FINANCIAL STATEMENTS 2020

Localiza Rent a Car S/A, Corporate Taxpayer's ID:

Localiza

(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
Business overview	6
Geographic distribution	7
Covid-19 Pandemic	8
Termination of the partnership with Hertz	8
Shareholding	9
Dividends and interest on capital	10
Analysis of consolidated results	11
Analysis of the consolidated balance sheet	13
Taxes	17
Main awards received	17
Corporate Governance	18
People management	21
Sustainability	22

Financial statements

Independent auditor's report on the individual and consolidated Financial Statements	26
Balance sheet – assets	31
Balance sheet – liabilities and equity	32
Income statement	33
Statement of comprehensive income	34
Statement of changes in equity	35
Statement of cash flows	36
Statement of value added	38
Notes to the financial statements:	
General information	39
Basis of preparation, presentation of financial statements and summary of significant accounting policies	41
Recently issued accounting standards and interpretations	43
Cash and cash equivalentes	44
Short-term investments	44
Trade receivables	44
Other current and noncurrent assets	46
Investments in subsidiaries and related-party transactions	46
Property and equipment	53
Intangible assets	58
Trade payables	59
Payroll and related taxes	60
Borrowings and debt securities	60

Derivative financial instruments 65
Right of use lease liability 70
Other current and noncurrent liabilities 72
Provision for risks and escrow deposits 72
Taxes on income – Income tax and social contribution 76
Equity 78
Earnings per share 87
Segment information 87
Net revenue 89
Nature of operating costs and expenses 91
Financial income (expenses) 92
Financial instruments and risk management 93
Supplementary pension plan 99

Other informations

Management's statement on the financial statements 100
Management's statement on the independent auditor'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 2020 104

1 - MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear customers, colleagues, and shareholders,

Describing 2020 at Localiza is a rare opportunity to talk about good things in such an unusual and challenging year. Localiza was able to show its strength and adaptability and delivered important results.

Our assessment from the different customer segments, measured by NPS (Net Promoter Score), remained at a level of excellence, even in the context of pandemic and with its outspread. Our internal engagement surveys showed improvements in all areas of the company, a successful outcome from all the effort to protect the health of our employees, maintain engaged teams and offer conditions so they could keep performing their activities. We acted strongly in support of various vulnerable communities and organizations impacted by COVID-19 pandemic.

Furthermore, we launched our Diversity and Inclusion Program, received with enthusiasm by our employees, who today lead its implementation and received **ISO 37001** certification, which reinforces our constant search for excellence in governance, ethics and compliance.

Our sustainability program received several recognitions, validating our evolution and the initiatives focused on environmental, social and governance issues, such as the **Ecovadis Gold Seal** (Selo Ouro Ecovadis), an international seal that highlights companies that defend sustainable development; **Best ESG Institutional Investor**, recognition of the Company's performance by professionals from different countries; and Carbon Efficient Index (**ICO2**) of B3. Additionally, we were recognized with the **AA rating by the MSCI ESG** and as **the only company in Latin America among the top 50 with the lowest ESG risk assessement by Sustainalytics**, being the best ranked company from the transportation industry worldwide.

Expressive results were achieved in all segments of our platform, which reflected in the 45.4% appreciation of RENT3 and a total return for our shareholders (TSR) of 46.5%.

An evaluation of the Board of Directors was carried out with external support, having achieved improvement in all dimensions of our performance. We devote great attention to the strategic challenges, in addition to operational excellence, to continue building the future of mobility, and made the decision to seek the business combination with Unidas, which, like us, sees the need of bigger scale as essential factor to face the high competitiveness of the industry and its new dynamics. We had the support of the shareholders of both companies, who approved the transaction, which is now subject to review by Brazilian Antitrust Authority (CADE) and implementation of the preceding conditions.

We continuously work on succession plans in the Board and in the Executive Board, having attracted Irlau Machado to our Board and other great talents for different positions in the Company. We are confident that we have the team that will guarantee future success.

The year brought an irreparable loss. We lost our dear Roberto Mendes, one of the builders of our success. Great professional and friend.

We had ambitious growth plans in 2020. The pandemic forced us to make many adjustments, but we ended the year with Localiza back on the journey of its ambition for the future with expressive results, surpassing the R$1 billion net profit mark.

