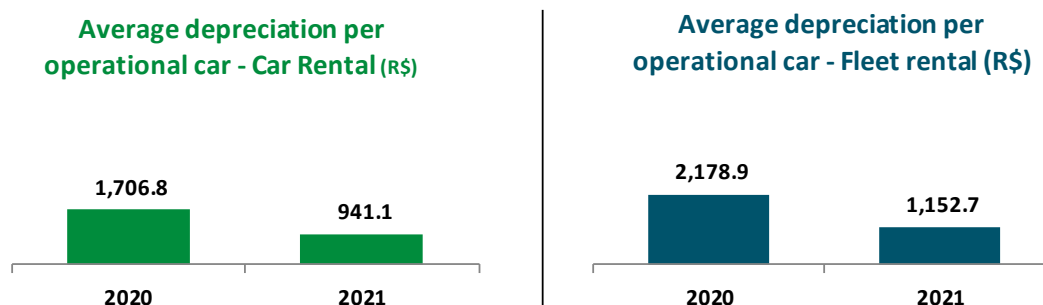


(ii) Seminovos: 7.1% reduction in revenue from the sale of cars decommissioned for fleet renewal, from R\$968.3 million in 2020 to R\$900.0 million in 2021, due to the 28.5% reduction in the volume of cars sold and 30.0% increase in the average sale price of cars in the Fleet Rental division in 2021.

Costs: Consolidated costs of the Company decreased by 16.3% in 2021 compared to 2020. As a percentage of consolidated net revenues, costs decreased by 15.0 p.p., from 71.9% in 2020 to 56.9% in 2021 showing the efficient management of the Company's costs.

The decrease in costs in 2021 was due to the decrease of:

- (i) 26.5% reduction in the cost of cars sold, impacted by the 31.6% reduction in the volume of cars sold explained by the strategy of postponing the deactivation of cars for renewal enabling the expansion of the fleet due to the persistence of the lower level of supply scenario of vehicles by the car manufacturers.
- (ii) 46.0% reduction in the cost of depreciation of cars explained by the increase in the price of new cars and the reduction in the rate of car sales, lengthening its useful life, impacting the estimated cost of sale.



Average depreciation per vehicle in 2021 in the Car Rental Division was R\$941.1, a decrease of 44.9% compared to the depreciation of 2020. Depreciation considers the Company's expectation regarding the future price of the cars and costs related to their sale.

In the Fleet Rental division, the depreciation per car in 2021 was R\$1,152.7, a 47.1% reduction compared to the depreciation of 2020 due to the car price dynamics.

Partially compensated by:

- (iii) 65.7% increase in car maintenance costs, IPVA and others, explained by the extension of the useful life of cars sold in the Car Rental division and Fleet Rental division in 2021 compared to 2020, in addition to the increase in prices of new cars.
- (iv) 31.8% increase in costs for salaries, charges, benefits and profit sharing compared to 2020.
- (v) 108.6% increase in PIS and COFINS credits due to the review of the tax useful life of certain cars in the fleet of the Car Rental division, through the issuance of technical reports by an entity duly qualified in the legislation, in accordance with article 320 of the Income Tax Regulation (Decree No. 9,580/18).

Operating expenses: Operating expenses grew 34.4% in 2021, mainly due to the average increase of: (i) 27.9% in salaries, payroll charges, benefits and profit sharing; (ii) 30.4% in expenses with third-party services; (iii) 72.4% increase in advertising; partially compensated by the reduction of (iv) 22.8% in travel expenses; and (v) reversal of PIS and COFINS provision in the amount of R\$126.4 million in 2020. As a percentage of consolidated net revenue, operating expenses grew 2.9 p.p., from 10.6% in 2020 to 13.5% in 2021.

Financial Expenses, net: Consolidated net financial expenses decreased 14.3% in the year 2021 compared to 2020, mainly due to the rise in the futures yield curve positively impacting mark-to-market in 2021.

Net income: Consolidated net income increased 95.0% in 2021 when compared to 2020, mainly due to the decrease in consolidated costs and net financial expenses, partially offset by the increase in operating expenses.

EBITDA and EBIT: The reconciliation of net income to EBITDA and EBIT is as follows:

	R\$ million		Variation (%)
	2020	2021	
Profit	1,048.2	2,043.7	95.0
Finance costs, net	374.4	320.9	-14.3
Income tax and social contribution	379.1	859.4	126.7
EBIT	1,801.7	3,224.0	78.9

Car and other asset depreciation

EBITDA

666.3	473.5	-28.9
<u>2,468.0</u>	<u>3,697.5</u>	<u>49.8</u>

BALANCE SHEET

	12/31/20		12/31/21		Variation
	R\$ million	% of total assets	R\$ million	% of total assets	%
ASSETS					
Current assets					
Cash and cash equivalents	2,586.4	12.7	444.1	1.8	-82.8
Short-term investments	1,380.2	6.8	4,565.4	18.0	230.8
Trade receivables	1,107.5	5.4	1,310.4	5.2	18.3
Decommissioned cars for fleet renewal	40.6	0.2	182.0	0.7	348.3
Other current assets	454.9	2.2	441.0	1.7	-3.1
Total current assets	5,569.6	27.3	6,942.8	27.4	24.7
noncurrent assets					
Long-term investments	-	-	3.0	0.0	100.0
Escrow deposits	113.7	0.6	121.8	0.5	7.1
Other noncurrent assets	424.4	2.1	807.6	2.1	90.3
Property and equipment					
Cars	12,923.2	63.2	15,842.9	62.6	22.6
Other property and equipment	1,258.1	6.2	1,451.0	5.7	15.3
Intangible assets	152.1	0.6	143.0	0.6	-6.0
Total noncurrent assets	14,871.5	72.7	18,369.3	72.6	23.5
Total assets	20,441.1	100.0	25,312.1	100.0	23.8

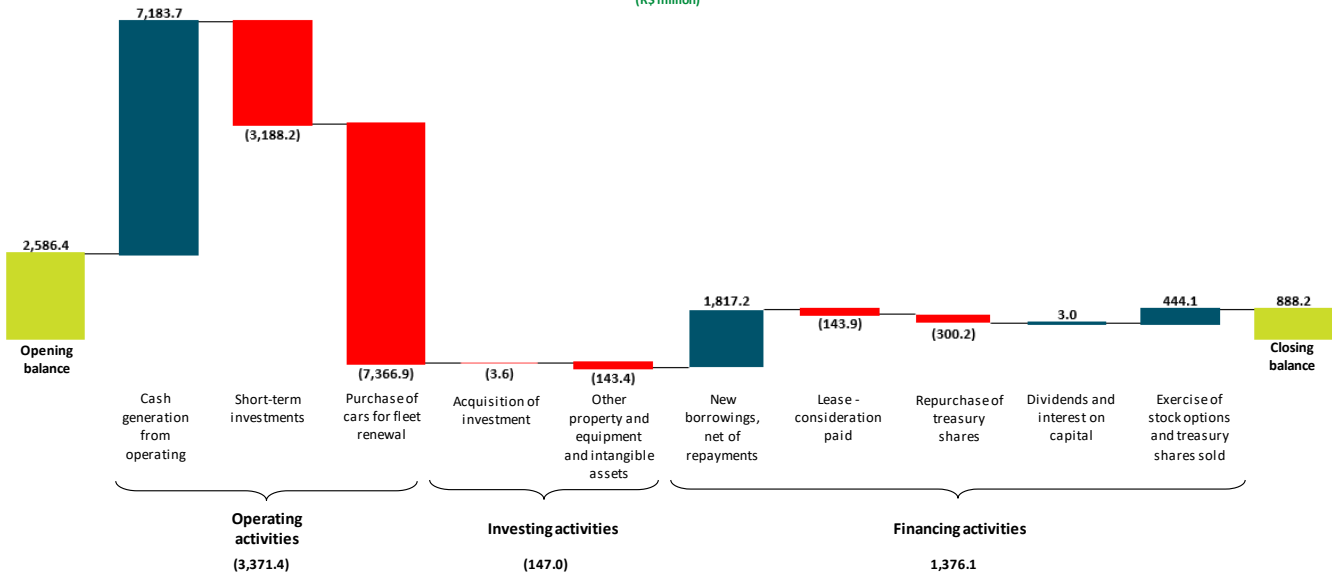
	12/31/20		12/31/21		Varição
	R\$ million	% of total liabilities	R\$ million	% of total liabilities	%
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	1,661.0	8.1	2,059.3	8.1	24.0
Payroll and related taxes	218.5	1.1	276.1	1.1	26.4
Borrowings and debt securities	1,615.0	7.9	1,884.8	7.4	16.7
Dividends and interest on capital	72.4	0.4	288.8	1.1	298.9
Other current liabilities	729.4	3.5	475.5	2.0	-34.8
Total current liabilities	4,296.3	21.0	4,984.5	19.7	16.0
Noncurrent liabilities					
Borrowings and debt securities	8,882.7	43.5	10,548.3	41.7	18.8
Deferred income tax and social contribution	412.1	2.0	1,147.9	4.5	178.5
Other noncurrent liabilities	797.3	3.9	1,014.3	4.0	27.2
Total noncurrent liabilities	10,092.1	49.4	12,710.5	50.2	25.9
Equity	6,052.7	29.6	7,617.1	30.1	25.8
Total liabilities and equity	20,441.1	100.0	25,312.1	100.0	23.8

The critical changes in assets and liabilities are as follows:

Cash and cash equivalents and financial investments: Cash and cash equivalents and financial investments totaled R\$5,012.5 million as of December 31, 2021, representing 19.8% of total assets and showing a 26.4% increase over the balance of R\$3,966.6 million as of December 31, 2020, which represented 19.5% of total assets that year.

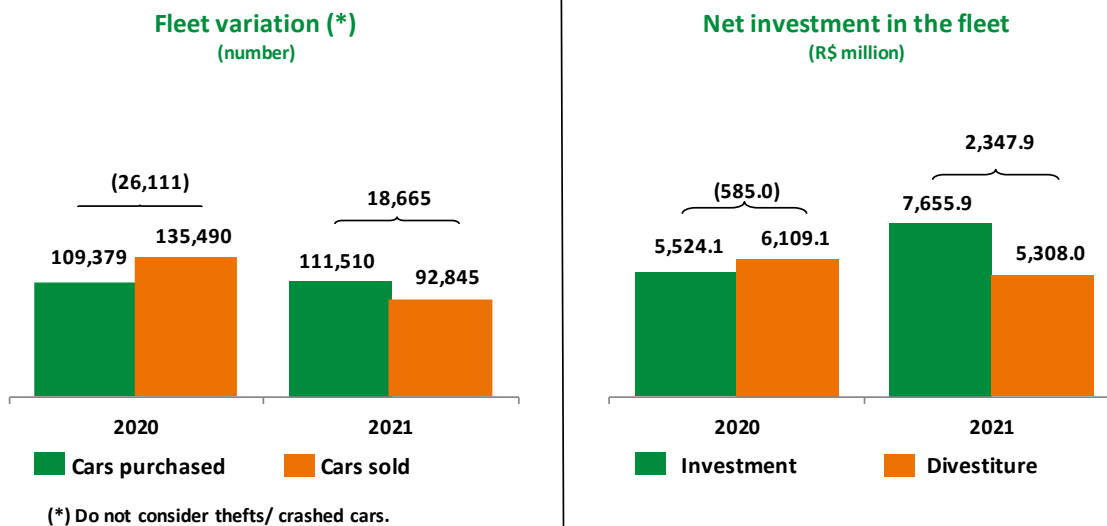
The Company's cash flows from operating, investing, and financing activities are as follows:

Changes in cash flows in 2021
(R\$ million)



Other current and noncurrent assets: The 42.0% increase in other current and non-current assets, which went from R\$879.3 million in 2020 to R\$1,248.5 million in 2021, refers mainly to the variation in the transaction of taxes recoverable impacted by the increase of PIS and COFINS credits on the tax depreciation of certain rental cars due to the change of the average tax life of certain rental cars to 24 months, based on technical reports issued by an entity properly qualified by the legislation.

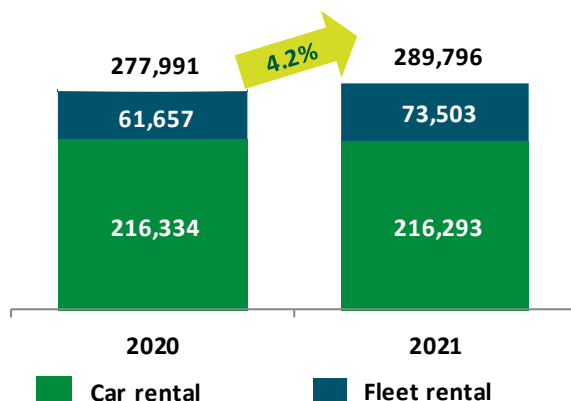
Property and equipment – cars:



The increase of 22.6% in property and equipment - cars is related to the increase of 18,665 cars in the fleet in 2021 and net investment of R\$2,347.9 million. The decrease in deactivation was due to the strategy of lengthening the useful life of the cars in the Rental Cars division, due to the reduction in the supply of cars by automakers and the increase in charged prices.

Trade payables: The 24.0% increase in the trade payables line, which went from R\$1,661.0 million in 2020 to R\$2,059.3 million in 2021, refers mainly to the 20.4% increase in the balance payable to manufacturers impacted by the 20.3% reduction in the volume of cars acquired in 4Q21 when compared to 4Q20, and by the anticipations of payments to the car manufacturers in 2020.

Fleet at the end of the period (number)

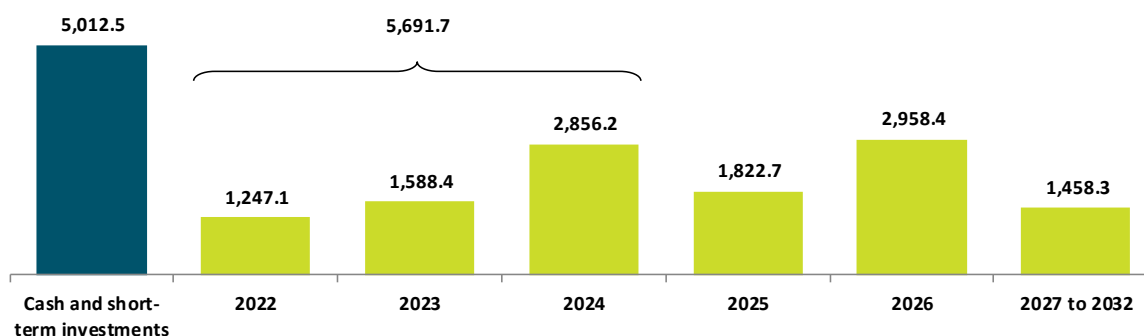


Borrowings and debt securities: The 16.7% increase in this line is due to the major funding and repayments of loans, financing and debt securities that occurred in 2021, as shown below:

Category	Funding (R\$ million)	Repayment (R\$ million)	Date	Notes
9 th issue of debentures– Localiza Fleet	500.0	-	10/08/21	Final term of 60 months
Foreign currency borrowing – Localiza Fleet	-	(290.7)	12/10/21	Payment de principal
Foreign currency borrowing – Localiza	-	(710.6)	03/03/21	Payment de principal
Foreign currency borrowing – Localiza	454.8	-	03/03/21	Final term of 36 months
17 th issue of debentures - Localiza	1,200.0	-	04/07/21	Final term of 120 months
Promissory notes - Localiza	-	(500.0)	09/24/21	Payment de principal
18 th issue of debentures - Localiza	1,500.0	-	10/05/21	Final term of 60 months
CRI - Localiza	-	(5.6)	11/22/21	Payment de principal
Total	3,654.8	(1,506.9)		

Management considers that the Company's debt profile is comfortable and compatible with the Company's business cycle as well as the macroeconomic scenario.

Debt amortization profile as of 12/31/21 - Principal (R\$ million)



Deferred income tax and social contribution liabilities: Deferred income tax and social contribution liabilities increased by 178.5%, from R\$412.1 million at December 31, 2020 to R\$1,147.9 million at December 31, 2021 mainly due to the increase in the timing differences of the depreciation of cars in the amount of R\$1,687.3 million, as permitted by Law 12,973/14 by the general rule of 1/60 months or in accordance with a technical report, partially offset by the increase in deferred tax assets of tax losses and negative social contribution basis in the amount of R\$980.7 million.

Equity

On December 31, 2021, the Company held 758,466,670 shares, of which 6,275,345 were in treasury shares.

Share repurchase

During the years ended December 31, 2021 and 2020, the following Localiza share repurchase programs were in effect:

Share Repurchase Program	Approval by the Board of Directors	Repurchase deadline	Maximum Authorized Quantity	Quantity repurchased
11 ^o	06/18/19	07/23/19 to 07/22/20	52,500,000 (*)	5,214,600
12 ^o	06/18/20	07/23/20 to 07/22/21	50,000,000	-
13 ^o	06/24/21	07/23/21 to 07/22/22	50,000,000	-

(*) It contemplates the effects of the 2019 bonus.

In March 2020, 5,214,600 shares issued by the Company itself were acquired for the amount of R\$184,696, as part of the 11th Share Repurchase Program. The acquisition cost of the treasury shares, including trading costs, ranged between R\$ 26.86 and R\$ 40.02 per share.

The repurchase programs aim to maximize the value generation for shareholders or to settle the stock options programs within the scope of the Company's long-term incentive plans.

Selling of treasury shares to those eligible from the Matching Program

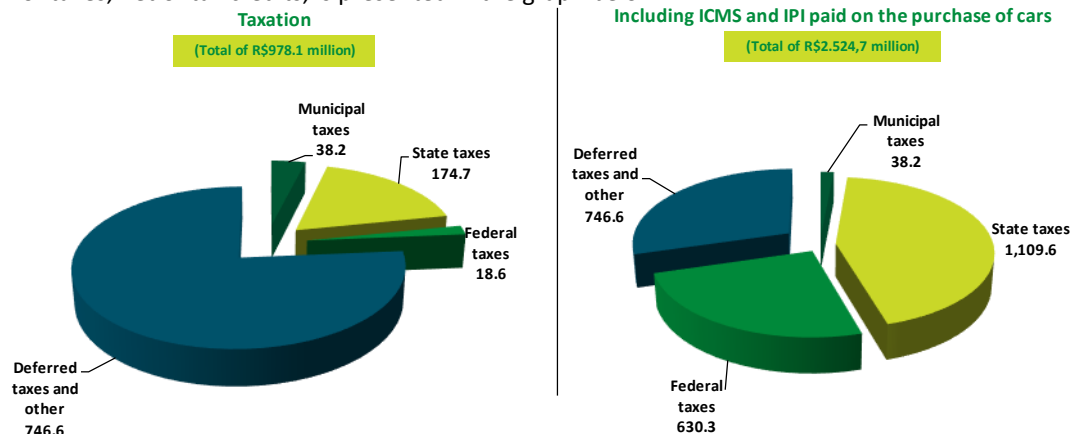
In 2021, 68,237 treasury shares in the amount of R\$1,762 were sold to eligible employees under the 1st Stock Purchase and Share Matching Plan, which was approved at an Extraordinary General Meeting held on July 12, 2017.

Exercise of stock options with treasury shares

In 2021, 452,577 stock options were exercised referring to the Stock Option Programs from 2014 to 2019; 1st Matching Plan and 1st Deferred Plan, using treasury shares in the amount of R\$11.7 million.

11 - TAXATION

The breakdown of taxes, net of tax credits, is presented in the graph below:



12 - MAIN AWARDS RECEIVED

In 2021, the Company won several awards, notably:

Awards and acknowledgments	Category	Institution
Empresas Mais	Services category: 3rd position – Localiza Fleet 5th position – Localiza Rent a Car	Estadão
Brazil's 25 Most Valuable Brands	24th position	<i>Interbrand</i>
Brazil's 70 Most Valuable Brands	29th position	<i>Brand Dx</i>
Brazil's most innovative companies: Valor Inovação Ranking	2nd position in Transport and Logistics and 82nd position in the general ranking	Valor Econômico Newspaper
Época 360º	2nd position in Services	Época Negócios
Best Stock Market Companies 2021	Services	Infomoney e Econômica
International Franchise Certificate 2021	Mega category	ABF – Brazilian Franchising Association
Marcas Mais	Car Rental Company - Top position	Estadão e Troiano Branding
Top of Mind Common Market - Successful Brands	Excellence	Mercado Comum Magazine
Institutional Investor Ranking	Best CEO, Best CFO, Best Investor Relations Professional, Best Investor Relations Team, Best Investor Relations Program, ESG, Best Meeting with Analysts and Better Crisis Management due to Covid-19	<i>Institutional Investor</i>
Reclame Aqui Award	Best customer service in the Car Rental Company and Car Dealers categories	Reclame Aqui
Mobility Award	Best Subscription Car Service (Localiza Meoo)	Estadão
Ecovadis Golden Seal	-	CSR Rating
Great Place to Work	-	Great Place to Work Brasil
Greenhouse Gases Inventories	Gold Seal	GHG Protocol Program
Top ESG in Brazil	--	Bank of America e Money Times

13 - CORPORATE GOVERNANCE

The Company works with the highest corporate governance standards in terms of fairness, compliance, accountability, and transparency to generate value to shareholders and the market in general. Since its listing, the Company adhered to the Novo Mercado, B3's highest governance level, which grants a full tag along right to all the Company's shares.

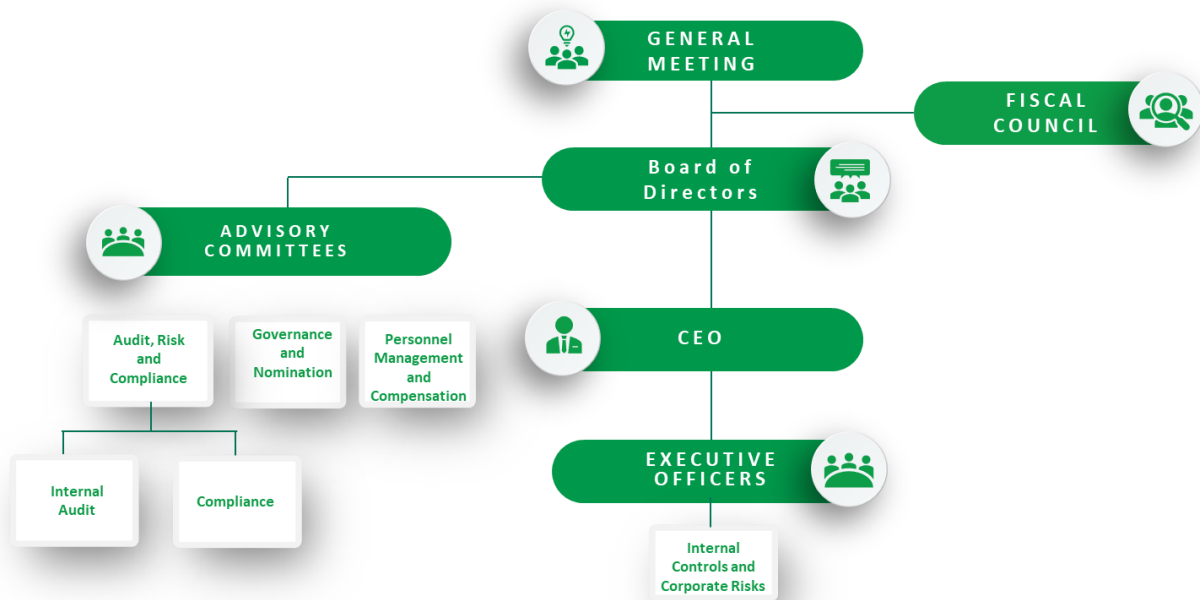
Accession to the Arbitration Chamber: Pursuant to article 36 of its Bylaws, the Company, its shareholders, management and Supervisory Board members, both sitting and alternate members, if applicable, must resolve, through arbitration, in a Market Arbitration Chamber, under that agency's regulations, each and every disputes or controversies that may arise among them, related to or arising from, their status as issuer, shareholder, officers and Supervisory Board members, especially those arising from the provisions of Law 6385/76, Law 6404/76, the Company's Bylaws, the rules issued by the National Monetary Council, the Brazilian Central Bank, and the Brazilian Securities Commission, as well as any other rules applicable to the operation of capital markets in general, in addition to those established in the Novo Mercado Regulation, the other B3 regulations, and the Novo Mercado Membership Agreement.

ABRASCA Code of Self-Regulation and Good Practices: In line with corporate governance best practices, Localiza has adhered to the ABRASCA Code of Self-Regulation and Good Practices for Publicly Held Companies. The Company also adopts the corporate governance best practices established in B3's Novo Mercado Listing Regulations and seeks to comply with the standards suggested by the Brazilian Institute of Corporate Governance ("IBCG").

Code of Conduct: Since 1995, the Company has adopted the Code of Conduct, aimed at all Localiza Group employees, regardless of their hierarchical position, members of the Board of Directors and other committees, partners, suppliers,

intermediary third parties and franchisees, in Brazil and abroad. Every employee, upon joining the Company, participates in the Code of Ethics and Conduct training in their inception phase.

The Company's governance framework at December 31, 2021 was as follows:



Board of Directors

The Company's Board of Directors is responsible for determining the general guidelines and policies for the Company's business, determining, supervising and monitoring the activities performed by the Officers, selecting independent auditors and implementing and supervising internal audits.

On December 31, 2021, the Board of Directors, the Fiscal Council and the Executive Board were composed as follows:

BOARD OF DIRECTORS

	Cargo
Eugênio Pacelli Mattar	Chairman
Oscar de Paula Bernardes Neto	Independent Vice-Chairman
Irlau Machado Filho	Independent Member
Maria Letícia de Freitas Costa	Independent Member
Paulo Antunes Veras	Independent Member
Pedro de Godoy Bueno	Independent Member

FISCAL COUNCIL

Nome	Cargo
Antônio de Pádua Soares Policarpo	President
Luiz Carlos Naninni	Effective member
Carla Alessandra Trematore	Effective member
Fernando Antônio Lopes Matoso	Alternate member
Juliano Lima Pinheiro	Alternate member
Marco Antônio Pereira	Alternate member

STATUTORY EXECUTIVE BOARD

Nome	Cargo
Bruno Sebastian Lasansky	Chief Executive Officer
Rodrigo Tavares Gonçalves de Sousa	Chief Financial Officer and Investor Relations Officer
André Luiz Lopes Petenucci	Statutory Executive of Technology
Daniel Guerra Linhares	Personnel Statutory Executive
Elvio Lupo Neto	Statutory Executive of Car Rental
Flávio Mergener Salles	Statutory Executive of Seminovos
João Hilário De Ávila Valgas Filho	Statutory Executive of Operations
Suzana Fagundes Ribeiro de Oliveira	Chief Legal Officer
João Alberto Mazoni Andrade	Statutory Executive of Fleet Rental

The Company's Board of Directors has instated the following advisory committees which are composed primarily of Board members, with independent coordinators:

(i) Audit, Risk and Compliance: Composed of 3 independent members, the Audit Committee is responsible for supervising the work of the independent auditors, evaluating their performance, evaluating the quality of the financial reports and reports, the accounting principles used and evaluating the effectiveness and the adequacy of the internal control structure.

(ii) Personnel and Compensation: The People Committee is responsible for submitting to the Board of Directors suggestions of compensation policies, performance assessment, profit-sharing programs and stock option plans, in addition to general people management policies. The People Committee is comprised of three members, two of which are independent members.

(iii) Governance: The Governance Committee is comprised of three members, and has the responsibility to actively participate in the preparation and development of the Succession Program for members of the Board of Directors and the Chief Executive Officer, and periodically monitor its development.

Additionally, the Company has the Conduct, Sustainability and Disclosure Committees, comprising Company's officers and employees. The Conduct and the Sustainability Committees report to the CEO and the Disclosure Committee to the CFO and IRO.

Internal Controls

The Internal Controls area hierarchically reports to the CFO and IRO, and periodically reports to the Audit, Risk Compliance Committee.

The process review plan by the Internal Controls area is approved annually by the Audit, Risk and Compliance Committee, with periodic reporting to the committee on the results achieved.

Internal Audit

The Company has an Internal Audit area with a dual reporting structure, whereby it hierarchically reports to the CFO and IRO and functionally reports to the Audit, Risk Management and Compliance Committee.

As part of its activities, the Internal Audit area audits the Company's processes to assess the efficiency and effectiveness of internal controls. Any weaknesses identified generate action plans to be implemented by the applicable departments and are periodically monitored for compliance.

Also, revolving fleet inventories are carried out at car rental locations and Seminovos stores. Inventory procedures also include the assessment of compliance with the internal operating rules and procedures of the branches and of compliance with current legislation. Any non-compliance identified is reported to the relevant department for analysis.

The Company has a hotline operated by a specialized company to receive complaints, anonymously or not, about unethical and/or illegal situations in all companies of the Group. The whistle blowing channel can be used by the entire Localiza team and other audiences with which the Company has relationships.

The Company has a Complaints and Non-Retaliation Policy for Whistleblowers that prohibits retaliation of any kind against a whistleblower in good faith or against employees who act as witnesses in internal investigation procedures

The whistle blowing channel can be accessed by calling 0800 979 2055, for calls originating in Brazil, and +55 (11) 3232 0786, for calls originating abroad, and via the website: www.canalconfidencial.com.br/localiza and also by e-mail: localiza@canalconfidencial.com.br.

Compliance

The Compliance and Ethics area is responsible for coordinating topics related to the Company's Integrity Program in addition to ensuring the management of the Company's corporate risks through the annual review of the Corporate

Risk Matrix and continuous monitoring of the actions implemented. Its main objectives are to: (a) coordinate the phases of the Corruption and Bribery Risk management process; (b) support and guide the implementation of the rules, policies and procedures of the Anti-Corruption and Anti-Bribery Management System; (c) follow-up on and monitor additional actions resulting from business continuity decisions for business partners whose Integrity Due Diligence indicated some matters for attention; (d) implement continuous improvement of the Anti-Bribery and Anti-Corruption Management System, ensuring compliance with the requirements established in ABNT NBR ISO 37001 standard; (e) implement the Anti-Bribery and Anti-Corruption Policy and other procedures related to the Code of Conduct, Integrity Program and report to Management the main matters for attention and any violations; (f) prepare the Communication Plan and Training Plan related to the Anti-Bribery and Anti-Corruption Management System Policies and Procedures; (g) promote and support process improvements and develop actions to improve the Integrity Program, including those based on the results of the investigation of reporting through the Confidential Channel. (h) to support and guide the implementation of the rules, policies, and procedures for compliance with the Program to Prevent Money Laundering and Terrorist Financing, in guideline with the applicable laws.

The Company's Compliance and Ethics area has implemented a dual reporting structure, whereby it administratively reports to the Compliance Officer and functionally reports to the Audit, Risk and Compliance Committee.

Relationship with Independent Auditors: To ensure that non-audit services are not engaged that could impair independence of its auditors, the Company has a Policy for Contracting Non-Audit Services, which is reviewed and monitored by the Audit, Risk and Compliance Committee.

Deloitte Touche Tohmatsu Auditores Independentes Ltda, responsible for the audit of the financial statements of the Company and its subsidiary Localiza Fleet, and audit of a technical report, issued by an entity duly qualified in the legislation, referring to the revision of the fiscal useful life of certain cars of Localiza, with fees for the year 2021 totaling R\$1.2 million, and was also contracted to render other services in the scope of the 17th debenture issue of Localiza, with fees of R\$0.9 million. The auditors believe these services do not represent a loss of independence in the audit work. Management also believes that these are not included in the list of impediments established in article 23 of CVM Instruction 308/99 and are in line with CFC Resolution 1311.

14 - PEOPLE MANAGEMENT

The Company's Human Resources practices are based on meritocracy and guided by competitive compensation and recognition, as well as appreciation of employee performance. In order to retain talents, the Company offers its employees career opportunities and professional training.

Benefits and developments

Localiza has always dedicated itself to sustainable human resources practices through respect for and well-being of its employees, significant levels of diversity in its leadership ranks and investment in training for its staff. Promotions, internal employee leverage and professional development are Localiza's values. In 2021, 1,435 employees were promoted, 894 were included in the Company's merit program and the Company invested approximately R\$1.85 million in training programs.

To attract and retain talents, the Company periodically conducts salary surveys to determine whether its salaries are competitive, and update the Company's compensation policies.

Currently the benefits offered are health and dental plans, life insurance and meal allowance. The Company also has a supplementary retirement benefit plan through a complementary pension plan, established in the form of "defined contribution" and managed by a large independent management company.

Localiza was one of the first companies in Brazil to have a structured profit-sharing program, since 1990. The profit-sharing plan is based on the achievement of individual and financial targets. In addition, a group of executives can choose to participate in two Long Term Incentive Programs (LTI) - Stock Option, Matching Shares and Deferred Shares. These programs aligns the interests of employees with those of the Company's shareholders, contributes to retaining talents and the long-term vision in the decision-making process.

Localiza was one of the first companies in Brazil to have a structured profit-sharing program, since 1990. The profit-sharing plan is based on the achievement of individual and financial targets and, together with long-term incentive programs, aligns the interests of employees with those of the Company's shareholders, contributes to retaining talents and the long-term vision in the decision-making process.

Also, the Company developed a template of seven skills (five for all employees and two exclusively for leaders), which determines the desired conduct to sustain the future growth of the Company and the development of its employees.

In 2021, the general turnover at Localiza was 11.9%, which shows stability at leadership levels. Our Company's growth is secured by talented employees committed to corporate values, who are also adequately compensated based on meritocracy and capable of outstanding performance.

Employee Programs

Inclusion and diversity program: In 2020, Localiza started a robust Diversity and Inclusion Program that aims to build an even stronger culture of welcoming, equal opportunities and psychological security for employees. Another broader objective is to inspire other companies and people, contributing to a fairer society.

The initiative has the objective of engaging leaders, making teams aware, expanding the possibility that groups are listened to and promoting actions and projects that contribute to diversity and inclusion in general.

As part of our goal to advance in diversity and inclusion issues, we became signatories of the Women's Empowerment Principles of UN Women, the Refugee Business Forum, UNHCR and the Business Coalition for Racial and Gender Equity, in addition to the LGBTI+ Business and Rights Forum to which we have been partners since 2020 - a series of external commitments that inspire us and bring the possibility of exchanging good practices.

In its second year, the Localiza Diversity and Inclusion Program has already begun to reap rewards - we have advanced in the review of more inclusive policies, processes and benefits, and we are preparing ourselves with development acceleration programs and structuring of goals so that the groups achieve representativeness also among leadership positions. There are already more than 600 employees actively participating in the five affinity groups - gender equity, people with disabilities, migrants and refugees, race, and LGBTI+.

Also in 2021, Localiza's Diversity and Inclusion Program won first place in the ABERJE National Award for Diversity and Inclusion, an important recognition of our advances.

Flexible working hours: In 2020, the Company implemented the flexible working hour system at the head office. Since January, employees have had the autonomy to choose the time to start and end their activities so as to provide a better balance between personal and professional life. More than 4,000 employees have felt the effects of this new working model, which brings confidence and well-being to Localiza's employees.

Remote work: Driven by the pandemic effects, also in 2020, Localiza put into practice a new working system that had already been considered for employees of the head office and call centers, that is, working from home. There are a total of 4,782 eligible employees can work up to three times per week from their homes, thus saving time without commuting and increasing well-being and life balance. Considering the new working model, employees are offered monthly subsidies for utilities expenses and an ergonomics allowance: funds to assure that employees can set up their work areas properly when working from home.

Sempre Bem: The "Sempre Bem" health policy was created with the objective of promoting healthy habits and caring for the well-being of our employees, contributing to an awareness and consequent improvement in their quality of life. Health care goes beyond the corporate environment and, for this reason, we encourage care in a broad and continuous manner through health programs and actions.

This policy aims to create a health culture in the company based on caring for people, encouraging changes in habits, the prevention of diseases and health problems, and improving employee satisfaction with their work. Through the management of the benefits offered and actions taken by the company, it is possible to continuously improve and update the pillars of Sempre Bem, following the development of all our employees.

Sempre Bem is divided into 5 pillars:

- Sempre Bem Saudável: focused on individual medical care and orientation;
- Sempre Bem Cuidando de Você: focused on prevention and awareness campaigns;
- Sempre Bem Com Você: promotes mental health, reinforcing its importance for overall well-being;
- Sempre Bem Todo Dia: Sempre Bem Todo Dia: involves the programs and actions that aim to improve healthy practices and habits during the day to day;
- Sempre Bem Com a Família: addresses family issues such as family well-being and quality of life;

Among the various actions implemented through Sempre Bem in 2021, the following stand out:

Saudavelmente: The Healthy Program seeks to provide support for the emotional health of employees. It aims to act in a preventive way, through committees, training trails in emotional health and development of awareness campaigns. In addition, it aims to promote good practices, to welcome employees in times of need, to support their recovery and return, and to establish a culture of care.

Empresa Cidadã: In December 2021, Localiza adhered to the Corporate Citizen seal, ensuring our employees more time for maternity and paternity leave in line with the Always Well With the Family Pillar. We believe that with this practice we will have gains such as increasing the quality of life of the whole family, promoting children's health by ensuring exclusive breastfeeding in the first six months. Another benefit of the program is the protection of the mental and physical health of our employees, ensuring a longer period of rest and adaptation to the new routine for mothers and fathers.

15 - SUSTAINABILITY

Commitment to sustainable development is part of Localiza's strategy and inspires us to continuously seek financial, environmental, social and governance results, grounded in the company's values.

Consistent with our purpose - With you, building the future of sustainable mobility, we have consistently and conscientiously advanced our initiatives and goals, with the following highlights in 2021:

Environmental

- We have been partners of the Climate Commitment Program since 2020, a movement that aims to engage and inspire the private sector in climate responsibility actions, and, within an evolving vision, we joined the UN Global Compact's Net Zero Ambition Program, for the development of science-based initiatives to reduce GHG emissions.
- We neutralized the emissions from our operations (scopes 1 and 2) in 2020, totaling 15,686.51 tCO₂e. We further improved our Greenhouse Gas Inventory, including our customers' emissions in scope 3 and having it verified by a third party, receiving the GHG Protocol Gold seal. At the end of the second semester, we started a pilot project aimed at actions to reduce emissions related to our customers.
- In addition to fueling about 99% of our fleet with ethanol, given the nature of our business, we invested in Localiza's potential to contribute to the promotion of cars fueled with biofuels, creating value for our brand and for society. We also changed our policy for supplying administrative cars and travel reimbursements, recommending the use of ethanol as fuel for company employees who use corporate vehicles
- In line with the reduction in water consumption, we continue to advance with the dry cleaning indicator in 2021 reaching 60/4%, figures reported until October.
- We maintained our strong progress in the distributed generation of clean energy through the installation of photovoltaic panels at our own units (RAC and Seminovos), closing the year with 101 units impacted. In addition, we have 59 branches benefiting from clean energy credits from 3 solar farms in MG, RJ, and PE, totaling, therefore, 160 units of the network served by clean energy. With the strong progress of the project, we generated in the year more than 3,200,000 kWh of clean energy in our branches, which represents more than a 68% increase compared to 2020.

Social

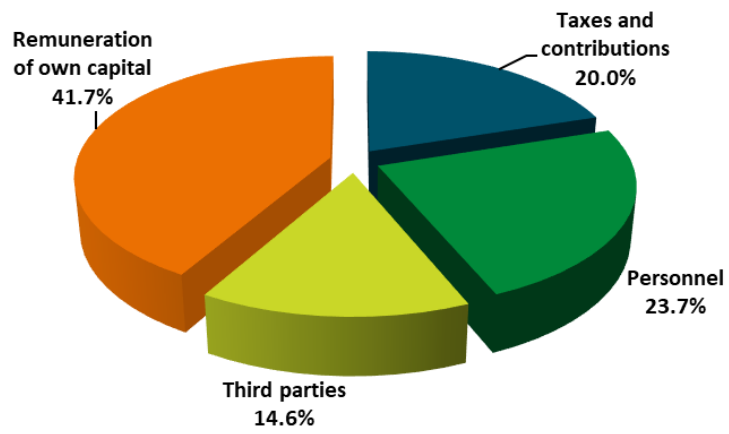
- As part of our goal to advance diversity and inclusion, we became signatories to the UN Women's Empowerment Principles, the Refugee Business Forum, UNHCR, and the Business Coalition for Racial and Gender Equity, a series of external commitments that inspire us and bring the possibility of exchanging best practices.
- In its second year, the Localiza Diversity and Inclusion Program has already begun to reap rewards - we have advanced in the review of more inclusive policies, processes and benefits, and we are preparing ourselves with development acceleration programs and goal structuring so that minority and underprivileged groups achieve representation and more inclusion. There are already more than 600 employees actively participating in the 05 affinity groups.
- Localiza's Diversity and Inclusion Program won first place in the ABERJE National Award for Diversity and Inclusion, an important recognition of our advances.
- The company's efforts in providing development and career opportunities for its employees, with care and professionalism, resulted in external recognition, such as maintenance of the Great Place to Work seal, from a favorability index of 91% among responding employees, growing by 3p.p. in relation to last year.
- In 2021 the Localiza Institute started its activities, establishing partnerships with social organizations, internal areas and Localiza partners to foster technical training programs and productive inclusion of young people in decent work or entrepreneurship opportunities. Aimed at the socially vulnerable public, it launched its first public edict - Youth in Movement - selecting 24 projects from 14 Brazilian states which will receive R\$ 2.5 million in financial support, besides technical support from the Localiza Institute. Together, the projects, which start their activities in 2022, will benefit around 6 thousand youngsters.

Governance

- In December 2021 we had about 93% of employees trained in the Code of Conduct that guides the attitude of employees in internal relationships and also with customers, franchisees, suppliers, partners, communities and other stakeholders.
- The company maintained its ISO 37001 certification, attesting to the quality of its performance in the fight against bribery, based on a culture of integrity, transparency and compliance.
- The Sustainability management was created with the role of supporting the company in building the future of sustainable mobility.

In 2021, we updated our materiality matrix by actively listening to our main stakeholders, including ESG specialists, in order to map the most relevant topics considering the risks and opportunities of our business and thus define the priority initiatives and targets that became part of the top management contract. We continue to make consistent and strategic progress in generating a positive impact for people, the business, and the planet.

Statement of Value Added: This statement shows the Company's importance to society, as being responsible for generating wealth at the amount of R\$4,895.7 million in 2021 (R\$3,270.5 million in 2020), distributed as follows:



Social Report

(Amount in R\$ thousand)

	2020			2021		
Calculation basis for consolidated social indicators						
Net revenue ("NR")						
			10,307,615			10,901,336
Earnings before taxes ("EBT")			1,427,321			3,224,066
Gross payroll ("GP")			865,398			1,058,151
Internal social indicators	Amount	% on GP	% on NR	Amount	% on GP	% on NR
Meals	67,018	8%	1%	83,854	8%	1%
Compulsory payroll taxes	178,529	21%	2%	201,738	19%	2%
Health	69,241	8%	1%	72,087	7%	1%
Professional training and development	1,923	0%	0%	6,237	1%	0%
Daycare centers or childcare allowance	153	0%	0%	407	0%	0%
Profit sharing	148,761	17%	1%	211,270	20%	2%
Other	12,878	1%	0%	18,942	2%	0%
Total - internal social indicators	478,503	55%	5%	594,535	57%	6%
External social indicators	Amount	% on EBT	% on NR	Amount	% on EBT	% on NR
Education	883	0%	0%	382	0%	0%
Culture	3,807	0%	0%	1,022	0%	0%
Other	11,163	1%	0%	9,762	0%	0%
Total contributions to society	15,853	1%	0%	11,166	0%	0%
Taxes (net of payroll taxes) (*)	575,554	40%	6%	806,413	25%	7%
Total - external social indicators	591,407	41%	6%	817,579	25%	7%
Staff Indicators			12/31/20			12/31/21
Number of employees at the end of the period			11,251			12,223
Number of new hires during the period			3,823			3,946
Number of third-party employees			723			637
Number of interns			77			112
Number of employees over 50 years old			521			579
Number of female employees			5,081			5,717
% of lead positions held by female employees			49.95%			50.17%
Number of employees with special needs			351			426

(*) Does not include approximately R\$934,891.6 million of Value-Added Tax on Sales and Services (ICMS) and R\$611,675.1 million of Excise Tax (IPI) paid by the Company and included in the purchase price of cars.

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

Localiza Rent a Car S.A.

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

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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

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

To the Management and Shareholders of
Localiza Rent a Car S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Localiza Rent a Car S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Localiza Rent a Car S.A. as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Basis for opinion

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

Key audit matters

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

Definition of the vehicles useful life and depreciation amount

As stated in note 9 to the individual and consolidated financial statements, the Company estimates the depreciation amount of vehicles based on the difference between the acquisition cost and the estimated resale amount at the end of the asset useful life, less trade discounts and selling expenses, which are defined based on the historical amounts.

This matter was considered a key audit matter in our audit, since the vehicles depreciation calculation corresponds to an accounting estimate based on assumptions that require Management's judgment and assessment, especially those concerning the definition of the depreciable amount and the estimated useful life of vehicles. Changes in the assumptions adopted to determine the residual value of vehicles can lead to material adjustments in those assets and depreciation amounts recorded for the year.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to:

- (i) Understanding and assessing the design and implementation of the relevant internal control activities for vehicles depreciation calculation.
- (ii) Assessing the main assumptions adopted to calculate the residual value of property, plant and equipment, such as the estimated selling price at the end of the useful lives, the sales commissions and other selling expenses and discounts applied.
- (iii) Assessing the useful life of the vehicles determined by Management.
- (iv) Recalculating the depreciation recognized in the period for a selected sample for testing purposes.
- (v) Developing an independent expectation of the vehicles depreciation amount during the year and the respective comparison with the amounts recognized by the Company.
- (vi) Assessing Management's disclosures in the individual and consolidated financial statements.

In view of the criteria and assumptions adopted by Management in measuring the residual values of vehicles and calculating depreciation, the outcome of our procedures was considered acceptable in the context of the individual and consolidated financial statements taken as a whole.

Review of the useful life of vehicles from the car rental division's fleet and respective tax impacts

As disclosed in note 7 to the individual and consolidated financial statements, the Company completed the tax review of the useful life of certain vehicles from the car rental division, as set forth in article 320 of the Income Tax Regulation (Decree 9,580/18). As a result of this review, technical reports were issued by an entity duly qualified as prescribed by the law, changing the average tax useful life of certain vehicles to 24 months. Consequently, as a result of the increase in the tax depreciation of these vehicles, the following was recognized in the individual and consolidated financial statements, retroactively to January 1, 2021 (i) PIS and COFINS credits, in the amount of R\$371,284 (before income tax and social contribution) and (ii) deferred income tax and social contribution assets and liabilities, in the amounts of R\$1,163,725 and R\$1,247,576, respectively.

The determination of the tax useful life of vehicles depends on the Management's judgment, based on technical reports issued by an entity duly qualified as prescribed by the law and the assessment of the tax aspects made by its legal counsel. Also, and considering the significance of the respective amounts, any changes in the assessment made by Management, which impact the determination of the tax useful loss, could have significant impacts on the Company's individual and consolidated financial statements. In light of the foregoing, this matter was considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to:

- (i) Assessing the reasonableness of the forecasts established by the legal counsel with respect to the legal aspects related to the change of the tax useful life, including with the involvement of our tax specialists in the review of the legal counsel's opinions obtained by the Company's Management.
- (ii) Assessing the capacity and objectivity of the entity issuing the reports that supported the determination of the new tax useful life.
- (iii) Testing, on a sampling basis, the calculation and documentation supporting the reprocessing of tax depreciation for certain vehicles, including recalculating the amounts of PIS and COFINS credits and the impacts on the income tax and social contribution generated by the change in the aforesaid useful life, as well as matching the new reprocessed tax depreciation rates with the accessory obligations.
- (iv) Developing an independent estimation of the deferred income tax and social contribution amount during the year and respective comparison with the amounts recorded by the Company.
- (v) Assessing Management's disclosures in the individual and consolidated financial statements.

Based on the procedures performed, we consider acceptable the criteria adopted by Management relating to the tax useful life of certain vehicles and corresponding PIS and COFINS credits recognized by the Company, as well as the impacts of this matter on the deferred income tax and social contribution balances, in the context of the audit of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

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

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

Management is responsible for the other information. The other information comprises the Management Report and the Earnings Release.

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

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

Management's responsibilities and those charged with governance for the individual and consolidated financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Belo Horizonte, February 22, 2022

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Daniel de Carvalho Primo
Engagement Partner

LOCALIZA RENT A CAR S.A.

BALANCE SHEET

(In thousands of Brazilian reais – R\$)

ASSETS

	Note	Individual		Consolidated	
		12/31/21	12/31/20	12/31/21	12/31/20
Current assets					
Cash and cash equivalents	4	289,103	1,575,486	444,139	2,586,393
Short-term investments	5	3,642,455	1,040,917	4,565,393	1,380,211
Trade receivables	6	1,164,104	974,296	1,310,359	1,107,467
Dividends receivable from subsidiaries	8(b)(iii)	145,555	120,680	-	-
Decommissioned cars for fleet renewal	9(b)	148,188	7,997	181,999	40,551
Derivative financial instruments	14	89,625	85,021	89,625	154,305
Other current assets	7	320,376	276,163	351,350	300,695
Total current assets		5,799,406	4,080,560	6,942,865	5,569,622
Noncurrent assets					
Long-term assets:					
Long-term investments	5	3,000	-	3,000	-
Trade receivables	6	-	-	2,666	1,982
Derivative financial instruments	14	365,088	325,585	448,085	353,022
Escrow deposits	17(a)	86,517	79,376	121,805	113,720
Deferred income tax and social contribution	18(a)	-	-	24,291	24,363
Other noncurrent assets	7	286,331	83	332,461	45,042
Total long-term assets		740,936	405,044	932,308	538,129
Investments in subsidiaries	8(b)	1,875,512	1,462,266	-	-
Property and equipment	9(a)	13,005,443	11,192,596	17,293,854	14,181,295
Intangible assets	10	32,107	38,865	143,029	152,088
Total noncurrent assets		15,653,998	13,098,771	18,369,191	14,871,512
Total assets		21,453,404	17,179,331	25,312,056	20,441,134

LOCALIZA RENT A CAR S.A.

BALANCE SHEET

(In thousands of Brazilian reais – R\$)

LIABILITIES AND EQUITY

	Note	Individual		Consolidated	
		12/31/21	12/31/20	12/31/21	12/31/20
Current liabilities					
Trade payables	11	1,490,280	1,458,302	2,059,296	1,661,001
Payroll and related taxes	12	250,533	199,117	276,128	218,451
Borrowings and debt securities	13	1,725,157	1,286,564	1,884,758	1,615,037
Derivative financial instruments	14	8,560	-	9,124	66,365
Income tax and social contribution		-	71,632	8,966	117,579
Dividends and interest on capital	19(e)	288,849	72,433	288,849	72,433
Right-of-use lease	15	173,732	144,492	156,951	130,239
Other current liabilities	16	269,987	382,649	300,428	415,283
Total current liabilities		4,207,098	3,615,189	4,984,500	4,296,388
Noncurrent liabilities					
Borrowings and debt securities	13	7,633,064	6,349,987	10,548,337	8,882,686
Derivative financial instruments	14	134,677	9,872	134,677	37,184
Provision for risks	17(a)	135,622	131,338	163,647	158,587
Deferred income tax and social contribution	18(a)	808,299	235,159	1,147,902	412,089
Right-of-use lease	15	891,502	773,292	635,177	532,537
Other noncurrent liabilities	16	26,052	11,835	80,726	69,004
Total noncurrent liabilities		9,629,216	7,511,483	12,710,466	10,092,087
Total liabilities		13,836,314	11,126,672	17,694,966	14,388,475
Equity					
	19				
Capital		4,000,000	4,000,000	4,000,000	4,000,000
Share issuance costs		(43,111)	(43,111)	(43,111)	(43,111)
Treasury shares		(162,074)	(175,526)	(162,074)	(175,526)
Capital reserves		202,964	174,948	202,964	174,948
Earnings reserves		3,618,430	2,096,348	3,618,430	2,096,348
Valuation adjustments		881	-	881	-
Total equity		7,617,090	6,052,659	7,617,090	6,052,659
Total liabilities and equity		21,453,404	17,179,331	25,312,056	20,441,134

LOCALIZA RENT A CAR S.A.

INCOME STATEMENT

YEARS ENDED DECEMBER 31

(Amounts in thousands of Brazilian reais – R\$, except earnings per share)

	<i>Note</i>	Individual		Consolidated	
		2021	2020	2021	2020
Net revenue	22	8,769,380	8,175,354	10,901,336	10,307,615
Costs	23	(5,217,427)	(6,242,974)	(6,202,570)	(7,408,647)
Gross profit		3,551,953	1,932,380	4,698,766	2,898,968
Operating income (expenses):					
Selling expenses	23	(923,259)	(796,318)	(1,084,106)	(888,014)
General, administrative and other expenses	23	(307,911)	(182,575)	(390,594)	(209,220)
Equity in the earnings of subsidiaries	8(b)	623,337	496,506	-	-
		(607,833)	(482,387)	(1,474,700)	(1,097,234)
Profit before finance income (costs)		2,944,120	1,449,993	3,224,066	1,801,734
Finance income (costs)	24	(329,256)	(250,360)	(320,943)	(374,413)
Profit before income tax and social contribution		2,614,864	1,199,633	2,903,123	1,427,321
Income tax and social contribution:	18(b)				
Current		1,499	(110,306)	(124,015)	(311,707)
Deferred		(572,686)	(41,147)	(735,431)	(67,434)
		(571,187)	(151,453)	(859,446)	(379,141)
Profit for the year		2,043,677	1,048,180	2,043,677	1,048,180
Profit attributable to shareholders		-	-	2,043,677	1,048,180
Earnings per share (in R\$):	20				
Basic				2,71758	1,39381
Diluted				2,70053	1,39095

LOCALIZA RENT A CAR S.A.

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais – R\$)

	Individual		Consolidated	
	2021	2020	2021	2020
Profit for the year	2,043,677	1,048,180	2,043,677	1,048,180
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss:				
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to changes in credit risk	1,335	-	1,335	-
Income tax and social contribution on items that will not be subsequently reclassified to profit or loss	(454)	-	(454)	-
Other comprehensive income for the year, net of taxes	881	-	881	-
Total comprehensive income for the year	2,044,558	1,048,180	2,044,558	1,048,180
Attributable to shareholders:			2,044,558	1,048,180

LOCALIZA RENT A CAR S.A.

STATEMENT OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais – R\$)

	Note	Capital reserves				Earnings reserves				Total	
		Capital	Expenditure on issuance of shares	Treasury shares	Stock options granted recognized	Goodwill on share subscription	Legal reserve	Statutory reserve	Retained earnings		Valuation adjustments
At December 31, 2019		4,000,000	(43,111)	(22,288)	71,736	113,758	220,565	1,106,872	-	-	5,447,532
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	1,048,180	-	-	1,048,180
Transactions with shareholders: contributions and distributions											
Stock options granted recognized	19(c)(i)	-	-	-	11,915	-	-	-	-	-	11,915
Exercise of long-term incentive programs with treasury shares	19(b) e 19(c)(ii)	-	-	28,204	(15,821)	(7,611)	-	-	-	-	4,772
Treasury shares acquired	19(b)	-	-	(184,695)	-	-	-	-	-	-	(184,695)
Treasury shares sold		-	-	3,253	-	971	-	-	-	-	4,224
Allocation of profit for the year:											
Legal reserve	19(d)(i)	-	-	-	-	-	52,409	-	(52,409)	-	-
Interest on capital (R\$0.35 per share)	19(e)	-	-	-	-	-	-	-	(261,141)	-	(261,141)
Proposed dividends (R\$0.02 per share)	19(e)	-	-	-	-	-	-	-	(18,128)	-	(18,128)
Recognition of statutory reserve	19(d)(ii)	-	-	-	-	-	-	716,502	(716,502)	-	-
At December 31, 2020		4,000,000	(43,111)	(175,526)	67,830	107,118	272,974	1,823,374	-	-	6,052,659
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	2,043,677	-	-	2,043,677
Other comprehensive income		-	-	-	-	-	-	-	881	881	881
Transactions with shareholders: contributions and distributions											
Stock options granted recognized	19(c)(i)	-	-	-	38,440	-	-	-	-	-	38,440
Exercise of long-term incentive programs with treasury shares	19(b) e 19(c)(ii)	-	-	11,690	(16,806)	3,768	-	-	-	-	(1,348)
Treasury shares sold		-	-	1,762	-	2,614	-	-	-	-	4,376
Allocation of profit for the year:											
Legal reserve	19(d)(i)	-	-	-	-	-	102,183	-	(102,183)	-	-
Interest on capital (R\$0.42 per share)	19(e)	-	-	-	-	-	-	-	(315,395)	-	(315,395)
Proposed dividends (R\$0.27 per share)	19(e)	-	-	-	-	-	-	-	(206,200)	-	(206,200)
Recognition of statutory reserve	19(d)(ii)	-	-	-	-	-	-	1,419,899	(1,419,899)	-	-
At December 31, 2021		4,000,000	(43,111)	(162,074)	89,464	113,500	375,157	3,243,273	-	881	7,617,090

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

LOCALIZA RENT A CAR S.A.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

(In thousands of Brazilian reais – R\$)

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Cash flows from operating activities:					
Profit for the year		2,043,677	1,048,180	2,043,677	1,048,180
Adjustments to reconcile profit or loss to cash and cash equivalents					
generated by operating activities					
Depreciation and amortization	9(a), 10 e 23	406,243	536,063	473,502	666,336
(Gain) /loss on the sale or write-off of decommissioned cars		(671,884)	(335,058)	(961,951)	(509,248)
Deferred income tax and social contribution	18(b)	572,686	41,147	735,431	67,434
Equity in the earnings of subsidiaries	8(b)	(623,337)	(496,506)	-	-
Provision for risks	17(a)	4,284	(27,745)	5,060	(48,650)
Interest on borrowings, debt securities and derivatives	13 e 14	419,031	250,723	502,277	423,691
Interest on leases	15	85,785	81,979	61,784	59,626
Allowance for doubtful debts	6	13,915	45,742	20,831	46,738
Other provisions		5,874	(593)	7,118	(787)
Other		40,757	11,783	40,845	11,985
(Increase) decrease in assets:					
Trade receivables	6	(226,095)	73,104	(248,069)	118,834
Acquisition of cars (see supplementary disclosure below)		(5,690,867)	(5,452,117)	(7,366,884)	(6,513,260)
Escrow deposits	17(a)	(7,141)	(4,312)	(8,121)	902
Recoverable taxes		(265,133)	7,175	(266,942)	11,540
Prepaid expenses	7	(10,394)	(8,198)	(11,641)	(7,857)
Other receivables		87,997	(67,879)	85,097	(44,738)
Trade payables (except car manufacturers)	11 e 15	92,084	72,628	109,291	84,302
Payroll and related taxes	12	51,416	59,752	57,677	56,505
Income tax and social contribution	18(b)	(1,499)	110,306	124,015	311,707
Insurance premium	16	(92,286)	21,451	(93,194)	20,767
Other payables		(69,749)	(1,576)	(71,347)	13,380
Cash generated by (used in) operating activities		(3,834,636)	(4,033,951)	(4,761,544)	(4,182,613)
Revenue on the sale of the decommissioned cars, net of taxes	22	4,356,584	5,040,456	5,308,049	6,109,168
Income tax and social contribution paid		(144,402)	(51,592)	(307,075)	(250,112)
Interest paid on borrowings, debt securities and derivatives	13 e 14	(288,976)	(227,795)	(372,915)	(366,907)
Interest on leases paid	15	(43,410)	(50,981)	(49,674)	(56,847)
Short-term investments	5	(2,604,538)	(773,899)	(3,188,182)	(769,373)
Net cash generated by (used in) operating activities		(2,559,378)	(97,762)	(3,371,341)	483,316
Cash flows from investing activities:					
Dividends from subsidiaries	8(b)(iii)	185,216	126,815	-	-
Acquisition of other property and equipment	9(a)	(118,127)	(73,388)	(139,108)	(98,763)
Acquisition of intangible assets	10	(4,165)	(8,261)	(4,329)	(9,299)
Acquisition of subsidiary, net of cash acquired	8(a)	-	-	-	(7,876)
Other	8(a)	-	-	(3,581)	-
Net cash generated by (used in) investing activities		62,924	45,166	(147,018)	(115,938)

LOCALIZA RENT A CAR S.A.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

(In thousands of Brazilian reais – R\$)

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Cash flows from financing activities:					
Borrowings and debt securities	13				
- Funding		3,097,979	1,250,313	3,596,103	2,238,895
- Repayments		(1,415,771)	(652,749)	(1,778,889)	(1,675,926)
Repayments of lease liability	15	(174,987)	(147,347)	(143,959)	(119,245)
Treasury shares sold	19(b)	4,376	4,224	4,376	4,224
Treasury shares acquired	19(b)	-	(184,695)	-	(184,695)
Exercise of stock options with treasury shares, net		(1,348)	4,772	(1,348)	4,772
Interest on capital	19(e)	(282,050)	(269,112)	(282,050)	(269,112)
Dividends		(18,128)	-	(18,128)	-
Net cash provided by (used in) financing activities		1,210,071	5,406	1,376,105	(1,087)
Increase (decrease) in cash and cash equivalents		(1,286,383)	(47,190)	(2,142,254)	366,291
Balance in cash and cash equivalents:					
At the beginning of the year	4	1,575,486	1,622,676	2,586,393	2,220,102
At the end of the year		289,103	1,575,486	444,139	2,586,393
Increase (decrease) in cash and cash equivalents		(1,286,383)	(47,190)	(2,142,254)	366,291
Supplementary disclosure of cash flows information					
	Note	Individual		Consolidated	
		2021	2020	2021	2020
Acquisition of cars:					
For fleet renewal		(5,188,243)	(4,541,941)	(6,374,415)	(5,524,143)
For fleet growth		(436,885)	-	(1,281,473)	-
Total acquisition of cars	9(a)	(5,625,128)	(4,541,941)	(7,655,888)	(5,524,143)
Trade payables – car manufacturers:					
Balance at the end of the year	11	(1,181,945)	(1,247,684)	(1,707,362)	(1,418,358)
Balance at the beginning of the year		(1,247,684)	(2,157,860)	(1,418,358)	(2,407,475)
		(65,739)	(910,176)	289,004	(989,117)
Cash outflow for acquisition of cars		(5,690,867)	(5,452,117)	(7,366,884)	(6,513,260)
Revenue from sale of decommissioned cars, net of taxes	22	4,356,584	5,040,456	5,308,049	6,109,168
Trade receivables on sale of decommissioned cars:					
Balance at the end of the year	6	140,263	211,457	183,828	252,523
Balance at the beginning of the year		211,457	391,681	252,523	475,091
		71,194	180,224	68,695	222,568
Cash inflow from sale of decommissioned cars		4,427,778	5,220,680	5,376,744	6,331,736
Net cash outflow for investment in fleet		(1,263,089)	(231,437)	(1,990,140)	(181,524)

LOCALIZA RENT A CAR S.A.

STATEMENT OF VALUE ADDED

YEARS ENDED DECEMBER 31

(In thousands of Brazilian reais – R\$)

	Note	Individual		Consolidated	
		2021	2020	2021	2020
Revenues:					
Gross revenue net of discounts	22	9,220,018	8,498,031	11,490,561	10,758,703
Revenues related to the construction of own assets and leasehold improvements		39,659	45,015	39,822	45,975
Recognition of allowance for doubtful debts and expected losses, net of reversals	6	(13,915)	(45,742)	(20,831)	(46,738)
Total revenues		9,245,762	8,497,304	11,509,552	10,757,940
Costs and expenses acquired from third parties:					
Materials, electric power, outsourced services and others		(641,569)	(519,987)	(734,169)	(559,184)
Costs of car and fleet rental and residual value of cars written off		(4,761,967)	(5,367,408)	(5,662,180)	(6,399,853)
Total costs and expenses acquired from third parties:		(5,403,536)	(5,887,395)	(6,396,349)	(6,959,037)
Gross wealth generated		3,842,226	2,609,909	5,113,203	3,798,903
Depreciation and amortization	23	(406,243)	(536,063)	(473,502)	(666,336)
Net wealth created		3,435,983	2,073,846	4,639,701	3,132,567
Wealth received in transfer:					
Finance income		184,449	105,686	255,955	137,970
Equity in the earnings of subsidiaries	8(b)	623,337	496,506	-	-
Wealth for distribution		4,243,769	2,676,038	4,895,656	3,270,537
Wealth distributed					
Taxes, fees and contributions					
- Federal		423,250	225,506	765,193	493,516
- State		131,933	150,165	174,717	192,753
- Municipal		26,566	27,934	38,168	37,665
Personnel					
- Salaries and wages		747,252	594,600	891,484	686,685
- Benefits		154,933	126,973	176,633	141,678
Severance pay fund ("FGTS")		46,581	40,142	54,889	46,308
- Others		38,440	11,961	38,440	11,961
Remuneration of third-party capital					
- Interest		513,705	356,046	576,898	512,383
- Property rental	23	79,210	68,009	93,693	71,172
- Other rents		38,222	26,522	41,864	28,236
Remuneration of own capital					
- Interest on capital	19(e)	315,395	261,141	315,395	261,141
- Dividends	19(e)	206,200	18,128	206,200	18,128
- Retained earnings		1,522,082	768,911	1,522,082	768,911
Wealth distributed and retained		4,243,769	2,676,038	4,895,656	3,270,537

LOCALIZA RENT A CAR S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED December 31, 2021

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

1. OPERATIONAL CONTEXT

Localiza Rent a Car S.A. (“Localiza” or “Company”), headquartered at Avenida Bernardo de Vasconcelos, 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, has been since May 2005 a Brazilian publicly-held corporation, listed on the New Market of B3 S.A. - Brasil, Bolsa, Balcão (“B3”) Novo Mercado segment, which characterizes the highest corporate governance level in the Brazilian capital market. Localiza's shares are traded under the ticker symbol RENT3.

Localiza and its subsidiaries are mainly engaged in: car rental, which includes franchising and fleet management. In order to renew the fleet, Localiza and its direct and indirect subsidiaries Localiza Fleet S.A. (“Localiza Fleet”) and Car Rental Systems S.A. (“Car Rental Systems”), respectively, sell their decommissioned cars, maximizing cash generation for fleet renewal.

At December 31, 2021, the Localiza Platform, including its franchisees in Brazil and abroad, was comprised of 620 car rental locations (unaudited), of which: (i) 546 locations in 366 cities in Brazil, 453 of which were operated by Localiza and 93 by franchisees; and (ii) 74 locations in 36 cities in 4 other South American countries, all operated by franchisees. Approximately half of the decommissioned cars are sold to final consumers through 127 points of sale owned by the Company, located in 85 cities throughout Brazil.

These individual and consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on February 21, 2022 and by the Company's Management on February 22, 2022.

1.1. Covid-19 Pandemic

In view of the spread of the Coronavirus (Covid-19) in Brazil, as from the second half of March 2020, all Localiza Seminovos (“Seminovos”) stores and several car rental locations were closed to the public. Car rental locations and stores started reopening at the end of April 2020, after an analysis of the laws applicable to each location, the demand and implementation of protection measures for employees and customers. The activity of car rental was considered as essential by municipalities, states and federal government for serving customers who provide essential services or need private transport on pandemic scenario.

After a consistent resumption of volumes in car rentals and the sale of decommissioned cars for fleet renewal, we once again felt impacts of the pandemic (in a smaller proportion than that observed in the first wave) in March and April 2021, due to the onset of new variants and the recurrence of cases. The scarcity of some supplies, notably semiconductor chips, has been affecting the automotive industry, due to the pandemic, geopolitical factors, among other aspects, resulting in a reduction in the supply of cars and an increase in market prices. The Company was again affected by the lower volume of car purchases due to the fact that automakers had not resumed production levels, as well as the increase in the allowance for doubtful debts and in the car maintenance costs, which were impacted by the aging of the fleet and an increase in the cost of spare parts.

The Company's Management performed various analyses of the impacts of Covid-19, which involved mainly the assessment of indicators of impairment of non-current assets, expected credit losses on trade receivables, measurement of financial instruments, including derivative financial instruments, among others. This interim financial information considers the impacts arising from these analyses.

1.2. Termination of the partnership with Hertz

According to the Material Fact disclosed on August 19, 2020, Localiza signed with The Hertz Corporation (parent company of Hertz Group) and Hertz System Inc., on that date, the termination of Brand Cooperation Agreement and the Referral Agreements established in 2017, which stipulates a transition plan of at least six months. Such termination does not provide for any fine or encumbrance for the parties. On September 8, 2020, that instrument was approved by the U.S. Court responsible for the in-court reorganization process of Hertz. The parties agreed to extend the Customer Referral agreements for three successive periods of 6 months, that is, until September 2022, and said extension may be terminated by either party, without any penalty, upon 60 days' prior notice. Up to December 31, 2021, the Company incurred costs associated with the removal of the Hertz brand from its network of car rental locations, totaling approximately R\$17 million, of which R\$15 million were incurred during 2020.

1.3. Combination of Localiza and Unidas businesses

According to the Material Fact dated September 22, 2020, Localiza and Companhia de Locação das Américas (“Unidas” and, in conjunction with Localiza, “Companies”) entered into a “Merger of Shares Agreement” through which the terms and conditions for the implementation of the business combination of the Companies, through the merger of shares of Unidas into Localiza (“Merger of Shares” or “Transaction”), were established.

The transaction will result in the union of shareholders that are a reference and have long experience in the industry, in the combination of talents to provide innovative solutions in mobility, in the creation of a player on a global scale committed with the highest levels of governance and with ambition to provide the best customer experience, increasing the access of the population and companies to car rental. From the economic and financial point of view, the business integration should promote synergies and increases in efficiency in the combined company resulting from the Merger of Shares.

This transaction was approved by the shareholders of the Companies at their respective general shareholders’ meetings held on November 12, 2020. The completion of the Merger of Shares depended on the approval by the Brazilian Antitrust Agency (“CADE”), as well as the verification of other certain usual conditions precedent for operations of this nature.

On February 17, 2021, the notice for Concentration Act 08700.000149/2021-46, referring to the proposed Merger of Shares, was published on CADE's website.

On September 6, 2021, were issued the opinion nº 13/2021/CGAA1/SGA1 and order nº 1309/21, which the General Superintendence of CADE submits the Act of Concentration to Administrative Court, recommending the approval of operation with remedies in accordance with the Concentration Control Agreement. On December 15, 2021, the CADE Court issued a decision on the aforementioned Concentration Act, which was approved with some structural and behavioral restrictions, as a provisioned in the terms of the CCA negotiated with CADE.

The closing of the deal is still subjected to certain conditions, including the final approval by CADE of the buyer of the assets that will be divested, in the terms of the CCA. Both companies inform that they are in negotiation with parties interested in the remedies and that they will continue operating independently until the closing.

1.3. Cyber-attack

As announced to the market, on January 11, 2022, the Company and its subsidiaries suffered a partial interruption in the functioning of some systems, due to a criminal cyber-attack on their information technology environment. Localiza immediately activated its security control protocols to block the attack and mitigate potential impacts.

The Company has technological tools and strict security standards in place, and it constantly seeks to improve it with the implementation of new security tools and procedures to protect its systems and databases.

Up to the date of disclosure of these financial statements, the Company did not identify evidence of access to databases, extraction or leakage of personal data.

2. BASIS OF PREPARATION, PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The Company's financial statements comprise individual and consolidated financial statements, identified as "Individual" and "Consolidated", and are prepared and presented in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and also in accordance with the accounting practices adopted in Brazil. In turn, the accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law as well as the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM"), and disclose all relevant information that should be reported in the financial statements, and only such information, which is consistent with the information used by Management in the performance of its duties.

2.2. Basis of preparation

The financial statements have been prepared based on historical cost, normally at the fair value of the consideration paid in exchange for an asset, except for certain financial assets and liabilities, which are measured at fair value.

2.3. Basis of consolidation and investments in subsidiaries

The Company consolidates all the entities which it controls. The consolidated financial statements include the individual financial statements of the parent company Localiza and of its Brazilian and foreign subsidiaries. On the individual financial statements, the investments in subsidiaries are measured under the equity method of accounting.

In consolidation, the parent company's interests in the subsidiaries' equity were eliminated, as well as asset and liability balances, revenues, costs and expenses arising from transactions carried out between the companies. The classification of the consolidated accounts follows the parent company's grouping assumption.

The Company's direct and indirect subsidiaries are summarized in note 8.

The accounting policies applied in the preparation of the financial statements are described in note 2.7 and in the other notes.

2.4. Main accounting judgments and sources of uncertainty over estimates

The preparation of financial statements requires Management to make judgments and prepare estimates and assumptions based on past experience and other factors considered significant that affect the reported amounts of assets, liabilities, as well as revenues, costs and expenses. Settlement of transactions involving these estimates may result in amounts different from those recorded in the financial statements.

Significant estimates and assumptions are used mainly in the: (i) accounting for the allowance for doubtful debts and expected losses (note 6); (ii) measurement of the fair value of assets acquired and liabilities assumed in business combination (note 8 (a)); (iii) definition of the useful lives and residual value of property and equipment items (note 9); (iv) measurement of lease liability (note 15); (v) accounting for provision for risks (note 17); (vi) accounting for deferred income tax and social contribution (note 18); (vii) measurement of costs of long-term incentive plans (note 19(c) (i)); and (viii) fair value measurement of financial instruments (note 25 (c)).

The Company reviews its estimates and assumptions whenever necessary, in order to reflect changes that may occur during the period, which are recognized in an accrual basis.

2.5. Functional and presentation currency

The Brazilian real is the functional currency of the Company and the reporting currency of the individual and consolidated financial statements. Financial information is presented in thousands of Brazilian Reais, unless otherwise indicated, and is rounded to the nearest thousand. The financial statements of foreign subsidiaries are translated into Brazilian reais at the foreign exchange rates prevailing on the balance sheet dates. The effects of such translation on profit or loss and equity are immaterial.

2.6. Statement of value added (“DVA”)

The purpose of this statement is to evidence the wealth created by the Company and its distribution during a certain period and is presented as part of its financial statements, as required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. This statement is not established or required by IFRS.

The statement of value added (DVA) has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and in conformity with the provisions of CPC 09 - Statement of Value Added. The first part shows the wealth created by the Company, represented by revenues, costs and expenses and wealth received in transfer. The second part presents the distribution of wealth among taxes, fees and contributions, personnel and remuneration of third-party and own capital.

2.7. Summary of significant accounting policies

The main accounting practices applied in the preparation of these financial statements, individual and consolidated, are summarized below or in the notes related to the respective line item, and were consistently applied in the years presented for Localiza and its subsidiaries.

2.7.1. Adjustment to present value – Monetary assets and liabilities are discounted to present value when the effect is considered material in relation to the financial statements taken as a whole. For accounting purposes and materiality determination, the adjustment to present value is calculated taking into account contractual cash flows and the effective average cost of the Company's debt, except for the right-of-use and lease liability whose present value is calculated based on the expectation of the risk-free rate disclosed by the Central Bank of Brazil. At December 31, 2021 and 2020, except for right-of-use and lease liability, the Company concluded that its current and non-current assets and liabilities do not show significant effects when adjusted to present value.

2.7.2. Impairment of non-financial assets – The Company evaluates at least annually if there is any indication of impairment of property and equipment, and intangible assets - software. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill on investment acquisition is tested annually to identify any need to reduce its recoverable amount (note 10). In 2021 and 2020, no adjustments of this nature were recognized.

2.7.3. Assets and liabilities subject to monetary adjustment – Assets and liabilities in Brazilian reais subject to contractual or legal indexation are adjusted on the balance sheet dates through the application of the corresponding index. Gains and losses from monetary adjustments are recognized in profit or loss on the accrual basis.

2.7.4. Indemnities and claims – Localiza offers to customers the option of contracting insurance for the rented cars with an insurance company, and extended warranty for the decommissioned cars sold for fleet renewal. Premiums received are recorded in liabilities under “other current liabilities”. When the policies are issued by the insurance company, the premiums received are reclassified to “trade payables” and, subsequently, transferred to the insurance company, which assumes the risk arising from any potential damages. The expenses incurred by Localiza on claims and indemnities, as well as any losses on stolen cars, are accounted for in assets under the line item “other current assets” until effectively received from the insurance company. As of May 2021, the Company began to offer protection for the hull of cars directly to its customers when contracting the rental, with the expenses incurred with claims and theft recorded in the income statement and classified as “costs”.

3. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1. Recently issued accounting standards and interpretations adopted by the Company in the current year

- **Revision of Technical Pronouncement CPC 06 (R2) – Leases**

In May 2020, IASB issued amendments to IFRS 16 – Leases referring to benefits related to Covid-19 granted to lessees under lease contracts. On July 7, 2020, CVM issued its Decision 859/20 and approved the amendments to Technical Pronouncement CPC 06 (R2) – Leases, which is equivalent to the mentioned IFRS. This Decision applies to the years beginning on or after January 1, 2020 and affects only payments originally due on or before June 30, 2021 and increased lease payments that extend after June 30, 2021. As practical expedient, the lessee may elect not to assess if a benefit granted under a lease contract, related to Covid-19, is a modification of the lease contract and, thus, account for the resulting changes in lease payments in profit or loss for the period.

On March 31, 2021, IASB issued new amendments to IFRS 16, extending for one year the practical expedient for benefits granted that occur as a result of the Covid-19 pandemic, thus affecting payments due on or until June 30, 2022. On July 22, 2021, CVM, through CVM Resolution nº 41/21, approved the Revision of Technical Pronouncements 18/21, which amends Technical Pronouncement CPC 06 (R2) – Leases. This resolution came into effect on August 2, 2021 and applies to fiscal years beginning on or after January 1, 2021. The lessee may apply the changes for payments due on or before June 30, 2022.

The Company and its subsidiaries apply this practical expedient to all benefits granted under lease contracts in accordance with the requirements of Decision CVM 859/20 and Resolution CVM 41/21 (note 15).

- **Interest Rate Benchmark Reform – Phase 2 (Amendments to CPC48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16)**

In September 2020, the IASB published the second phase of the Interest Rate Benchmark Reform, which establishes amendments to the following accounting pronouncements:

- CPC 06 (R2) - IFRS 16: Leases
- CPC 11 - IFRS 4: Insurance Contracts
- CPC 38 - IAS 39: Financial Instruments: Recognition and Measurement
- CPC 40 (R1) - IFRS 7: Financial Instruments: Disclosure
- CPC 48 - IFRS 9: Financial Instruments:

The amendments address issues that may affect the financial statements as a result of the interest rate benchmark reform, including the effects of changes in contractual cash flows of financial assets and liabilities and lease liabilities, or hedge relationships arising from the replacement of the benchmark interest rate with an alternative benchmark rate.

On February 11, 2021, through Resolution 18/21, CVM approved the Document of Revision of Technical Pronouncements 17 issued by the Accounting Pronouncements Committee - CPC, which is equivalent to the mentioned amendments. This Decision applies to the years beginning on or after January 1, 2021.

The Company performed an analysis of these amendments and did not identify material impacts in relation to the accounting practices currently adopted.

3.2. Recently issued accounting pronouncements and interpretations and not yet adopted by the Company

The following IFRS were issued by IASB, but has not yet entered into force in 2021. The early adoption of the Standards, even encouraged by IASB, is not permitted under CPC in Brazil.

- **Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets":** in May 2020, IASB issued this change to clarify that, for the purpose of evaluating if a contract is onerous, the cost of complying this contract is includes the incremental costs of complying and the allocation of other costs that relate directly to this one. The effective date to this application is January 1, 2022.

- **Amendment to IFRS 3 “Business Combinations”:** issued in May 2020, with the objective to replace the references of old structure conceptual version to the most recent. The change in IFRS 3 has effective date to this application in January 1, 2022.
- **Annual improvements - 2018-2020 cycle:** in May 2020, IASB issued the following changes as part of annual improvement process, in May 2020, IASB issued the following changes as part of its annual improvement process, to be Applied from 1 January 2022:
 - IFRS 9 - "Financial Instruments" – clarify which duties should be included in the test of 10% for write downs of financial liabilities.
 - IFRS 16 - "Leases" – change on example 13 in order to exclude the example of lessor payments related to improvements to the property.
 - IFRS 1 "First-time Adoption of International Financial Reporting Standards" - simplifies the application of this standard by a subsidiary that adopts IFRS for the first time after its parent company, in relation to the measurement of the cumulative amount of exchange rate variations.
- **Amendment to IAS 1 "Presentation of Financial Statements":** issued in May 2020, aiming to clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date (e.g., receipt of a waiver or breach of covenant). The amendments also clarify what is meant by "settlement" of a liability under IAS 1. The amendments to IAS 1 are effective from January 1, 2023.
- **Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies:** in February 2021 the IASB issued a new amendment to IAS 1 on disclosures about "material" rather than "significant" accounting policies. The amendments define what is "material accounting policy information" and explain how to identify it. It also clarifies that immaterial accounting policy information not need to be disclosed, but if it is, that it should not obscure material accounting information. To support this change, the IASB has also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective from January 1, 2023.
- **Amendment to IAS 12 – Income Taxes :** the amendment issued in May 2021 requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective January 1, 2023.

4. CASH AND CASH EQUIVALENTS

The Company considers cash and cash equivalents to be cash, bank deposits and other short-term, highly liquid financial investments, with original maturities of up to three months, readily convertible into a known amount of cash and subject to an insignificant risk of change in value, maintained for the purpose of meeting short-term commitments.

Cash and cash equivalents are broken down as follows:

	Individual		Consolidated	
	12/31/21	12/31/2020	12/31/21	12/31/2020
Cash and banks	17,132	14,512	18,809	16,238
Bank Certificates of Deposit (“CDB”)	226,752	896,555	350,550	1,333,006
Fixed-income investment fund units	45,219	664,419	74,780	1,237,149
Total	289,103	1,575,486	444,139	2,586,393

At December 31, 2021, financial investments in CDBs, and fixed-income investment fund units had annual weighted average yield of 110.2% of the Interbank Deposit Certificates (“CDI”) rate (92.4% at December 31, 2020).

In the context of the Covid-19 pandemic (note 1.1), with the lower volume of car purchases due to automakers not being able to resumed their normal production level, part of these funds was allocated to financial investments (note 5).

5. INVESTMENTS

The Company considers bank deposits and other short-term liquidity investments as short-term and long-term investments that do not meet all the criteria to be classified as cash equivalents under CPC 03 (R2) - Statement of Cash Flows.

Investments are broken down as follows:

	Individual		Consolidated	
	12/31/21	12/31/2020	12/31/2021	12/31/2020
Bank Certificates of Deposit ("CDB")	2,131,514	552,226	2,287,494	806,130
Fixed-income investment fund units	1,360,935	65,903	2,106,796	85,038
Investments in financial bills	153,006	422,788	174,103	489,043
Total	3,645,455	1,040,917	4,568,393	1,380,211
Current	3,642,455	1,040,917	4,565,393	1,380,211
Non-current	3,000	-	3,000	-

At December 31, 2021, investments presented a weighted average annual yield of 117.9% of the CDI rate (104.6% at December 31, 2020).

6. TRADE RECEIVABLES

Trade receivables corresponds to receivables from customers for car rental, which includes franchising, fleet rental and the sale of decommissioned cars for fleet renewal.

For ongoing contracts that will be billed after the end of the year, the amount is calculated based on the days incurred and recorded as unbilled revenue until the entire contractual obligation is satisfied.

At the end of each period, the Company assesses the need to recognize an allowance for doubtful debts and expected losses, in order to adjust them to their probable realization values. This analysis, which is intended to assign a risk rating to the customer according to internal criteria defined by Management, takes into consideration the current financial position of the customer, past experience, the position of overdue receivables and historical loan losses.

The expected losses on balances of trade receivables not yet due were calculated based on the actual experience of credit loss in the last year.

The Company performed the calculation of the loss rates separately for each activity category, using the percentage of default observed in the period between 90 and 180 days after maturity, since, after this period, the effectiveness of the collection processes is no longer representative. Positions within each activity category were segregated based on common credit risk characteristics, such as credit risk classification, type of product purchased, form of payment and level of default.