Many thanks to all employees, suppliers, communities where we operate, shareholders and other stakeholders that made this success possible. Special thanks to my colleagues on the Board, always ready and engaged to support the company. In 2021, still a year of uncertainty, we continue with our agenda of innovation, restless attitude, agility and leadership to keep Localiza on its route for the future.

Oscar de Paula Bernardes Neto – Chairman of the Board of Directors

2 - MESSAGE FROM THE CEO

Dear investors,

In 2020, we face enormous challenges in our businesses, but once again we prove our resilience and adaptability, planning and execution.

In the context of the pandemic, we acted quickly. In March, we established our crisis management committee, which handed important results on five main fronts: taking care of our employees, our customers, our operations, our liquidity and the society. We instituted the "work from home" policy and a new methodology to foster and measure team Productivity, Engagement and Management during this period. We were able to verify, through research and analysis, a high level of productivity even with the change in the way we relate through remote work. Our employees, who inspire and transform, once again proved their role and boldness in building the future of mobility.

We took care of our partners and the society around us. Reinforcing our role as a company committed to the community, we contributed with around R$16 million in initiatives to support the health system, including hospital infrastructure and equipment, as well as in actions with small and medium businesses strongly impacted by the pandemic and with vulnerable citizens.

We made the right decision to reinforce our cash balance with new funding instead of accelerating the reduction of our fleet in a period of low liquidity in car sales. Thus, now we can see the increases in new cars prices pass-through to used cars, resulting in lower depreciation. During the second semester, notably in the last quarter of 2020, the challenge became the temporary limitation of the capacity to expand fleet through the acquisition of new cars due to the reduced supply of vehicles in the national market, forcing us to reduce the pace of selling used cars at Seminovos. We are confident that setbacks and challenges in the automotive supply chain will be resolved, with the restoration of production and supply levels throughout the second quarter of 2021.

Even in rough seas, with the reinforcement of the structures and the right decisions, we kept our planning for the future and continued investing in important advances. It is worth mentioning the launch of Localiza Meoo, a new way of having a car that represents a long-term subscription mobility model for individuals and small and medium-size companies. It enables a superior and more convenient experience through a digital journey. We also launched Localiza Labs, Localiza's technology and innovation laboratory, which leads our digital transformation, increasing our capacity for internal development of new solutions.

We also look around and, through careful choices, took important steps. We acquired Mobi7, which brings us several opportunities from fleet monitoring, telematics, and internet of things (IoT). We are connecting the entire fleet at a fast pace while adding several functionalities for our operation, our business, and our customers. We also announced the combination of our operations with Unidas, a transaction that can be transformational for the rental industry and generate a lot of value for all stakeholders. We already obtained shareholders approvals on both sides and the closing of the transaction is subjected to the analysis by Brazilian Antitrust Authority (CADE), currently in progress, and other conditions.

2020 was for Localiza team a year of great boldness and protagonism. The challenges demanded resilience, flexibility, and agility to make the right decisions, which contributed to the quick recovery of volumes and prices, allowing the delivery of record results. We surpassed the R$1 billion net profit mark! This performance is the result of a solid culture that is strengthened with the time evolution, supported by a base of great trust and ethics.

Last year we mentioned in our letter about the strong changes that the world of mobility was going through, without having at the time the visibility of the effects that quarantine and social distance, due the coronavirus pandemic, could have in accelerating this process. Today we have the perception that changes in habit should further accelerate the adoption curve for new technologies and innovations in mobility. We seek these opportunities generated by cultural and social change and we are absolutely focused on continuing to serve our customers with pleasure and fulfilling their needs in this environment of constant change. We expanded Localiza Pass, a partnership with ConectCar that allows automatic opening of gatemoney and we expanded Localiza Fast, our 100% digital car rental solution - from booking to car pick up.

In the last few years our market has expanded considerably, and Localiza, protagonist in this expansion, is the company that has the best service and solutions to the demands whose origins are the most diverse: from individuals on leisure or business trips, app drivers, insurers, companies, short and long term rentals, throughout the national territory and in a large part of South America, through our franchisees. This diversification makes our business highly resilient, adaptable, and attentive to trends, allowing us to direct our efforts to the best opportunities in the market.

For the country, we contributed significantly, with more than 11 thousand direct jobs and collection of R$723 million in taxes net of credits, in addition to approximately R$1.1 billion in taxes on the cars purchase. Add to that, the movement and promotion of an entire ecosystem of multiple businesses that involves large industries, thousands of SMEs and service providers spread across all regions.

In this year that inspired us even more to take care of others, we evolved in our attention to diversity, an extremely relevant topic for the Company, with initiatives that include the launch of Diversity and Inclusion Program. We have a mission to work continuously for a respectful plural environment that instigates creative and constructive debate for both our business and society. On the environmental front, we made significant progress in neutralizing emissions from our operations for the year 2019 (scopes 1 and 2), reported in the 2020 emission inventory, and we became partners and supporters of the Commitment to the Climate Program, an movement with the purpose of engaging and inspiring the private sector in climate responsibility actions. In 2020, we were honored with the recognition by several communication vehicles and inclusion in international rankings for our investment in initiatives in the three pillars of ESG.

To continue building the future of mobility, we maintain our focus on generating value and having a positive impact on society, our customers, and partners. We continue to invest in the improvement of our processes and of our customer experience, valuing long-term relationships. We know that great challenges were overcome, but we are aware that others will come and will bring new opportunities, which we will be prepared to embrace with boldness, innovation, and agility!

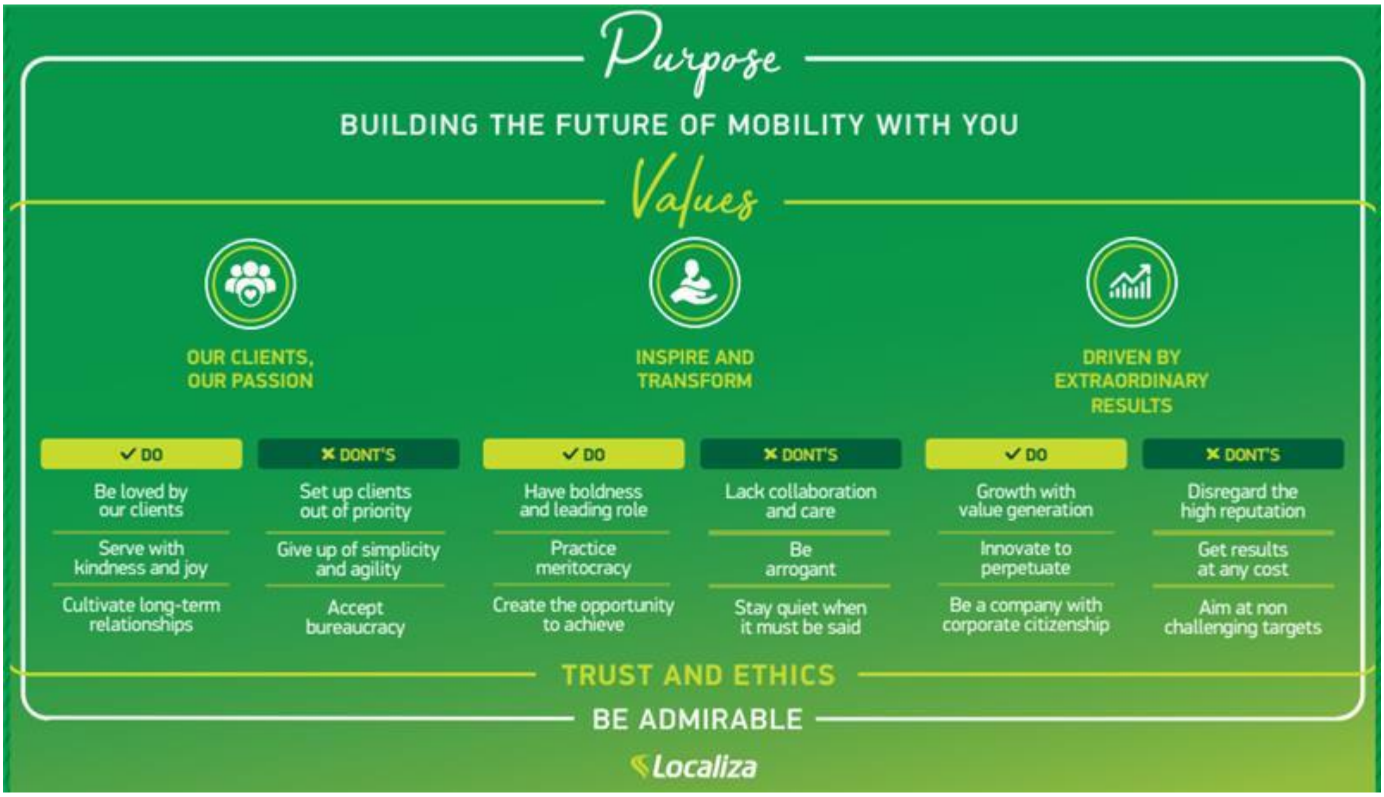
Eugênio Mattar – CEO

3 - MACROECONOMIC SCENARIO

Marked by the Covid-19 pandemic, 2020 was complex in several aspects. The increase in government expenditures, due to the benefits granted to the population, seeking to encourage consumption and retain employment during the most critical period of the pandemic, has a positive short-term effect, but raises the level of public debt, in a period of low collection, increasing uncertainty about the country's fiscal situation. This effect, combined with the global economic turbulence, resulted in the devaluation of the Brazilian real and the pressure on the future interest curve, increasing its inclination. Problems in global supply chains lead to increases in commodity prices, such as iron ore and steel, which, when combined with the valuation of the U.S. dollar, generate an increase in car production costs, which is transferred to prices. We see this increase in prices both in cars purchased during the second half of the year and in decommissioned cars for fleet renewal, which are highly liquid and reflect the price of the new vehicles.