Breakdown of trade receivables is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Car rental	904,794	674,468	910,398	678,540
Fleet rental	-	-	129,413	112,517
Unbilled revenue	263,223	218,632	265,862	221,514
Sale of decommissioned cars	140,263	211,457	183,828	252,523
	1,308,280	1,104,557	1,489,501	1,265,094
Allowance for doubtful debts/ expected losses	(144,176)	(130,261)	(176,476)	(155,645)
Total	1,164,104	974,296	1,313,025	1,109,449
Current	1,164,104	974,296	1,310,359	1,107,467
Non-current	-	-	2,666	1,982

Aging list of trade receivables is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Falling due	1,098,517	890,609	1,222,214	1,005,522
Up to 30 days past-due	44,026	55,876	64,252	72,531
31 to 60 days past-due	17,268	32,463	20,743	35,380
61 to 90 days past due	18,714	24,856	21,304	26,803
91 to 180 days past due	41,296	53,050	44,177	56,186
Over 181 days past-due	88,459	47,703	116,811	68,672
Total	1,308,280	1,104,557	1,489,501	1,265,094

The aging list of the allowance for doubtful debts and expected losses is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Falling due	(9,948)	(8,885)	(11,654)	(10,533)
Up to 30 days overdue	(3,857)	(11,710)	(4,441)	(12,054)
31 to 60 days overdue	(3,370)	(10,822)	(3,664)	(11,134)
61 to 90 days overdue	(4,499)	(8,203)	(4,833)	(8,568)
91-180 days past due	(39,246)	(44,179)	(40,801)	(45,849)
Over 181 days overdue	(83,256)	(46,462)	(111,083)	(67,507)
Total	(144,176)	(130,261)	(176,476)	(155,645)

Changes in the allowance for doubtful debts and expected losses are as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	(130,261)	(84,519)	(155,645)	(108,907)
Recognition	(75,130)	(83,515)	(89,506)	(90,249)
Reversal	61,215	37,773	68,675	43,511
Balance at the end of the year	(144,176)	(130,261)	(176,476)	(155,645)

7. OTHER CURRENT AND NON-CURRENT ASSETS

Breakdown of the balance of other current and non-current assets is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Recoverable taxes	136,666	23,438	146,010	29,348
Prepaid expenses	27,556	18,728	29,725	19,614
Receivables from insurance company (*)	100,022	192,307	100,539	194,835
Other receivables – subsidiaries (note 8(c)(i))	19,234	5,765	-	-
Other current assets	36,898	35,925	75,076	56,898
Total other current assets	320,376	276,163	351,350	300,695
Recoverable taxes (a)	284,765	-	284,765	-
Investments in restricted accounts (note 16)	-	-	46,130	44,959
Prepaid expenses	1,566	-	1,566	-
Other non-current assets	-	83	-	83
Total other non-current assets	286,331	83	332,461	45,042
Total other current and non-current assets	606,707	276,246	683,811	345,737

(*)Expenses incurred on claims, cost of stolen cars and receivables from insurance company for stipulation services when contracting an insurance by the customers when they rent cars from the Company. As from May 2021, the Company started to offer, when hiring the rental, protection for the hull of the cars directly to its customers, and the expenses incurred with claims and thefts will be recorded in the result and classified as "costs".(note 2.7.4)

(a) Recoverable taxes - PIS/COFINS

In the second half of 2021, Localiza completed a technical study that supported the useful life of certain cars in the Car Rental division, in accordance with art. 320 of the Income Tax Regulation (Decree 9,580/18). As a result of this review, a technical report was issued by an entity duly qualified by law, changing the average useful life for tax purposes of certain cars to 24 months. As a result of the increase in depreciation, income tax and social contribution tax loss, there was a retroactive recognition on January 1, 2021 of the corresponding (i) PIS/COFINS credits were recognized, in the amount of R\$371,284 (before income tax and social contribution), and (ii) deferred income tax and social contribution, assets and liabilities, in the amounts of R\$1,163,725 and R\$1,247,576 respectively in the Individual and Consolidated. The scope of this same situation for the other cars in the fleet depends on obtaining new technical reports.

8. INVESTMENTS IN SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS

The car rental business, which includes franchises in Brazil and abroad, and fleet rental are conducted by Localiza or its direct and indirect subsidiaries, whose main operations are summarized below:

- **Localiza Fleet S.A. ("Localiza Fleet"):** Publicly-held company engaged in fleet rental business.
- **Rental Brasil Administração e Participação S.A. ("Rental Brasil"):** Privately-held company mainly engaged in acquiring, selling and renting own properties for Localiza and its subsidiaries.
- **Localiza Serviços Prime S.A. ("Localiza Prime"):** Privately-held company mainly engaged in the intermediation of sales of decommissioned cars previously used by Localiza, Localiza Fleet and Car Rental Systems.
- **Car Assistance Serviços de Administração de Sinistros S.A. ("Car Assistance"):** Privately-held company engaged in managing car-related claims for insurance companies, accrediting and negotiating with garages and other suppliers, regulating claims, approving budgets and services performed, managing information and supporting documentation on claims and managing indemnities.
- **Localiza Franchising Brasil S.A. ("Franchising Brasil"):** Privately-held company engaged in conducting the franchise business of "Localiza" brand in Brazil.

- **Localiza Franchising International S.R.L. (“LFI S.R.L.”)**: Limited liability company, headquartered in Argentina. It is currently dormant and in the process of shut-down.
- **Car Rental Systems S.A. (“Car Rental Systems”)**: Subsidiary of Localiza Fleet, mainly engaged in car rental and fleet rental.
- **MOBI7 Tecnologia em Mobilidade S.A. (“MOBI7”)**: Subsidiary of Localiza Fleet whose main activities are monitoring and tracking of electronic security systems, installation, maintenance and repair of automotive vehicle monitoring and tracking, and IT consulting.
- **MOBI7 Sociedad de Responsabilidad Limitada de Capital Variable (“MOBI7 Mexico”)**: Subsidiary of MOBI7, headquartered in Mexico, whose main activities are monitoring and tracking of electronic security systems, installation, maintenance and repair of automotive vehicle monitoring and tracking, and IT consulting.
- **CarSale Tecnologia e Comercio de Veículos Ltda. (“CarSale”)**: Subsidiary of Localiza Fleet incorporated to carry out retail trade of used cars, vans and SUVs and various automotive services.
- **Car as a Service Ltda. (“Car as a Service”)**: Subsidiary of Localiza Fleet, in a pre-operational phase, set up to provide various automotive services.

At the Extraordinary General Meeting of Car Rental Systems, held on January 31, 2020, the merger of Localiza RP Aluguel de Carros Ltda. (“Localiza RP”) into Car Rental Systems was approved, with transfer of the net assets in the amount of R\$73,305, appraisal by a specialized company, on the same date, including all of its assets and liabilities. This merger aimed to follow the strategic guidelines of Car Rental Systems for operational, administrative and financial streamlining and rationalization, making the operation unique, aiming at increasing managerial efficiency.

At the Extraordinary General Meeting of the subsidiary Localiza Fleet, held on June 29, 2021, the increase of its capital stock was approved, without issuing new common shares, through the capitalization of part of the balance of the profit reserve, under the terms of Article 169 of Law No. 6.404/76, in the amount of R\$200,000, changing its capital stock from R\$400,000 to R\$600,000.

Business combination

At the Board of Directors' Meeting of Localiza Fleet held on March 12, 2020, the acquisition of all shares of MOBI7 was approved. The Purchase and Sale Agreement was signed on that date.

In the consolidated financial statements, the acquisition of MOBI7 was accounted for at the fair value of the assets acquired and liabilities assumed on the acquisition date, and the excess over the consideration is recorded as goodwill, which may be deductible for Income Tax and Social Contribution purposes, upon its realization, either through sale or merger.

The goodwill on the acquisition of MOBI7 is based on the strategic purpose of maintaining the synergy between the car rental and fleet rental activity with the activity of monitoring and tracking of automotive vehicle electronic system.

- **Net assets and liabilities assumed in the operation**

The acquisition price of 100% of the ownership interest in MOBI7 was R\$18,500. This amount is comprised of an installment of R\$7,999 paid on March 12, 2020, and three successive annual installments updated by CDI, the last installment due on March 13, 2023. The second installment of R\$3,581 was paid on March 12, 2021. According to contractual clauses, Localiza Fleet had 60 days from the acquisition date to confirm the amount of the estimated net debt of MOBI7 in the initial calculation of the purchase price. In May 2020, a complementary difference to the initial price in the amount of R\$34 was determined, which was paid in the following month, resulting in a final purchase price of R\$18,534. The outstanding amounts are recorded under “other current and non-current liabilities” (note 16).

Assets and liabilities acquired were reviewed by a specialized company and are as follows:

	MOBI7		
	3/12/2020		
	Carrying amount	Surplus value	Fair value
Assets			
Current	995	-	995
Non-current			
Long-term assets	36	-	36
Investments	15	-	15
Property and equipment	3,972	228	4,200
Intangible assets	328	3,792	4,120
Total	5,346	4,020	9,366
Liabilities			
Current	3,708	-	3,708
Non-current	2,575	-	2,575
Equity	(937)	4,020	3,083
Total	5,346	4,020	9,366

In the referred business combination, goodwill was calculated between the consideration transferred and equity after fair value measurement, as follows:

MOBI7	Fair value at 3/12/2020
Consideration to be transferred	10,501
Consideration transferred	8,033
Net amount of identifiable assets and liabilities assumed	937
Surplus value of property and equipment and intangible assets, net of loss	(4,020)
Goodwill on acquisition	15,451

The goodwill generated considers the benefits of the expected synergies, revenue growth, better monitoring of the fleet, future development of the markets and specialized workforce. These benefits are not recognized separately from the goodwill because they do not meet the criteria for the recognition of identifiable intangible assets in accordance with CPC 04 (R1) – Intangible assets. That goodwill has an indefinite useful life and is tested annually to identify any need for impairment which, if any, is measured by comparing the carrying amount with its recoverable amount and recognized directly in profit or loss.

In the individual balance sheet of Localiza Fleet, the surplus value of property and equipment and intangible assets, net of loss, was classified in non-current assets as “investments” and, in the consolidated, it was allocated to the accounts that originated them, classified as “property and equipment” and “intangible assets”, being depreciated/amortized over the useful lives of the corresponding assets or written off to profit or loss for the year in the event of sale.

- **Net cash outflow on acquisition of subsidiary**

MOBI7	Fair value at 3/12/2020
Consideration transferred in cash	8,033
(-) Balance of cash and cash equivalents acquired	(157)
Effects of acquisition presented in the statement of cash flows	7,876

- **Impact of the acquisition on consolidated results**

The Company's consolidated final statement of the year ended December 31, 2020 includes revenues of R\$6,752 and profit of R\$377 attributable to the additional businesses generated by MOBI7 as of the acquisition date.

If this business combination has been effective on January 1, 2020, the Company's consolidated revenues for the year ended December 31, 2020 would have been increased by R\$1,659 and income for the year increased by R\$93. The Company's management believes that these pro forma amounts represent an approximate measure of the combined

company's performance on a proportional basis.

(a) Information on subsidiaries

The variation in the investments balance are as follows:

	Individual						
	At December 31, 2019	Equity in the earnings of subsidiaries	Dividends from subsidiaries	At December 31, 2020	Equity in the earnings of subsidiaries	Dividends from subsidiaries	At December 31, 2021
Localiza Fleet							
Consolidated	683,725	396,666	(99,166)	981,225	526,797	(125,114)	1,382,908
Rental Brasil	264,745	21,517	(17,746)	268,516	20,965	(20,310)	269,171
Localiza Prime	131,493	30,435	(22,669)	139,259	37,572	(30,608)	146,223
Car Assistance	21,712	34,861	(30,188)	26,385	23,423	(32,002)	17,806
Franchising Brasil	5,659	1,834	(5,514)	1,979	2,727	(2,057)	2,649
LFI S.R.L.	128	8	-	136	-	-	136
Effect of the elimination of IFRS 16 in subsidiary	11,504	11,185	-	22,689	11,853	-	34,542
Total investments in subsidiaries	1,118,966	496,506	(175,283)	1,440,189	623,337	(210,091)	1,853,435
Goodwill on acquisition of investments	22,077	-	-	22,077	-	-	22,077
Total investments	1,141,043	496,506	(175,283)	1,462,266	623,337	(210,091)	1,875,512

The interests in capital of direct and indirect subsidiaries are as follows:

Subsidiary	Parent company/Associate	Number of shares		Capital (%)	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Localiza Fleet	Localiza	103,280,354	103,280,354	100.0	100.0
Rental Brasil	Localiza	15,000,000	15,000,000	100.0	100.0
Localiza Prime	Localiza	15,000	15,000	100.0	100.0
Car Assistance	Localiza	200,000	200,000	100.0	100.0
Franchising Brasil	Localiza	399,069	399,069	100.0	100.0
LFI S.R.L.	Localiza	131,078	131,078	98.0	98.0
LFI S.R.L.	Localiza Fleet	2,160	2,160	2.0	2.0
Car Rental Systems	Localiza Fleet	603,876,785	603,876,785	100.0	100.0
MOBI7 (*)	Localiza Fleet	75,731,069	5,890,000	100.0	100.0
CarSale	Localiza Fleet	4,000,000	-	100.0	-
Car As a Service	Localiza Fleet	1,000,000	-	100.0	-
MOBI7 México	MOBI7	9,800	9,800	98.0	98.0
MOBI7 México	Car Rental Systems	200	200	2.0	2.0

(*) At the General Meeting of MOBI7 held on March 26, 2021, an increase in its capital was approved through the capitalization of advances for future capital increase made by Localiza Fleet in the total amount of R\$69,841. With the approval, MOBI7's capital now comprises 75,731,069 common shares.

Summary of the main financial information of Localiza's subsidiaries is as follows:

(i) Statement of financial position

12/31/2021	Localiza Fleet Consolidated	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.
Assets						
Current	933,764	212,932	161,584	25,204	10,146	225
Non-current	4,497,855	418,713	10,689	-	9,221	-
Total	5,431,619	631,645	172,273	25,204	19,367	225
Liabilities						
Current	948,230	20,171	19,850	7,397	7,705	75
Non-current	3,100,481	342,303	6,200	1	9,013	11
Equity	1,382,908	269,171	146,223	17,806	2,649	139

<u>12/31/2021</u>	<u>Localiza Fleet Consolidated</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>LFI S.R.L.</u>
Total	5,431,619	631,645	172,273	25,204	19,367	225
<u>12/31/2020</u>	<u>Localiza Fleet Consolidated</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>LFI S.R.L.</u>
Assets						
Current	1,205,630	219,805	163,634	37,820	10,086	233
Non-current	3,137,766	409,500	10,773	-	8,629	-
Total	4,343,396	629,305	174,407	37,820	18,715	233
Liabilities						
Current	791,787	13,547	27,882	11,432	7,176	85
Non-current	2,570,384	347,242	7,266	3	9,560	9
Equity	981,225	268,516	139,259	26,385	1,979	139
Total	4,343,396	629,305	174,407	37,820	18,715	233

(ii) Statement of profit or loss

<u>2021</u>	<u>Localiza Fleet Consolidated</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>LFI S.R.L.</u>
Net revenue	2,115,090	42,735	52,804	28,017	10,364	-
Gross profit	1,046,887	40,311	52,804	27,142	3,601	-
Profit (loss) before income tax and social contribution	790,080	31,728	46,572	27,324	4,039	-
Profit (loss)	526,797	20,965	37,572	23,423	2,727	-
<u>2020</u>	<u>Localiza Fleet Consolidated</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>LFI S.R.L.</u>
Net revenue	2,091,103	38,697	57,023	41,008	9,567	-
Gross profit	849,491	39,187	57,023	40,261	2,741	(2)
Profit (loss) before income tax and social contribution	591,892	32,566	45,820	39,633	3,090	8
Profit (loss)	396,666	21,517	30,435	34,861	1,834	8

(iii) Dividends from subsidiaries

<u>2021</u>	<u>Localiza Fleet</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>Total</u>
Dividends for 2020 (minimum mandatory)	99,166	5,110	7,229	8,716	459	120,680
Dividends in addition to the minimum mandatory for 2020	-	15,330	21,685	26,145	1,376	64,536
Proposed dividends for 2021 (minimum mandatory)	125,114	4,980	8,923	5,857	681	145,555
Total	224,280	25,420	37,837	40,718	2,516	330,771
<u>2020</u>	<u>Localiza Fleet</u>	<u>Rental Brasil</u>	<u>Localiza Prime</u>	<u>Car Assistance</u>	<u>Franchising Brasil</u>	<u>Total</u>
Dividends for 2019 (minimum mandatory)	54,012	4,212	5,147	7,156	1,685	72,212
Dividends in addition to the minimum mandatory for 2019	-	12,636	15,440	21,472	5,055	54,603
Proposed dividends for 2020 (minimum mandatory)	99,166	5,110	7,229	8,716	459	120,680
Total	153,178	21,958	27,816	37,344	7,199	247,495

Dividends from subsidiaries are classified as investing activities in the Statement of Cash Flow.

(b) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries

A The Company carries out, in the normal course of its business, operations with its subsidiaries, the most relevant of which are: car rental between companies to serve its customers; amounts payable / receivable resulting from the use of the administrative structure; and amounts payable/receivable resulting from the use of Localiza's corporate headquarters.

The sale of decommissioned cars owned by Localiza and Localiza Fleet for the renewal of their fleets is carried out through a prepurchase financing pool, with the purpose of, but not limited to, capturing the synergy of the use of the same physical structure, sharing know-how and qualified units.

Transactions are made under conditions negotiated between the Company and its subsidiaries are as follows:

	Localiza Fleet		Other subsidiaries		Total	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balances:						
Trade receivables	25,292	13,057	-	-	25,292	13,057
Dividends receivable (note 8 b(iii))	125,114	99,166	20,441	21,514	145,555	120,680
Other receivables (note 7)	18,458	5,003	776	762	19,234	5,765
Trade payables	(2,244)	(830)	(5,328)	(4,768)	(7,572)	(5,598)
Other payables (note 16)	-	-	(233)	(740)	(233)	(740)

	Localiza Fleet		Other subsidiaries		Total	
	2021	2020	2021	2020	2021	2020
Transactions:						
Revenues	52,007	34,423	-	-	52,007	34,423
Costs and expenses	(39,211)	(30,037)	(49,489)	(57,360)	(88,700)	(87,397)
Recoverable costs and expenses	153,980	78,515	9,823	4,915	163,803	83,430

Additionally, Localiza and Localiza Fleet provide guarantees for fundraising operations and/or obligations undertaken by Localiza and its subsidiaries. At December 31, 2021 and 2020, there were guarantees for loans, financing and debt securities in the amounts of:

Guarantor	Warranty	12/31/2021	12/31/2020
Localiza Fleet	Localiza	6.362.210	3.939.848
Localiza	Localiza Fleet	2.701.274	2.410.156
Localiza	Rental Brasil	342.779	345.972

Intercompany guarantees were also granted in the contracting of bank sureties and guarantee insurance in lawsuits on December 31, 2021, which amounted to R\$351,718 (R\$201,280 on December 31, 2020).

(ii) Balances and transactions with other related parties

The Company has guarantee insurance with various insurance companies. Among them is Pottencial Seguradora, whose founding partners of Localiza, Salim Mattar and Eugênio Mattar, jointly owned 32.50% of its capital stock at December 31, 2021 (43.75% at December 31, 2020). In the transactions with Pottencial Seguradora, made under normal market conditions, the amount recorded as an expense in 2021 referring to guarantee insurance was R\$964 (R\$1,069 in 2020) and the current insured amount was R\$324,135 at December 31, 2021 (R\$201,280 at December 31, 2020).

(iii) **Key management compensation**

	Individual		Consolidated	
	2021	2020	2021	2020
Short-term benefits	50,479	55,049	53,533	57,513
Post-employment benefits	983	1,349	1,044	1,411
Share-based compensation	40,131	8,989	40,131	8,989
Total	91,593	65,387	94,708	67,913

Share-based compensation refers to the long-term incentive plans described in note 19.

9. PROPERTY AND EQUIPMENT AND DECOMMISSIONED CARS FOR FLEET RENEWAL

(a) Property and equipment

Stated at cost less any accumulated depreciation and accumulated impairment losses, where applicable.

Cars in operation, either in car rental or fleet rental activities, are classified in property and equipment, while decommissioned cars, after being used in these activities, are presented as "decommissioned cars for fleet renewal" in current assets (note 9 (b)).

The Company recognizes the leases, of the contracts to which IFRS 16 applies, as a right-of-use asset with a corresponding lease liability (note 15) on the date that the leased asset becomes available for use. The right-to-use asset is depreciated over the lease term using the straight-line method.

A property and equipment item is derecognized on disposal or when there are no future economic benefits resulting from its continuing use. Any gain or loss arising on the disposal or write-off of a property and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Localiza and its subsidiaries revise the estimated useful lives and the residual value of the fleet cars at least on a monthly basis and the property and equipment on an annual basis. The effect of any changes in estimates is accounted for prospectively.

The weighted average depreciation annual rates for property and equipment items are as follows:

	2021	2020
Cars:		
Car Rental Division	de 2 a 3	de 1 a 3
Fleet Rental Division	de 1 a 5	de 1 a 5
Other property and equipment:		
Leasehold improvements	80	80
Furniture and fixtures	10	10
IT equipment	5	5
Other	de 5 a 25	de 5 a 25

The improvements and the right of use are depreciated according to the respective contractual terms of the real estate leases.

The depreciation expense of property and equipment is allocated to "costs", "selling expenses" and "general, administrative and other expenses" in the statement of profit or loss, according to their nature and allocation.

Car depreciation

The estimated depreciation of cars is calculated by the difference between the acquisition cost of the car and the estimated value of sale at the end of the estimated useful life, less estimated trade discounts and selling expenses, being recognized so that the amount to be depreciated is fully recognized until the end of the estimated useful life. The Company periodically reassesses the adherence to depreciation methods to better reflect the equalization of

maintenance and depreciation costs over the lifetime of the cars.

In addition to the residual value estimate, other estimates could affect depreciation and cause the same impacts:

- Estimated trade discounts: trade discounts are negotiated on sales to consumers and especially to resellers. Estimates of discounts below the actual amount have a negative impact on the result when the cars are sold. Estimates of these expenses below the actual amount also have a negative impact on profit or loss when the cars are sold.

- Estimated selling expenses: sales to resellers and especially consumers require a network of stores, sales staff and advertising spending. Estimates of these expenses below the actual amount also have a negative impact in profit or loss when the cars are sold.

Depreciation of other property and equipment

Constructions, buildings, leasehold improvements and right-of-use assets are depreciated over the rental contract term, and also considering their renewal or sale when Management intends to exercise this right, in accordance with the contracts. Land and construction in progress are not depreciated.

Changes in cost, accumulated depreciation and net carrying amount of property and equipment in each year are as follows:

	Individual							Total
	Cars	Right-of-use	Property	Leasehold improvements	Furniture and fixtures	IT equipment	Other	
Cost								
At December 31, 2019	10,864,521	1,000,604	1,913	138,455	96,193	-	105,294	12,206,980
Additions	4,541,941	149,707	-	-	13,298	-	60,090	4,765,036
Write-offs/transfers (*)	(4,963,442)	(32,304)	-	27,775	(168)	12,899	(40,732)	(4,995,972)
At December 31, 2020	10,443,020	1,118,007	1,913	166,230	109,323	12,899	124,652	11,976,044
Additions	5,625,128	286,208	-	-	11,304	8,670	98,153	6,029,463
Write-offs/transfers (*)	(3,986,522)	(37,791)	-	44,879	(232)	49,757	(101,733)	(4,031,642)
At December 31, 2021	12,081,626	1,366,424	1,913	211,109	120,395	71,326	121,072	13,973,865
Accumulated depreciation:								
At December 31, 2019	(256,341)	(136,458)	(1,214)	(78,218)	(39,016)	-	(49,765)	(561,012)
Additions	(335,850)	(149,813)	(82)	(17,582)	(8,993)	(211)	(9,421)	(521,952)
Write-offs/transfers (*)	267,042	32,375	-	-	72	1	26	299,516
At December 31, 2020	(325,149)	(253,896)	(1,296)	(95,800)	(47,937)	(210)	(59,160)	(783,448)
Additions	(183,735)	(164,670)	(82)	(20,105)	(9,561)	(6,904)	(10,263)	(395,320)
Write-offs/transfers (*)	168,061	37,808	-	2,372	195	40	1,870	210,346
At December 31, 2021	(340,823)	(380,758)	(1,378)	(113,533)	(57,303)	(7,074)	(67,553)	(968,422)
Net carrying amount								
At December 31, 2020	10,117,871	864,111	617	70,430	61,386	12,689	65,492	11,192,596
At December 31, 2021	11,740,803	985,666	535	97,576	63,092	64,252	53,519	13,005,443

(*) Include write-offs due to car sale, robbery, damage and transfer of decommissioned cars for fleet renewal to assets for sale, transfers to definitive property and equipment accounts and write-offs of the right-of-use due to contract termination.

	Consolidated							Total
	Cars	Right-of-use	Property	Leasehold improvements	Furniture and fixtures	IT equipment	Other	
Cost								
At December 31, 2019	14,016,574	749,297	369,935	142,113	96,195	-	134,709	15,508,823
Opening balance MOBI7 (note 8 (a))	-	266	-	-	-	4,127	288	4,681
Additions	5,524,143	136,449	8,760	-	13,332	3,119	73,552	5,759,355
Write-offs/transfers (*)	(5,932,755)	(32,799)	-	27,775	(282)	13,458	(41,292)	(5,965,895)
At December 31, 2020	13,607,962	853,213	378,695	169,888	109,245	20,704	167,257	15,306,964
Additions	7,655,888	261,709	-	-	11,439	8,712	118,957	8,056,705
Write-offs/transfers (*)	(4,767,920)	(38,971)	-	44,879	(219)	62,035	(114,203)	(4,814,399)
At December 31, 2021	16,495,930	1,075,951	378,695	214,767	120,465	91,451	172,011	18,549,270
Accumulated depreciation:								
At December 31, 2019	(642,436)	(124,300)	(4,846)	(78,401)	(39,018)	-	(50,251)	(939,252)
Opening balance MOBI7 (note 8 (a))	-	(11)	-	-	-	-	(460)	(471)
Additions	(472,940)	(137,301)	(1,810)	(17,765)	(8,879)	(1,849)	(9,066)	(649,610)
Write-offs/transfers (*)	430,653	32,912	-	-	72	1	26	463,664
At December 31, 2020	(684,723)	(228,700)	(6,656)	(96,166)	(47,825)	(1,848)	(59,751)	(1,125,669)
Additions	(255,158)	(150,212)	(5,208)	(20,288)	(9,576)	(9,150)	(10,522)	(460,114)
Write-offs/transfers (*)	286,804	38,987	-	2,372	195	139	1,870	330,367
At December 31, 2021	(653,077)	(339,925)	(11,864)	(114,082)	(57,206)	(10,859)	(68,403)	(1,255,416)
Net carrying amount								
At December 31, 2020	12,923,239	624,513	372,039	73,722	61,420	18,856	107,506	14,181,295
At December 31, 2021	15,842,853	736,026	366,831	100,685	63,259	80,592	103,608	17,293,854

(*) Include write-offs due to car sale, robbery, damage and transfer of decommissioned cars for fleet renewal to assets for sale, transfers to definitive property and equipment accounts and write-offs of the right-of-use due to contract termination.

(b) Decommissioned cars for fleet renewal

Cars of which the carrying amounts will be recovered through sale rather than through continuing use are classified as “decommissioned cars for fleet renewal” in current assets. This condition is satisfied when: (i) cars are available for immediate sale under current conditions and their sale is highly probable; (ii) Management is committed to sell the decommissioned cars from property and equipment; (iii) cars are effectively available for sale at a reasonable price in relation to their current fair values; and (iv) the sale is expected to be completed within one year from the date of classification.

Decommissioned cars for fleet renewal are presented at the lower of fair value less costs to sell and net carrying amount, which considers the acquisition cost net of accumulated depreciation through the date in which cars are classified as “decommissioned cars for fleet renewal”.

The cost, accumulated depreciation and net carrying amount of decommissioned cars for fleet renewal in each year are as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cost	154,507	8,368	193,367	47,449
Accumulated depreciation:	(6,319)	(371)	(11,368)	(6,898)
Net carrying amount	148,188	7,997	181,999	40,551

10. INTANGIBLE ASSETS

The accounting practice adopted by the Company is to record intangible assets with finite useful lives and acquired separately at cost, less accumulated amortization and impairment, when applicable. Amortization is recorded on the straight-line basis over the estimated useful life of 5 years (except for the SAP software of which the useful life was evaluated by internal experts at 10 years), the expense being allocated to the “costs”, “selling expenses” and “general, administrative and other expenses” items in the statement of profit or loss, according to their nature and allocation.

The estimated useful lives and amortization method are reviewed at the end of each reporting period and the effect from any change in estimates is accounted for prospectively.

The Company adopts the practice of stating the goodwill resulting from a business combination, classified as having an indefinite useful life, at cost on the date of the business combination, net of accumulated impairment losses, if any. Goodwill was classified as an intangible asset in the consolidated balance sheet and as an investment in the Parent company's balance sheet.

Changes in cost, accumulated amortization and net carrying amount of intangible assets in each year are as follows:

	Individual		Consolidated	
	Software	Software	Goodwill on acquisition of investment	Total
Cost:				
At December 31, 2019	119,518	134,645	89,986	224,631
Opening balance MOB17	-	4,120	-	4,120
Additions	8,261	9,299	15,451	24,750
At December 31, 2020	127,779	148,064	105,437	253,501
Additions	4,165	4,329	-	4,329
At December 31, 2021	131,944	152,393	105,437	257,830
Accumulated amortization				
At December 31, 2019	(74,803)	(84,687)	-	(84,687)
Additions	(14,111)	(16,726)	-	(16,726)
At December 31, 2020	(88,914)	(101,413)	-	(101,413)
Additions	(10,923)	(13,388)	-	(13,388)
At December 31, 2021	(99,837)	(114,801)	-	(114,801)
Residual value:				
At December 31, 2020	38,865	46,651	105,437	152,088

	<u>Individual</u>	<u>Consolidated</u>	
		<u>Goodwill on acquisition of investment</u>	
	<u>Software</u>	<u>Software</u>	<u>Total</u>
At December 31, 2021	32,107	37,592	105,437
			143,029

Impairment tests for goodwill

Goodwill is allocated to the Cash-generating units (CGUs), which are identified at the operating segment level, as follows:

	<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>
Car rental	22,077	22,077
Fleet rental	83,360	83,360
Total	105,437	105,437

The recoverable amount of a CGU is determined based on value-in-use calculations. Based on the current level of profitability, the Company did not record a provision for impairment of these assets.

11. TRADE PAYABLES

Trade payables are broken down as follows:

	<u>Individual</u>		<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Car manufacturers (*)	1,181,945	1,247,684	1,707,362	1,418,358
Maintenance services and parts	67,927	46,802	98,195	68,361
IT Services	44,027	15,258	46,647	16,586
Rentals	25,699	28,763	26,115	29,274
Other	170,682	119,795	180,977	128,422
Total	1,490,280	1,458,302	2,059,296	1,661,001

(*) The balance payable to car manufacturers refer to cars acquired with average payment term of approximately 61 days (60 days at December 31, 2020).

12. PAYROLL AND RELATED TAXES

Payroll and related taxes are broken down as follows:

	<u>Individual</u>		<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Accrued vacation pay	71,848	57,877	79,211	63,241
Accrued profit sharing (*)	147,750	114,788	163,100	126,631
Social security contribution (INSS)	14,074	11,903	14,869	12,445
Government Severance Indemnity Fund for Employees ("FGTS")	4,679	4,557	5,606	5,436
Other	12,182	9,992	13,342	10,698
Total	250,533	199,117	276,128	218,451

(*) The Company has a profit-sharing program for employees as prescribed in Law 10,101/00 based on profit recognized on an annual basis. The annual amount payable is defined through the combination of the Company's profit and performance indicators, in addition to the individual performance of each employee, which is mainly measured based on objective and measurable indicators and goals and the annual budget approved by the Board of Directors. The consideration provision for profit sharing is classified as "costs", "selling expenses" and "general and administrative expenses" in the statement of profit or loss, based on function exercised by the respective employees.

13. BORROWINGS AND DEBT SECURITIES

Borrowings and debt securities are broken down as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
In local currency				
Debt securities (a)	7,027,652	5,157,814	9,384,404	7,004,184
Working capital (b)	733,680	704,120	935,965	904,384
Certificates of Real Estate Receivables ("CRI") (c)	-	-	334,645	337,095
Prepurchase financing pool (d)	3,667	-	11,069	21,582
In foreign currency				
Foreign currency borrowings (e)	1,593,222	1,774,617	1,767,012	2,230,478
Total	9,358,221	7,636,551	12,433,095	10,497,723
Current	1,725,157	1,286,564	1,884,758	1,615,037
Non-current	7,633,064	6,349,987	10,548,337	8,882,686

Changes in borrowings and debt securities are as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	7,636,551	6,629,067	10,497,723	9,379,459
Opening balance of subsidiaries acquired	-	-	-	2,306
Prepurchase financing pool liability transfer	-	-	-	21,582
Funding	3,097,979	1,250,313	3,596,103	2,238,895
Repurchase of debentures	(352,479)	(652,749)	(383,086)	(810,885)
Interest and finance charges	439,979	620,885	596,629	843,593
Repayment of principal	(1,211,762)	-	(1,529,187)	(865,041)
Interest amortization	(252,047)	(210,965)	(345,087)	(312,186)
Balance at the end of the year	9,358,221	7,636,551	12,433,095	10,497,723

During the years ended December 31, 2021 and 2020, the following Localiza and Localiza Fleet debenture repurchase programs were in effect:

Debenture Repurchase Program	Approval by the Board of Directors	Repurchase period	Maximum authorized value	Repurchased value		
				2021	2020	Total
1º - Localiza	06/18/20	06/19/20 a 06/18/21	1,300,000 (*)	343,961	652,749	996,710
1º - Localiza Fleet	10/27/20	10/27/20 a 06/18/21	200,000	10,200	158,136	168,336
2º - Localiza	06/24/21	06/24/21 a 06/24/22	600,000	8,518	-	8,518
2º - Localiza Fleet	06/24/21	06/24/21 a 06/24/22	300,000	20,407	-	20,407

(*) On June 18, 2020, Localiza's Board of Directors approved a limit of R\$200,000, subsequently increased to R\$500,000 at a meeting held on July 27, 2020. This limit was again increased to R\$1,300,000 in a meeting held on October 27, 2020.

(a) Debt securities

At December 31, 2021 and 2020, Localiza and Localiza Fleet had debt securities under the terms of CVM Instruction 476/09. The characteristics of each issue of debt securities, approved at the Board of Directors' meetings, are described below:

Issue	Maturity date	Contract rate (p.a.)	Financial settlement	Annual amortizations	Surety/Guarantee	Individual		Consolidated	
						12/31/2021	12/31/2020	12/31/2021	12/31/2020
Debentures - 11 th issuance	01/12/22	111.50% of CDI	R\$500,000	2022	Localiza Fleet	411,016	456,637	411,016	456,637
Debentures - 12 th issuance	05/15/24	107.25% of CDI	R\$700,000	2024	Localiza Fleet	684,634	689,761	684,634	689,761
Debentures - 13 th issuance - 1 st series	02/15/23	109.35% of CDI	R\$868,910	2022 e 2023	Localiza Fleet	821,384	981,443	821,384	981,443
Debentures - 13 th issuance - 2 nd series	02/15/25	111.30% of CDI	R\$216,110	2024 e 2025	Localiza Fleet				
Debentures - 14 th issuance - 1 st series	01/18/24	107.90% of CDI	R\$200,000	2024	Localiza Fleet	656,416	719,084	656,416	719,084
Debentures - 14 th issuance - 2 nd series	09/18/26	112.32% of CDI	R\$800,000	2024, 2025 e 2026	Localiza Fleet				
Debentures - 15 th issuance	04/15/26	107.25% of CDI	R\$1,000,000	2025 e 2026	Localiza Fleet	764,565	785,050	764,565	785,050
Debentures - 16 th issuance	01/25/26	CDI + 1.05%	R\$1,000,000	2024, 2025 e 2026	None	1,025,876	1,004,472	1,025,876	1,004,472
Debentures - 17 th issuance	03/15/31	IPCA + 5.47% (*)	R\$1,200,000	2030 e 2031	Localiza Fleet	1,137,785	-	1,137,785	-
Debentures - 18 th issuance	10/05/26	CDI + 1.15%	R\$1,500,000	2026	Localiza Fleet	1,525,976	-	1,525,976	-
Promissory notes - 7 th issuance	09/24/21	108.00% of CDI	R\$500,000	2021	None	-	521,367	-	521,367
Debentures of Localiza Fleet - 5 th issuance	07/18/25	112.00% of CDI	R\$300,000	2025	Localiza	-	-	208,085	203,170
Debentures of Localiza Fleet - 6 th issuance	02/21/24	110.40% of CDI	R\$400,000	2024	Localiza	-	-	309,676	339,357
Debentures of Localiza Fleet - 7 th issuance	07/29/25	109.00% of CDI	R\$300,000	2023, 2024 e 2025	Localiza	-	-	308,357	301,907
Debentures of Localiza Fleet - 8 th issuance	02/12/25	CDI + 1.00%	R\$1,000,000	2023, 2024 e 2025	Localiza	-	-	1,022,475	1,001,936
Debentures of Localiza Fleet - 9 th issuance	10/05/26	CDI + 1.30%	R\$500,000	2026	Localiza	-	-	508,159	-
Total						7,027,652	5,157,814	9,384,404	7,004,184

(*) On March 24, 2021, the Company entered into derivatives to exchange the remuneration of the 17th debenture issue in IPCA (Broad Consumer Price Index) for its equivalent in Interbank Deposit Certificates ("CDI") rate, which is the reference index used by the Company. The Company opted for the designation of this debt operation as measured at fair value, having contracted derivative financial instruments (swap) for its protection. The fair value option aims to eliminate or reduce the volatility of measurement or recognition of certain liabilities. Thus, both swaps and the respective debts are measured at fair value. This option is irrevocable and must be exercised only upon initial recognition of the transaction. In 2021, the net financial result of this operation was R\$64,882.

A 11^a emissão de debêntures da Localiza foi liquidada em seu vencimento.

The average effective interest rate on debt securities issued by the Company and its subsidiary Localiza Fleet ranges from 108.9% of CDI p.a. to CDI + 2.65% p.a. (108.9% of CDI to CDI + 1.31% p.a. on December 31, 2020).

At December 31, 2021, the amount of issuance costs with debt securities to be recognized was R\$ 82,532 (R\$ 40,029 as at December 31, 2020), being presented net in the respective security..

These issues have accelerated maturity events, including, without limitation: (i) filing for or adjudication of bankruptcy by the Issuer or third parties that is not duly eliminated within the legal term; (ii) matters related to the default, with lack of payment within the established term, in individual or aggregate amount equal to or above 3% of the consolidated average equity calculated in the past three quarters; (iii) capital decrease of Localiza and/or repurchase of its own shares for cancellation, other than if previously authorized by debenture holders; (iv) Localiza's merger or spin-off, except if, as set forth in article 231 of Law 6,404/76, the spun-off portion or the Company resulting from the transaction continues to be controlled by the Issuer, or the object of the spin-off represents less than 30% of the last annual consolidated revenue; (v) failure to maintain financial ratios on a quarterly basis, based on the Company's consolidated financial statements; and (vi) the Company's rating downgrading on two or more grades in relation to the AAA rating (BR, triple A) by Fitch Ratings or Standard & Poor's due to any change in the shareholding structure that may result in the loss, transfer or disposal of "Controlling Power" of the Issuer by the current controlling shareholders.

The domestic corporate credit ratings in effect on December 31, 2021 are: Standard & Poor's (AAA(bra)/stable), Moody's (Aa1.br/WR) and Fitch Ratings (AAA(bra)/stable).

The financial covenants were met as at December 31, 2021 and 2020 as shown below:

Ratio	Limits	12-month period ended	
		12/31/2021	12/31/2020
Net debt / Adjusted EBITDA (*)	Below 4.00	1,88	2,47
Net debt deducted from credit card balance (**) / Adjusted EBITDA	Below 4.00	1,72	2,29
Adjusted EBITDA / Finance costs, net	Above 1.50	11,64	6,62

(*) EBITDA corresponds to profit or loss, on a consolidated basis, relating to the 12 last months, plus: (i) finance income (costs); (ii) income tax and social contribution; and (iii) depreciation and amortization expenses. For all issues, EBITDA is also adjusted by the costs on stock options, nonrecurring expenses and impairment.

(**) From the 14th debenture issue and the 7th promissory note issue of Localiza and the debenture issues of Localiza Fleet include in the definition of net debt the discount of the balance of credit card receivables.

Additionally, the Company has borrowings that also include certain accelerated maturity events under conditions similar to those applicable to debt securities. At December 31, 2021, these restrictive covenants were met.

(a) Working capital

The consolidated balance of working capital borrowings refers to the following agreements:

Company	Maturity date	Interest rate (p.a.)	Contracted amount	Surety/ Guarantee	Individual		Consolidated	
					12/31/2021	12/31/2020	12/31/2021	12/31/2020
Localiza	09/23/24 (*)	CDI + 1.38%	R\$100,000	None	102,013	100,882	102,013	100,882
Localiza	03/31/22	CDI + 3.6%	R\$300,000	None	338,915	313,409	338,915	313,409
Localiza	03/23/23	CDI + 1.88%	R\$295,000	Localiza Fleet	292,752	289,829	292,752	289,829
Localiza Fleet	02/16/23 e 02/16/24	112.5% do CDI	R\$200,000	Localiza	-	-	202,285	200,264
Total					733,680	704,120	935,965	904,384

(*) On October 8, 2021, Localiza lengthened a working capital contract, changing the maturity from October 20, 2021 to September 23, 2024.

At December 31, 2021, the amount of issuance costs with working capital borrowings to be recognized was R\$ 3,198 (R\$ 5,688 at December 31, 2020), being presented net in the respective contract.

(b) Certificates of Real Estate Receivables ("CRI")

On February 2018, the Company concluded the issuance of CRI in the amount of R\$ 370,000, issued by RB Capital Companhia de Securitização, backed by real estate receivables from property rental contracts of Localiza and Localiza Fleet's headquarters entered into with Rental Brasil. The bonds mature on November 21, 2032, with the redemption option by the certificate holders on November 21, 2024 and yield of 99% of CDI p.a.

(c) Consortium

As of December 31, 2021 and 2020, Localiza and Localiza Fleet had consortium quotas to finance part of the purchase of cars.

(d) Foreign currency borrowings

In order to reduce its borrowing costs and extend repayment terms, Localiza and Localiza Fleet contracted borrowings in foreign currency, whose main characteristics are:

Company	Maturity	Rate (p.a.)	Contracted amount	Individual		Consolidated	
				12/31/2021	12/31/2020	12/31/2021	12/31/2020
Localiza	03/03/21	1.997% up to Sep/20 2.112% after Oct/20	USD 125,000 thousand	-	650,655	-	650,655
Localiza	01/03/23	0.93%	EUR 55,394 thousand	350,669	353,825	350,669	353,825
Localiza	05/22/23	LIBOR + 0.47%	USD 80,000 thousand	446,798	416,088	446,798	416,088
Localiza	01/03/25	1.33%	EUR 55,394 thousand	350,891	354,049	350,891	354,049
Localiza (*)	02/26/24	1.83%	USD 80,000 thousand	444,864	-	444,864	-
Localiza Fleet	12/13/21	1.69%	AUD 73,249 thousand	-	-	-	294,023
Localiza Fleet	08/22/22 and 01/23/23	LIBOR + 1.66%	USD 31,081 thousand	-	-	173,790	161,838
Total				1,593,222	1,774,617	1,767,012	2,230,478

(e) (*) The Company chose to designate the transaction mentioned above as measured at fair value, having contracted derivative financial instruments (swap) for its protection. The fair value option is intended to eliminate or reduce the volatility of measurement or recognition of certain liabilities. Thus, swaps as well as the respective debts are measured at fair value. This option is irrevocable and must be exercised only upon initial recognition of the transaction. In 2021, the net financial result of this operation was a debit of R\$22,484.

As a strategy to manage foreign exchange risk, simultaneously with these transactions, in accordance with the Indebtedness, Derivatives, Guarantees and Sureties Granting Policy, hedge operations (note 14) were contracted.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Localiza and Localiza Fleet contract derivative financial instruments to manage their exposure to market risks (interest rate and exchange rate).

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognized in profit or loss, except for the gain arising from the credit risk variation recorded in "Other Comprehensive Income".

Derivative financial instruments are broken down as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Foreign currency x Reais (a)	328,033	410,606	376,972	506,778
CDI vs fixed rate (b)	28,061	(9,872)	61,555	(103,000)
IPCA x CDI (c)	(44,618)	-	(44,618)	-
Total, net	311,476	400,734	393,909	403,778
Current assets	89,625	85,021	89,625	154,305
Non-current assets	365,088	325,585	448,085	353,022
Current liabilities	(8,560)	-	(9,124)	(66,365)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current liabilities	(134,677)	(9,872)	(134,677)	(37,184)

Changes in derivative financial instruments are as follows:

	Individual			Consolidated		
	Assets	Liabilities and equity	Total, net	Assets	Liabilities and equity	Total, net
At 12/31/2019	18,198	(4,456)	13,742	18,198	(89,099)	(70,901)
Opening balance of subsidiaries acquired	-	-	-	56	-	56
Fair value adjustment	392,612	(22,450)	370,162	392,676	27,226	419,902
Repayment	-	16,830	16,830	(120)	54,841	54,721
Asset vs. liability transfer	(204)	204	-	96,517	(96,517)	-
At 12/31/2020	410,606	(9,872)	400,734	507,327	(103,549)	403,778
Fair value adjustment – income	191,750	(170,802)	20,948	265,172	(170,820)	94,352
Fair value adjustment – other comprehensive income	-	1,335	1,335	-	1,335	1,335
Principal repayment	(148,470)	-	(148,470)	(148,470)	15,086	(133,384)
Repayment	9,989	26,940	36,929	(53,377)	81,205	27,828
Asset vs. liability transfer	(9,162)	9,162	-	(32,942)	32,942	-
At 12/31/2021	454,713	(143,237)	311,476	537,710	(143,801)	393,909

(a) Foreign currency x Reais

As at December 31, 2021, the Company had current hedge transactions with an exclusive foreign exchange hedge for the respective foreign currency borrowings contracted with large financial institutions. The specific characteristics of these hedge transactions are as follows:

Swap transactions

Financial institution	Range of maturity dates	Index		Amount of reference	Value of curve			Market value (carrying amount)			Variation – Gain (loss)
		Long position	Short position	Notional	Long position	Short position	Gain (loss)	Long position	Short position	Gain (loss)	Curve x MTM
Localiza	01/03/23	0.93%	CDI + 1.00%	EUR 55,394 thousand	350,669	253,054	97,615	351,790	253,457	98,333	718
Localiza	05/22/23	LIBOR + 0.47%	108.0% do CDI	USD 80,000 thousand	446,798	303,073	143,725	446,313	304,011	142,302	(1,423)
Localiza	01/03/25	1.33%	CDI + 1.20%	EUR 55,394 thousand	350,891	253,125	97,766	354,463	253,764	100,699	2,933
Localiza	02/26/24	USD + 1.8229% USD + 1.9371%	CDI + 1.35%	USD 80,000 thousand	451,929	470,911	(18,982)	446,198	459,499	(13,301)	5,681
Localiza Fleet	08/22/22 e 01/25/23	LIBOR + 1.66%	6.51%	USD 31,081 thousand	173,790	130,891	42,899	174,327	125,388	48,939	6,040
					1,774,077	1,411,054	363,023	1,773,091	1,396,119	376,972	13,949

(b) CDI vs Fixed rate

Fleet Rental Contracts

Mostly fleet rental contracts of Fleet Rental Division vary from 24 to 36 months and include an annual adjustment clause based on the inflation index. As the rental contracts cannot be adjusted based on the benchmark interest rates, Localiza Fleet enters into swap transactions by swapping the CDI fluctuation for a fixed rate in order to hedge against the risk of loss of profit on rental contracts.

The specific characteristics of these transactions as at December 31, 2021 are as follows:

Range of maturity dates	Weighted average rates		Notional amount	Value of curve			Market value (carrying amount)			Variation
	Long position	Short position	Notional	Long position	Short position	Gain (loss)	Long position	Short position	Gain (loss)	Curve x MTM
	% CDI/ CDI +									
January 2022 to January 2024	105.76% / 2.5%	6.42%	395,000	424,782	434,534	(9,752)	425,956	423,831	2,125	11,877
April 2022	100.00%	3.35%	25,000	26,114	25,880	234	26,114	25,468	646	412
January 2022 to January 2024	106.88% / 2.5%	2.67%	350,000	376,793	382,092	(5,299)	379,678	368,426	11,252	16,551
July 2022 to January 2023	103.33%	4.57%	75,000	79,183	80,127	(944)	79,487	76,981	2,506	3,450
April 2022 to January 2024	110.00%	7.61%	70,000	73,717	75,539	(1,822)	73,772	72,708	1,064	2,886
July 2022 to October 2023	101.85%	7.37%	135,000	140,149	141,912	(1,763)	140,293	135,557	4,736	6,499
January 2022 to April 2023	2.5% / 100%	6.53%	50,000	53,030	52,977	53	53,035	51,789	1,246	1,193
April 2022 to July 2023	2.5% / 100%	7.03%	85,000	88,924	89,081	(157)	89,105	85,743	3,362	3,519
April 2023 to October 2023	100.00%	7.58%	100,000	102,904	103,491	(587)	102,904	98,456	4,448	5,035
April 2023 to October 2023	100.00%	7.43%	50,000	51,452	51,711	(259)	51,452	49,343	2,109	2,368
				1,417,048	1,437,344	(20,296)	1,421,796	1,388,302	33,494	53,790

Agreement between Localiza and Unidas

As part of the Merger of Shares Agreement signed between Localiza and Unidas (note 1.3), still subject to CADE's approval and, consequently, the completion of the Merger of Shares, Localiza will make available to all holders of Unidas shares that have an interest and are registered as shareholders of Unidas at the time of the completion of the Merger of Shares, a credit facility for financing with one or more Brazilian financial institutions chosen by it. The amount of the credit facility will be up to 20% of the total amount of Localiza's shares attributed to Unidas' shareholders.

With the objective of pre-fixing the cost of the resources that will be used to grant the referred financing, the Board of Directors of Localiza approved in a meeting held on November 23, 2020, and ratified on December 10, 2020, the contracting, by the Company, of up to R\$ 800,000 in swaps, maturing up to January 2027.

At December 31, 2021, the specific characteristics of the contracted operations are as follows:

Maturity	Weighted average rates		Notional amount	Market value (carrying amount)		
	Long position	Short position	Notional	Long position	Short position	Gain (loss)
	% CDI					
January 2027	100.0%	8.07%	200,000	199,864	177,997	21,867
January 2027	100.0%	7.71%	50,000	56,194	50,000	6,194
				256,058	227,997	28,061

(c) IPCA vs CDI

On March 24, 2021, the Company contracted derivatives in order to exchange the remuneration of the 17th issue of debentures in IPCA for its equivalence in CDI, which is the reference index used by the Company.

The specific characteristics of these transactions as at December 31, 2021 are as follows:

Weighted average rates		Amount of reference	Market value (carrying amount)		
Long position	Short position		Long position	Short position	Gain (loss)
IPCA+	CDI +				
5.5%	2.00%	400,000	396,255	411,129	(14,874)
5.5%	2.00%	300,000	297,192	308,346	(11,154)
5.5%	2.00%	300,000	297,192	308,346	(11,154)
5.5%	2.00%	200,000	198,128	205,564	(7,436)
			1,188,767	1,233,385	(44,618)

15. RIGHT OF USE LEASE LIABILITY

The Company recognizes the leases as a right-of-use asset with a corresponding lease liability (note 9) on the date that the leased asset becomes available for use. Each lease payment is allocated between the liability and the finance costs. Finance costs are charged to profit or loss over the lease period.

Assets and liabilities arising from leases are initially measured at present value.

Lease payments are discounted at the lessee's incremental borrowing rate on the initial application date and, if necessary, the carrying amount is remeasured to reflect any revaluation or changes in the lease.

The Company applies a discount rate calculated based on the expectation of the risk-free rate disclosed by the Central Bank of Brazil, for the weighted term of its agreements, adjusted to reality of the Company (credit spread). The discount rate used is reviewed annually, or when necessary, and applied to new or amended lease agreements as provided by the standard. The Company applied the average discount rate of 7.53% in 2021 (8.24% in 2020).

The Company has short-term leases and certain office equipment (such as notebooks, printers and copiers) that are considered to be of low-value assets, for which it adopts the recognition exemptions proposed by the accounting standard.

Changes in the right-of-use lease liability are as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	917,784	889,595	662,776	642,733
Opening balance MOBI7	-	-	-	255
Addition/remeasurement of new agreements	286,208	149,707	261,709	136,449
Write-off	(513)	(190)	(508)	(195)
Consideration paid	(218,397)	(198,328)	(193,633)	(176,092)
Consideration payable	(5,633)	(4,979)	-	-
Interest (note 24)	85,785	81,979	61,784	59,626
Balance at the end of the year	1,065,234	917,784	792,128	662,776
Current	173,732	144,492	156,951	130,239
Non-current	891,502	773,292	635,177	532,537

Changes in the right-of-use asset balance are shown in note 9(a).

The Company and its subsidiaries have property rental contracts for its car rental locations in airports and off-airports (downtown locations), stores, headquarters and parking lots. The minimum amounts payable, considering undiscounted considerations, for the remaining lease term contracted up to December 31, 2021 and classified as leases are as follows:

	Individual							
	2022	2023	2024	2025	2026	2027	2028 and after	Total
Concessions in airports	44,006	41,205	37,418	32,039	18,437	13,798	48.794	235.697
Property	180,683	172,578	157,524	144,446	130,296	112,807	701.025	1.599.359
Total	224,689	213,783	194,942	176,485	148,733	126,605	749.819	1.835.056
Embedded interest								(769.822)
Balance of lease liability (current and non-current)								1,065,234

	Consolidated							
	2022	2023	2024	2025	2026	2027	2028 and after	Total
Concessions in airports	44,788	41,350	37,433	32,039	18,437	13,798	48.794	236.639
Property	149,025	139,828	123,792	110,229	95,052	76,506	276.453	970.885
Total	193,813	181,178	161,225	142,268	113,489	90,304	325.247	1.207.524
Embedded interest								(415.396)
Balance of lease liability (current and non-current)								792,128

The estimated amount of PIS and COFINS credit embedded in the undiscounted lease considerations totals R\$ 146,455 in the Individual and R\$ 88,408 in the Consolidated (R\$82,438 in the Individual and R\$57,173 in the Consolidated, discounted to present value).

The Company, in measuring and remeasuring its lease liability and right-of-use asset, proceeded to use the discounted cash flow technique without considering future projected inflation in the flows to be discounted, as required by the criteria established by CPC 06 (R2). According to the guidance of Circular Letter CVM/SNC/SEP/02/2019, in order to serve investors, we present the comparative balances with the application of the projected inflation of the lease liability, right-of-use asset, finance cost and depreciation expense for the year ended December 31, 2021:

	12/31/2021					
	Individual			Consolidated		
	IFRS 16	Projected inflation	%	IFRS 16	Projected inflation	%
Right-of-use asset, net	985,666	1,158,752	17.6%	736,026	845,826	14.9%
Lease liability	1,065,234	1,221,048	14.6%	792,128	890,756	12.5%
Depreciation expenses	(164,670)	(179,146)	8.8%	(150,212)	(160,706)	7.0%
Finance costs	(85,785)	(102,160)	19.1%	(61,784)	(73,282)	18.6%

The Company adopted the practical expedient from CVM Decision 859/20, according to which the lessee may choose not to assess whether a benefit related to Covid-19, granted under a lease contract, is a contract modification and, thus, account for the resulting changes in lease payments in profit or loss for the period (note 3). In 2021, the Company and its subsidiaries recognized in the income for the year the amount of R\$1,751 in Individual and Consolidated (R\$24,532 in Individual and R\$24,588 in Consolidated in 2020) (note 23).

16. OTHER CURRENT AND NON-CURRENT LIABILITIES

Breakdown of the balance of other current and non-current liabilities is as follow:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenue to be appropriated (*)	1,454	2,482	4,718	5,114
Payables to related parties (note 8 (c) (i))	233	740	-	-
Federal taxes payable	3,187	16,128	4,968	19,285
Municipal taxes payable	3,229	3,663	4,572	6,128
Advances from car rental and decommissioned sale customers	192,309	201,503	207,674	209,424
Insurance premiums for transfer (**)	53,111	145,397	53,521	146,715
Amounts payable for the acquisition of MOBI7	-	-	3,720	3,600
Others	16,464	12,736	21,255	25,017
Total other current liabilities	269,987	382,649	300,428	415,283
Revenue to be appropriated (*)	2,277	3,670	6,220	8,196
Restricted obligations (***)	-	-	47,003	45,435
Amounts payable for the acquisition of MOBI7	-	-	3,720	7,199
Others	23,775	8,165	23,783	8,174
Total other non-current liabilities	26,052	11,835	80,726	69,004
Total other current and non-current liabilities	296,039	394,484	381,154	484,287

(*) Refers to the franchising integration fee and bank preference premium.

(**) Premiums received from customers that took out insurance for rented cars, and extended warranty for the decommissioned cars sold which will be transferred by Localiza to the insurance company. As of May 2021, Localiza began offering auto protection coverage directly to its customers, with expenses incurred with claims and theft being recorded in the income statement. (note 2.7.4)

(***) The restricted obligations refer to the amounts retained from the purchase price owed to Car Rental Systems' sellers (escrow), which shall be made available to them after compliance with specific provisions under the share purchase agreement. Restricted obligations are guaranteed by short-term investments made by the Company, with restricted use, and shall be made available for withdrawal in 2023, less the indemnifiable amounts (note 7).

17. PROVISION FOR RISKS AND ESCROW DEPOSITS

The Company and its subsidiaries adopt the practice of recognizing provisions for present obligations as a result of past events, when the amount of the obligation can be reliably estimated and its settlement is probable, or arising from the legal obligation to pay. Provisions are measured at present value and represent the best estimate of the disbursements that must be required to settle the obligation at the end of each year, considering the risks and uncertainties related to the obligation. Actual results could differ from those estimated that were presented in the financial statements. The increase in the provision due to the time elapsed is recognized as interest expense.

Localiza and its subsidiaries challenge in court certain civil, tax, social security and labor lawsuits. Provisions were recorded where the outflow of payments is uncertain and for which the likelihood of loss is probable, according to the Company's legal counselors.

(a) Changes in provisions for risks and escrow deposits

During 2021, there were changes in the provisions, as follows:

	Individual				Total
	Tax	Social security	Labor	Civil	
At December 31, 2020	67,668	14,307	22,654	26,709	131,338
Constitution	-	-	27,776	2,124	29,900
Reversal	-	-	(9,121)	(3,595)	(12,716)
Transfer for payment	(14,747)	-	-	-	(14,747)
Monetary adjustment, net of reversals	143	391	-	1,313	1,847
At December 31, 2021	53,064	14,698	41,309	26,551	135,622

	Consolidated				Total
	Tax	Social security	Labor	Civil	
At December 31, 2020	76,713	15,996	30,871	35,007	158,587
Constitution	104	-	30,862	3,924	34,890
Reversal	(409)	-	(12,504)	(4,116)	(17,029)
Transfer for payment	(14,747)	-	-	-	(14,747)
Monetary adjustment, net of reversals	193	440	-	1,313	1,946
At December 31, 2021	61,854	16,436	49,229	36,128	163,647

Localiza and its subsidiaries have escrow deposits linked to lawsuits, of which the changes in escrow deposit balances, segregated by nature, were as follows:

	Individual				Total
	Tax	Social security	Labor	Civil	
At December 31, 2020	43,150	5,097	16,162	14,967	79,376
Deposit	3,695	2,991	7,077	8,764	22,527
Write-off	(2,980)	-	(6,129)	(4,875)	(13,984)
Monetary adjustment, net	(2,163)	218	88	455	(1,402)
At December 31, 2021	41,702	8,306	17,198	19,311	86,517

	Consolidated				Total
	Tax	Social security	Labor	Civil	
At December 31, 2020	70,574	5,097	21,441	16,608	113,720
Deposit	3,716	2,991	9,028	8,956	24,691
Write-off	(2,980)	-	(7,915)	(4,976)	(15,871)
Monetary adjustment, net	(1,396)	218	88	391	(699)
Transfers	-	-	-	(36)	(36)
At December 31, 2021	69,914	8,306	22,642	20,943	121,805

(b) Contingent liabilities in process - provision recorded

The summary of the main administrative and legal proceedings of Localiza and its subsidiaries, at several stages, at December 31, 2021 and 2020, is as follows:

	Individual							
	12/31/2021				12/31/2020			
	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee /guarantee insurance	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee /guarantee insurance
Tax	8	53,064	821	24,474	12	67,668	2,991	29,508
Social security	5	14,698	145	3,064	5	14,307	1,412	3,064
Labor	353	41,309	5,351	11,649	289	22,654	8,056	6,101
Civil	1,510	26,551	19,311	30,719	2,210	26,709	14,967	36,531
Total	1,876	135,622	25,628	69,906	2,516	131,338	27,426	75,204

	Consolidated							
	12/31/2021				12/31/2020			
	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee /guarantee insurance	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee /guarantee insurance
Tax	18	61,854	13,592	24,474	29	76,713	9,550	29,508
Social security	7	16,436	145	3,064	10	15,996	1,412	3,064
Labor	426	49,229	8,352	13,953	378	30,871	12,775	9,629
Civil	1,650	36,128	20,943	33,855	2,405	35,007	16,608	37,305
Total	2,101	163,647	43,032	75,346	2,822	158,587	40,345	79,506

- **Tax**

These are the lawsuits in which Localiza and its subsidiaries mainly discuss: (i) State VAT ("ICMS") on the sale of property and equipment; (ii) ISSQN (Service tax) on the franchise activity; and (iii) incidence of the contribution to PIS on the billing of car rental companies referring to the period prior to the edition of Constitutional Amendment 20 and the validity of Law 9,718 / 98.

Localiza and Localiza Fleet are parties to lawsuits referring to ICMS (State VAT) that refer to the tax requirement on the sale of their fixed assets (decommissioned cars for fleet renewal).

On July 7, 2006, the National Council of Fiscal Policy (CONFAZ) issued the Arrangement 64, providing for the payment of ICMS on sales of cars within 12 months of sale. This Arrangement was ratified by the Brazilian States, except for São Paulo, which issued CAT Decision 02/06, with the same regulation.

The Federal Supreme Court, in the judgment of Extraordinary Appeal 1025986 under the general repercussion system, considered to be constitutional the incidence of ICMS on the operation, carried out by a car rental company, related to car sale in less than 12 months after its acquisition from the car manufacturer.

These are the lawsuits in which Localiza and its subsidiaries mainly discuss: (i) State VAT ("ICMS") on sales of fixed assets; (ii) ISSQN (Service tax) on franchise activity; and (iii) incidence of PIS contribution on the revenues of car rental companies for the period prior to the edition of Constitutional Amendment No. 20 and the effectiveness of Law No. 9718/98.

Localiza and Localiza Fleet have processes related to ICMS that refer to the requirement of the tax on the sale of goods from its fixed assets (cars decommissioned for fleet renewal).

On July 7, 2006, the CONFAZ (National Finance Policy Council) published Convention 64, which provides for the incidence of the ICMS tax on the sale of cars in a period of less than 12 months from acquisition. This Convention was ratified by the States of the Federation, except for São Paulo, which issued CAT Decision 02/06, with the same regulation.

The Federal Supreme Court, in the judgment of Extraordinary Appeal No. 1025986, under the system of general repercussion, considered constitutional the incidence of ICMS on the sale, by a car rental company, of a car less than 12 months old from the manufacturer.

In 2020, based on this judgment, the Company's legal advisors classify the chance of loss of the lawsuits that involve the ICMS requirement on sales made within less than 12 months, pursuant to ICMS Agreement 64/06, as probable, and a provision in the updated amounts of R\$65,297 at Company and R\$68,730 at Consolidated was recorded (notes 23 and 24). In 2021, the updated balance of this provision is R\$50,213 in individual and R\$53,284 in consolidated, with no change in the expected loss.

- **Social security**

Localiza and its subsidiaries are parties to several social security lawsuits mainly related to: (i) indemnity amounts; (ii) Special Secretariat for the Control of State Companies (SEST) and National Service for Commercial Training (SENAT); (iii) education allowance and contributions to the National Institute of Colonization and Agrarian Reform (INCRA) on the payment of independent contractors, and labor claims; (iv) social security contributions on profit sharing; and (v) Work-related Environmental Risks (RAT). There are legal arguments and court decisions that support Localiza's and its subsidiaries' position.

- **Labor**

Localiza and its subsidiaries are parties to labor claims mainly related to the payment of overtime and related charges, pain and suffering, and recognition of an employment relationship of service providers, contractors and similar workers. The court decisions on these matters are not uniform.

- **Civil**

As at December 31, 2021, Localiza and its subsidiaries were parties to civil claims related to: (i) indemnity claims arising from damages to third parties in traffic accidents caused by customers driving cars rented from the Company (although not being responsible for the accidents, the Company is frequently sued for being the owner of the car); and (ii) indemnity claims arising from the relations between the Company and the consumers.

Localiza and its subsidiaries record a provision for possible indemnities payable to third parties, arising from accidents caused by rented cars, at amounts in excess of the amounts insured by the insurance company and based on the opinion of its legal counselors.

(c) Contingent liabilities in process with possible likelihood of loss - no provision recorded

	Individual							
	12/31/2021				12/31/2020			
	Number of lawsuits	Discussed amount	Escrow deposit	Bank guarantee/guarantee insurance	Number of lawsuits	Discussed amount	Escrow deposit	Bank guarantee/guarantee insurance
Federal and social security taxes	46	100,168	10,357	21,739	33	57,111	3,790	43,560
PIS and COFINS	1	113,437	-	-	1	149,525	1,010	-
ICMS	47	146,229	147	128,776	46	130,354	-	76,921
Vehicle Tax (IPVA)	482	63,333	36,234	59,700	885	57,243	34,000	51,454
Other taxes	77	79,947	186	80,555	113	70,742	5,044	38,247
Labor	469	76,538	107	781	332	65,062	28	316
Civil	664	85,393	-	-	1,004	71,240	-	-
Total	1,786	665,045	47,031	291,551	2,414	601,277	43,872	210,498

	Consolidated							
	12/31/2021				12/31/2020			
	Number of lawsuits	Discussed amount	Escrow deposit	Bank guarantee/guarantee insurance	Number of lawsuits	Discussed amount	Escrow deposit	Bank guarantee/guarantee insurance
Federal and social security taxes	66	110,207	13,595	22,482	53	66,821	7,037	44,156
PIS and COFINS	2	166,497	-	-	4	184,909	1,010	204
ICMS	49	150,002	147	132,831	51	137,104	-	77,022
Vehicle Tax (IPVA)	1,449	95,173	51,789	73,848	910	84,014	51,618	64,046
Other taxes	80	81,491	186	80,648	119	72,222	5,044	38,375
Labor	484	78,509	745	794	346	67,379	33	353
Civil	759	100,087	6	-	1,111	82,845	116	-
Total	2,889	781,966	66,468	310,603	2,594	695,294	64,858	224,156

- **Federal and social security taxes**

At the federal level, Localiza and its subsidiaries are parties to several administrative and legal claims relating to debts resulting from challenges related to the non-approval of requests for offset (PER/DCOMP), as well as social contributions incurring on indemnifications. These proceedings were not provided for since the risk of an unfavorable outcome is considered possible by the legal counselors.

- **Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)**

Localiza and Localiza Fleet filed for a suit claiming their right to appropriate PIS and COFINS credits from depreciation of their rental vehicles, based on the justification inserted in Article 3, VI, and Article 15 of Law 10,833/03, at the fraction of 1/48 per month instead of the general rule of 1/60 per month. Since April 2017, based on favorable outcome, Localiza and Localiza Fleet begun to appropriate credits on a 1/48th basis per month and recognize the difference between said bases until new decisions about the discussion were issued.

In 2020, considering that the scenario of the lawsuits changed with the issuance of the second favorable decision and the current context of the court decisions about the utilization of PIS/COFINS credits, the legal counselors changed the assessment of the likelihood of loss of lawsuits in this matter from probable to possible. Therefore, the respective provisions were reversed, in the updated amounts of R\$ 110,602 (Individual) and R\$ 135,021 (Consolidated) (notes 23 and 24). In 2021, as a consequence of the review of the useful life of certain cars from the fleet of the Car Rental division (note 7(a)), there was a reduction of R\$51,437 in the value of the risk of loss of this process.

- **ICMS**

Also under discussion by the Company and its subsidiaries: (i) collections made by the State in which the Company already has a final and unappealable court decision considering the ICMS requirement on sales in less than 12 months to be unconstitutional; (ii) collections related to sales over 12 months; (iii) the calculations of the assessments, due to the disregard of the right to credit the tax paid on the acquisition of the goods, as provided for in Agreement 64/06; (iv) mixed cases, in which the Company was unable to segregate sales made in more and in less than 12 months; and (v) ICMS collections and fines whose discussion does not involve the sales of vehicles. Such discussions involve the amount of R\$ 150,002, whose likelihood of loss remain classified as possible by the legal counselors, with no provision being recognized regarding these questionings.

- **Vehicle Ownership Tax (IPVA)**

Localiza, Localiza Fleet and Car Rental Systems are parties to several administrative and legal claims relating to the payment of Vehicle Ownership Tax (IPVA) required by the State of São Paulo, based on State Law 13,296/08, for vehicles that are owned by the Company and are occasionally made available for rental in that state.

Localiza, Localiza Fleet and Car Rental Systems have their tax domicile in Belo Horizonte, State of Minas Gerais, where their headquarters are located, and, in compliance with Article 120 of the National Traffic Code, their cars are registered in that city and the IPVA is paid to the State of Minas Gerais.

No provision is recognized regarding these challenges as the likelihood of loss is possible according to the legal counselors, on the basis of the legal and constitutional provisions that govern the IPVA (articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and paragraph 1 of the Civil Code, 110 and 127 of CTN).

18. TAXES ON INCOME – INCOME TAX AND SOCIAL CONTRIBUTION

(a) Deferred income tax and social contribution - assets and liabilities

The Company and its subsidiaries adopt the accounting procedure of recording tax credit arising from deferred income tax and social contribution on temporary differences between the asset and liability balances in the financial statements and their corresponding tax bases, used to determine taxable income of each period, as well as on tax loss carryforwards, when applicable. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all

or part of the asset to be recovered. The subsidiaries that calculate income tax and social contribution for the deemed income do not constitute tax credits during the period in which they are taxed by this regime. For financial statement presentation purposes, the assets and liabilities are presented net by entity, in accordance with CPC 32 – Taxes on Income.

The breakdown of deferred income tax and social contribution at December 31, 2021 and 2020 is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Temporary differences in the deductibility of provisions:				
Provision for risks and other provisions	45,295	43,849	53,387	51,333
Allowance for doubtful debts and expected losses and other allowances	51,016	55,959	55,426	59,161
Provision for payment of services in progress and others, profit sharing, loyalty program and others	118,629	82,371	132,747	92,672
Swap transaction with payment on a cash basis	2,916	2,942	6,279	41,419
Income tax and social contribution tax loss carryforwards	1,122,457	140,666	1,140,112	159,394
Total deferred income tax and social contribution assets	1,340,313	325,787	1,387,951	403,979
Car depreciation (*)	2,111,786	560,733	2,429,519	742,255
Lease in the purchase of property and equipment (**)	213	213	9,807	33,727
Swap operation with cash basis	36,613	-	53,230	-
Other	-	-	19,006	15,723
Total deferred income tax and social contribution liabilities	2,148,612	560,946	2,511,562	791,705
Total deferred income tax and social contribution, net	808,299	235,159	1,123,611	387,726
Non-current assets	-	-	(24,291)	(24,363)
Non-current liabilities	808,299	235,159	1,147,902	412,089

(*) Refers to the temporary difference arising from the calculation of accounting depreciation (note 9) in relation to the tax base. Localiza and Localiza Fleet calculate, for tax purposes, car depreciation expenses based on the depreciation criteria used through December 31, 2007, as prescribed by Law 12,973/14, under the general rule of 1/60 months or in accordance with technical opinion, as mentioned in note 7(a).

(**) Refers to the temporary difference arising from the deduction of lease installments amortization on the acquisition of property and equipment items as a contra entry to the depreciation addition to the income tax and social contribution tax bases.

The Company and its subsidiaries have a balance, at December 31, 2021, as tax credit on tax loss carryforwards of R\$1,122,457 in Individual and R\$1,140,112 in Consolidated (R\$140,666 and R\$159,394, respectively, at December 31, 2020). Based on expected future taxable profit generation, this tax credit can be carried forward indefinitely and its offset is limited to 30% of annual taxable profit, as determined by the current legislation. The increase submitted on the balance of this tax credit refers basically to the revision of useful life of certain cars for tax purposes (note 7(a)).

The realization of deferred income tax and social contribution credits, arising from temporary differences and tax loss carryforwards, is contingent upon future events that will make the provisions that gave rise to them deductible and enabled the offset of tax losses and social contribution tax loss carryforwards, in accordance with prevailing tax legislation.

Based on past taxable profits that originated deferred income tax and social contribution asset balances, as well as projections of profit or loss for coming years, the Company estimates the following schedule for the recovery of tax credits:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2020	12/31/2020
2021	-	201,848	-	249,684
2022	256,521	65,811	283,133	75,457
2023	130,461	20,448	134,294	31,421
2024	162,305	6,618	172,828	10,077
2025	159,000	20,982	161,837	25,567
2026	208,286	1,180	209,617	1,334
2027	234,051	4,343	234,301	4,497
2028	182,402	857	182,652	1,011
2029	1,060	702	1,310	856

2030 onwards	6,227	2,998	7,979	4,075
Total deferred income tax and social contribution assets	1,340,313	325,787	1,387,951	403,979

(b) Income tax and social contribution – reconciliation of statutory and effective rates

The Company and its subsidiaries calculate the provision for income tax and social contribution based on taxable income for the year. Taxable income differs from profit presented in the statement of profit or loss because it excludes taxable or deductible income or expenses in other years, as well as permanently excluding non-taxable or non-deductible items. The provision for income tax and social contribution is calculated individually by each company under the actual taxable income or deemed income regime, at the current rates of tax.

The reconciliation between the statutory and effective rates for the years ended December 31, 2021 and 2020 is as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Profit before taxes	2,614,864	1,199,633	2,903,123	1,427,321
Statutory rate	34%	34%	34%	34%
Expense at statutory rate	(889,054)	(407,875)	(987,062)	(485,289)
Adjustments to expense at statutory rate:				
Equity in the earnings of subsidiaries	211,935	168,812	-	-
Effect of deduction of interest on capital	107,234	88,788	107,234	88,788
Income tax and social contribution due by subsidiaries (deemed income)	-	-	12,308	13,046
Other, net	(1,302)	(1,178)	8,074	4,314
Expense at effective rate	(571,187)	(151,453)	(859,446)	(379,141)
Aliquot at effective rate	22%	13%	30%	27%
Current income tax and social contribution	1,499	(110,306)	(124,015)	(311,707)
Deferred income tax and social contribution	(572,686)	(41,147)	(735,431)	(67,434)

19. EQUITY

(a) Capital

As at December 31, 2021 and 2020, the Company's capital was R\$4,000,000, comprised of 758,466,670 common shares. The ownership of capital and the related reconciliation of the number of outstanding shares are as follows:

	Management				
	Founding partners	Board of Directors and Statutory Board	Treasury shares	Outstanding shares	Number of shares – ON
Number at December 31, 2019	162,144,750	289,210	2,799,555	593,233,155	758,466,670
Bonus fraction adjustment	(1)	-	(1)	2	-
Acquisition (sale) of shares, net	(6,166,388)	(129,980)	-	6,296,368	-
Exercise of stock options with treasury shares	106,076	195,176	(1,092,031)	790,779	-
Share repurchase	-	-	5,214,600	(5,214,600)	-
Sale of treasury shares	44,755	40,682	(125,964)	40,527	-
Renting and return of renting of shares	2,370,750	-	-	(2,370,750)	-
Election (removal) of management	-	(170,742)	-	170,742	-
Number at December 31, 2020	158,499,942	224,346	6,796,159	592,946,223	758,466,670
Acquisition (sale) of shares, net	(832,800)	(21,529)	-	854,329	-
Exercise of stock options with treasury shares	57,972	111,044	(452,577)	283,561	-
Sale of treasury shares	19,304	22,553	(68,237)	26,380	-
Renting and return of renting of shares	(450,601)	-	-	450,601	-
Election (removal) of management	-	(45,344)	-	45,344	-

	<u>Management</u>				
	<u>Founding partners</u>	<u>Board of Directors and Statutory Board</u>	<u>Treasury shares</u>	<u>Outstanding shares</u>	<u>Number of shares – ON</u>
Number at December 31, 2021	<u>157,293,817</u>	<u>291,070</u>	<u>6,275,345</u>	<u>594,606,438</u>	<u>758,466,670</u>

Pursuant to article 6 of the Bylaws, the Company is authorized to increase its capital up to the limit of 1,000,000,000 registered common shares, regardless of any amendment to the bylaws, so that additional 241,533,330 registered common shares can be issued.

The Company participates in the Level I of the American Depositary Receipts (“ADR”) Program since its approval by CVM on May 22, 2012 and the beginning of trading on June 5, 2012. The Company’s position, considering the effects of share bonus, comprised 6,213,975 ADRs issued in the United States as at December 31, 2021 and 6,796,767 as at December 31, 2020. Each ADR corresponds to one Company’s share.

(a) Treasury shares

Treasury shares are own equity instruments repurchased by the Company and recorded at cost, net of equity. Transaction costs incurred in the purchase of shares issued by Localiza are added to the value of these shares. No gain or loss is recognized in the statement of profit or loss on the purchase or sale of such shares. Shares are purchased to be held in treasury and for subsequent sale, without reducing capital, and/or to settle long-term incentive plans, when they are exercised.

Changes in treasury shares is shown below:

	<u>Value</u>	<u>Number of Shares</u>	<u>Average unit price (in R\$)</u>
At December 31, 2019	22,288	2,799,555	7.96
Bonus fraction adjustment	-	(1)	-
Exercise of long-term incentive programs (i)	(28,204)	(1,092,031)	25.83
Sale to employees eligible to the Matching Program (ii)	(3,250)	(125,831)	25.83
Sale	(3)	(133)	22.56
Share repurchase (iii)	184,695	5,214,600	35.42
At December 31, 2020	175,526	6,796,159	25.86
Exercise of long-term incentive programs (i)	(11,690)	(452,577)	25.83
Sale to employees eligible to the Matching Program (ii)	(1,762)	(68,237)	25.82
At December 31, 2021	162,074	6,275,345	25.83

At December 31, 2021, the market value of treasury shares was R\$332,593 (quotation of R\$53.00 per share).

(i) Exercise of long-term incentive programs

The treasury shares used to exercise the Stock Option Programs are shown in note 19 (c)(ii).

(ii) Sale for eligible to the Matching Program

In 2021, 68,237 treasury shares were sold in the amount of R\$1,762 (125,831 shares amounting to R\$3,250 in 2020) to employees eligible to the 1st Stock Option Plan and Matching Shares, which was approved at the Extraordinary General Meeting held on July 12, 2017. The goodwill generated for the share sales was R\$ 2,614 in 2021 (R\$ 971 in 2020).

(i) Share repurchase

During the years ended December 31, 2021 and 2020, the following Localiza share repurchase programs were in effect:

<u>Share Repurchase Program</u>	<u>Approval by the Board of Directors</u>	<u>Repurchase deadline</u>	<u>Maximum Authorized Quantity</u>	<u>Quantity repurchased</u>
11 ^o	06/18/19	07/23/19 to 07/22/20	52,500,000 (*)	5,214,600
12 ^o	06/18/20	07/23/20 to 07/22/21	50,000,000	-
13 ^o	06/24/21	07/23/21 to 07/22/22	50,000,000	-

(*) It contemplates the effects of the 2019 bonus.

In March 2020, 5,214,600 shares issued by the Company itself were acquired for the amount of R\$184,696, as part of the 11th Share Repurchase Program. The acquisition cost of the treasury shares, including trading costs, ranged between R\$ 26.86 and R\$ 40.02 per share.

The repurchase programs aim to maximize the value generation for shareholders or to settle the stock options programs within the scope of the Company's long-term incentive plans.

(b) Capital reserves

(i) Stock options granted recognized

The purpose of this reserve is to support the long-term incentive plans duly approved at General Meetings, which grant to some eligible officers and employees Localiza's stock options. The purpose of these plans is to attract, motivate and retain these officers and employees, as well as align their interests with those of the Company and its shareholders.

Currently, the long-term incentive plans maintained by the Company are the following:

- **3rd Stock Option Plan ("3rd Options Plan", comprising the Programs from 2013 to 2016):** Approved at the Extraordinary General Meeting on April 25, 2011, the plan establishes, annually, for each program, the definition of the matching to the amount invested in options. Each program will have only one tranche as from the maturity date and the vesting period for the option is from 3 to 6 years. The options can be exercised at any time as from the right of acquisition date up to the exercise limit date.
- **4th Stock Option Plan ("4th Options Plan", comprising the Programs from 2017 to 2021):** Approved at the Extraordinary General Meeting held on July 12, 2017, the plan establishes the general conditions of long-term incentive through the grant of stock options issued by the Company, pursuant to article 168, paragraph 3 of Law 6,404/76, to certain officers, at the discretion of the Board of Directors. Adhesion to it is voluntary. For each invested share, the Company shall grant to the Participant 3 options. The program will have 3 annual tranches from the maturity date and the vesting period for the eligible office to acquire the right to exercise 1/3 option is 1 year.
- **1st Stock Options and Matching Shares Plan ("1st Matching Plan", comprising the Programs from 2017 to 2021):** Approved at the Extraordinary General Meeting held on July 12, 2017, the plan sets the general terms and conditions for the long-term incentive plan by means of the purchase of stocks and matching stocks to certain executives, who will voluntarily adhere to the plan. The term "Matching Share" means the onerous right to receive 1 share on a certain future date, strictly in accordance with the terms and conditions established in the plan. The Company will sell to the participant, who shall purchase from it, in a commercial purchase and sale transaction, using the treasury shares, the number of shares equivalent to the number of share baskets acquired, and, for each 1 share, the Company shall sell jointly to the participant 2 Matching Shares, if the requirements provided for in this plan are complied with.
- **1st Deferred Shares Bonus Plan ("1st Deferred Plan", comprising the Programs from 2017 to 2021):** Approved at the Extraordinary General Meeting held on July 12, 2017, the plan sets the general terms and conditions for the long-term incentive plan by granting Deferred Shares issued by the Company to eligible employees. Each deferred share grants to its holder the right to receive 1 common share issued by the Company on a certain future date, strictly in accordance with the terms and conditions established in this plan, as a bonus (share bonus).
- **Special Retention and Alignment Plan for the Creation of a Shareholder Reference Administrator:** At the Ordinary and Extraordinary Shareholders' Meeting held on April 27, 2021, the Special Retention and Alignment Plan for the Creation of a Reference Shareholder Administrator was approved. The plan provides for the granting of up to 2.5% of the total number of shares issued by the Company on December 31, 2020, corresponding to 18,961,666.75 shares. The plan is valid for 20 years, with the possibility of annual grants, to a select group of managers carefully selected and appointed by the Board of Directors as "Reference Shareholder Managers". Those elected will represent the mindset of the Founders and investors and will be recognized within the Company and by the market as the long term sustaining axis, leading the Company through important achievements and challenging situations, aiming to transform Localiza into their life project, just as the Founders did. The vesting period, to have the total availability of the shares granted, is 10 years of each grant.

The costs of the Stock Option Purchase Plans for the Company are measured at fair value on their grant date and estimated based on the Black & Scholes model applied to each of the tranches of each of the programs separately. The number of options granted is adjusted based on the expected turnover, since if the beneficiary leaves the Company or its subsidiaries before the vesting period, they lose the right to exercise the options. This expectation is revised to reflect changes that may occur during the term of the plans.

For all plans, the Company adopts the procedure of recognizing the option costs on a straight-line basis during the vesting period, from the grant date to the date on which the employee has the right to exercise the option, with a corresponding increase in (i) equity, under the line item “Stock options granted recognized”, in “capital reserves”, and (ii) in the statement of profit or loss, under “costs”, “selling expenses”, and “general, administrative and other expenses” line items, according to the functions of the related employees.

The long-term incentive plans outstanding at December 31, 2021, considering the bonuses / splits that occurred in previous years, were approved at meetings of the Board of Directors and / or Extraordinary General Meetings and have the following characteristics:

	Reference Shareholder Plan	Programs											
		2021	2020	2019	2021	2020	2019	2021	2020	2019	2018	2017	2016
		1 st Deferred Plan			1 st Matching Plan			4 th Options Plan					
Number of eligible participants	2	54	8	3	44	44	26	41	42	25	23	22	15
Number of options granted	3,220,610	282,360	195,896	89,281	136,474	250,192	152,716	205,740	365,094	228,614	368,086	515,755	1,684,946
Number of annual tranches	4	1	1	1	1	1	1	3	3	3	3	3	1
Number of options by tranche	(*)	282,360	195,896	89,281	136,474	250,192	152,716	68,580	121,698	76,205	122,695	171,918	1,684,946
Exercise year of 1 st tranche	2024	2024	2023	2022	2024	2023	2022	2022	2021	2020	2019	2018	2019
Limit date for exercise of options	Jun/31	Mai/24	Mai/23	Mai/22	Mai/24	Mai/23	Mai/22	Mai/27	Mai/26	Mai/25	Mai/24	Mai/23	Mai/22

(*) The shares will be exercised in 4 tranches, being: 10% after 3 years; 15% after 5 years; 20% after 7 years and 55% after 10 years.