Despite the economic instability and the direct impact that the restrictions had on mobility, this year evidenced the resilience of Localiza's business model, which meets several purposes of use of cars. Aware of the challenges and opportunities, Localiza is financially and operationally prepared for the opportunities of the sector, which still has plenty of room for expansion.

4 - CORPORATE VALUES



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 14 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.

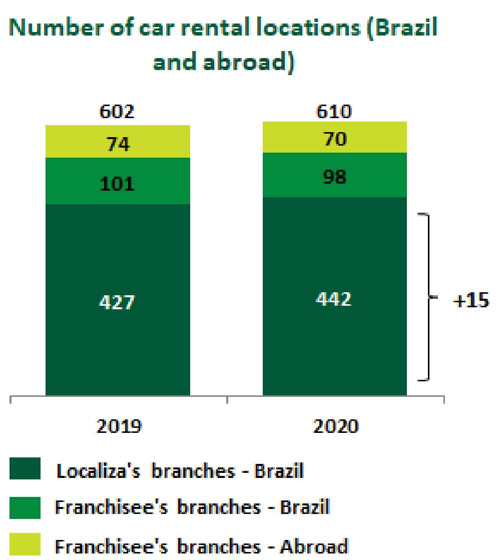
The Car Rental division is responsible for the management and establishment of franchises in geographically defined markets, including the transfer of the necessary know-how to operate the car rental business and licensing of the right to use the Localiza brand. The franchising business is managed by 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. 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 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 2020 Brazilian Yearbook of the Vehicle Rentals Sector, mentions that there were approximately 10,812 active vehicle rental companies, according to the Annual Social Information Report (RAIS).

Localiza had 610 car rental locations spread across Brazil and other four countries in South America at December 31, 2020. Decommissioned cars are substantially sold to final consumers through 130 points of sale owned by the Company, located in 89 cities throughout 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, and in order to preserve the health of the Company's employees, customers and the population in general, we restricted the car rental operations and all Localiza Seminovos stores were temporarily closed to the public. The car rental activity was considered an essential activity by several municipalities, states and the federal government, since its customers provide essential services or need private transportation in the pandemic scenario. Used car 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.

Hygiene measures and health and safety protocols were intensified in all the Company's facilities, as well as in cars and vans, to ensure the safety of employees, customers and everyone who interacts with Localiza.

In order to minimize social interaction, most of Localiza's administrative employees are working from home. In addition, an information portal on actions to contain the spread of the virus was created, as well as an online consultation channel for employees and their dependents to answer questions and be guided by doctors.