Changes, in number of eligible shares, in long-term incentive plans and their respective programs until the end of the reporting periods, are as follows:

Plan	Program	12/31/2020		Concessions		Cancelations		Exercises		12/31/2021	
		Eligible	Options	Eligible	Options granted	Eligible	Options canceled	Eligible who exercised 100%	Options exercised	Eligible	Existing options
3 rd Options Plan	2015	2	102,875	-	-	-	-	(2)	(102,875)	-	-
	2016	3	97,008	-	-	-	-	(1)	(61,232)	2	35,776
4 th Options Plan	2017	12	285,918	-	-	-	-	(2)	(42,609)	10	243,309
	2018	17	252,278	-	-	-	-	(3)	(35,567)	14	216,711
	2019	23	186,384	-	-	-	-	-	(8,506)	23	177,878
	2020	41	341,937	-	-	-	-	-	(5,565)	41	336,372
	2021	-	-	41	205,740	-	-	-	-	41	205,740
1 st Matching Plan	2018	17	183,770	-	-	-	(50,514)	(17)	(133,256)	-	-
	2019	24	130,099	-	-	-	-	-	-	24	130,099
	2020	43	234,770	-	-	-	-	-	-	43	234,770
	2021	-	-	44	136,474	-	-	-	-	44	136,474
1 st Deferred Plan	2018	1	86,851	-	-	-	(23,884)	(1)	(62,967)	-	-
	2019	3	114,765	-	-	-	-	-	-	3	114,765
	2020	8	195,896	-	-	-	-	-	-	8	195,896
	2021	-	-	54	282,360	-	-	-	-	54	282,360
Reference Shareholders	2021	-	-	2	3,220,610	-	-	-	-	2	3,220,610
Total		194	2,212,551	141	3,845,184	-	(74,398)	(26)	(452,577)	309	5,530,760

Plan	Program	12/31/2019		Concessions		Cancelations		Exercises		12/31/2020	
		Eligible	Options	Eligible	Options granted	Eligible	Options canceled	Eligible who exercised 100%	Options exercised	Eligible	Existing options
3 rd Plan Options	2014	4	266,314	-	-	-	-	(4)	(266,314)	-	-
	2015	5	278,060	-	-	-	-	(3)	(175,185)	2	102,875
	2016	6	240,914	-	-	-	-	(3)	(143,906)	3	97,008
4 th Options Plan	2017	17	369,426	-	-	-	-	(5)	(83,508)	12	285,918
	2018	19	321,409	-	-	(1)	(7,514)	(1)	(61,617)	17	252,278
	2019	24	216,600	-	-	(1)	(14,761)	-	(15,455)	23	186,384
	2020	-	-	42	365,094	(1)	(23,157)	-	-	41	341,937
1 st Matching Plan	2017	19	427,763	-	-	-	(106,824)	(19)	(320,939)	-	-
	2018	19	221,156	-	-	(1)	(14,074)	(1)	(23,312)	17	183,770
	2019	25	144,761	-	-	(1)	(14,662)	-	-	24	130,099
	2020	-	-	44	250,192	(1)	(15,422)	-	-	43	234,770
1 st Deferred Plan	2017	1	15,702	-	-	-	(13,907)	(1)	(1,795)	-	-
	2018	1	62,967	-	-	-	23,884	-	-	1	86,851
	2019	3	89,281	-	-	-	25,484	-	-	3	114,765
	2020	-	-	8	195,896	-	-	-	-	8	195,896
Total		143	2,654,353	94	811,182	(6)	(160,953)	(37)	(1,092,031)	194	2,212,551

At December 31, 2021, the following weighted average assumptions, considering the effects of share bonus, were used to calculate (*Black & Scholes* model) the fair value of each of the tranches of the stock option program still outstanding:

	Reference Shareholder Plan	Programs											
		2021	2020	2019	2021	2020	2019	2021	2020	2019	2018	2017	2016
		1 st Deferred Plan			1 st Matching Plan			4 th Options Plan					
Exercise price (*)	-	-	-	-	-	-	-	62,74	42,31	26,37	19,44	10,03	8,99
Risk-free rate by tranche	-	7.41%	5.09%	7.81%	7.41%	5.09%	7.81%	6.57%	4.01%	7.18%	7.11%	4.59%	4.87%
Expected annualized volatility (**)	52.68%	52.68%	33.27%	35.05%	52.68%	33.27%	35.05%	52.68%	33.27%	35.05%	35.13%	42.59%	43.11%
Expected dividends	-	-	-	-	-	-	-	0.46%	0.48%	0.49%	0.51%	0.42%	0.42%
Duration of the program in years	10.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.8	3.0
Option fair value on grant date (R\$/share)	62,74	62,74	35,20	35,10	62,74	35,20	35,96	19,29	7,84	13,25	7,70	7,13	3,87

(*) The value of the share to be acquired by participants by exercising the option was calculated based on the average price of RENT3 shares, weighted by the volume traded at the close of trading of the last 40 sessions on B3 prior to the profit sharing payment date.

(**) For the programs of the 3rd Option Plan, the expected annualized volatility was determined based on the historical volatility of RENT3 shares in the capital market, as from the listing of Localiza's shares in 2005, less the dividends paid in each period. For the programs of the 4th Plan, the historical volatility of the shares of the last 3 years until the grant date was determined.

In 2021, the consolidated cost of these Programs was R\$ 38,440 (R\$ 11,915 in 2020).

Considering the exercise of the options existing on December 31, 2021, the interest dilution percentage to which current shareholders are subject is 0.7% (0.3% on December 31, 2020).

(ii) Options exercised in 2021

The weighted average exercise prices of shares in 2021, as well as the weighted average fair value of Localiza's shares on the exercise date, considering the effects of share bonus, were as follows:

Plan	Program	Number of options exercised	Fair value (R\$)	Weighted average exercise price (R\$)	Weighted average market price (R\$)
3 rd Options Plan	2015	102,875	4.38	10.91	62.89
	2016	61,232	3.87	8.99	63.13
	2017	42,609	7.13	10.03	63.60
4 th Options Plan	2018	35,567	7.70	19.44	63.33
	2019	8,506	12.62	26.37	63.20
	2020	5,565	12.20	42.31	61.83
	2018	133,256	23.55	23.55	62.66
1 st Matching Plan	2018	133,256	23.55	23.55	62.66
1 st Deferred Plan	2018	62,967	27.62	27.62	59.84
Total		452,577			

All options were exercised using treasury shares amounting to R\$11.690 and, therefore, it was not necessary to issue new shares. The goodwill generated for the options exercised was R\$3,768 in 2021.

(iii) Goodwill on share subscription

Stock options were exercised using treasury shares, calculated at the average cost incurred to acquire them. The difference between the exercise amount by the eligible employee and the equity amount of the treasury shares is recorded in the "Goodwill on share subscription" reserve.

The Goodwill on share subscription reserve for the year ended December 31, 2021 arises from the following:

	12/31/2021	12/31/2020
Primary distribution of shares of Localiza	48.174	48.174
In the exercise of the long-term incentive programs with treasury stock	56.048	52.280
Sale of treasury shares	9.278	6.664
Total	113.500	107.118

(c) Earnings reserves

(i) Legal Reserve

This reserve is recorded as prescribed by the Brazilian Corporate Law, through the allocation of 5% of the profit for the year, and is limited: (i) to 20% of the capital or (ii) when the balance of such reserve plus the capital reserves reaches 30% of the amount of capital. The purpose of the legal reserve is to protect capital, and it can only be used to offset losses or increase capital.

At December 31, 2021 and 2020, R\$ 102,183 and R\$ 52,409, respectively, were recorded as legal reserve. This reserve amounted to R\$ 375,157 at December 31, 2021 (R\$ 272,974 at December 31, 2020).

(ii) Statutory reserve

According to item (f), paragraph 2 of article 26 of Localiza's Bylaws, a portion consisting of up to 100% of the profit for the year after legal and statutory deductions may be allocated to the "reserve for investments", which is intended to retain resources to finance investments for renewal and expansion of the Company's and its subsidiaries' fleets.

At the Annual General Meeting held on April 23, 2020, the shareholders approved the creation of a statutory reserve of R\$ 716,502 related to the remaining balance of the profit for 2020.

At December 31, 2021, Management proposed, subject to approval of the Annual General Meeting, the allocation of 100% of the remaining profit for 2021, in the amount of R\$ 1,419,899, to the statutory reserve.

(d) Allocation of profit for the year

The Company adopts the procedure of recording interest on capital, calculated under Law 9,249/95, in profit or loss under "finance costs" line item, as required by tax legislation. However, for financial statement purposes, interest on capital is presented as a charge to retained earnings, which is the same treatment as that given to dividends. The amounts paid to shareholders as interest on capital, net of withholding income tax, are deducted from the mandatory dividend, under article 9, paragraph 7, of Law 9,249/95 and based on paragraph 5 of article 26 of Localiza's Bylaws.

As defined in the Bylaws, the Company distributes mandatory minimum dividend equivalent to 25% of the profit for the year, reduced or increased by the following amounts: (i) amount destined to the recognition of the legal reserve; (ii) amount allocated to the formation of a reserve for contingencies and reversal of the same reserves formed in previous years; and (iii) the amount arising from the reversal of the unrealized earnings reserve formed in previous years, pursuant to article 202, item II of Law 6,404 / 76.

Interest on capital and dividends were calculated as follows:

	Individual	
	2021	2020
Profit for the year	2,043,677	1,048,180
Legal reserve (5%)	(102,183)	(52,409)
Profit for the year, basis for dividends proposal	1,941,494	995,771
Minimum dividends (25%)	485,374	248,943
Dividends and interest on capital proposed/distributed:		
Distributed interest on capital	315,395	261,141
Withholding income tax on interest on capital	(36,221)	(30,326)
Distributed interest on capital, net	279,174	230,815
Minimum mandatory dividend	206,200	18,128
Total	485,374	248,943
Percentage on profit for the year deducted from legal reserve	25,0%	25,0%
Gross dividends and interest on capital per share, net of treasury shares at the end of the year (in R\$)	R\$0,693	R\$0,372

At December 31, 2021, management proposed for the approval of the Annual General Meeting the supplementary minimum mandatory dividend in the amount of R\$ 206,200, considering that the amount distributed through interest on capital and 2021 did not reach 25% of minimum mandatory dividends.

The Company declared interest on capital to shareholders on a quarterly basis. The Board of Directors' meetings approved the payment of interest on capital as follows:

2021				
Approval date	Total amount approved	Amount per share (R\$)	Shareholding position date	Payment date

03/24/21	63,739	0.08479	03/29/21	05/21/21
06/24/21	72,356	0.09620	06/29/21	08/20/21
09/24/21	82,143	0.10920	09/29/21	11/22/21
12/14/21	<u>97,157</u>	0.12916	12/17/21	02/11/22
Total	<u>315,395</u>			

2020				
Approval date	Total amount approved	Amount per share (R\$)	Shareholding position date	Payment date
03/10/20	66,954	0.08901	13/03/20	15/09/20
06/18/20	64,764	0.08622	23/06/20	15/10/20
09/04/20	65,611	0.08735	10/09/20	05/11/20
12/10/20	<u>63,812</u>	0.08491	15/12/20	05/02/21
Total	<u>261,141</u>			

In an Ordinary General Meeting held on April 27, 2021, it was approved the payment of interest on equity in the amount of R\$261,143 referring to net income for the year 2020. Additionally, it was approved the payment to shareholders of dividends in addition to the minimum mandatory dividend, in the amount of R\$18,128.

The dividends and interest on capital payable are broken down as follows:

	Consolidated	
	12/31/2021	12/31/2020
Dividends in addition to the mandatory minimum	206,200	18,128
Proposed interest on capital on profit for the 4 th quarter	97,157	63,812
Provision for withholding income tax on interest on capital	(14,508)	(9,507)
Total dividends and interest on capital payable	<u>288,849</u>	<u>72,433</u>

20. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to the holders of common shares of the parent company by the weighted average number of common shares available during the period, less treasury shares.

Diluted earnings per share are calculated by basic earnings per share plus the weighted average number of common shares that would be issued on the assumption of the exercise of stock options. In the case of stock options, the number of shares that could be purchased at fair value is determined (fair value being the annual average market price for the Group shares), based on the monetary value of the subscription rights for outstanding options. The number of shares calculated as previously mentioned is compared with the number of shares outstanding, assuming that all the stock options are exercised.

The table below shows profit information and the number of shares used in the calculation of basic and diluted earnings per share for each of the reporting years of the statement of profit or loss:

	Individual e Consolidated	
	2021	2020
Profit for the year	2,043,677	1,048,180
Basic earnings per share:		
Weighted average number of outstanding common shares (units)	752,019,912	752,024,521
Basic earnings per share (R\$)	<u>2.71758</u>	<u>1.39381</u>
Diluted earnings per share:		
Weighted average number of outstanding common shares (units)	752,019,912	752,024,521
Dilutive effect of stock options (units)	4,748,619	1,547,142
Total shares subject to dilution (units)	756,768,531	753,571,663
Diluted earnings per share (R\$)	<u>2.70053</u>	<u>1.39095</u>

21. SEGMENT INFORMATION

An operating division is a component of an entity that engages in business activities: (i) which can earn revenues and incur expenses; (ii) the operating profit or loss of which are regularly reviewed by the chief operating decision maker regarding funds to be allocated to the division and for performance evaluation; and (iii) for which individual financial information is available.

The Company has defined two operating divisions that are separately managed based on the reports used by the Board of Directors to make strategic decisions. The accounting policies of these operating divisions are the same as those described in note 2 or the notes of the respective line items.

- Car rental:** This division is responsible for car rentals in locations located inside and outside airports and for insurance stipulation and management of car claims for insurance companies. Cars are rented by legal entities and individuals, in some cases through distribution channels. Given the need to fleet renewal, Localiza sells its decommissioned cars after 12 months of use. In order to reduce intermediation costs on the sale of decommissioned cars, roughly half of the cars is directly sold to the final consumers. Consequently, the Company maximizes the recoverable amount of these assets, by reducing the depreciation of cars and the net amount invested in fleet renewal, as the selling expense of the Company's own stores is smaller than the discount required by resellers, as well as avoids full dependence on third parties for the sales.

This Car Rental Division is responsible for the management and establishment of franchises in geographically defined markets, including the transfer of the necessary know-how to operate the car rental business and licensing of the right to use the Localiza brand. The franchising business is managed by the subsidiary Franchising Brasil in Brazil and by Localiza itself in other countries.

- Fleet rental:** Division responsible for fleet rental and long-term rentals, usually from 24 to 36 months, to individuals and legal entities, through Localiza Fleet and Car Rental Systems. In September 2020, Localiza Meoo was launched, a long-term subscription car solution, aimed at individuals and small and medium-sized entities. The cars of this division are acquired after signature of agreements according to the customers' needs. Therefore, the fleet is more diversified in terms of models and brands. Decommissioned cars are sold at the end of the agreements, on average within 30 months of use, directly to the end consumer or to dealers through the Company's own car dealer network.

(a) Operating division financial reporting

(i) Consolidated assets and liabilities by operating division

12/31/2021	Car rental	Fleet rental	Unallocated balances	Eliminations/ Reclassifications	Consolidated
Assets					
Cash and cash equivalents	-	-	444,139	-	444,139
Short-term investments	-	-	4,568,393	-	4,568,393
Trade receivables	1,177,205	170,956	-	(35,136)	1,313,025
Decommissioned cars for fleet renewal	148,188	33,811	-	-	181,999
Property and equipment	13,274,175	4,356,251	31,138	(367,710)	17,293,854
Other receivables	903,131	186,519	537,711	(116,715)	1,510,646
Total assets	15,502,699	4,747,537	5,581,381	(519,561)	25,312,056
Liabilities					
Trade payables	1,493,178	601,605	-	(35,487)	2,059,296
Borrowings and debt securities	-	-	12,433,095	-	12,433,095
Other payables	2,908,087	718,133	143,803	(567,448)	3,202,575
Total liabilities	4,401,265	1,319,738	12,576,898	(602,935)	17,694,966
Equity	-	-	7,617,090	-	7,617,090
Total liabilities and equity	4,401,265	1,319,738	20,193,988	(602,935)	25,312,056

12/31/2020	Car rental	Fleet rental	Unallocated balances	Eliminations/ Reclassifications	Consolidated
Assets					
Cash and cash equivalents	-	-	2,586,393	-	2,586,393

<u>12/31/2020</u>	<u>Car rental</u>	<u>Fleet rental</u>	<u>Unallocated balances</u>	<u>Eliminations/ Reclassifications</u>	<u>Consolidated</u>
Short-term investments	-	-	1,380,211	-	1,380,211
Trade receivables	987,969	143,494	-	(22,014)	1,109,449
Decommissioned cars for fleet renewal	8,460	32,091	-	-	40,551
Property and equipment	11,208,013	2,928,158	398,823	(353,699)	14,181,295
Other receivables	974,118	297,210	-	(128,093)	1,143,235
Total assets	13,178,560	3,400,953	4,365,427	(503,806)	20,441,134
Liabilities					
Trade payables	1,460,297	223,548	-	(22,844)	1,661,001
Borrowings and debt securities	-	-	10,497,723	-	10,497,723
Other payables	2,105,780	627,615	-	(503,644)	2,229,751
Total liabilities	3,566,077	851,163	10,497,723	(526,488)	14,388,475
Equity	-	-	6,052,659	-	6,052,659
Total liabilities and equity	3,566,077	851,163	16,550,382	(526,488)	20,441,134

(*) Refers mainly to the Company's headquarters.

(ii) Consolidated statements of profit or loss per operating division

<u>2021</u>	<u>Car rental</u>	<u>Fleet rental</u>	<u>Reclassifications</u>	<u>Consolidated</u>
Net revenue	8,803,475	2,097,861	-	10,901,336
Cost	(5,140,685)	(1,053,639)	(8,246)	(6,202,570)
Gross profit	3,662,790	1,044,222	(8,246)	4,698,766
Operating expenses:				
Selling expenses	(935,295)	(154,854)	6,043	(1,084,106)
General, administrative and other expenses	(322,707)	(70,090)	2,203	(390,594)
Profit (loss) before finance costs, net	2,404,788	819,278	-	3,224,066
Finance costs, net				(320,943)
Profit before income tax and social contribution				2,903,123
Income tax and social contribution				(859,446)
Profit for the year				2,043,677
<u>2020</u>	<u>Car rental</u>	<u>Fleet rental</u>	<u>Reclassifications</u>	<u>Consolidated</u>
Net revenue	8,285,798	2,021,817	-	10,307,615
Cost	(6,210,550)	(1,190,759)	(7,338)	(7,408,647)
Gross profit	2,075,248	831,058	(7,338)	2,898,968
Operating expenses:				
Selling expenses	(796,380)	(94,877)	3,243	(888,014)
General, administrative and other expenses	(176,488)	(36,827)	4,095	(209,220)
Profit (loss) before finance costs, net	1,102,380	699,354	-	1,801,734
Finance costs, net				(374,413)
Profit before income tax and social contribution				1,427,321
Income tax and social contribution				(379,141)
Profit for the year				1,048,180

(iii) Consolidated depreciation and amortization expenses per operating division

	<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>
Car rental		
Car depreciation	183,735	342,631

Depreciation of other property and equipment and amortization of intangible assets	198,666	175,026
Fleet rental		
Car depreciation	71,423	130,309
Depreciation of other property and equipment and amortization of intangible assets	19,678	18,370
Total	<u>473,502</u>	<u>666,336</u>

22. NET REVENUE

Net revenue is measured at the amount of the consideration received or receivable, deducted from discounts, rebates and taxes on revenue, and recognized to the extent that it is probable that the Company will generate economic benefits and when it can be measured reliably. The breakdown for each category of these revenues is as follows:

- **Car rental:** Car rental revenues are recognized on a daily basis in accordance with the rental agreements with customers. Proceeds from claims regulation, as well as proceeds from contracting insurance with the insurer, on account and option of the customers at the time of rental of the cars, are recognized on a monthly basis and are presented together under the line item “Car rental revenues”, as they are ancillary revenues to the car rental. The proceeds from the sale of decommissioned cars for fleet renewal are recognized at the time of cars delivery, which is the moment in which the transfer of ownership to the buyer occurs.
- **Fleet rental:** Fleet rental revenues are recognized on a monthly basis over the lease period, include fleet rental and maintenance management services when the customer opts for the reimbursement model. The proceeds from the sale of decommissioned cars for fleet renewal are recognized at the time of cars delivery, which is the moment in which the transfer of ownership to the buyer occurs.

Reconciliation between gross operating revenue and net revenue presented in the statements of profit or loss is as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Gross revenue	9,231,762	8,512,209	11,525,900	10,793,989
Deductions:				
Discounts	(11,744)	(14,178)	(35,339)	(35,286)
Taxes (*)	(450,638)	(322,677)	(589,225)	(451,088)
Net revenue	<u>8,769,380</u>	<u>8,175,354</u>	<u>10,901,336</u>	<u>10,307,615</u>

(*) Refer substantially to: (i) Service Tax (“ISSQN”) and (ii) the taxes on revenue (“PIS” and “COFINS”).

The breakdown of net revenue by geographic market and main product lines is as follows:

	Individual	
	2021	2020
Geographic markets		
Revenue in Brazil	8,717,875	8,145,870
Exports revenue (*)	34,006	21,173
Royalties abroad	17,499	8,311
Net revenue	<u>8,769,380</u>	<u>8,175,354</u>
Revenue categories		
Car rental	4,412,796	3,134,898
Car sold for fleet renewal	4,356,584	5,040,456
Net revenue	<u>8,769,380</u>	<u>8,175,354</u>

	Consolidated					
	Car rental		Fleet rental		Total	
	2021	2020	2021	2020	2021	2020
Geographic markets						
Revenue in Brazil	8,751,970	8,256,314	2,097,861	2,021,817	10,849,831	10,278,131
Exports revenue (*)	34,006	21,173	-	-	34,006	21,173
Royalties abroad	17,499	8,311	-	-	17,499	8,311
Net revenue	8,803,475	8,285,798	2,097,861	2,021,817	10,901,336	10,307,615
Revenue categories						
Car rental	4,395,386	3,144,985	-	-	4,395,386	3,144,985
Fleet rental	-	-	1,197,856	1,053,462	1,197,856	1,053,462
Car sold for fleet renewal	4,408,089	5,140,813	900,005	968,355	5,308,094	6,109,168
Net revenue	8,803,475	8,285,798	2,097,861	2,021,817	10,901,336	10,307,615

(*) Revenue from car rental in Brazil to customers resident and domiciled abroad.

Minimum contracted revenue from Fleet Rental

As required by CPC 47, we disclose below the amounts that Localiza Fleet expects to recognize as revenue due to performance obligations that are unsatisfied as of December 31, 2021:

Year	Revenues
2022	1,065,498
2023	563,149
2024	163,292
2025 and onwards	23,747
Total	1,815,686

Fleet rental contracts may be terminated upon prior notice, the deadline of which is previously agreed between the parties, and the contractual fines are up to 50% of the rentals falling due.

23. NATURE OF OPERATING COSTS AND EXPENSES

Costs and expenses are recorded in profit or loss when incurred, on an accrual basis.

The information on the nature of operating costs and expenses recognized in the statement of profit or loss is as follows:

	Individual					
	Costs		Selling, general, administrative and other expenses		Total	
	2021	2020	2021	2020	2021	2020
Cost of cars sold	(3,303,802)	(4,506,548)	-	-	(3,303,802)	(4,506,548)
Car maintenance, IPVA and others	(1,319,575)	(750,874)	-	-	(1,319,575)	(750,874)
Salaries, payroll taxes and benefits	(502,250)	(397,393)	(436,243)	(360,260)	(938,493)	(757,653)
Profit sharing	(92,362)	(68,781)	(93,165)	(61,470)	(185,527)	(130,251)
ECLs and write-off of uncollectible amounts	-	-	(172,720)	(171,687)	(172,720)	(171,687)
Depreciation and amortization of other property and equipment and intangible assets	(146,517)	(128,364)	(75,991)	(71,849)	(222,508)	(200,213)
Car depreciation	(183,735)	(335,850)	-	-	(183,735)	(335,850)
Commission	-	-	(82,437)	(80,841)	(82,437)	(80,841)
Property lease (a)	(88,333)	(67,844)	9,123	(165)	(79,210)	(68,009)
Advertising	-	-	(91,731)	(61,227)	(91,731)	(61,227)
Water, electricity and telephone	(15,917)	(13,429)	(7,346)	(7,215)	(23,263)	(20,644)
Travel	(8,294)	(9,415)	(2,711)	(3,526)	(11,005)	(12,941)
Third-party services	(213,017)	(173,145)	(202,909)	(173,205)	(415,926)	(346,350)
PIS and COFINS credits, net (b)	743,268	319,868	-	-	743,268	319,868
ICMS provision (note 17 (b))	-	-	(36,541)	(46,717)	(36,541)	(46,717)

Reversal of provision for PIS and COFINS (note 17(c))	-	-	-	103,438	-	103,438
Other	(86,893)	(111,199)	(38,499)	(44,169)	(125,392)	(155,368)
Total	(5,217,427)	(6,242,974)	(1,231,170)	(978,893)	(6,448,597)	(7,221,867)

	Consolidated					
	Costs		Selling, general, administrative and other expenses		Total	
	2021	2020	2021	2020	2021	2020
Cost of cars sold	(3,944,772)	(5,367,328)	-	-	(3,944,772)	(5,367,328)
Car maintenance, IPVA and others	(1,610,387)	(972,025)	-	-	(1,610,387)	(972,025)
Salaries, payroll taxes and benefits	(563,425)	(434,994)	(534,510)	(435,407)	(1,097,935)	(870,401)
Profit sharing	(107,877)	(74,333)	(117,388)	(74,428)	(225,265)	(148,761)
ECLs and write-off of uncollectible amounts	-	-	(182,746)	(175,456)	(182,746)	(175,456)
Depreciation and amortization of other property and equipment and intangible assets	(140,754)	(120,452)	(77,590)	(72,944)	(218,344)	(193,396)
Car depreciation	(255,158)	(472,940)	-	-	(255,158)	(472,940)
Commission	-	-	(84,652)	(82,605)	(84,652)	(82,605)
Property lease (a)	(91,190)	(71,065)	(2,503)	(107)	(93,693)	(71,172)
Advertising	-	-	(112,622)	(65,323)	(112,622)	(65,323)
Water, electricity and telephone	(16,286)	(13,902)	(8,943)	(8,526)	(25,229)	(22,428)
Travel	(8,561)	(9,617)	(3,210)	(4,159)	(11,771)	(13,776)
Third-party services	(245,375)	(201,167)	(251,320)	(192,721)	(496,695)	(393,888)
PIS and COFINS credits, net (b)	852,617	408,815	-	-	852,617	408,815
ICMS provision (note 17 (b))	-	-	(39,118)	(49,627)	(39,118)	(49,627)
Reversal of provision for PIS and COFINS (note 17(c))	-	-	-	126,365	-	126,365
Other	(71,402)	(79,639)	(60,098)	(62,296)	(131,500)	(141,935)
Total	(6,202,570)	(7,408,647)	(1,474,700)	(1,097,234)	(7,677,270)	(8,505,881)

(a) Property rentals for the car rental locations have a fixed and a variable portion, the latter linked to the location's revenue. In 2021, the Company recognized variable costs and expenses in the amount of R\$ 39,256 in the Individual and R\$ 39,918 in the Consolidated (R\$ 37,062 in the Individual and R\$ 37,120 in the Consolidated in 2020), referring to the lease contracts measured as established by IFRS 16. As mentioned in note 3, in accordance with the requirements of Decision 859/20, the Company recognized in profit or loss discounts obtained related to Covid-19, in the amounts of R\$ 1,751 in the Individual and Consolidated (R\$24,532 in the Individual and R\$24,588 in the Consolidated up 2020). In addition, R\$ 41,705 and R\$ 55,526 were recognized in the Individual and Consolidated, respectively (R\$ 55,479 in the Individual and R\$ 58,640 in the Consolidated in 2020) related to contracts to which IFRS 16 does not apply.

(b) In the second half of 2021, Localiza completed a technical study that supported the useful life of certain cars in the Car Rental division's fleet for tax purposes, in accordance with art. 320 of the Income Tax Regulation (Decree No. 9,580/18), as detailed in note 7(a), generating the recognition of PIS/COFINS credits on depreciation in the amount of R\$371,284, gross of income tax and social contribution, in Individual and Consolidated.

24. FINANCE INCOME (EXPENSES)

Interest income/expenses from financial assets/liabilities are recognized based on the time and effective interest rate on the accrual basis.

Finance income (costs) recognized in the statement of profit or loss is as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Interest on short-term investments	190,486	75,615	263,744	106,555
Repurchase of debentures	4,150	34,710	4,482	40,561

	Individual		Consolidated	
	2021	2020	2021	2020
PIS/COFINS on finance income	(9,051)	(5,445)	(11,846)	(7,459)
Other interest income	(1,217)	(349)	(559)	(2,880)
Total finance income	184,368	104,531	255,821	136,777
Interest expenses on borrowings, debt securities and derivative financial instruments	(455,299)	(250,285)	(636,383)	(431,058)
Interest expenses on leases (note 15)	(85,785)	(81,979)	(61,784)	(59,626)
Monetary adjustment in the provision for ICMS (note 17 (b))	(13,672)	(18,580)	(14,166)	(19,103)
Reversal of the updated PIS/COFINS credit provision (note 17(c))	-	7,164	-	8,656
Other interest expenses	4,618	(14,302)	1,170	(20,931)
Total finance costs	(550,138)	(357,982)	(711,163)	(522,062)
Change in fair value of derivative financial instruments, net	36,268	(438)	134,052	4,584
Exchange variation, net	246	3,529	347	6,288
Total finance income (costs)	(329,256)	(250,360)	(320,943)	(374,413)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets

Financial assets are classified upon initial recognition, into one of the following categories, according to their nature and purpose: (i) at fair value through profit or loss; (ii) at fair value through other comprehensive income; and (iii) at amortized cost. The Company considered two factors to define the classification of financial assets: the business model in which the financial asset is managed and its characteristics of contractual cash flows. At December 31, 2021 and 2020, the Company and its subsidiaries do not have assets classified as at fair value through other comprehensive income.

On initial recognition, the Company and its subsidiaries measure a financial asset at fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded as expenses in profit or loss.

Regular-way purchases or sales of financial assets are recognized on a trade date basis, i.e., the date on which the Company and its subsidiaries agree to buy or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company and its subsidiaries have substantially transferred all the risks and rewards of ownership.

Financial liabilities

They are classified on initial recognition at: (i) amortized cost; or (ii) measured at fair value through profit or loss.

Financial liabilities classified as measured at amortized cost using the interest rate method are recognized initially when funds are received, net of transaction costs, when applicable. At the balance sheet date, they are presented on their initial recognition, less amortization of the principal installments, when applicable, plus corresponding charges incurred. The derecognition of financial liabilities occurs only when the obligations are settled, terminated and canceled. The difference between the carrying amount of the financial liability written down and the consideration paid and payable is recognized in profit or loss.

Financial liabilities classified as at fair value through profit or loss include financial liabilities held for trading and designated as such on initial recognition. This category includes derivative financial instruments contracted by the Company and its subsidiaries that do not meet the criteria for hedge accounting. Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The carrying amounts of financial assets and liabilities are as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial assets				
<u>Amortized cost</u>				
Cash and cash equivalents (note 4)	243,884	911,067	369,359	1,349,244
Trade receivables (note 6)	1,164,104	974,296	1,313,025	1,109,449
Receivables from insurance company (note 7)	100,022	192,307	100,539	194,835
Other receivables – subsidiaries (note 7)	19,234	5,765	-	-
Investments in restricted accounts (note 7)	-	-	46,130	44,959
Escrow deposits (note 17)	86,517	79,376	121,805	113,720
<u>Financial assets at fair value through profit or loss</u>				
Cash and cash equivalents (note 4)	45,219	664,419	74,780	1,237,149
Short-term investments (note 5)	3,645,455	1,040,917	4,568,393	1,380,211
Derivative financial instruments (note 14)	454,713	410,606	537,710	507,327
Financial liabilities				
<u>Amortized cost</u>				
Trade payables (note 11)	(1,490,280)	(1,458,302)	(2,059,296)	(1,661,001)
Borrowings and debt securities (note 13)	(7,775,571)	(7,636,551)	(10,850,445)	(10,497,723)
Payables to related parties (note 16)	(233)	(740)	-	-
Insurance premiums for transfer (note 16)	(53,111)	(145,397)	(53,521)	(146,715)
Restricted obligations (note 16)	-	-	(47,003)	(45,435)
Amount payable for the acquisition of MOB17 (note 16)	-	-	(7,440)	(10,799)
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative financial instruments (note 14)	(1,582,650)	-	(1,582,650)	-
Financial liabilities	(143,237)	(9,872)	(143,801)	(103,549)

(a) Risk management

In the normal course of operations, the Company is exposed to the following risks related to its financial instruments: (i) market risk; (ii) credit risk; and (iii) liquidity risk.

The risk identification, analysis, and monitoring process is followed up by the company's Board of Directors, which is empowered to make decisions about the strategies to be adopted, with the support of the Audit, Risks, and Compliance Committee.

(i) Market risk

The market risk is managed in order to ensure that the Company is exposed only to risk levels considered acceptable in the context of its operations.

The Company's financial instruments that are affected by the market risk include: (i) cash and cash equivalents; (ii) short-term investments, (iii) trade receivables and (iv) borrowings, debt securities and derivative financial instruments.

- **Interest rate risk** – Is the risk that the fair value or future cash flows of a certain financial instrument fluctuate due to market interest rate changes.

The Company uses cash from operating activities to conduct its daily business activities and finance its fleet renewal and part of its growth. To supplement its cash requirements for growth, the Company obtains borrowings from major financial institutions in Brazil and issues debt securities (debentures and promissory notes), which are mainly indexed to the CDI rate. The inherent risk arises from the possibility of relevant increases in CDI rate, since the increase in interest rates can affect both the borrowings costs raised by the Company and the debt cost, further increasing its finance costs.

As a strategy to manage interest rate risk, Management continuously monitors CDI in order to, if necessary, adjust car rental fees to mitigate such fluctuations. For fleet rental, Localiza Fleet enters into floating rate borrowings and swaps floating rates for fixed rates, up to the limit of floating rate net debt, thus eliminating the risk of fluctuation in the

benchmark interest rate in long-term contracts (see details on these operations in note 14 (a)). In addition, all Company's cash and cash equivalents and short-term investments balance is also indexed to the CDI rate, which is the same rate adopted for floating rate debts.

The Company has performed sensitivity tests for adverse scenarios (deterioration of the CDI rate by 25% or 50% above of the probable scenario), considering the following assumptions:

- At December 31, 2021, the Company's net debt totaled R\$ 7,026,654. Of this total, R\$ 1,568,235, with fixed cost at an average rate of 6.54% p.a., was excluded, as it is related to the transactions contracted at a fixed rate and amounts corresponding to the hedge from the swap transactions, changing the rates indexed to CDI for fixed rates. Thus, the net debt subject to the CDI fluctuation amounts to R\$ 5,458,419 at December 31, 2021.
- The probable scenario for the next 12 months was estimated, according to information in the Focus Bulletin issued by the Central Bank of Brazil, based on an average CDI rate of 11.43% against the effective annual rate of 4.41% in 2021.

Description	Consolidated		
	Probable scenario (*)	Scenario I – 25% deterioration	Scenario II – 50% deterioration
Net debt as at December 31, 2021	7,026,654	7,026,654	7,026,654
Debts at a fixed-rate and amounts hedged with swap to a fixed-rate	(1,568,235)	(1,568,235)	(1,568,235)
Net debt subject to the CDI fluctuation	5,458,419	5,458,419	5,458,419
Effective average annual CDI rate for the twelve-month period ended December 31, 2021	4,41%	4,41%	4,41%
Estimated average annual CDI rate, according to stress scenarios	11,43%	14,29%	17,15%
Effect on finance costs subject to the CDI rate fluctuation:			
- according to effective rate from January to December 2021.	(240,716)	(240,716)	(240,716)
- according to scenarios	(623,897)	(780,008)	(936,119)
(Increase) Decrease in finance costs for the next 12 months	(383,181)	(539,292)	(695,403)

- **Foreign currency risk** – The Company has foreign currency borrowings. In order to protect itself from foreign exchange variations, the Company contracts derivative transactions for hedge purposes, in accordance with the Indebtedness, Derivatives, Guarantees and Sureties Granting Policy.

Considering that the contracted derivative financial instruments have the same characteristics as the respective borrowings, the effect of a foreign exchange rate increase on the debt is fully offset due to the foreign exchange rate increase on the derivative asset.

(ii) Credit risk

Credit risk refers to the risk of a counterparty not fulfilling its contractual obligations, leading the Company to incur financial losses. The Company's credit risk basically arises from trade receivables, cash and cash equivalents and short-term investments deposited/invested in banks and financial institutions, which include amounts invested in fixed-income investment fund units.

The maximum exposure to the Company's credit risk, based on the residual value of the underlying financial assets, is as follows:

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and cash equivalents:				
At least Aa3 in the Moody's scale or equivalent in another rating agency	271,971	1,560,974	425,330	2,570,155
Cash and banks	17,132	14,512	18,809	16,238
Total cash and cash equivalents (note 4)	289,103	1,575,486	444,139	2,586,393
Short-term investments:				
At least Aa3 in the Moody's scale or equivalent in another rating agency	3,645,455	1,040,917	4,568,393	1,380,211
Total short-term investments (note 5)	3,645,455	1,040,917	4,568,393	1,380,211

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Trade receivables — customers	602,688	551,005	726,230	666,861
Trade receivables – credit cards:				
Aaa in the Moody's scale	45,503	96,801	46,070	98,744
Sundry	515,913	326,490	540,725	343,844
Total trade receivables (note 6)	1,164,104	974,296	1,313,025	1,109,449
Derivative financial instruments (assets):				
At least Aa3 on Moody's scale or equivalent on another agency's scale	454,713	410,606	537,710	507,327
Total Derivative financial instruments (assets)	454,713	410,606	537,710	507,327
Total	5,553,375	4,001,305	6,863,267	5,583,380

- **Cash and cash equivalents and short-term investments** – The credit risk in balances with banks and financial institutions is managed by the Company's Finance Department, according to policies defined by the Board of Directors, with the purpose of mitigating risk concentration and, therefore, minimizing financial losses in the case of bankruptcy of a counterparty.

As established by the Board of Directors, the maximum fund allocation limits per financial institution, on a consolidated basis, must comply with the following criteria: (i) the maximum amount of 20% of the total available funds must be allocated only in financial institutions that are listed in the Investment Policy; and (ii) the maximum amount of 40% of the total available funds must be allocated only in the financial institutions that are listed in the Investment Policy and the equity of which is higher than R\$ 50 billion.

- **Trade receivables** – The management of the credit risk related to trade receivables is constantly monitored by the Company, which has established control procedures.

Credit risk concentration is limited because the customer basis is extensive. All significant transactions and customers are located in Brazil, and there is no customer that individually accounts for more than 10% of the Company's revenues.

The Company mitigates its credit risk by operating significantly with credit cards for car rentals, mainly in transactions with individuals under short-term agreements. In transactions with legal entities for car rental and fleet rental, the risk is reduced by a credit limit granting policy, based on the analysis of the financial position of the customer, past experience and the position of overdue receivables. The financial position of customers is continuously monitored in order to assess and adjust, if necessary, the credit limit previously granted. The credit risk in the sale of decommissioned cars is mitigated through the use of financing and/or lease companies with well-known financial and liquidity capacity. Cars are released upon the confirmation of receivables payment in cash.

The management of credit risk also includes the periodic analysis of the impairment of trade receivables, in which the need to recognize an allowance for doubtful debts and expected losses is analyzed in order to adjust receivables to their probable realizable values. This analysis, which is intended to assign a risk rating to the customer according to internal criteria defined by Management, takes into consideration the current financial position of the customer, past experience, the position of overdue receivables and historical loan losses. See further details on accounting policy in note 6

- **Derivatives** – The credit risk in derivative financial instrument transactions with banks, in which there is a balance receivable by the Company, is managed by the Company's Finance Department, in accordance with the Indebtedness, Derivatives, Guarantees and Sureties Policy, established by the Board of Directors, which has a list of banks with which the Company can carry out operations.

(iii) Liquidity risk

Liquidity risk is the risk of the Company not having sufficient funds to settle its obligations. The liquidity risk management, conducted by the Finance Department, seeks to ensure that the Company has the necessary funds to settle its financial liabilities at the maturity dates, and is monitored by the Board of Directors and conducted considering funding requirements and liquidity management in the short, medium and long terms. The Company manages the

liquidity risk by maintaining appropriate financial resources available in cash and cash equivalents, short-term investments and by means of credit facilities, based on the continuous monitoring of estimated and realized cash flows, and the matching of the maturity profiles of financial assets and financial liabilities.

Additionally, Management considers that the access to third-party credit is facilitated by the corporate credit rating of Localiza according to the main market rating agencies.

The Company and its subsidiaries manage liquidity and their cash flows periodically to ensure that operating cash generation and previous funding, when necessary, are sufficient to maintain their commitments. The analysis of the maturities of undiscounted consolidated contractual cash flows of borrowings, debt securities and derivative financial instruments, based on the interest rate contracted for each transaction and a CDI rate of 9.15% at December 31, 2021, is as follows:

	Individual						Total
	2022	2023	2024	2025	2026	2027 to 2032	
Trade payables	1,490,280	-	-	-	-	-	1,490,280
Debt Securities	1,279,808	862,769	1,902,474	1,295,328	2,729,168	2,375,693	10,445,240
Working capital	390,933	313,026	110,175	-	-	-	814,134
Foreign currency borrowings	242,938	590,136	454,190	351,057	-	-	1,638,321
Prepurchase financing poll	966	997	900	749	44	11	3,667
Other financial liabilities	53,344	-	-	-	-	-	53,344
Total	3,458,269	1,766,928	2,467,739	1,647,134	2,729,212	2,375,704	14,444,986

	Consolidated						Total
	2022	2023	2024	2025	2026	2027 a 2031	
Trade payables	2,059,296	-	-	-	-	-	2,059,296
Debt Securities	1,494,303	1,410,452	2,700,584	2,248,968	3,280,476	2,375,693	13,510,476
Working capital	411,568	393,392	248,406	-	-	-	1,053,366
Foreign currency borrowings	334,806	677,142	454,190	351,057	-	-	1,817,195
Prepurchase financing poll	7,772	1,593	900	749	44	11	11,069
CRI	39,500	42,086	44,036	47,678	50,551	343,027	566,878
Other financial liabilities	57,241	50,723	-	-	-	-	107,964
Total	4,404,486	2,575,388	3,448,116	2,648,452	3,331,071	2,718,731	19,126,244

(b) Capital management

The Company's businesses require intensive long-term capital to finance the fleet, in order to implement its growth and renewal strategy.

The main objectives of capital management are to: (i) ensure the Company's operational continuity; (ii) ensure a strong credit rating; (iii) maximize the return for shareholders; and (iv) ensure the Company's competitive edge in the raising of funds.

The Company manages the capital structure and adjusts it considering the changes in economic conditions. To maintain or adjust capital structure, Management may adjust the payment of dividends to shareholders, return capital to them or issue new shares.

Capital is monitored based on the Company's debt ratio, which corresponds to net debt divided by equity, as well as on the fleet value. Net debt, in turn, is defined by the Company as short and long-term debts, including the positive or negative balances of the hedge transactions, less cash and cash equivalents and short-term investments.