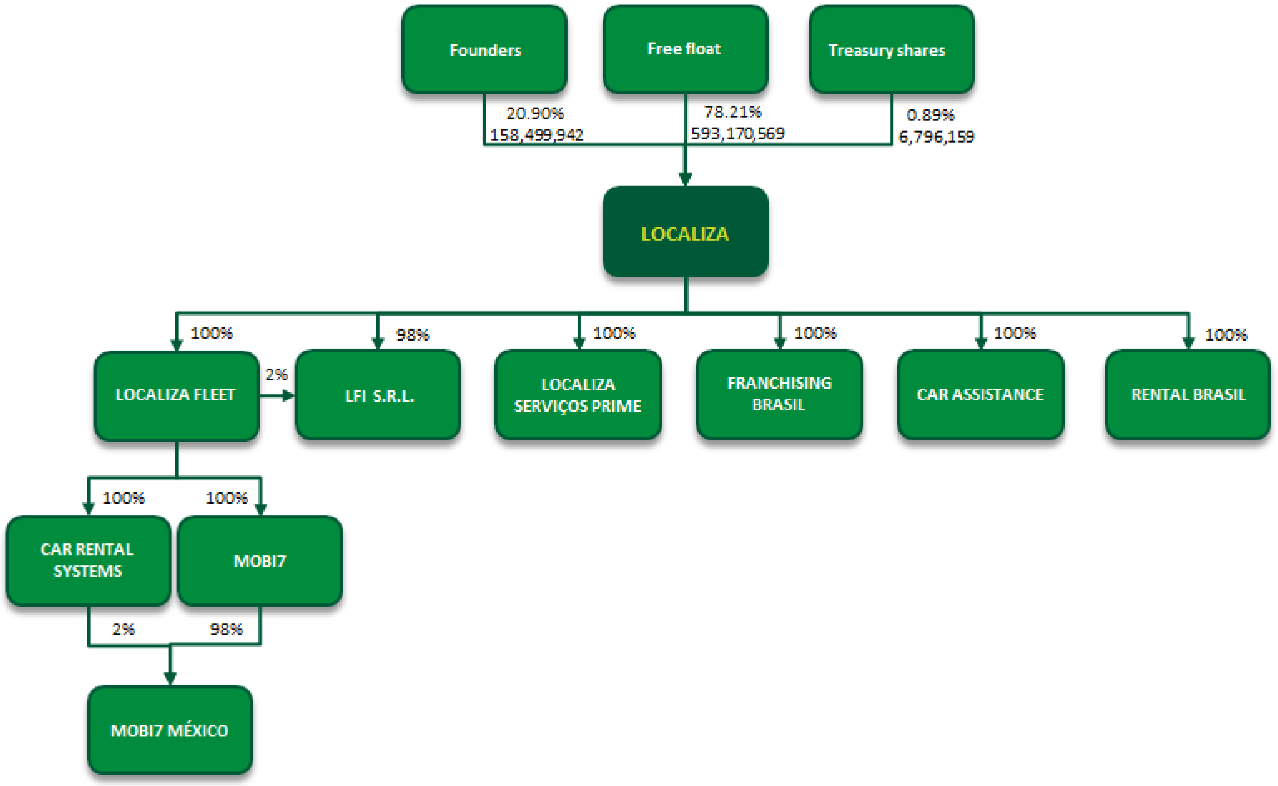
During the most critical period of the pandemic, the Company has adopted a series of measures to increase liquidity and reduce expenses to mitigate its impacts. As from the second half of year, with the gradual resumption of demand and in response to the measures adopted, there was a resumption of car rental volumes that already show growth in comparison with the same period of last year There is a solid demand and increasing prices for used cards. In the third quarter, we obtained a record volume of sales, whereas in the fourth quarter we chose to reduce the rhythm of car decommissioning to prioritize the car rental demand, in a context of reduced supply of new vehicles, caused by the unfolding of the effects of the pandemic on the supply chain of the car manufacturers, which are still working to resume production levels.

8 - TERMINATION OF THE PARTNERSHIP WITH HERTZ

According to the Significant Event Notice disclosed on August 19, 2020, Localiza signed with The Hertz Corporation (parent company of the Hertz Group) and Hertz System Inc., on that date, the Instrument of Termination of the 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. In December 2020, the parties agreed to extend, for up to six months from March 2021, the Referral Agreements. Up to December 31, 2020, the Company incurred costs, associated with the removal of the Hertz brand from its network of car rental locations, totaling approximately R$15 million.

9 - CORPORATE STRUCTURE

According to the shareholding position at December 31, 2020, the organization chart of the Localiza group is as follows:



Capital market

In 2020, the average daily trading volume of RENT3 was R$330.6 million (R$182.6 million in 2019).