The table below shows the Company's debt ratios at December 31, 2021 and 2020:

	Consolidated	
	12/31/2021	12/31/2020
Short and long-term debts (note 13)	12,433,095	10,497,723
Derivative financial instruments (note 14)	(393,909)	(403,778)
Cash and cash equivalents (note 4)	(444,139)	(2,586,393)
Short-term investments (note 5)	(4,568,393)	(1,380,211)
Net debt	7,026,654	6,127,341
Equity	7,617,090	6,052,659
Debt ratio (net debt / equity)	0.92	1.01
Fleet value (*)	16,024,852	12,963,790
Net debt / fleet value	0.44	0.47

(*) Cars and decommissioned cars for fleet renewal (note 9).

(c) Fair value of financial instruments

The estimated carrying amounts and fair values of borrowings and debt securities are calculated based on models that use observable inputs and future assumptions related to fixed and floating interest rates, among other applicable variables. The rates used are obtained from financial institutions for transactions with similar conditions or based on market information, when available. The Company makes a reasonable analysis of the calculations presented by these financial institutions by comparing them with similar calculations made by other parties for the same applicable period. Fair values are calculated by projecting the future flows of transactions based on the projection of the interest rate curves, discounted to present value using indicative data on prices and benchmark rates available in the market or based on premium payment conditions upon the early optional redemption established in the debenture indenture of each issuance.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 information refers to quoted prices (unadjusted) in active markets for identical assets or liabilities to which the entity may have access on the measurement date;
- Level 2 information refers to information directly or indirectly observable for an asset or liability, other than quoted prices included in Level 1; and
- Level 3 information refers to information non-observable for an asset or liability.

The consolidated fair values of the hedge transactions recorded in line item "derivative financial instruments" are classified under Level 2 and are presented in note 14.

There are no financial instruments measured at fair value at the Levels 1 and 3 of the fair value hierarchy.

The fair values of financial liabilities recognized at amortized cost in the Company's balance sheet as at December 31, 2021 and 2020 are as follows:

	Individual			
	Carrying amount		Fair value	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Borrowings and debt securities	(7,775,571)	(7,636,551)	(7,508,894)	(7,355,408)
	Consolidated			
	Carrying amount		Fair value	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Borrowings and debt securities	(10,850,445)	(10,497,723)	(10,378,860)	(9,982,458)

Other financial instruments recognized in the individual and consolidated financial statements at their amortized costs did not differ significantly from their fair values, as the maturity dates of a substantial portion of the balances are close to the balance sheet dates.

26. SUPPLEMENTARY PENSION PLAN

The company offers its employees a supplementary retirement benefit plan (complementary pension plan), established as a "defined contribution" and managed by a large independent management company.

There are no actuarial and investment risks to be assumed by the Company as its sponsor; consequently, no actuarial valuation is required and there is no possibility of recognizing actuarial gains or losses. Under the new plan's regulations, the cost is shared between the employer and the employees, where the Company matches the employee's contribution, which varies according to a contribution scale based on salary ranges of 1% to 8% of the employee's compensation.

Due to the state of public calamity recognized by Legislative Decree 6, of March 20, 2020 and in view of the developments of the Covid-19, the Company's contributions were temporarily suspended in 2020, being resumed in view of the improvement in the scenario.

In 2021, contributions made by the Company totaled R\$ 3,890 in the Individual and R\$ 5,085 in the Consolidated (R\$ 1,613 in the Individual and R\$ 1,972 in the Consolidated in 2020), which were allocated to line items "cost", "selling expenses" and "general and administrative expenses" in profit or loss, as applicable.

27. INFORMATION FOR THE CASH FLOW STATEMENT

Non-cash transactions

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Addition of usage right (notes 9 and 15)	286,208	149,707	261,709	136,449
Lease liabilities payable (note 15)	(5,633)	(4,979)	-	-
Dividends and interest on own capital payable (note 19(e))	(288,849)	(72,433)	(288,849)	(72,433)
Balance payable from acquisition of subsidiary (note 16)	-	-	-	(10,799)
Variation in the balance of Suppliers - Car manufacturers	(65,739)	(910,176)	289,004	(989,117)

28. SUBSEQUENT EVENT

Localiza Fleet Loan Contracted

On January 10, 2022, Localiza Fleet contracted a loan in the amount of USD50,000 thousand (R\$284,500) with maturity of the principal on January 10, 2024. Simultaneously, a swap operation was contracted with the objective of eliminating the risk of foreign currency exposure, replacing exchange variation plus a fixed rate by CDI + 1.18% p.a.. There were no expenses incurred with the contracting. The debt and the corresponding swap will be measured at fair value.

Issuance of debentures of Localiza

On February 8, 2022, the Board of Directors of Localiza approved the 19th issue of simple debentures, not convertible into shares, unsecured, with additional fiduciary guarantee, in up to two series, in the amount of up to R\$2,500,000, observing the possibility of Partial Distribution of the Debentures as well as the placement of the Minimum Amount. The first series will mature on February 25, 2027 and the second series on February 25, 2029.

The financial resources that may be obtained by Localiza through debentures previously mentioned, will be used for rebuild cash reserves.

MANAGEMENT'S STATEMENT ON THE FINANCIAL STATEMENTS

The CEO and the CFO and Investor Relations Officer of Localiza Rent a Car S.A. ("Localiza"), publicly-held company, headquartered at Avenida Bernardo de Vasconcelos, nº 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, enrolled as a corporate taxpayer's ID (CNPJ) 16.670.085/0001-55, for the purposes of the provisions of item VI of paragraph 1 of article 25 of CVM Instruction 480/09, declare that:

- I. They have reviewed, discussed and agreed with the financial statements of Localiza and consolidated for the year ended December 31, 2021.

Belo Horizonte, February 21, 2022.

Bruno Sebastian Lasansky
CEO

Rodrigo Tavares Gonçalves de Sousa
CFO and Investor Relations Officer

MANAGEMENT'S STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT

The CEO and the CFO and Investor Relations Officer of Localiza Rent a Car S.A. ("Localiza"), publicly-held company, headquartered at Avenida Bernardo de Vasconcelos, nº 377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais State, enrolled as a corporate taxpayer's ID (CNPJ) 16.670.085/0001-55, for the purposes of the provisions of item V of paragraph 1 of article 25 of CVM Instruction 480/09, declare that:

- I. They have reviewed, discussed and agreed with the opinions expressed in the audit report of Deloitte Touche Tohmatsu Auditores Independentes Ltda. related to the financial statements of Localiza for the year ended December 31, 2021.

Belo Horizonte, February 21, 2022.

Bruno Sebastian Lasansky
CEO

Rodrigo Tavares Gonçalves de Sousa
CFO and Investor Relations Officer

FISCAL COUNCIL'S REPORT

The Fiscal Council of Localiza Rent a Car S.A. ("Company"), a publicly-held corporation, headquartered at Avenida Bernardo de Vasconcelos, nº377, Bairro Cachoeirinha, in Belo Horizonte, Minas Gerais, enrolled with the CNPJ under No. 16.670.085/0001-55, in the exercise of its legal and statutory attributions, has examined i) the Company's Individual and Consolidated Financial Statements and the Annual Management Report for the year ended December 31, 2021; and ii) the Proposal for Allocation of Net Income for the year ended December 31, 2021, with allocation of interest on own capital decided on March 24, 2021, June 24, 2021, September 24, 2021 and December 14, 2021 to the mandatory minimum dividend amount.

Based on the exams carried out, and also considering the report of the Deloitte Touche Tohmatsu Auditores Independentes Ltda., issued on February 22, 2022, to be presented without qualifications, as well as the information and clarifications provided by the Company's Management during the year, the members of the Fiscal Council unanimously express their opinion that the referred documents and proposals are in conditions to be submitted to the Annual Shareholders' Meeting.

Belo Horizonte, February 22, 2022.

Antônio de Pádua Soares Policarpo
Chairman of the Fiscal Council

Carla Alessandra Trematore
Fiscal Councilor

Luiz Carlos Nannini
Fiscal Councilor

STATEMENT OF THE MINUTES OF THE MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

LOCALIZA RENT A CAR S.A.

PUBLICLY-HELD COMPANY

National Corporate Taxpayers' Registry (CNPJ) 16.670.085/0001-55

NIRE: 3130001144-5

Statement of the Audit, Risk and Compliance Committees Meeting held on February 21, 2022

Date, Time and Place: February, 24, 2022, at 09AM, held pursuant to the item 5 of the bylaws of the advisory committees of Localiza Rent a Car S.A..

Attendance: The following members of the Audit, Risk and Compliance Committee were present: Maria Letícia de Freitas Costa, Oscar de Paula Bernardes and Estela Maris Vieira de Souza, as well as Eugênio Pacelli Mattar, Bruno Lasansky, Rodrigo Tavares and Myrian Buenos Aires.

Instatement: Maria Letícia de Freitas Costa, as Coordinator, and Alehandra Castro Brant, as Secretary.

Agenda: (1) To meet with the independent auditors and to consider the Independent Auditors' Report; **(2)** To consider the Management Report for the year 2021, to evaluate the financial statements as of December 31, 2021 and to consider the proposal for allocation of profits and dividends for the year 2021.

Matters discussed and manifestations of the Committee:

- (1)** The Committee met with the Company's independent auditors, Deloitte Touche Tohmatsu Auditores Independentes Ltda., represented by the partner Mr. Daniel de Carvalho Primo. Mr. Daniel presented the audit work related to the Financial Statements of December 31, 2021 and presented the Independent Auditors' Report, which will be issued without qualifications. Additionally, the auditors reported that no material disagreement had occurred: (i) any material disagreement in judgment between the auditors and Management; (ii) difficulties encountered in performing the audit; and (iii) discussion regarding alternative accounting treatments.
- (2)** Following the clarifications of the independent auditors, as per the above item, the Independent Auditors' Report on the Financial Statements of December 31, 2021, which will be issued without qualification, was presented by Mr. Rodrigo Tavares and Mrs. Myrian Moutinho and provided the clarifications requested, the Committee evaluated and decided to recommend to the Board of Directors the approval of the following documents of the Company: (i) Management Report for the year ended December 31, 2021; and (ii) the Financial Statements as of December 31, 2021, prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS).

In this sense, the Committee decided to recommend to the Board of Directors the approval of the Company's management proposal of the allocation of net income for the fiscal year 2021 as follows: (i) R\$102,183,812.70 for constitution of a legal reserve; (ii) R\$521,593,788.00 to shareholders as dividends and interests on capital of which R\$315,393,876.98 were previously credited as interests on capital, and (iii) R\$1,419,898,653.24 for the constitution of a statutory reserve referred to as Investment Reserve, in accordance with item (f) paragraph 2, Article 26 of the Bylaws of the Company.

The full text of the minutes of the meeting of the Audit, Risk and Compliance Committee, held on February 21, 2022, is filed at the Company's headquarters.

Alehandra Castro Brant

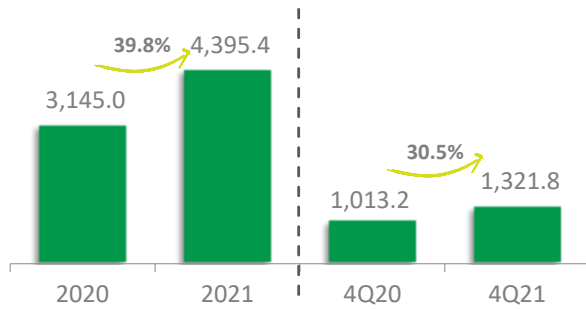
Secretary of the Audit, Risk and Compliance Committee

COMMENTS ON THE PERFORMANCE OF BUSINESS PROJECTIONS

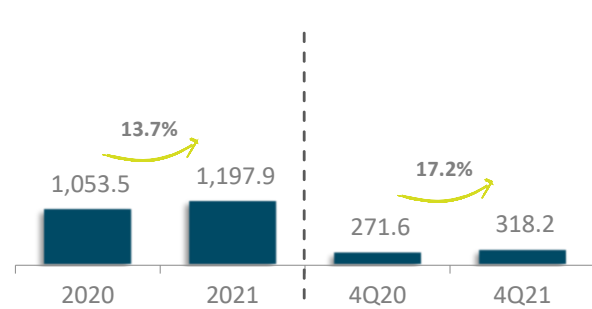
The Company did not disclose any projections for 2022 and 2021.

OPERATING AND FINANCIAL HIGHLIGHTS

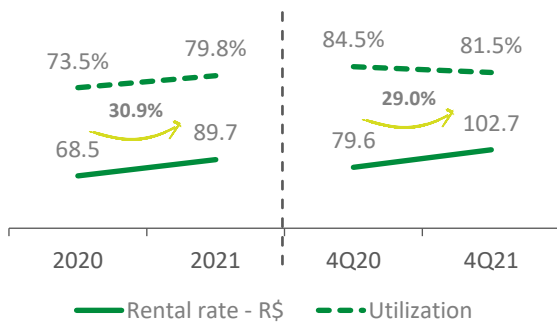
Revenue – Car Rental
R\$ million



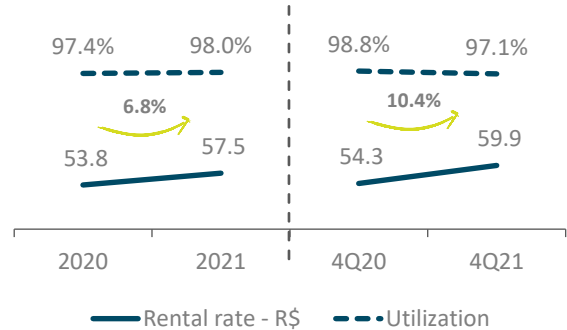
Revenue – Fleet Rental
R\$ million



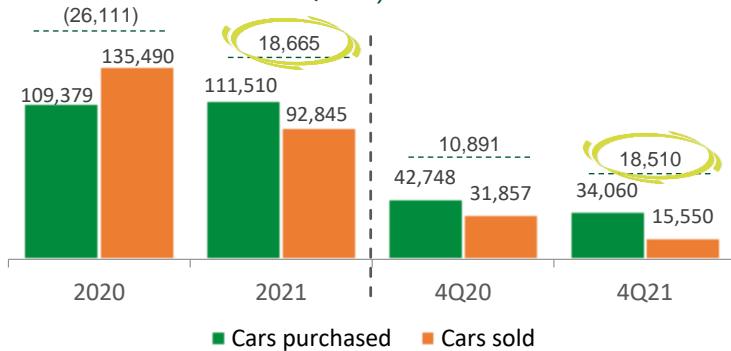
Average rental rate (in R\$) and Utilization rate (%)
Car Rental



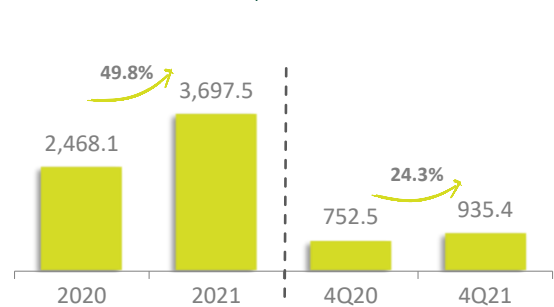
Average rental rate (in R\$) and Utilization rate (%)
Fleet Rental



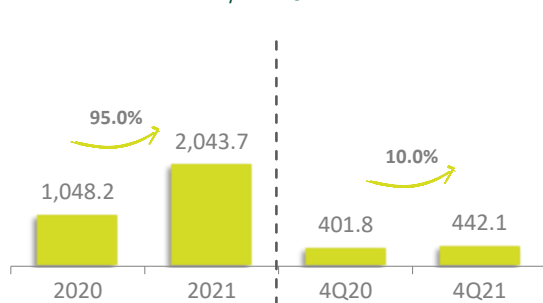
Car purchase and sales
Quantity



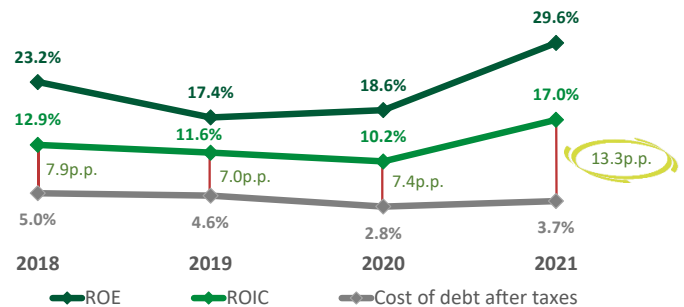
EBITDA
R\$ million



Net income
R\$ million



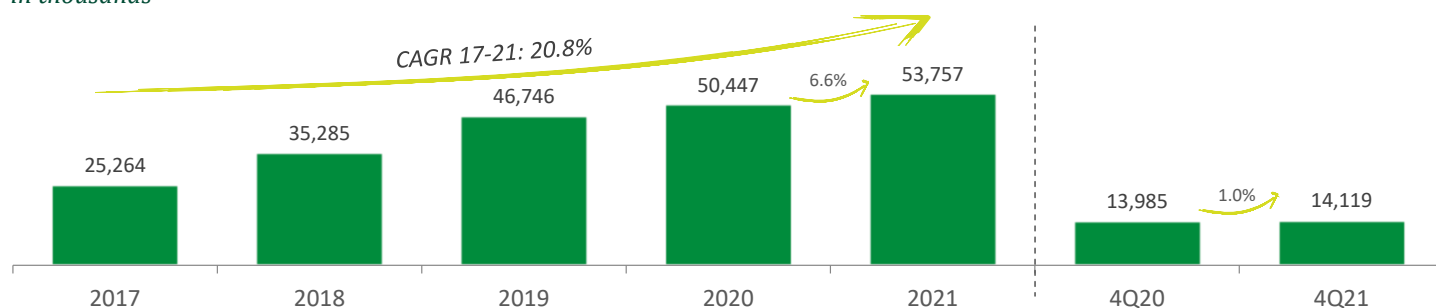
ROE and ROIC



1 - Rent a Car

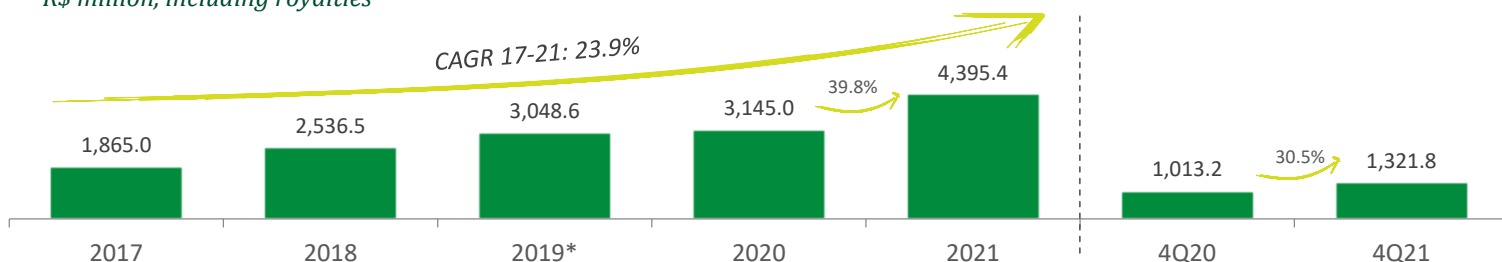
Number of rental days

in thousands



Net revenues

R\$ million, including royalties

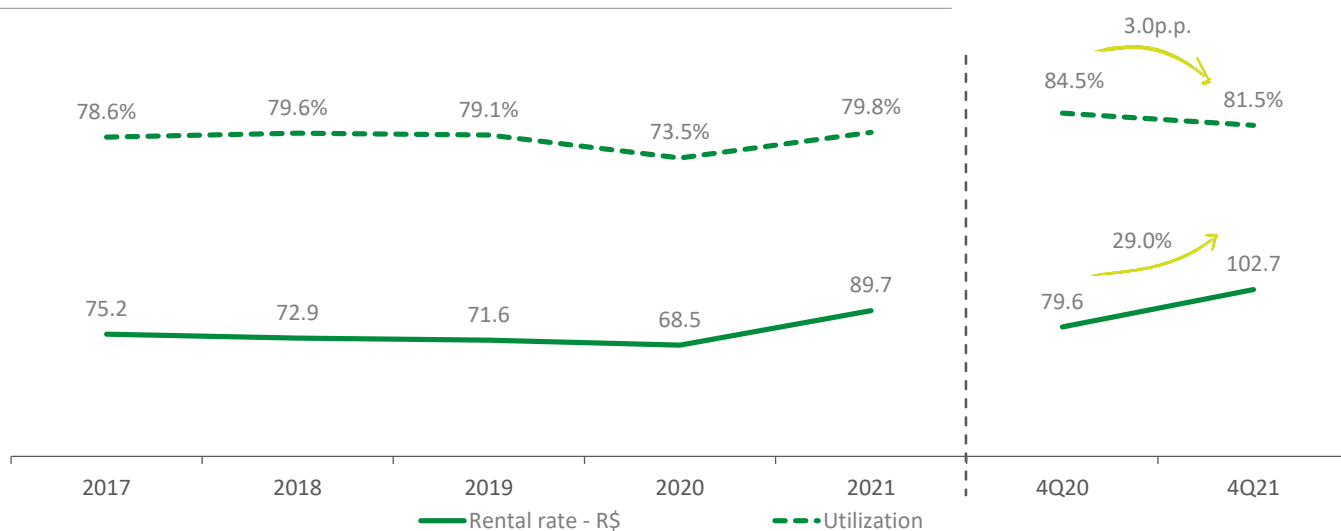


(*) From 2019 the Company began to record PIS and COFINS credits in SG&A. Before, those credits were recorded as a reduction of sales taxes.

In 2021, efficient tariffs and mix management compensated the smaller growth rate, in a context of restricted car supply. As a result, we presented a 39.8% growth in net revenue for the **Car Rental** division, a percentage above the CAGR of the last five years, with a growth of 6.6% in volume and 30.9% in the average rental rate, compared to the last year.

In 4Q21, net revenue increased 30.5%. The fleet utilization rate was maintained at a high level, above 81%, even with the expansion of short-term segments share in the mix, and the average rental rate increment, which reached R\$102.7, an increase of 29.0% compared to 4Q20.

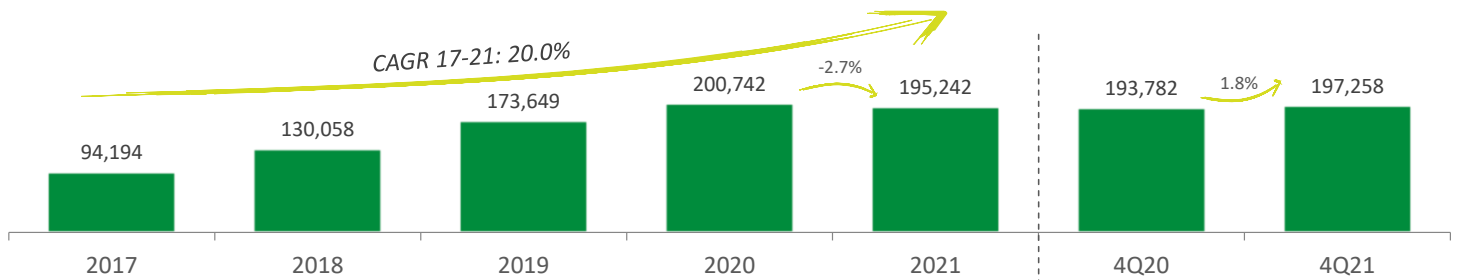
Average rental rate (in R\$) and Utilization rate (%)



1 – Rent a Car

Average Operating Fleet

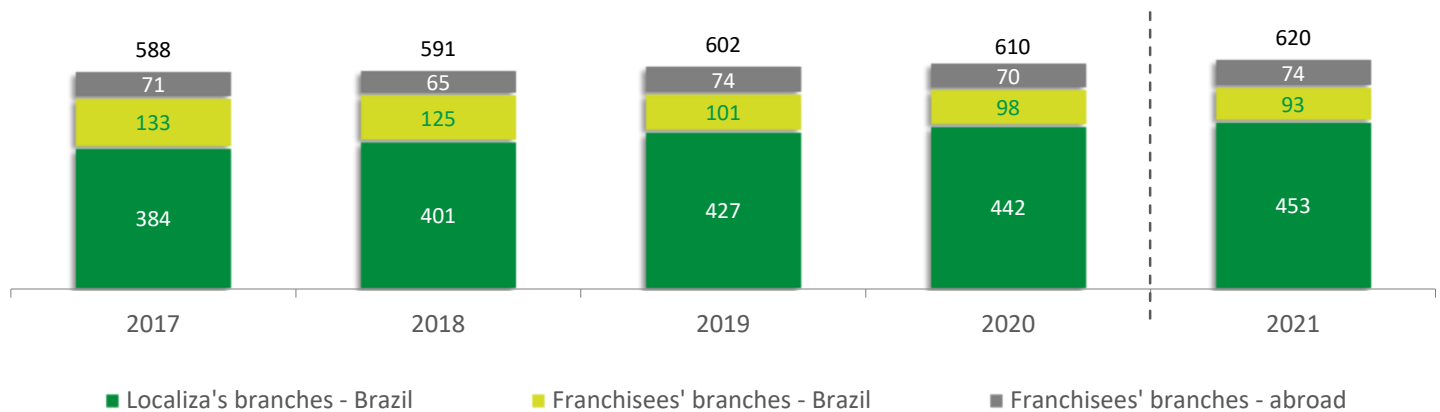
Quantity



In 4Q21, we showed progress in the operating fleet, with a growth of 1.8% compared to the same period of the previous year. This growth reflects a stronger purchasing quarter, with around 23,000 cars purchased in the **Car Rental** Division, combined with the extension of the car's useful life in this division. Still in the context of new cars supply restriction, expected for 1H22, we will continue to actively manage the level of decommissioning, pricing, and fleet utilization, aiming to increase volumes with value generation.

1.1 - Distribution network

Number of car rental locations - Brazil and abroad

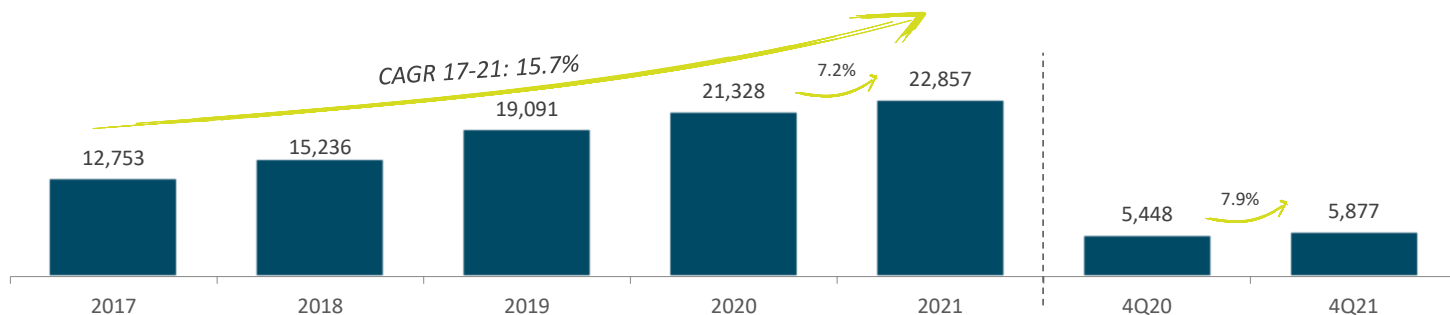


Localiza ended 2021 with 620 rental locations, with selective expansion of the network in 10 branches throughout the year, being 546 in Brazil and 74 in 4 other South American countries. In Brazil, Localiza's network was expanded by 11 branches, including 10 Zarp branches, increasing convenience for our customers, app drivers, and preparing the Company for the growth resumption.

2 – Fleet Rental

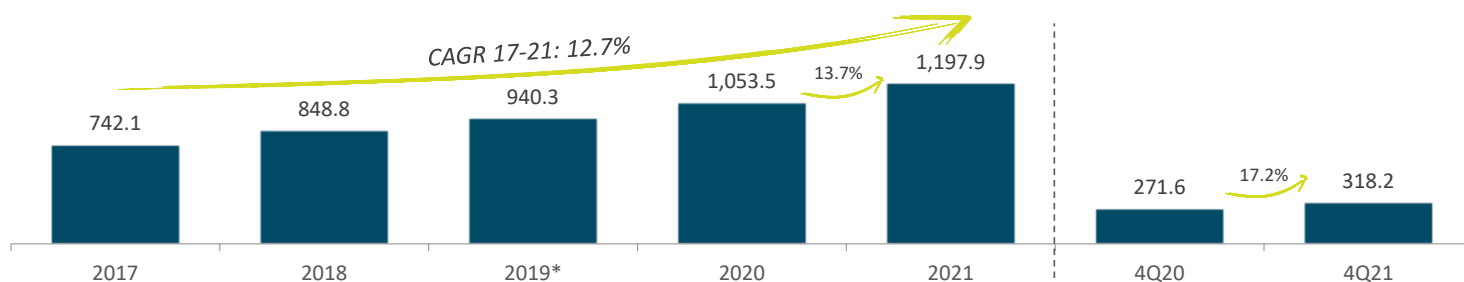
Number of rental days

in thousands



Net revenues

R\$ million



(*) From 2019 the Company began to record PIS and COFINS credits in SG&A. Before, those credits were recorded as a reduction of sales taxes.

In 4Q21, **Fleet Rental** Division registered 7.9% increase in the number of rental days and 17.2% in net revenue, compared to the same period of the prior year, with the average rental rate 10.4% higher. In 2021, there was an increase of 7.2% in the daily rate and 13.7% in the revenue of this division.

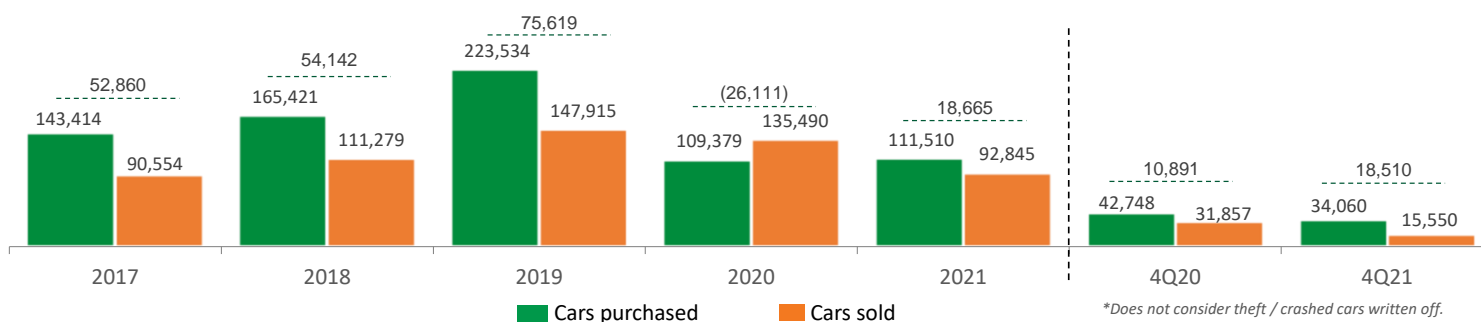
The number of new rental contracts in this division has been increasing, but not fully reflected yet in the average rented fleet due to the delivery backlog, above 20 thousand cars.

3 - Fleet

3.1 – Net investment in the fleet

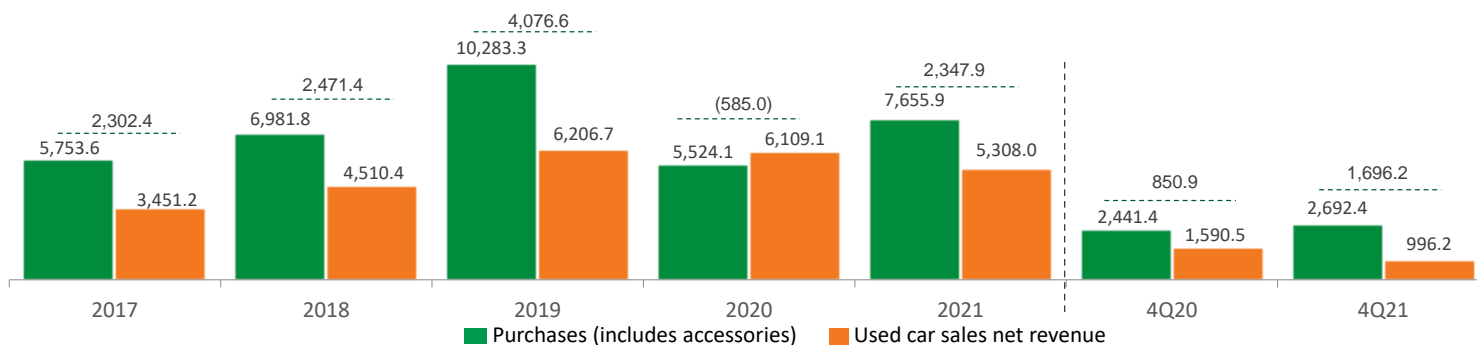
Car purchase and sales

quantity*



Net investment in fleet

R\$ million



In 4Q21, we added 18,510 cars to the fleet, even with car production still impacted by the shortage of semiconductors. 34,060 cars were purchased, and 15,550 cars were sold.

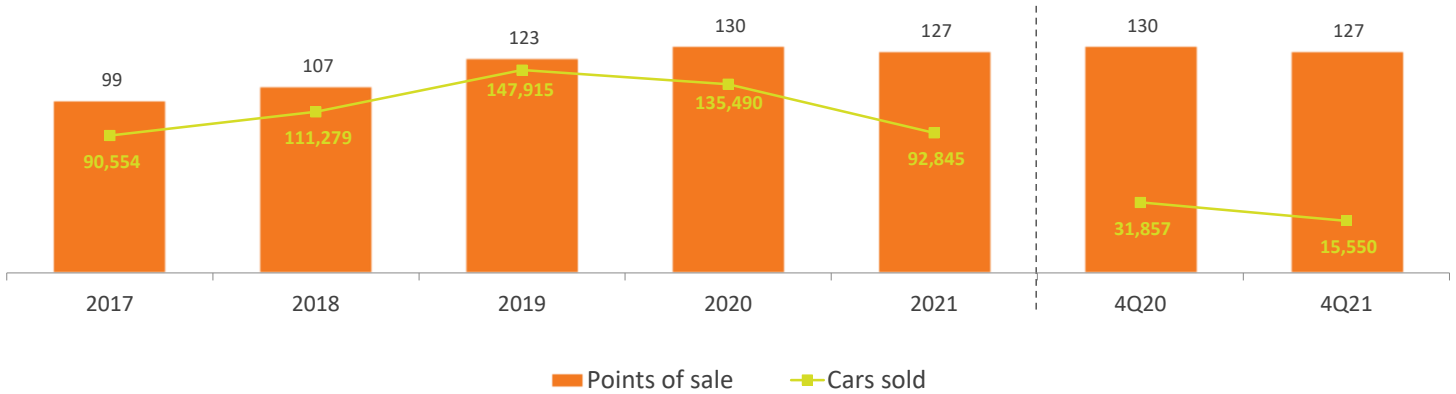
In the year, 111,510 cars were purchased, and 92,845 cars were sold, resulting in an increase of 18,665 cars in the fleet and a net investment of R\$2,347.9 million.

In 4Q21, the average price of cars sold increased by 28.2% compared to 4Q20, reflecting the increases in new car prices, passed on to **Seminovos**.

	2017	2018	2019	2020	2021	Var. %	4Q20	4Q21	Var. %
Average price of cars sold (R\$ thousand)	38.2	40.6	42.1	45.2	57.2	26.5%	50.0	64.1	28.2%

4 – Seminovos

Number of points of sale and cars sold



In 4Q21, we reduced the **Seminovos** structure by 5 stores compared to 132 stores in 3Q21, ending the year with 127 points of sale, in 85 cities in Brazil.

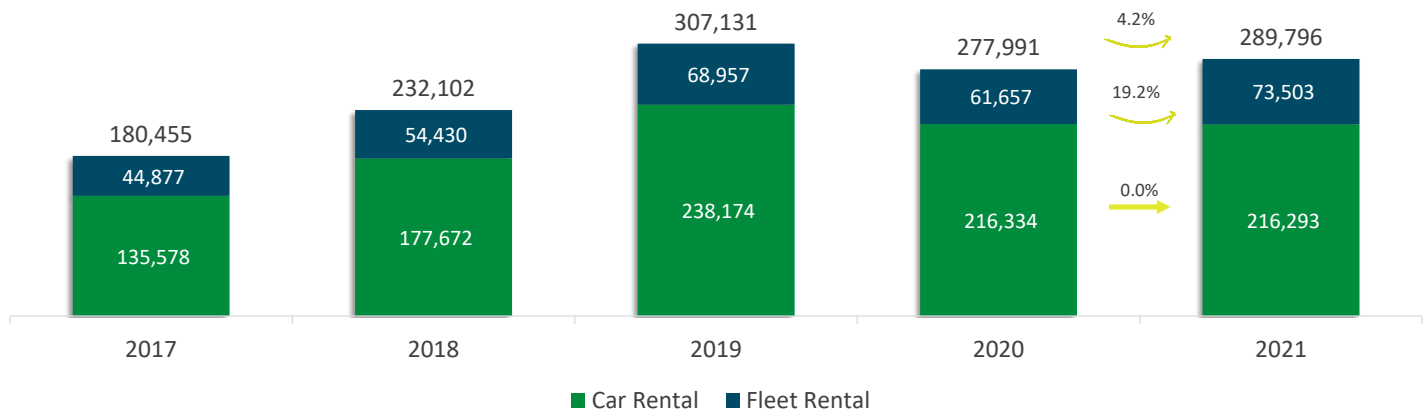
Throughout the year, we adjusted the fleet demobilization to the volumes of car purchases, to end 2021 with the addition of 18 thousand cars to the fleet. We are becoming more efficient in the maintenance of older cars, as well as in the allocation of these by segment, according to mileage.

With a long-term view, we will keep our structure prepared to accelerate the pace of fleet renewal, which will be gradually expanded as purchase volumes increase, which should occur progressively throughout the year.

5 – End of period fleet

End of period fleet

quantity

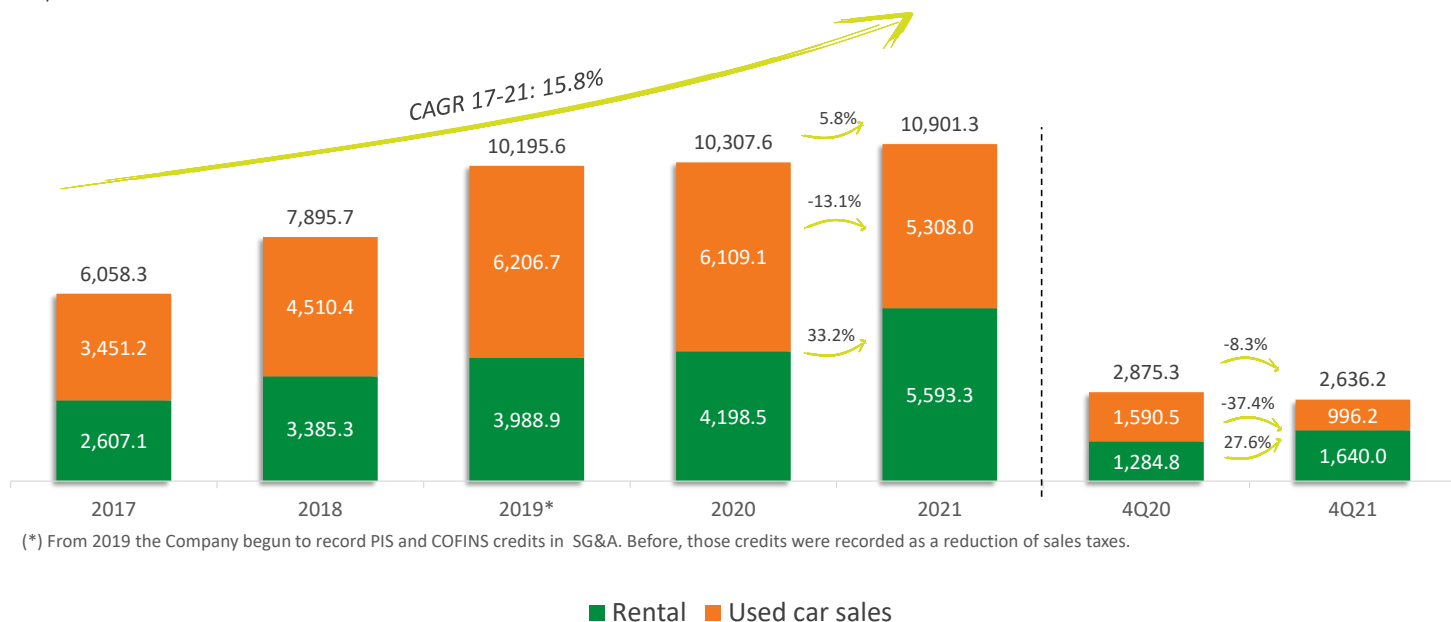


In 2021, the end of period fleet increased 4.2% versus the end of 2020, with fleet unchanged in the **Car Rental** Division and a 19.2% expansion in **Fleet Rental** Division.

6 – Consolidated net revenues

Consolidated net revenues

R\$ million



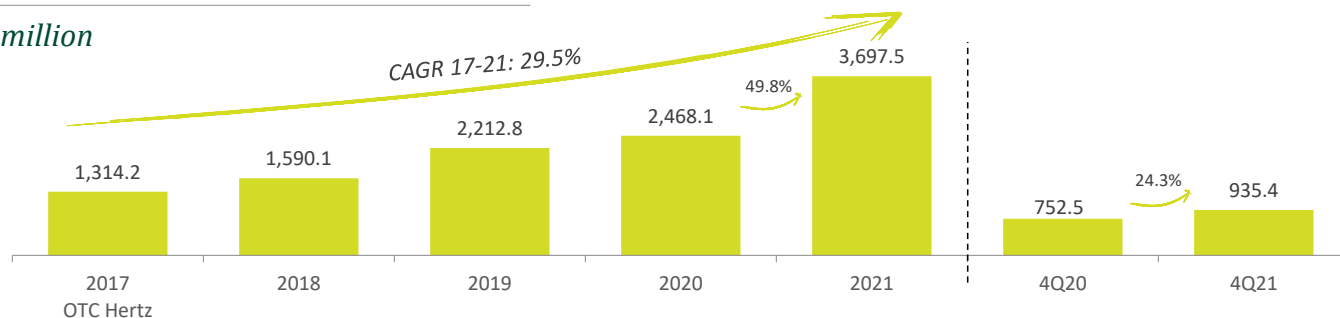
In 4Q21, net rental revenues increased 27.6%, being 30.5% in **Car Rental** and 17.2% in **Fleet Rental** Division. The revenue growth is explained by the acceleration in volume and the higher average rental rate, aiming to equalize the Company's level of return, in a context of increasing new car prices and fleet costs (maintenance, parts, depreciation), in addition to the increase in interest rates. Due to the lower cars decommissioning, in this quarter the sales volume of **Seminovos** was reduced by 51.2%, in the annual comparison, which was partially offset by the 28.2% increase in the price charged, resulting in a reduction of 37.4% in **Seminovos** net revenue. As a result, consolidated net revenue decreased by 8.3% in 4Q21 compared to the same quarter of the previous year.

In 2021, consolidated net revenue increased by 5.8% when compared to the previous year. Net rental revenue increased by 33.2%, with a growth of 39.8% in the **Car Rental** Division and 13.7% in the **Fleet Rental** Division. **Seminovos** net revenue decreased by 13.1% when compared to 2020, explained by the 31.5% reduction in the volume of cars sold and the 26.5% increase in the average price of cars sold in the year.

7 - EBITDA

Consolidated EBITDA

R\$ million



EBITDA margin:

	2017*	2018	2019**	2020	2021	4Q20	4Q21
Car Rental and Franchising	34.9%	35.9%	45.7%	45.3%	49.0%	41.2%	46.6%
Fleet Rental	61.9%	64.0%	67.7%	72.4%	61.9%	64.5%	57.6%
Rental Consolidated	42.6%	43.0%	50.9%	52.1%	51.8%	46.1%	48.8%
Used Car Sales	5.9%	3.0%	3.0%	4.6%	15.1%	10.1%	13.6%
Consolidated (over rental revenue)	50.4%	47.0%	55.5%	58.8%	66.1%	58.6%	57.0%

(*) 2017 adjusted by the one-time costs incurred (OTC) - Hertz Brasil acquisition and franchisees incorporation

(**) From 2019, EBITDA margin calculated based on the GAAP number including the reclassification of PIS and COFINS credits for the period, in the Car Rental and Fleet Rental divisions.

In 2021, consolidated EBITDA totaled R\$3,697.5 million, 49.8% higher YoY. In the **Car Rental** Division, EBITDA margin was 49.0% in 2021, a growth of 3.7p.p. YoY. The **Fleet Rental** Division presented a margin of 61.9%, 10.5p.p. lower YoY.

In 4Q21, consolidated EBITDA totaled R\$935.4 million, 24.3% higher than the same period of the previous year. In the **Car Rental** Division, EBITDA margin was 46.6% in 4Q21, an increase of 5.4p.p. compared to 4Q20. The **Fleet Rental** Division presented a margin of 57.6% in 4Q21, a reduction of 6.9p.p. compared to the same period of the previous year. The reduction in the **Fleet Rental** Division's margins in the quarter and in the year are explained by the increase in maintenance, fleet mobilization costs, provision for profit sharing, marketing efforts and new initiatives.

In **Seminovos**, the EBITDA margin was 13.6% in 4Q21, 3.5p.p. higher than the same period last year, especially due to the increase in new car prices, passed on to **Seminovos**, even in a context of a 51.2% reduction in the number of cars sold.

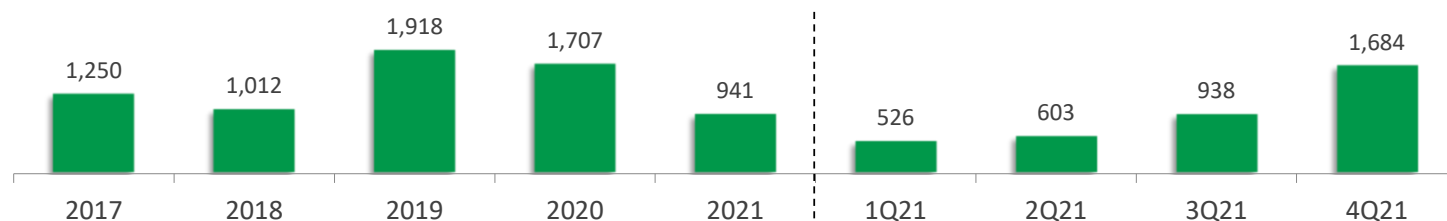
We had some additional costs and expenses that impacted margins, among which we highlight for 4Q21:

- Costs and expenses of approximately R\$12 million (R\$19 million in the year) associated with the merger process with Unidas
- Increase in maintenance costs due to the lengthening of the fleet's useful life, which impacted the average age of the car sold by 8 months in **Car Rental**, and 5 months in **Fleet Rental**
- Increase in the cost of theft in **Car Rental** when compared to historical levels. The greater use of telemetry and data science improved fraud prevention and cars recovery, so that, in early 2022, these costs are already at levels comparable to 2019
- Increase in **Fleet Rental** marketing and advertising expenses, especially associated with Localiza Meoo
- Increase in provision for profit sharing due to the higher ROIC generated in the year
- Increase in costs and expenses for advances in technology and new initiatives in the mobility ecosystem

8 - Depreciation

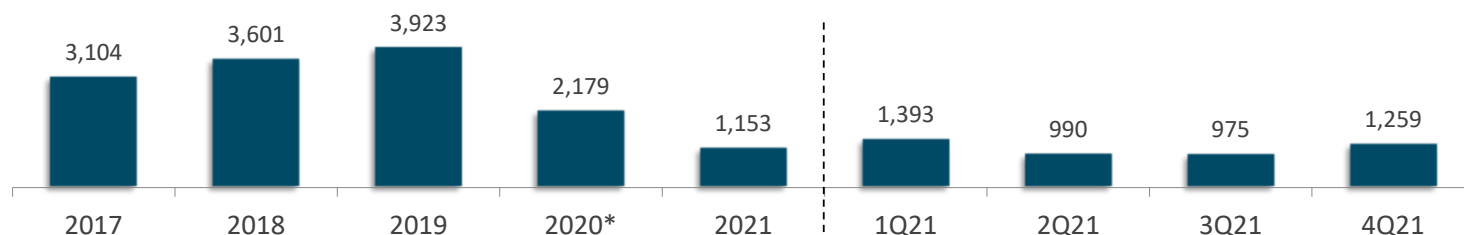
Depreciation is calculated using the straight-line method, considering the difference between the purchase price of the car and the estimated selling price at the end of its useful life, net of estimated costs and expenses to sell it. The estimated selling price is reassessed quarterly, so the book value of the cars reflects market prices.

8.1 – Average annualized depreciation per car (R\$) - Rent a Car



In 2021, the Company reduced the car sales pace extending their useful life. Lower sales volumes have a direct impact on depreciation, since the sale estimate cost is one of the variables that make up the calculation. We expect sales volume to remain low throughout 1H22, contributing to the growth resumption. In 4Q21, around 23 thousand cars were purchased for this division, which already carries depreciation levels closer to normalized and impacts the average annualized depreciation, which totaled R\$1,684 in 4Q21 and R\$941 in the year.

8.2 – Average annualized depreciation per car (R\$) - Fleet Rental



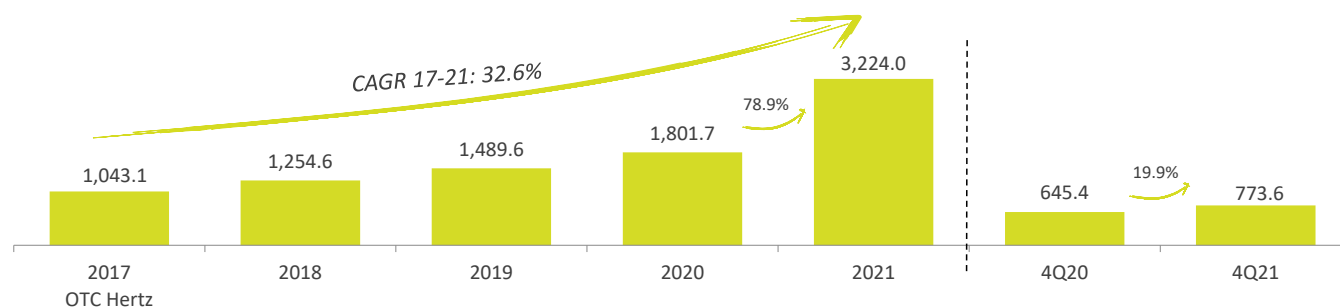
*Since 2020, the Company began depreciating the Fleet Rental cars using the linear method opposed to the SOYD (Sum-of-the-years' digits)

In the **Fleet Rental** division, the average depreciation per car in 4Q21 was R\$1,259 and R\$1,153 in 2021, explained by the same items mentioned above. However, as the pace of fleet renewal in this division is lower, the progression is slower.

9 - EBIT

Consolidated EBIT

R\$ million



EBIT margins include **Seminovos** and is calculated over the rental revenues:

	2017*	2018	2019**	2020	2021	4Q20	4Q21
Car Rental and Franchising	35.2%	33.2%	33.7%	35.1%	54.7%	46.7%	43.9%
Fleet Rental	51.4%	48.6%	49.1%	66.4%	68.4%	63.4%	60.7%
Consolidated	40.0%	37.1%	37.3%	42.9%	57.6%	50.2%	47.2%

(*) 2017 adjusted by the one-time costs incurred (OTC) - Hertz Brasil acquisition and franchisees incorporation

(**) From 2019, EBITDA margin calculated based on the GAAP number including the reclassification of PIS and COFINS credits for the period, in the Car Rental and Fleet Rental divisions

In the year, consolidated EBIT increased 78.9%, reaching R\$3,224.0 million.

Consolidated EBIT in 4Q21 totaled R\$773.6 million, representing an increase of 19.9% YoY.

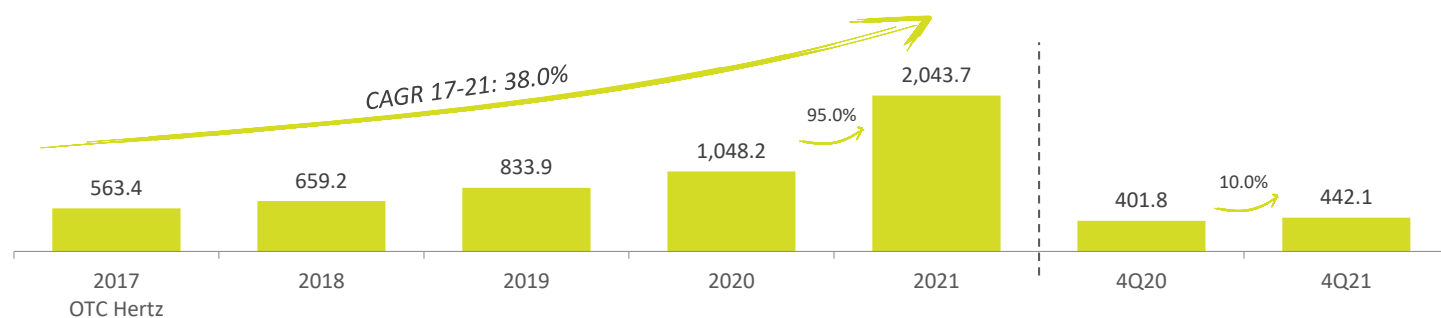
In 4Q21, the EBIT margin of the **Car Rental** division, was 43.9%, representing a decrease of 2.8p.p. YoY and reflecting an increase of approximately R\$1,000 per car in average annualized depreciation compared to the same period last year. In the **Fleet Rental** division, the EBIT margin totaled 60.7%, a decrease of 2.7p.p. YoY, mainly reflecting lower EBITDA margin, as explained above, partially offset by lower depreciation per car.

As the fleet renewal cycle returns to normal levels, we expect an increase in depreciation and a reduction in the **Seminovos** EBITDA margin to be offset by the growth in rental revenues and the normalization of maintenance costs, as well as the increase in efficiency and dilution of the platform's fixed costs.

10 - Consolidated net income

Consolidated net income

R\$ million



EBITDA x Net income reconciliation	2017*	2018	2019	2020	2021	Var. R\$	Var. %	4Q20	4Q21	Var. R\$	Var. %
Consolidated EBITDA	1,314.2	1,590.1	2,212.8	2,468.1	3,697.5	1,229.4	49.8%	752.5	935.4	182.9	24.3%
Cars depreciation	(232.0)	(291.6)	(551.5)	(473.0)	(255.1)	217.9	-46.1%	(57.3)	(103.4)	(46.1)	80.5%
Other property depreciation and amortization	(39.1)	(43.9)	(171.7)	(193.4)	(218.4)	(25.0)	12.9%	(49.8)	(58.4)	(8.6)	17.3%
EBIT	1,043.1	1,254.6	1,489.6	1,801.7	3,224.0	1,422.3	78.9%	645.4	773.6	128.2	19.9%
Financial expenses, net	(315.0)	(368.9)	(409.8)	(374.4)	(320.9)	53.5	-14.3%	(65.0)	(156.0)	(91.0)	140.0%
Income tax and social contribution	(164.7)	(226.5)	(245.9)	(379.1)	(859.4)	(480.3)	126.7%	(178.6)	(175.5)	3.1	-1.7%
Net income of the period	563.4	659.2	833.9	1,048.2	2,043.7	995.5	95.0%	401.8	442.1	40.3	10.0%

(*) 2017 adjusted by the one-time costs (OTC) - incurred Hertz Brasil acquisition and franchisees incorporation

In the year, the Company presented a record net income of R\$2,043.7 million, a growth of 95.0% YoY.

Net income in 4Q21 was R\$442.1 million, representing an increase of 10.0% YoY, resulting from:

(+) R\$182.9 million increase in EBITDA;

(-) R\$54.7 million increase in depreciation;

(-) R\$91.0 million addition in net financial expenses, mainly due to the increase in the average CDI and higher average debt balance; and

(+) R\$3.1 million decrease in income tax and social contribution, due to the lower effective tax rate.

11 – Free cash flow (FCF)

Free cash flow (R\$ million)		2017	2018	2019	2020	2021
Operations	EBITDA	1,314.2*	1,590.1	2,212.8	2,468.1	3,697.5
	Used car sale revenue, net of taxes	(3,451.2)	(4,510.4)	(6,206.7)	(6,109.1)	(5,308.0)
	Net book value of vehicles written-off	3,106.6	4,198.5	5,863.6	5,599.9	4,346.0
	(-) Income tax and social contribution	(108.3)	(131.2)	(146.1)	(250.1)	(307.1)
	Change in working capital	21.1	(339.1)	(250.3)	91.6	(568.3)
	Cash generated by rental operations	882.4	807.9	1,473.3	1,800.4	1,860.1
Capex - renewal	Used car sale revenue, net from taxes – fleet renewal	3,451.2	4,510.4	6,206.7	4,886.9	5,308.0
	Fleet renewal investment	(3,660.9)	(4,696.7)	(6,804.6)	(5,524.1)	(6,366.9)
	Change in accounts payable to car suppliers for fleet renewal	247.7	313.2	373.7	(466.6)	(282.6)
	Net investment for fleet renewal	38.0	126.9	(224.2)	(1,103.8)	(1,341.5)
	Fleet renewal – quantity	90,554	111,279	147,915	109,379	92,845
	Investment, property and intangible	(28.8)	(42.8)	(70.0)	(108.0)	(143.4)
	Free cash flow from operations, before fleet increase or reduction	891.6	892.0	1,179.1	588.6	375.2
Capex - Growth	(Investment) / Divestment in cars for fleet growth	(1,807.0)	(2,285.1)	(3,478.7)	1,222.2	(1,289.0)
	Change in accounts payable to car suppliers for fleet growth	167.7	554.9	(31.9)	(522.5)	571.6
	Acquisition of Hertz and franchisees (fleet value)	(285.7)	-	(105.5)	0.0	-
	Net investment for fleet growth	(1,925.0)	(1,730.2)	(3,616.1)	699.7	(717.4)
	Fleet increase / (reduction) – quantity	52,860	54,142	75,619	(26,111)	18,665
	Free cash flow after growth	(1,033.4)	(838.2)	(2,437.0)	1,288.3	(342.2)
Other invest.	Acquisitions - except fleet value	(121.5)	-	(18.2)	(7.9)	(3.6)
	New headquarters construction and furniture	(146.2)	-	-	-	-
	Free cash generated (applied) before interest and others	(1,301.1)	(838.2)	(2,455.2)	1,280.4	(345.8)

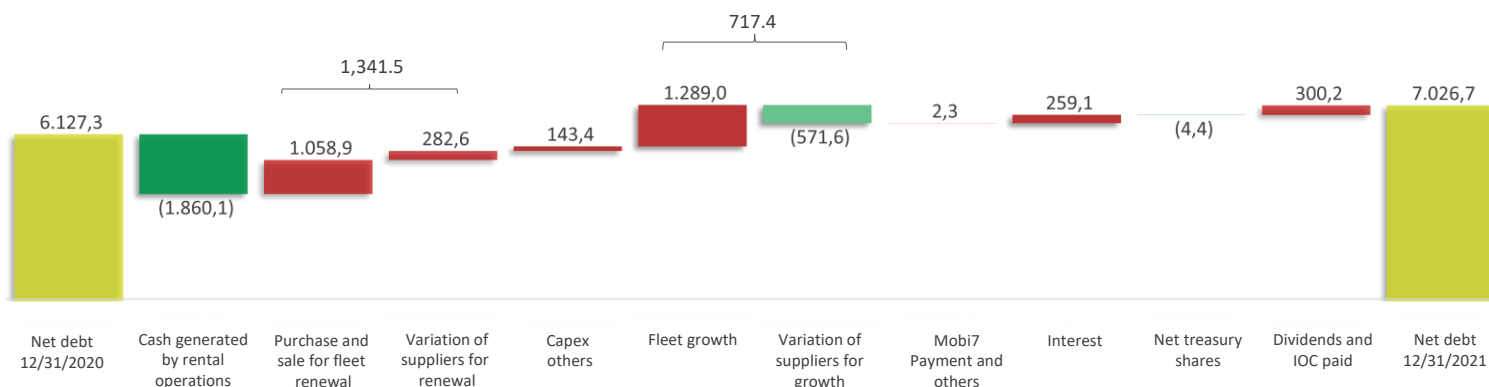
In the free cash flow, short-term financial assets were considered as cash.

(*) 2017 adjusted by one-time costs incurred - Hertz Brasil acquisition and franchisees incorporation.

In 2021, the Company had a cash consumption of R\$342.2 million after growth, mainly explained by the change in working capital, and the increased renewal capex per car, resulting from the higher new car price and from the more premium mix of car purchased compared to the mix sold, in a context of lower car production and imbalances between demand and supply.

12 – Net debt

12.1 – Change in net debt – R\$ million



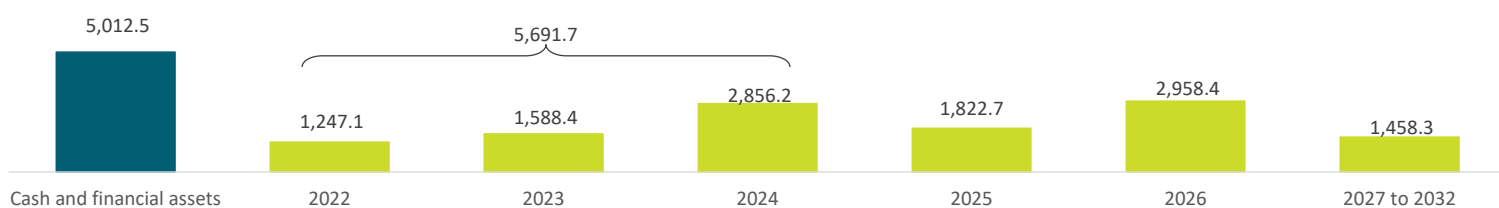
On 12/31/2021, net debt totaled R\$7,026.7 million, an increase of 14.7%, or R\$899.4 million compared to 12/31/2020.

12.2 – Debt maturity profile – R\$ million

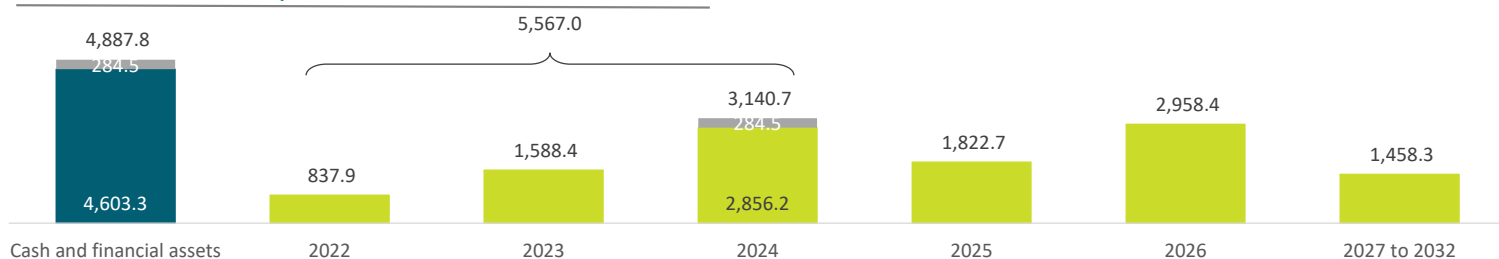
Debt	Issuance	Contract rate	2021	2022	2023	2024	2025	2026	2027 to 2032	Total
Debentures 11th Issuance	12/12/2016	111,50% CDI	-	409.2	-	-	-	-	-	409.2
Debentures 12th Issuance	5/15/2017	107,25% CDI	-	-	-	678.5	-	-	-	678.5
Debentures 13th Issuance - 1st serie	12/15/2017	109,35% CDI	-	306.2	306.2	-	-	-	-	612.4
Debentures 13th Issuance - 2nd serie	12/15/2017	111,30% CDI	-	-	-	94.1	94.1	-	-	188.2
Debentures 14th Issuance - 1st serie	9/18/2018	107,90% CDI	-	-	-	200.0	-	-	-	200.0
Debentures 14th Issuance - 2nd serie	9/18/2018	112,32% CDI	-	-	-	111.2	111.2	222.5	-	444.9
Debentures 15th Issuance	4/15/2019	107,25% CDI	-	-	-	-	377.4	377.4	-	754.8
Debentures 16th Issuance	11/29/2019	CDI + 1,05%	-	-	-	333.3	333.3	333.3	-	999.9
Debentures 17th Issuance	4/7/2021	IPCA + 5,47%	-	-	-	-	-	-	1,200.0	1,200.0
Debentures 18th Issuance	10/5/2021	CDI + 1,15%	-	-	-	-	-	1,500.0	-	1,500.0
Debentures 5th Issuance of Localiza Fleet	7/31/2018	112,00% CDI	-	-	-	-	202.4	-	-	202.4
Debentures 6th Issuance of Localiza Fleet	12/21/2018	110,40% CDI	-	-	-	310.1	-	-	-	310.1
Debentures 7th Issuance of Localiza Fleet	7/29/2019	109,00% CDI	-	-	100.0	100.0	100.0	-	-	300.0
Debentures 8th Issuance of Localiza Fleet	2/17/2020	CDI + 1,00%	-	-	333.3	333.3	333.3	-	-	999.9
Debentures 9th Issuance of Localiza Fleet	10/8/2021	CDI + 1,30%	-	-	-	-	-	500.0	-	500.0
Foreign currency loan with swap	-	Several	-	215.0	465.0	454.8	250.0	-	-	1,384.8
Real State Receivables Certificate (CRI)	2/26/2018	99,00% CDI	-	9.0	12.3	15.0	20.1	25.1	258.3	339.8
Working Capital / Others	-	Several	-	307.8	371.6	225.9	0.7	0.0	-	906.0
Interest accrued	-	-	108.3	-	-	-	-	-	-	108.3
Cash and cash equivalents on 12/31/2021	-	-	(5,012.5)	-	-	-	-	-	-	(5,012.5)
Net debt	-	-	(4,904.2)	1,247.2	1,588.4	2,856.2	1,822.5	2,958.3	1,458.3	7,026.7

12.3 – Debt profile – R\$ million

As of 12/31/2021

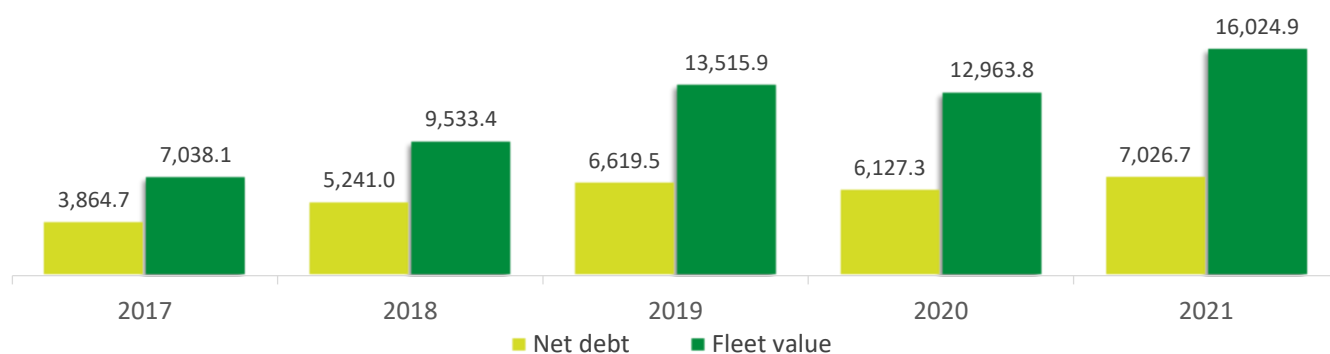


Proforma after Jan/22 issuances and settlement



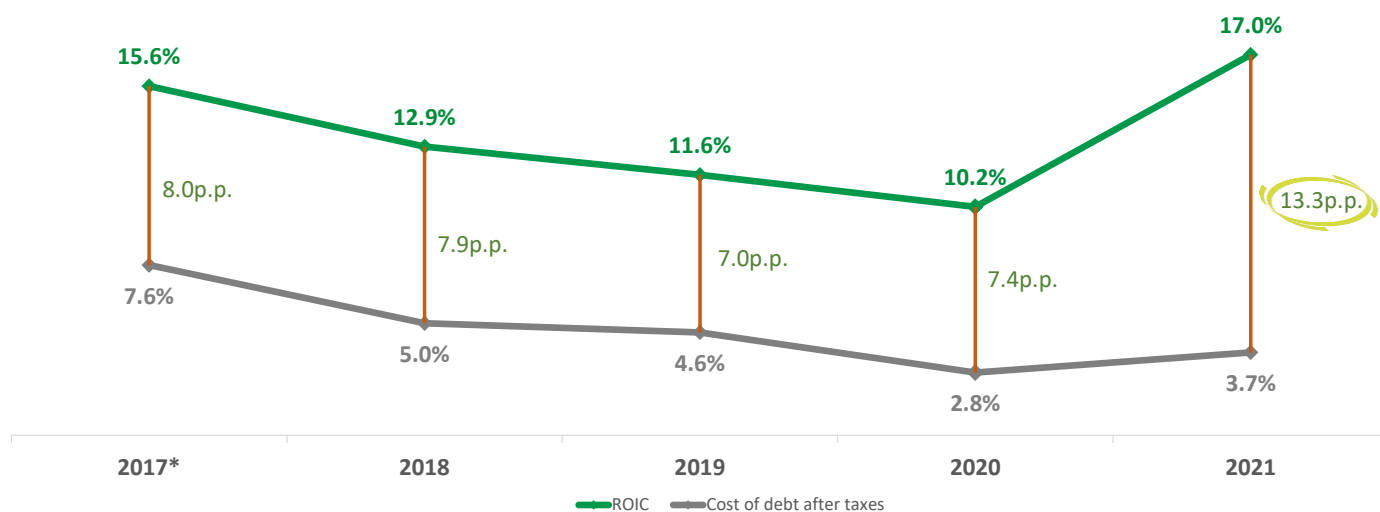
The Company ended the quarter with a cash balance of R\$5,012.5 million. In January, we had a pro forma cash position of R\$4,887.8 million.

12.4 – Debt ratios – R\$ million



BALANCE AT THE END OF PERIOD	2017	2018	2019	2020	2021
Net debt/Fleet value (book value)	55%	55%	49%	47%	44%
Net debt/EBITDA	2.9x	3.3x	3.0x	2.5x	1.9x
Net debt/Equity	1.5x	1.7x	1.2x	1.0x	0.9x
EBITDA/Net financial expenses	4.2x	4.3x	5.4x	6.6x	11.5x

13 – Spread (ROIC minus cost of debt after taxes)



ROIC considered each year's effective income tax and social contribution rate

ROE considered LTM net income divided by the average Equity of the period

* 2017 adjusted by the one-time costs (OTC) incurred Hertz Brasil acquisition and franchisees incorporation

STRONG VALUE GENERATION

14 – Dividends and interest on capital (IOC)

2020 interest on capital were approved as follow:

Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R\$ million)	Gross amount per Share(*) (R\$)
IOC	2020	03/10/2020	03/13/2020	09/15/2020	67.0	0.089006
IOC	2020	06/18/2020	06/23/2020	10/15/2020	64.8	0.086217
IOC	2020	09/04/2020	09/10/2020	11/05/2020	65.6	0.087345
IOC	2020	12/10/2020	12/15/2020	02/05/2021	63.8	0.084906
Dividends	2020	04/27/2021	04/30/2021	05/21/2021	18.1	0.024111
Total					279.3	

2021 interest on capital were approved as follow:

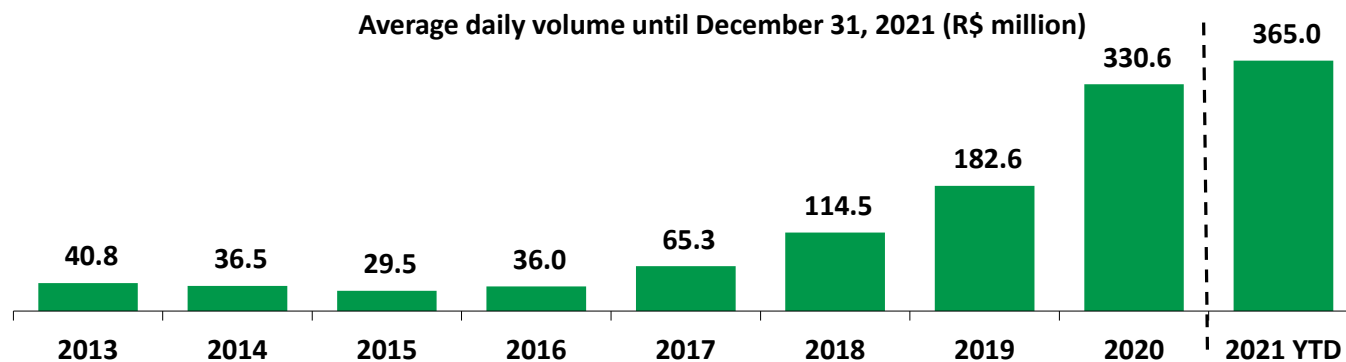
Nature	Reference period	Approval date	Shareholding position date	Payment date	Gross amount (R\$ million)	Gross amount per Share (*) (R\$)
IOC	2021	03/24/2021	03/29/2021	05/21/2021	63.7	0.084795
IOC	2021	06/24/2021	06/29/2021	08/20/2021	72.4	0.096195
IOC	2021	09/24/2021	09/29/2021	11/22/2021	82.1	0.109203
IOC	2021	12/14/2021	12/17/2021	02/11/2022	97.2	0.129163
Total					315.4	

In 2021, Management proposed for deliberation at the Annual Shareholders' Meeting the complementary payment of dividends to shareholders in the amount of R\$206.2 million, considering that the amount distributed through IOC in 2021 did not reach a mandatory minimum of 25% of net profit.

15 – RENT3

Up to December 31, 2021, RENT3 average daily traded volume was R\$365.0 million, 10.4% higher than the average volume traded in 2020. Under the ADR level I program, the Company had 6,213,975 ADRs as of December 31, 2021.

At the beginning of 2022, the Company entered the IGPTW B3 Index. The index represents a theoretical portfolio of assets based on the national ranking of the best companies to work for, published by Great Place to Work (GPTW).



For Localiza, being sustainable means being an ethical and respected company that works in an innovative way to generate a positive impact. In 4Q21, we continued to advance our ESG strategy.

In the Environmental pillar, we selected a REDD+ project (reductions in greenhouse gas emissions - GHG and increase in forest carbon stocks) to be used to offset the GHG emissions of our operation (scopes 1 and 2) and evolved in the reduction strategies of emissions. In addition, we continue to advance in the solar energy generation project at our branches. In 4Q21, we generated more than 950,000 kWh of clean energy, which corresponds to an increase of 50% compared to the same period of the previous year.

In Social, the Instituto Localiza selected the winners from its project “Juventude em Movimento”. Of the 444 applicants, 24 projects from 14 states were selected, in addition to one on a nationwide coverage. Together, the projects have the potential to impact 8 thousand young people with technical and professional training activities and productive inclusion in activities that are synergistic with the Localiza ecosystem, such as tourism, technology, and culture.

Still on the social side, we joined the Business Coalition for Racial and Gender Equality, an initiative of the Ethos Institute, the Center for the Study of Labor Relations and Inequalities (CEERT) and the Institute for Human Rights and Business (IHRB). We were also recognized in the national first position of the ABERJE Award for Diversity and Inclusion with the case: “Localiza Culture in Transformation: Diversity makes the difference”.

In Governance, we highlight the monitoring, by the Board of Directors, through the Governance and Sustainability Committee, of actions and initiatives related to the topic, as well as the KPIs included in the management contract of our employees and the C-level. Still on the subject, after an annual audit process, we maintained the ISO 37001 certification, which reinforces the quality of our actions in the fight against corruption.

17 – Results per division

17.1 –Table 1 – Car Rental – R\$ million

CAR RENTAL RESULTS	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,916.3	1,916.3	2,588.9	3,367.4	3,367.4	3,475.2	4,851.3	39.6%	1,119.1	1,458.3	30.3%
Taxes on revenues (*)	(51.3)	(51.3)	(52.4)	(44.5)	(318.8)	(330.2)	(455.9)	38.1%	(105.9)	(136.5)	28.9%
Car rental net revenues	1,865.0	1,865.0	2,536.5	3,322.9	3,048.6	3,145.0	4,395.4	39.8%	1,013.2	1,321.8	30.5%
Car rental and franchising costs	(935.3)	(879.6)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	(1,406.9)	25.1%	(381.0)	(472.2)	23.9%
Gross profit	929.7	985.4	1,348.8	1,838.4	1,936.6	2,020.7	2,988.5	47.9%	849.6	849.6	34.4%
Operating expenses (SG&A)	(349.0)	(334.1)	(437.8)	(544.0)	(544.0)	(595.4)	(832.6)	39.8%	(215.0)	(233.2)	8.5%
Other assets depreciation and amortization	(24.2)	(24.2)	(27.1)	(31.1)	(108.8)	(120.7)	(142.6)	18.1%	(30.6)	(38.9)	27.1%
Operating profit before financial results and taxes (EBIT)	556.5	627.1	883.9	1,263.3	1,283.8	1,304.6	2,013.3	54.3%	386.6	577.5	49.4%
Financial expenses, net	(3.5)	(3.5)	(22.4)	(12.1)	(42.3)	(43.3)	(47.9)	10.6%	(9.1)	(12.7)	39.6%
Income tax and social contribution	(124.6)	(140.1)	(219.5)	(284.9)	(282.0)	(348.7)	(583.2)	67.2%	(118.5)	(161.2)	36.0%
Net income for the period	428.4	483.5	642.0	966.3	959.5	912.6	1,382.2	51.5%	259.0	403.6	55.8%
Net Margin	23.0%	25.9%	25.3%	29.1%	31.5%	29.0%	31.4%	2.4 p.p.	25.6%	30.5%	4.9 p.p.
EBITDA	580.7	651.3	911.0	1,294.4	1,392.6	1,425.3	2,155.9	51.3%	417.2	616.4	47.7%
EBITDA Margin	31.1%	34.9%	35.9%	39.0%	45.7%	45.3%	49.0%	3.7 p.p.	41.2%	46.6%	5.4 p.p.

USED CAR SALES RESULTS (SEMINOVOS)	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Gross revenues, net of discounts and cancellations	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	4,413.3	-14.3%	1,386.5	799.8	-42.3%
Taxes on revenues	(4.9)	(4.9)	(7.4)	(13.8)	(13.8)	(10.0)	(5.2)	-48.0%	(3.5)	(1.0)	-71.4%
Net revenues	2,985.1	2,985.1	3,911.8	5,465.8	5,465.8	5,140.7	4,408.1	-14.3%	1,383.0	798.8	-42.2%
Book value of cars sold and preparation for sale	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	(3,416.2)	-26.2%	(1,150.7)	(612.8)	-46.7%
Gross profit	381.9	381.9	369.3	425.3	428.0	511.0	991.9	94.1%	232.3	186.0	-19.9%
Operating expenses (SG&A)	(220.0)	(220.0)	(269.6)	(349.4)	(300.2)	(316.1)	(360.7)	14.1%	(101.3)	(86.0)	-15.1%
Cars depreciation	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	(183.7)	-46.4%	(29.6)	(83.0)	180.4%
Other assets depreciation and amortization	(9.7)	(9.7)	(10.2)	(8.4)	(50.5)	(54.3)	(56.1)	3.3%	(14.8)	(13.8)	-6.8%
Operating profit (loss) before financial results and taxes (EBIT)	34.5	34.5	(42.2)	(265.3)	(255.5)	(202.0)	391.4	-293.8%	86.6	3.2	-96.3%
Financial expenses, net	(229.9)	(229.9)	(266.5)	(247.7)	(264.5)	(261.9)	(212.3)	-18.9%	(43.9)	(110.0)	150.6%
Income tax and social contribution	43.9	43.9	77.5	116.8	115.8	158.7	(54.6)	-134.4%	(12.9)	30.6	-337.2%
Net income (loss) for the period	(151.5)	(151.5)	(231.2)	(396.2)	(404.2)	(305.2)	124.5	-140.8%	29.8	(76.2)	-357.7%
Net Margin	-5.1%	-5.1%	-5.9%	-7.2%	-7.4%	-5.9%	8.7 p.p.	-9.5%	2.2%	-11.7 p.p.	-9.9%
EBITDA	161.9	161.9	99.7	75.9	127.8	194.9	631.2	223.9%	131.0	100.0	-23.7%
EBITDA Margin	5.4%	5.4%	2.5%	1.4%	2.3%	3.8%	14.3%	10.5 p.p.	9.5%	12.5%	3.0 p.p.

CAR RENTAL TOTAL FIGURES	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,916.3	1,898.7	2,588.9	3,367.4	3,367.4	3,475.2	4,851.3	39.6%	1,119.1	1,458.3	30.3%
Car sales for fleet renewal - gross revenues, net of discounts and cancellations	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	4,413.3	-14.3%	1,386.5	799.8	-42.3%
Total gross revenues	4,906.3	4,888.7	6,508.1	8,847.0	8,847.0	8,625.9	9,264.6	7.4%	2,505.6	2,258.1	-9.9%
Taxes on revenues	(51.3)	(50.2)	(52.4)	(44.5)	(318.8)	(330.2)	(455.9)	38.1%	(105.9)	(136.5)	28.9%
Car rental and franchising(*)	(4.9)	(4.9)	(7.4)	(13.8)	(13.8)	(10.0)	(5.2)	-48.0%	(3.5)	(1.0)	-71.4%
Car sales for fleet renewal	(4.9)	(4.9)	(7.4)	(13.8)	(13.8)	(10.0)	(5.2)	-48.0%	(3.5)	(1.0)	-71.4%
Car rental revenues - net revenues	1,865.0	1,848.5	2,536.5	3,322.9	3,048.6	3,145.0	4,395.4	39.8%	1,013.2	1,321.8	30.5%
Car sales for fleet renewal - net revenues	2,985.1	2,985.1	3,911.8	5,465.8	5,465.8	5,140.7	4,408.1	-14.3%	1,383.0	798.8	-42.2%
Total net revenues	4,850.1	4,833.6	6,448.3	8,788.7	8,514.4	8,285.7	8,803.5	6.2%	2,396.2	2,120.6	-11.5%
Direct costs	(935.3)	(870.7)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	(1,406.9)	25.1%	(381.0)	(472.2)	23.9%
Car rental	(935.3)	(870.7)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	(1,406.9)	25.1%	(381.0)	(472.2)	23.9%
Car sales for fleet renewal	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	(3,416.2)	-26.2%	(1,150.7)	(612.8)	-46.7%
Gross profit	1,311.6	1,359.7	1,718.1	2,263.7	2,364.6	2,531.7	3,980.4	57.2%	864.5	1,035.6	19.8%
Operating expenses (SG&A)	(349.0)	(332.3)	(437.8)	(544.0)	(544.0)	(595.4)	(832.6)	39.8%	(215.0)	(233.2)	8.5%
Car rental	(349.0)	(332.3)	(437.8)	(544.0)	(544.0)	(595.4)	(832.6)	39.8%	(215.0)	(233.2)	8.5%
Car sales for fleet renewal	(220.0)	(220.0)	(269.6)	(349.4)	(300.2)	(316.1)	(360.7)	14.1%	(101.3)	(86.0)	-15.1%
Cars depreciation	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	(183.7)	-46.4%	(29.6)	(83.0)	180.4%
Other assets depreciation and amortization	(24.2)	(23.6)	(27.1)	(31.1)	(108.8)	(120.7)	(142.6)	18.1%	(30.6)	(38.9)	27.1%
Car rental	(24.2)	(23.6)	(27.1)	(31.1)	(108.8)	(120.7)	(142.6)	18.1%	(30.6)	(38.9)	27.1%
Car sales for fleet renewal	(9.7)	(9.7)	(10.2)	(8.4)	(50.5)	(54.3)	(56.1)	3.3%	(14.8)	(13.8)	-6.8%
Operating profit before financial results and taxes (EBIT)	591.0	656.4	841.7	998.0	1,028.3	1,102.6	2,404.7	118.1%	473.2	580.7	22.7%
Financial expenses, net	(233.4)	(235.2)	(288.9)	(259.8)	(306.8)	(305.2)	(260.2)	-14.7%	(53.0)	(122.7)	131.5%
Income tax and social contribution	(80.7)	(95.0)	(142.0)	(168.1)	(166.2)	(190.0)	(637.8)	235.7%	(131.4)	(130.6)	-0.6%
Net income for the period	276.9	326.2	410.8	570.1	555.3	607.4	1,506.7	148.1%	327.4	327.4	13.4%
Net margin	5.7%	6.7%	6.4%	6.5%	6.5%	7.3%	17.1%	9.8 p.p.	12.1%	15.4%	3.3 p.p.
EBITDA	742.6	807.4	1,010.7	1,370.3	1,520.4	1,620.2	2,787.1	72.0%	548.2	716.4	30.7%
EBITDA margin	15.3%	16.7%	15.7%	15.6%	17.9%	19.6%	31.7%	12.1 p.p.	22.9%	33.8%	10.9 p.p.

CAR RENTAL OPERATING DATA	2017	2017	2018	2019	2019	2020	2021	Var.	4Q20	4Q21	Var.
Average operating fleet	94,194	94,194	130,058	173,649	173,649	200,742	195,242	0.0%	193,782	197,258	1.8%
Average rented fleet	69,762	69,762	97,245	128,718	128,718	140,151	151,686	8.2%	156,615	157,844	0.8%
Average operating fleet age (in months)	6.5	6.5	7.2	7.0	7.0	10.0	13.9	39.0%	11.6	15.4	32.8%
End of period fleet	135,578	135,578	177,672	238,174	238,174	216,334	216,293	0.0%	216,334	216,293	0.0%
Number of rental days - in thousands (net of fleet replacement service)	25,263.6	25,263.6	35,284.5	46,745.9	46,745.9	50,446.5	53,756.6	6.6%	13,985.2	14,119.1	1.0%
Average daily rental revenues per car (R\$)	75.16	75.16	72.86	71.57	71.57	68.52	89.71	30.9%	79.63	102.69	29.0%
Annualized average depreciation per car (R\$)	1,250.1	1,250.1	1,210.6	1,917.6	1,917.6	1,706.8	941.1	-44.9%	611.6	1,683.8	175.3%
Utilization rate (Does not include cars in preparation and decommissioning)	78.6%	78.6%	79.6%	79.1%	79.1%	73.5%	79.8%	6.3 p.p.	84.5%	81.5%	-3.0 p.p.
Number of cars purchased	114,966	114,966	139,273	192,292	192,292	92,801	83,382	-10.1%	37,415	22,937	-38.7%
Number of cars sold	76,901	76,901	94,945	128,677	128,677	113,346	76,906	-32.1%	27,636	12,319	-55.4%
Average sold fleet age (in months)	14.3	14.3	14.7	15.2	15.2	16.9	21.9	29.6%	17.5	25.2	44.0%
Average total fleet	107,997	107,997	150,045	201,791	201,791	221,895	209,172	-5.7%	210,880	212,410	0.7%
Average value of total fleet - R\$ million	4,100.6	4,100.6	6,005.7	8,652.7	8,652.7	9,951.6	10,592.7	6.4%	9,705.4	11,467.5	18.2%
Average value per car in the period - R\$ thsd	38.0	38.0	40.0	42.9	42.9	44.8	50.6	12.9%	46.0	54.0	17.4%

(*) In 4Q19, PIS and COFINS credits were reclassified, which were recorded as credits in the rental income tax line and started to be recorded in the rental cost line.

17.2 – Table 2 – Fleet Rental – R\$ million

FLEET RENTAL RESULTS	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Fleet rental gross revenues, net of discounts and cancellations	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	1,325.2	13.9%	300.0	352.2	17.4%
Taxes on revenues (*)	(15.3)	(15.3)	(9.0)	(15.2)	(98.8)	(110.2)	(127.3)	15.5%	(28.4)	(34.0)	19.7%
Fleet rental net revenues	742.1	742.1	848.8	1,023.9	940.3	1,053.5	1,197.9	13.7%	271.6	318.2	17.2%
Fleet rental costs	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	(315.6)	42.5%	(69.2)	(87.6)	26.6%
Gross profit	521.7	522.0	602.9	719.8	719.8	832.0	882.3	6.0%	202.4	230.6	13.9%
Operating expenses (SG&A)	(65.4)	(62.3)	(59.6)	(83.6)	(83.2)	(69.7)	(141.2)	102.6%	(27.1)	(47.3)	74.5%
Other assets depreciation and amortization	(3.5)	(3.5)	(4.9)	(5.3)	(5.7)	(8.4)	(8.3)	-1.2%	(2.2)	(2.3)	4.5%
Operating profit before financial results and taxes (EBIT)	452.8	456.2	538.4	630.9	630.9	753.9	732.8	-2.8%	173.1	181.0	4.6%
Financial expenses, net	(1.6)	(1.6)	(0.5)	(0.6)	(0.7)	(0.5)	(0.5)	0.0%	(0.1)	(0.1)	0.0%
Income tax and social contribution	(102.8)	(103.6)	(136.5)	(143.5)	(140.3)	(228.1)	(213.6)	-6.4%	(50.6)	(51.3)	1.4%
Net income for the period	348.4	351.0	401.4	486.8	489.9	525.3	518.7	-1.3%	122.4	129.6	5.9%
Net Margin	46.9%	47.3%	47.3%	47.5%	52.1%	49.9%	43.3%	-6.6 p.p.	45.1%	40.7%	-4.4 p.p.
EBITDA	456.3	459.7	543.3	636.2	636.6	762.3	741.1	-2.8%	175.3	183.3	4.6%
EBITDA Margin	61.5%	61.9%	64.0%	62.1%	67.7%	72.4%	61.9%	-10.5 p.p.	64.5%	57.6%	-6.9 p.p.

USED CAR SALES RESULTS (SEMINOVOS)	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Gross revenues, net of discounts and cancellations	466.5	466.5	599.5	742.4	742.4	969.2	900.7	-7.1%	207.9	197.6	-5.0%
Taxes on revenues	(0.4)	(0.4)	(0.9)	(1.5)	(1.5)	(0.8)	(0.8)	0.0%	(0.4)	(0.2)	-50.0%
Net revenues	466.1	466.1	598.6	740.9	740.9	968.4	899.9	-7.1%	207.5	197.4	-4.9%
Book value of cars sold and preparation for sale	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	(659.3)	-20.8%	(165.1)	(137.8)	-16.5%
Gross profit	74.0	74.0	72.7	90.7	90.8	136.4	240.6	76.4%	42.4	59.6	40.6%
Operating expenses (SG&A)	(32.7)	(32.7)	(36.6)	(41.4)	(35.0)	(50.8)	(71.2)	40.2%	(13.4)	(23.8)	77.6%
Cars depreciation	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	(71.4)	-45.2%	(27.7)	(20.4)	-26.4%
Other assets depreciation and amortization	(1.7)	(1.7)	(1.7)	(1.5)	(6.7)	(10.0)	(11.4)	14.0%	(2.2)	(3.4)	54.5%
Operating profit (loss) before financial results and taxes (EBIT)	(74.7)	(74.7)	(125.5)	(170.9)	(169.6)	(54.8)	86.6	-258.0%	(0.9)	12.0	-1433.3%
Financial expenses, net	(60.0)	(60.0)	(79.6)	(100.2)	(102.3)	(68.7)	(80.2)	-12.4%	(11.9)	(33.2)	179.0%
Income tax and social contribution	35.1	35.1	52.0	61.7	60.6	39.0	18.0	-120.5%	3.4	6.4	88.2%
Net income (loss) for the period	(119.6)	(119.6)	(153.1)	(209.4)	(211.3)	(84.5)	18.4	-121.8%	(9.4)	(14.8)	57.4%
Net Margin	-25.7%	-25.7%	-25.6%	-28.3%	-28.5%	-8.7%	2.0%	10.7 p.p.	-4.5%	-7.5%	-3.0 p.p.
EBITDA	41.3	41.3	36.1	49.3	55.8	85.6	169.4	97.9%	29.0	35.8	23.4%
EBITDA Margin	8.9%	8.9%	6.0%	6.7%	7.5%	8.8%	18.8%	10.0 p.p.	14.0%	18.1%	4.1 p.p.

FLEET RENTAL TOTAL FIGURES	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Fleet rental gross revenues, net of discounts and cancellations	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	1,325.2	13.9%	300.0	352.2	17.4%
Car sales for fleet renewal - gross revenues, net of discounts and cancellations	466.5	466.5	599.5	742.4	742.4	969.2	900.7	-7.1%	207.9	197.6	-5.0%
Total gross revenues	1,223.9	1,223.9	1,457.3	1,781.5	1,781.5	2,132.9	2,225.9	4.4%	507.9	549.8	8.2%
Taxes on revenues	(15.3)	(15.3)	(9.0)	(15.2)	(98.8)	(110.2)	(127.3)	15.5%	(28.4)	(34.0)	19.7%
Fleet rental (*)	(0.4)	(0.4)	(0.9)	(1.5)	(1.5)	(0.8)	(0.8)	0.0%	(0.4)	(0.2)	-50.0%
Car sales for fleet renewal	(0.4)	(0.4)	(0.9)	(1.5)	(1.5)	(0.8)	(0.8)	0.0%	(0.4)	(0.2)	-50.0%
Fleet rental - net revenues	742.1	742.1	848.8	1,023.9	940.3	1,053.5	1,197.9	13.7%	271.6	318.2	17.2%
Car sales for fleet renewal - net revenues	466.1	466.1	598.6	740.9	740.9	968.4	899.9	-7.1%	207.5	197.4	-4.9%
Total net revenues (**)	1,208.2	1,208.2	1,447.4	1,768.2	1,681.2	2,021.9	2,097.8	3.8%	479.1	515.6	7.6%
Direct costs	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	(315.6)	42.5%	(69.2)	(87.6)	26.6%
Fleet rental	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	(315.6)	42.5%	(69.2)	(87.6)	26.6%
Car sales for fleet renewal	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	(659.3)	-20.8%	(165.1)	(137.8)	-16.5%
Gross profit	595.7	596.0	675.6	810.5	810.6	968.4	1,122.9	16.0%	244.8	290.2	18.5%
Operating expenses (SG&A)	(65.4)	(62.3)	(59.6)	(83.6)	(83.2)	(69.7)	(141.2)	102.6%	(27.1)	(47.3)	74.5%
Fleet rental	(65.4)	(62.3)	(59.6)	(83.6)	(83.2)	(69.7)	(141.2)	102.6%	(27.1)	(47.3)	74.5%
Car sales for fleet renewal	(32.7)	(32.7)	(36.6)	(41.4)	(35.0)	(50.8)	(71.2)	40.2%	(13.4)	(23.8)	77.6%
Cars depreciation	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	(71.4)	-45.2%	(27.7)	(20.4)	-26.4%
Other assets depreciation and amortization	(1.7)	(1.7)	(1.7)	(1.5)	(6.7)	(10.0)	(11.4)	14.0%	(2.2)	(3.4)	54.5%
Fleet rental	(3.5)	(3.5)	(4.9)	(5.3)	(5.7)	(8.4)	(8.3)	-1.2%	(2.2)	(2.3)	4.5%
Car sales for fleet renewal	(1.7)	(1.7)	(1.7)	(1.5)	(6.7)	(10.0)	(11.4)	14.0%	(2.2)	(3.4)	54.5%
Operating profit before financial results and taxes (EBIT)	378.1	381.5	412.9	460.0	461.3	699.1	819.4	17.2%	172.2	193.0	12.1%
Financial expenses, net	(81.6)	(81.6)	(80.1)	(100.8)	(103.0)	(69.2)	(60.7)	-12.3%	(12.0)	(33.3)	177.5%
Income tax and social contribution	(67.7)	(68.5)	(84.5)	(81.8)	(79.7)	(189.1)	(221.6)	(44.9)	(47.2)	(44.9)	-4.9%
Net income for the period	228.8	231.4	248.3	277.4	278.6	440.8	537.1	21.8%	113.0	114.8	1.6%
Net margin	18.9%	19.2%	17.2%	15.7%	16.6%	21.8%	23.6%	3.8 p.p.	23.6%	22.3%	-1.3 p.p.
EBITDA	497.6	501.0	579.4	685.5	692.4	847.9	910.5	7.4%	204.3	219.1	7.2%
EBITDA margin	41.2%	41.5%	40.0%	38.8%	41.2%	41.9%	43.4%	1.5 p.p.	42.6%	42.5%	-0.1 p.p.

OPERATING DATA	2017	2017 adjusted	2018	2019	2019	2020	2021	Var.	4Q20	4Q21	Var.
Average operating fleet	36,804	36,804	44,404	55,726	55,726	59,801	61,962	3.6%	58,017	64,750	11.6%
Total Average rented fleet	35,424	35,424	42,321	53,029	53,029	59,244	63,493	7.2%	60,530	65,295	7.9%
Average rented fleet	35,424	35,424	42,321	53,029	53,029	57,706	60,133	4.2%	56,858	62,141	9.3%
Average rented fleet - Car Rental fleet replacement	-	-	-	-	-	1,538	3,360	118.5%	3,672	3,154	-14.1%
Average operating fleet age (in months)	18.1	18.1	15.1	15.1	15.1	17.4	20.3	16.7%	19.2	20.6	7.9%
End of period fleet											
Rented Fleet	44,877	44,877	54,430	68,957	68,957	61,657	73,503	19.2%	61,657	73,503	19.2%
Managed Fleet	94	94	57	32	32	105	57	-45.7%	105	57	-45.7%
Number of rental days - in thousands	12,752.7	12,752.7	15,235.7	19,090.5	19,090.5	21,328.0	22,857.3	7.2%	5,447.7	5,876.6	7.9%
Average daily rental revenues per car (R\$)	58.77	58.77	55.62	53.92	53.92	53.81	57.49	6.8%	54.31	59.94	10.4%
Annualized average depreciation per car (R\$)	3,104.3	3,104.3	3,601.1	3,923.4	3,923.4	2,178.9	1,152.7	-47.1%	1,907.0	1,258.7	-34.0%
Utilization rate (Does not include cars in preparation and decommissioning) (**)(***)	98.2%	98.2%	96.8%	96.6%	96.6%	97.4%	98.0%	0.6 p.p.	98.8%	97.1%	-1.7 p.p.
Number of cars purchased	20,286	20,286	26,148	31,242	31,242	16,578	28,128	69.7%	5,333	11,123	108.6%
Number of cars sold	13,653	13,653	16,334	19,238	19,238	22,144	15,939	-28.0%	4,221	3,231	-23.5%
Average sold fleet age (in months)	31.8	31.8	31.2	28.6	28.6	28.9	31.8	10.0%	29.7	34.5	16.2%
Average total fleet	39,605	39,605	48,776	61,374	61,374	63,919	66,451	4.0%	60,940	70,722	16.1%
Average value of total fleet - R\$ million	1,482.5	1,482.5	1,943.1	2,520.6	2,520.6	2,812.1	3,070.7	19.9%	2,768.1	3,902.3	41.0%
Average value per car in the period - R\$ thsd	37.4	37.4	39.8	41.1	41.1	44.0	50.7	15.2%	45.4	55.2	21.6%

(*) In 4Q19, PIS and COFINS credits were reclassified, which were recorded as credits in the rental income tax line and started to be recorded in the rental cost line.

(**) The 2015 utilization rate was calculated only on the basis of the fourth quarter of 2015.

(***) Does not include replacement service from Car Rental

17.3 – Table 3 – Consolidated – R\$ million

CONSOLIDATED RESULTS	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021	Var.	4Q20	4Q21	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,916.3	1,916.3	2,588.9	3,367.4	3,367.4	3,475.2	4,851.3	39.6%	1,119.1	1,458.3	30.3%
Fleet Rental gross revenues, net of discounts and cancellations	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	1,325.2	13.9%	300.0	352.2	17.4%
Car and Fleet Rentals and Franchising total gross revenues	2,673.7	2,673.7	3,446.7	4,406.5	4,406.5	4,638.9	6,176.5	33.1%	1,419.1	1,810.5	27.6%
Taxes on revenues - Car and Fleet Rentals and Franchising (*)	(66.6)	(66.6)	(61.4)	(69.7)	(69.7)	(440.4)	(583.2)	32.4%	(134.3)	(170.5)	27.0%
Car and Fleet Rentals and Franchising net revenues	2,607.1	2,607.1	3,385.3	4,346.8	3,988.9	4,198.5	5,593.3	33.2%	1,284.8	1,640.0	27.6%
Car sales gross revenues											
Car sales for fleet renewal - Car Rental, net of discounts and cancellations	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	4,413.3	-14.3%	1,386.5	799.8	-42.3%
Car sales for fleet renewal - Fleet Rental, net of discounts and cancellations	466.5	466.5	599.5	742.4	742.4	969.2	900.7	-7.1%	207.9	197.6	-5.0%
Car sales for fleet renewal - total gross revenues (*)	3,456.5	3,456.5	4,518.7	6,222.0	6,222.0	6,119.9	5,314.0	-13.2%	1,594.4	997.4	-37.4%
Taxes on revenues - Car sales for fleet renewal	(5.3)	(5.3)	(8.3)	(15.3)	(15.3)	(10.8)	(6.0)	-44.4%	(3.9)	(1.2)	-69.2%
Car sales for fleet renewal - net revenues	3,451.2	3,451.2	4,510.4	6,206.7	6,206.7	6,109.1	5,308.0	-13.1%	1,590.5	996.2	-37.4%
Total net revenues	6,058.3	6,058.3	7,895.7	10,553.5	10,195.6	10,307.6	10,901.3	5.8%	2,875.3	2,636.2	-8.3%
Direct costs and expenses:											
Car rental and franchising	(935.3)	(879.6)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	(1,406.9)	25.1%	(381.0)	(472.2)	23.9%
Fleet Rental	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	(315.6)	42.5%	(69.2)	(87.6)	26.6%
Total Car and Fleet Rentals and Franchising	(1,155.7)	(1,099.7)	(1,433.6)	(1,788.6)	(1,332.5)	(1,345.8)	(1,722.5)	28.0%	(450.2)	(559.8)	24.3%
Car sales for fleet renewal - Car rental	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	(3,416.2)	-26.2%	(1,150.7)	(612.8)	-46.7%
Car sales for fleet renewal - Fleet Rental	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	(659.3)	-20.8%	(165.1)	(137.8)	-16.5%
Total Car sales for fleet renewal (book value) and preparation for sale	(2,995.3)	(2,995.3)	(4,068.4)	(5,690.7)	(5,687.9)	(5,461.7)	(4,075.5)	-25.4%	(1,315.8)	(750.6)	-43.0%
Total costs	(4,151.0)	(4,095.0)	(5,502.0)	(7,479.3)	(7,020.4)	(6,807.5)	(5,798.0)	-14.8%	(1,766.0)	(1,310.4)	-25.8%
									0.0	0.0	0.0%
Gross profit	1,907.3	1,963.3	2,393.7	3,074.2	3,175.2	3,500.1	5,103.3	45.8%	1,109.3	1,325.8	19.5%
Operating expenses											
Advertising, promotion and selling:											
Car rental and franchising	(200.7)	(194.4)	(285.8)	(357.3)	(357.3)	(460.3)	(563.3)	22.4%	(127.1)	(149.7)	17.8%
Fleet Rental	(18.8)	(18.8)	(27.7)	(36.0)	(35.6)	(38.2)	(43.9)	119.9%	(10.5)	(29.2)	178.1%
Car sales for fleet renewal	(232.3)	(232.3)	(279.5)	(357.1)	(301.6)	(328.4)	(374.8)	14.1%	(102.5)	(91.8)	-10.4%
Total advertising, promotion and selling	(451.8)	(445.5)	(593.0)	(750.4)	(694.5)	(826.9)	(1,022.1)	23.6%	(240.1)	(270.7)	12.7%
General, administrative and other expenses	(215.3)	(203.6)	(210.6)	(268.0)	(267.9)	(205.1)	(383.7)	87.1%	(116.7)	(119.7)	2.6%
Total Operating expenses	(667.1)	(649.1)	(803.6)	(1,018.4)	(962.4)	(1,032.0)	(1,405.8)	36.2%	(356.8)	(390.4)	9.4%
Depreciation expenses:											
Cars depreciation:											
Car rental	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	(183.7)	-46.4%	(29.6)	(83.0)	180.4%
Fleet Rental	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	(71.4)	-45.2%	(27.7)	(20.4)	-26.4%
Total cars depreciation expenses	(232.0)	(232.0)	(291.6)	(551.5)	(551.5)	(473.0)	(255.1)	-46.1%	(57.3)	(103.4)	80.5%
Other assets depreciation and amortization	(39.1)	(39.1)	(43.9)	(46.3)	(171.7)	(193.4)	(218.4)	12.9%	(49.8)	(58.4)	17.3%
Total depreciation and amortization expenses	(271.1)	(271.1)	(335.5)	(597.8)	(723.2)	(666.4)	(473.5)	-28.9%	(107.1)	(161.8)	51.1%
Operating profit before financial results and taxes (EBIT)	969.1	1,043.1	1,254.6	1,458.0	1,489.6	1,801.7	3,224.0	78.9%	645.4	773.6	19.9%
Financial expenses, net:											
Expense	(511.9)	(511.9)	(536.8)	(591.2)	(630.0)	(512.4)	(576.9)	12.6%	(113.4)	(274.8)	142.3%
Income	196.9	196.9	167.9	230.6	220.2	138.0	256.0	85.5%	48.4	118.8	145.5%
Financial (expenses) revenues, net	(315.0)	(315.0)	(368.9)	(360.6)	(409.8)	(374.4)	(320.9)	-14.3%	(65.0)	(156.0)	140.0%
Income before tax and social contribution	654.1	728.1	885.7	1,097.4	1,079.8	1,427.3	2,903.1	103.4%	580.4	617.6	6.4%
Income tax and social contribution	(148.4)	(164.7)	(226.5)	(249.9)	(245.9)	(379.1)	(859.4)	126.7%	(178.6)	(175.5)	-1.7%
Net income for the period	505.7	563.4	659.2	847.5	833.9	1,048.2	2,043.7	95.0%	401.8	442.1	10.0%
EBITDA	1,240.2	1,314.2	1,590.1	2,055.8	2,212.8	2,468.1	3,697.5	49.8%	752.5	935.4	24.3%
EBIT	969.1	1,043.1	1,254.6	1,458.0	1,489.6	1,801.7	3,224.0	78.9%	645.4	773.6	19.9%
Consolidated EBIT Margin (calculated over rental revenues)	37.2%	40.0%	37.1%	33.5%	37.3%	42.9%	57.6%	14.7 p.p.	50.2%	47.2%	-3.1 p.p.
Car and Fleet Rentals and Franchising EBITDA	1,037.0	1,111.0	1,454.3	1,930.6	2,029.2	2,187.6	2,897.0	32.4%	592.5	799.7	35.0%
EBITDA Margin	39.8%	42.8%	43.0%	44.4%	50.9%	52.1%	51.8%	-0.3 p.p.	46.1%	48.8%	2.7 p.p.
Used Car Sales (Seminovos) EBITDA	203.2	203.2	135.8	125.2	183.6	280.5	800.6	185.4%	160.0	135.8	-15.1%
EBITDA Margin	5.9%	5.9%	3.0%	2.0%	3.0%	4.6%	15.1%	10.5 p.p.	10.1%	13.6%	3.5 p.p.

(*)In 4Q19, PIS and COFINS credits were reclassified, which were recorded as credits in the rental income

18 – Table 4 – Operating data

SELECTED OPERATING DATA	2017	2018	2019	2020	2021	Var.	4Q20	4Q21	Var.
Average operating fleet:									
Car Rental	94,194	130,058	173,649	200,742	195,242	-2.7%	193,782	197,258	1.8%
Fleet Rental	36,804	44,404	55,726	59,801	61,962	3.6%	58,017	64,750	11.6%
Total	130,998	174,462	229,375	260,543	257,204	-1.3%	251,799	262,008	4.1%
Average rented fleet:									
Car Rental	69,762	97,245	128,718	140,151	151,686	8.2%	156,615	157,844	0.8%
Fleet Rental	35,424	42,321	53,029	59,244	63,493	7.2%	60,530	65,295	7.9%
Total	105,186	139,566	181,747	199,395	215,179	7.9%	217,145	223,139	2.8%
Average age of operating fleet (months)									
Car Rental	6.5	7.2	7.0	10.0	13.9	39.0%	11.6	15.4	32.8%
Fleet Rental	18.1	15.1	15.1	17.4	20.3	16.7%	19.1	20.6	7.9%
Average age of total operating fleet	9.8	9.3	9.0	11.7	15.5	32.5%	13.4	16.8	25.4%
Fleet at end of period:									
Car Rental	135,578	177,672	238,174	216,334	216,293	0.0%	216,334	216,293	0.0%
Fleet Rental	44,877	54,430	68,957	61,657	73,503	19.2%	61,657	73,503	19.2%
Total	180,455	232,102	307,131	277,991	289,796	4.2%	277,991	289,796	4.2%
Managed fleet at end period - Fleet Rental	94	57	32	105	57	-45.7%	105	57	-45.7%
Fleet investment (R\$ million) (does not include accessories)									
Car Rental	4,581.8	5,785.2	8,802.1	4,541.9	5,625.1	23.8%	2,091.6	1,849.8	-11.6%
Fleet Rental	881.5	1,189.2	1,472.6	975.7	2,022.1	107.2%	348.3	840.6	141.4%
Total	5,463.3	6,974.4	10,274.7	5,517.6	7,647.2	38.6%	2,439.9	2,690.5	10.3%
Number of rental days (In thousands):									
Car Rental - Total	25,494.0	35,514.6	47,029.0	51,286.4	55,358.0	7.9%	14,408.5	14,522.0	0.8%
Rental days for Fleet Rental replacement service	(230.4)	(230.1)	(283.0)	(839.9)	(1,601.4)	90.7%	(423.3)	(402.8)	-4.8%
Car Rental - Net	25,263.6	35,284.5	46,745.9	50,446.5	53,756.6	6.6%	13,985.2	14,119.2	1.0%
Fleet Rental	12,752.7	15,235.7	19,090.5	21,328.0	22,857.3	7.2%	5,447.7	5,876.6	7.9%
Total	38,016.3	50,520.2	65,836.5	71,774.5	76,613.9	6.7%	19,432.9	19,995.8	2.9%
Annualized average depreciation per car (R\$)									
Car Rental	1,250.1	1,012.4	1,917.6	1,706.8	941.1	-44.9%	611.6	1,683.8	175.3%
Fleet Rental	3,104.3	3,601.1	3,923.4	2,178.9	1,152.7	-47.1%	1,907.0	1,258.7	-34.0%
Total	1,771.0	1,671.2	2,405.2	1,815.2	992.0	-45.4%	910.1	1,578.7	73.5%
Average annual gross revenues per operating car (R\$ thousand)									
Car Rental	20.2	19.8	19.3	17.3	24.7	42.8%	20.7	27.0	30.4%
Fleet Rental	20.4	19.1	18.5	19.2	21.2	10.5%	18.4	19.5	6.0%
Average daily rental (R\$)									
Car Rental (*)	75.16	72.86	71.57	68.52	89.71	30.9%	79.63	102.69	29.0%
Fleet Rental	58.77	55.62	53.92	53.81	57.49	6.8%	54.31	59.94	10.4%
Utilization rate (does not include cars in preparation and decommissioning):									
Car Rental	78.6%	79.6%	79.1%	73.5%	79.8%	6.3 p.p.	84.5%	81.5%	-3.0 p.p.
Fleet Rental	98.2%	96.8%	96.6%	97.4%	98.0%	0.6 p.p.	98.8%	97.1%	-1.7 p.p.
Number of cars purchased - consolidated (**)	135,252	165,421	223,534	109,379	111,510	1.9%	42,748	34,060	-20.3%
Average price of cars purchased (R\$ thsd) - consolidated	40.39	42.16	45.96	50.45	68.58	35.9%	57.08	78.99	38.4%
Numbers of cars sold - consolidated	90,554	111,279	147,915	135,490	92,845	-31.5%	31,857	15,550	-51.2%
Average price of cars sold (R\$ thsd) (***) - consolidated	35.38	37.86	39.80	42.46	52.63	24.0%	46.50	57.35	23.3%

(*) Not included the rentals for Fleet Rental Division.

(**) Does not include cars from Hertz Brazil in 2017

(***) Net of SG&A expenses related to the sale of cars decommissioned for fleet renewal.

19 – Consolidated financial statements – IFRS – R\$ million

ASSETS	2017	2018	2019 without IFRS 16	2019	2020	2021
CURRENT ASSETS:						
Cash and cash equivalents	1,338.2	2,175.3	2,220.1	2,220.1	2,586.4	444.1
Financial assets	1,275.7	267.5	610.8	610.8	1,380.2	4,565.4
Trade accounts receivable	585.1	1,016.5	1,274.7	1,274.7	1,107.5	1,310.4
Derivative financial instruments - swap	-	-	-	-	154.3	89.6
Other current assets	128.6	182.7	246.8	246.8	300.7	351.3
Decommissioning cars to fleet renewal	103.4	51.8	141.7	141.7	40.5	182.0
Total current assets	3,431.0	3,693.8	4,494.1	4,494.1	5,569.6	6,942.8
NON CURRENT ASSETS:						
Long-term assets:						
Financial assets	-	-	-	-	-	3.0
Derivative financial instruments - swap	16.7	2.8	18.2	18.2	353.0	448.1
Trade accounts receivable	4.7	3.8	1.8	1.8	2.0	2.7
Escrow deposit	83.1	96.3	114.6	114.6	113.7	121.8
Deferred income tax and social contribution	42.0	42.2	32.4	32.4	24.4	24.3
Investments in restricted accounts	40.6	43.0	22.3	22.3	44.9	46.1
Other non current assets	0.7	0.1	0.1	0.1	0.1	286.3
Total long-term assets	187.8	188.2	189.4	189.4	538.1	932.3
Property and equipment						
Cars	6,934.7	9,481.6	13,374.1	13,374.1	12,923.3	15,842.9
Right of use	-	-	-	625.0	624.5	736.0
Other	549.3	550.3	570.5	570.5	633.5	715.0
Intangible:						
Software and others	52.8	47.8	49.9	49.9	46.7	37.6
Goodwill on acquisition of investments	30.6	30.7	90.0	90.0	105.4	105.4
Total non current assets	7,755.2	10,298.6	14,273.9	14,898.9	14,871.5	18,369.2
TOTAL ASSETS	11,186.2	13,992.4	18,768.0	19,393.0	20,441.1	25,312.0

LIABILITIES AND SHAREHOLDERS' EQUITY	2017	2018	2019 without IFRS 16	2019	2020	2021
CURRENT LIABILITIES:						
Trade accounts payable	1,331.7	2,202.6	2,565.4	2,565.4	1,661.0	2,059.3
Social and labor obligations	109.2	135.0	161.8	161.8	218.5	276.1
Loans, financing and debentures	537.2	616.6	144.3	144.3	1,615.0	1,884.8
Lease liability	-	-	-	116.0	130.2	157.0
Derivative financial instruments - swap	6.8	18.7	26.8	26.8	66.4	9.1
Income tax and social contribution	31.3	41.1	58.7	54.6	117.6	9.0
Dividends and interest on own capital	36.4	42.6	63.4	63.4	72.4	288.8
Other current liabilities	181.5	282.8	390.0	390.0	415.3	300.4
Total current liabilities	2,234.1	3,339.4	3,410.4	3,522.3	4,296.4	4,984.5
NON CURRENT LIABILITIES:						
Loans, financing and debentures	5,940.5	7,029.4	9,235.1	9,235.1	8,882.7	10,548.3
Lease liability	-	-	-	526.8	532.5	635.2
Derivative financial instruments - swap	10.8	21.9	62.3	62.3	37.2	134.7
Provisions	126.5	148.8	207.2	207.2	158.6	163.6
Deferred income tax and social contribution	219.7	297.3	352.7	352.7	412.1	1,147.9
Restricted Obligations	40.6	43.1	22.5	22.5	45.4	47.0
Other non current liabilities	13.3	18.0	16.6	16.6	23.6	33.7
Total non current liabilities	6,351.4	7,558.5	9,896.4	10,423.2	10,092.1	12,710.4
Total liabilities	8,585.5	10,897.9	13,306.8	13,945.5	14,388.5	17,694.9
SHAREHOLDERS' EQUITY:						
Capital	1,500.0	1,500.0	4,000.0	4,000.0	4,000.0	4,000.0
Expenses with share issues	-	-	(43.1)	(43.1)	(43.1)	(43.1)
Treasury Shares	-	-	-	-	(175.5)	(162.1)
Capital Reserves	94.9	125.0	163.2	163.2	174.9	203.0
Earnings Reserves	1,005.8	1,469.5	1,341.1	1,327.4	2,096.3	3,618.4
Equity Valuation Adjustment	-	-	-	-	-	0.9
Total shareholders' equity	2,600.7	3,094.5	5,461.2	5,447.5	6,052.6	7,617.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,186.2	13,992.4	18,768.0	19,393.0	20,441.1	25,312.0

20 – Consolidated financial statements – Income statements - R\$ million

STATEMENT OF INCOME	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	2021
Total net revenues	6,058.3	6,058.3	7,895.7	10,553.5	10,195.6	10,307.6	10,901.3
COSTS AND EXPENSES:							
Direct costs	(4,151.0)	(4,095.0)	(5,502.0)	(7,479.3)	(7,020.4)	(6,807.5)	(5,798.0)
Selling, general, administrative and other expenses	(667.1)	(649.1)	(803.6)	(1,018.4)	(962.4)	(1,032.0)	(1,405.8)
Cars depreciation	(232.0)	(232.0)	(291.6)	(551.5)	(551.5)	(473.0)	(255.1)
Other assets depreciation and amortization	(39.1)	(39.1)	(43.9)	(46.3)	(171.7)	(193.4)	(218.4)
Total costs and expenses	(5,089.2)	(5,015.2)	(6,641.1)	(9,095.5)	(8,706.0)	(8,505.9)	(7,677.3)
Income before financial results and taxes (EBIT)	969.1	1,043.1	1,254.6	1,458.0	1,489.6	1,801.7	3,224.0
FINANCIAL EXPENSES, NET							
	(315.0)	(315.0)	(368.9)	(360.6)	(409.8)	(374.4)	(320.9)
Income before taxes	654.1	728.1	885.7	1,097.4	1,079.8	1,427.3	2,903.1
INCOME TAX AND SOCIAL CONTRIBUTION							
Current	(119.4)	(135.7)	(139.8)	(183.7)	(180.7)	(311.7)	(124.0)
Deferred	(29.0)	(29.0)	(86.7)	(66.2)	(65.2)	(67.4)	(735.4)
	(148.4)	(164.7)	(226.5)	(249.9)	(245.9)	(379.1)	(859.4)
Net income	505.7	563.4	659.2	847.5	833.9	1,048.2	2,043.7

21 – Statements of Cash Flows – R\$ million

CONSOLIDATED CASH FLOW	2017	2017 adjusted	2018	2019 w without IFRS 16	2019	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net income	505.7	563.4	659.2	847.5	833.9	1,048.2	2,043.7
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:							
Depreciation and amortization	271.1	271.1	335.5	597.9	723.1	666.4	473.5
Net book value of vehicles written off	(344.6)	(344.6)	(311.9)	(343.1)	(343.1)	(509.3)	(962.0)
Deferred income tax and social contribution	29.1	29.1	86.7	65.2	65.2	67.4	735.4
Interest on loans, financing, debentures and swaps of fixed rates	476.2	476.2	529.8	552.9	552.9	423.7	502.3
Lease interest	-	-	-	-	49.40	59.60	61.80
Other	81.7	81.7	87.8	103.6	103.6	9.3	73.8
(Increase) decrease in assets:							
Trade receivable	(151.8)	(151.8)	(489.0)	(275.9)	(275.9)	118.8	(248.1)
Purchases of cars (see supplemental disclosure below)	(5,052.4)	(5,052.4)	(6,113.7)	(9,941.4)	(9,941.4)	(6,513.3)	(7,366.9)
Escrow deposits	(17.5)	(17.5)	(13.1)	(17.9)	(17.9)	0.9	(8.1)
Taxes recoverable	2.6	2.6	3.4	(1.6)	(1.6)	11.5	(266.9)
Prepaid expenses	2.7	2.7	1.3	(4.9)	(4.9)	(7.9)	(11.6)
Other assets	(8.8)	(8.8)	(71.9)	(44.7)	(44.7)	(44.7)	85.1
Increase (decrease) in liabilities:							
Accounts payable (except car manufacturers)	(4.8)	(4.8)	3.1	21.0	21.0	84.2	109.3
Social and labor obligations	7.5	7.5	25.8	26.8	26.8	56.5	57.7
Income tax and social contribution	119.4	135.7	139.8	184.7	180.7	311.7	124.0
Insurance premium	19.3	19.3	37.0	23.2	23.2	20.8	(93.2)
Other liabilities	40.1	40.1	60.1	52.0	52.0	13.4	(71.3)
Cash provided by (used in) operating activities	(4,024.5)	(3,950.5)	(5,030.1)	(8,154.7)	(7,997.7)	(4,182.8)	(4,761.5)
Revenue from the sale of decommissioned cars, net of taxes	3,451.2	3,451.2	4,510.4	6,206.7	6,206.7	6,109.2	5,308.0
Income tax and social contribution paid	(108.3)	(108.3)	(131.2)	(146.1)	(146.1)	(250.1)	(307.1)
Interest on loans, financing and debentures paid	(485.7)	(485.7)	(424.7)	(562.2)	(562.2)	(366.9)	(372.9)
Lease interest paid	-	-	-	-	(53.5)	(56.8)	(49.7)
Financial assets	(1,275.8)	(1,275.8)	1,008.2	(343.4)	(343.4)	(769.4)	(3,188.2)
Net cash provided by (used in) operating activities	(2,443.1)	(2,369.1)	(67.4)	(2,999.7)	(2,896.2)	483.2	(3,371.4)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Acquisition of investment, goodwill and fair value surplus	(333.2)	(333.2)	-	(123.7)	(123.7)	(7.9)	(3.6)
Purchases of other property and equipment and addition of intangible assets	(175.0)	(175.0)	(42.8)	(70.0)	(70.0)	(108.0)	(143.4)
Net cash provided by (used in) investing activities	(508.2)	(508.2)	(42.8)	(193.7)	(193.7)	(115.9)	(147.0)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Loans and financings:							
Proceeds	950.1	950.1	742.8	1,351.5	1,351.5	1,250.2	3,098.0
Repayment	(510.1)	(510.1)	(518.5)	(930.2)	(930.2)	(15.0)	(1,395.8)
Debentures							
Proceeds	2,626.9	2,626.9	1,690.7	2,283.7	2,283.7	988.6	498.1
Repayment	(355.0)	(355.0)	(815.0)	(975.0)	(975.0)	(1,660.8)	(383.1)
Lease liability:							
Repayment	-	-	-	-	(103.5)	(119.2)	(144.0)
Capital Increase	-	-	-	1,821.6	1,821.6	-	-
Treasury shares (acquired)/ sold	2.1	2.1	3.20	2.6	2.6	(180.5)	4.4
Expenses with issuance of shares.	-	-	-	(65.3)	(65.3)	-	-
Exercise of stock options with treasury shares, net	50.1	50.1	16.4	25.1	25.1	4.80	(1.3)
Dividends paid	-	-	-	(7.2)	(7.2)	-	(18.1)
Interest on own capital	(166.9)	(166.9)	(172.3)	(268.6)	(268.6)	(269.1)	(282.1)
Net cash provided by (used in) financing activities	2,597.2	2,597.2	947.3	3,238.2	3,134.7	(1.0)	1,376.1
NET CASH FLOW PROVIDED (USED) IN THE YEAR	(354.1)	(280.1)	837.1	44.8	44.8	366.3	(2,142.3)
Cash flow without incurred one-time costs Hertz and franchisees	-	(74.0)	-	-	-	-	-
NET CASH FLOW PROVIDED (USED) IN THE YEAR AFTER ONE TIME COSTS	(354.1)	(280.1)	837.1	44.8	44.8	366.3	(2,142.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,692.3	1,692.3	1,338.2	2,175.3	2,175.3	2,220.1	2,586.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,338.2	1,338.2	2,175.3	2,220.1	2,220.1	2,586.4	444.1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(354.1)	(354.1)	837.1	44.8	44.8	366.3	(2,142.3)
Supplemental disclosure of cash flow information:							
Cash paid during the period for cars acquisition							
Cars acquisition in the year/period - renewal	(3,660.9)	(3,660.9)	(4,696.7)	(6,804.6)	(6,804.6)	(5,524.1)	(6,366.9)
Cars acquisition in the year/period - growth	(1,807.0)	(1,807.0)	(2,285.1)	(3,478.7)	(3,478.7)	-	(1,289.0)
Suppliers - automakers:							
Balance at the end of the year	1,197.5	1,197.5	2,065.6	2,407.5	2,407.5	1,418.3	1,707.4
Balance at the beginning of the year	(782.0)	(782.0)	(1,197.5)	(2,065.6)	(2,065.6)	(2,407.5)	(1,418.4)
Cash paid for cars purchased	(5,052.4)	(5,052.4)	(6,113.7)	(9,941.4)	(9,941.4)	(6,513.3)	(7,366.9)

22 – Glossary and other information

- **Adjusted:** Financials have been recalculated to exclude the impact of incurred one-time costs related with the acquisition of Hertz Brazil and the integration of 20 franchised branches in 2017.
- **Average Rented Fleet:** In the car rental division it is the number of daily rentals in the period divided by the number of days in the period. In the Fleet Rental is the actual number of cars rented.
- **CAGR:** Compounded annual growth rate.
- **CAPEX:** Capital expenditure.
- **Carrying Cost of Cash:** Consists of the cost to maintain minimum cash position. This is the difference between the average rate of fundraising and the average rate of investment.
- **Car depreciation:** Depreciation is calculated based on the expectation of the future sale price net of the selling expenses. The amount to be depreciated is the positive difference between the acquisition price of the vehicle and its estimated residual value. Depreciation is calculated as long as the assets' estimated residual value does not exceed its accounting value. Depreciation is recognized during the estimated life cycle of each asset. In the Car Rental and Fleet Rental divisions, depreciation method used is linear. The residual value is the estimated sale price net of the estimated selling expense.
- **Depreciated cost of used cars sales (book value):** Consists of the acquisition value of vehicles, depreciated up to the date of sale.
- **EBITDA:** is the net income of the period, added by the income tax, net financial expenses, depreciation, amortization, and exhaustions, as defined by CVM instruction 527/12.
- **EBITDA Margin:** EBITDA divided by the net revenues.
- **EBIT:** is the net income of the period added by the income tax and net financial expenses.
- **EBIT Margin:** EBIT divided by the rental net revenues.
- **IFRS 16:** As of January 1, 2019, all companies had to adapt to the new rules of IFRS 16. Lessees now have to recognize the assets of the rights over leased assets and the liabilities of future payments for medium or long-term leases, including operating leases. The major impact we had was on the real estate lease agreements of our locations and stores.
- **Operating Fleet:** Includes the cars in the fleet from the licensing until they become available for sale.
- **Net debt:** Short and long-term debts +/- the results from the swap operations, net of the cash, cash equivalents and short-term financial investments. The "net debt" term is a Company's measure and cannot be compared with similar terms used by other companies.
- **Net Investment in cars:** Capital investment in cars acquisition, net of the revenues from selling decommissioned cars.
- **One-time costs (OTC):** Non-recurring costs and expenses related to the acquisition of Hertz Brazil's operations and the integration of 20 franchised branches.
- **Reclassification of PIS and COFINS credits:** To better reflect the nature of its operating costs, Localiza performed the reclassification of PIS and COFINS credits for the years ended December 31, 2019. The credits were reclassified in the income statement by division and consolidated, from the income tax heading to the cost heading.
- **ROIC:** Return on invested capital.
- **Royalties and integration fee:** Amount calculated on the amounts charged in the rental contracts, for the use of the brand and transfer of know-how, in addition to the fees related to the marketing campaigns conducted by Localiza Franchising; and amount paid by the franchisee shortly after signing the adhesion contract, corresponding to the concession to use the brand.
- **Swap:** Financial transactions carried out to hedge exchange rate and interest rate risks.
- **Utilization Rate:** It is the number of rental days of the period divided by the fleet available for rental multiplied by the number of days of the period and therefore, it does not include cars being prepared or being decommissioned.