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, 2020, the Company's position was 6,796,767 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 2020:

(R$ million)

	Investments as of December 31, 2019	Equity in the results of subsidiaries	Proposed dividends	Investments as of December 31, 2020
Localiza Fleet Consolidated	683.7	396.7	(99.2)	981.2
Rental Brasil	264.7	21.5	(17.7)	268.5
Localiza Prime	131.5	30.4	(22.6)	139.3
Car Assistance	21.7	34.9	(30.2)	26.4
Franchising Brasil	5.7	1.8	(5.5)	2.0
LFI S.R.L.	0.1	-	-	0.1
Effect from the elimination of IFRS 16 in subsidiary	11.5	11.2	-	22.7
Total investments in subsidiaries	**1,118.9**	**496.5**	**(175.2)**	**1,440.2**

Combination of Localiza and Unidas businesses

According to the Significant Event Notice 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 Annual Shareholders' Meetings held on November 12, 2020. Nonetheless, the completion of the Merger of Shares depends on the approval by the Brazilian Antitrust Agency ("CADE") without restrictions or with restrictions that, according to the terms of the agreement, are acceptable by the parties, 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. According to Article 88, paragraph 2 and 9, of Law 12,529/11, CADE will have 240 days, which may be extended for up to 90 additional days, starting from the protocol of February 8, 2021, to examine this proposal.

Up to its conclusion, the Companies will continue to operate in an independent manner.

10 - DIVIDENDS AND INTEREST ON CAPITAL

The Company holds its Annual Shareholders' Meeting by April 30 of each year, when the annual dividends can be announced. However, the Board of Directors may declare interim dividends subject to approval at the Shareholders' Meeting.

Paragraph 3 of article 26 of the Bylaws of Localiza establishes that a minimum of 25% of the adjusted net income must be paid as mandatory dividend.

In 2020, Localiza distributed to its shareholders, as interest on capital, R$261.1 million (R$291.0 million in 2019) from net income after the legal reserve.

At December 31, 2020, Management proposed for the resolution of the Ordinary Shareholders' Meeting the payment of complementary mandatory minimum dividends to shareholders of R$18.1 million, considering that the amount distributed as interest on capital in 2020 did not exceed 25% of the mandatory minimum dividends. At December 31, 2019, Management proposed for the resolution of the Annual General Meeting the non-payment of complementary dividends to shareholders, considering that the amount distributed through interest on capital in 2019 exceeded the mandatory minimum dividend of 25% on net income for dividend proposition.

11 - ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

RESULT

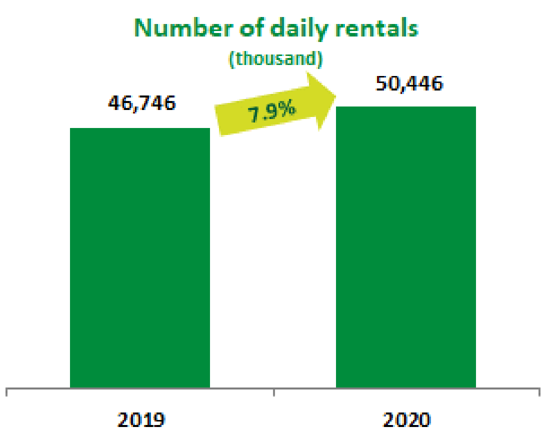
	2019		2020		Variation
	In R$ million	% of net revenue	In R$ million	% of net revenue	%
Net revenue:					
Car rental	8,514.4	83.5	8,285.8	80.4	-2.7
Fleet rental	1,681.2	16.5	2,021.8	19.6	20.3
Total net revenue	**10,195.6**	**100.0**	**10,307.6**	**100.0**	1.1
Total costs	**(7,685.9)**	**-75.4**	**(7,408.7)**	**-71.9**	-3.6
Gross profit	**2,509.7**	**24.6**	**2,898.9**	**28.1**	15.5
Operating expenses:					
Selling expenses	(747.4)	-7.3	(888.0)	-8.6	18.8
General, administrative and other expenses	(272.7)	-2.7	(209.2)	-2.0	-23.3
Total operating expenses	**(1,020.1)**	**-10.0**	**(1,097.2)**	**-10.6**	7.6
Result before finance costs (EBIT)	**1,489.6**	**14.6**	**1,801.7**	**17.5**	21.0
Finance costs, net	(409.8)	-4.0	(374.4)	-3.6	-8.6
Profit before income tax and social contribution	**1,079.8**	**10.6**	**1,427.3**	**13.9**	32.2
Income tax and social contribution	(245.9)	-2.4	(379.1)	-3.7	54.2
Net income for the year	**833.9**	**8.2**	**1,048.2**	**10.2**	25.7

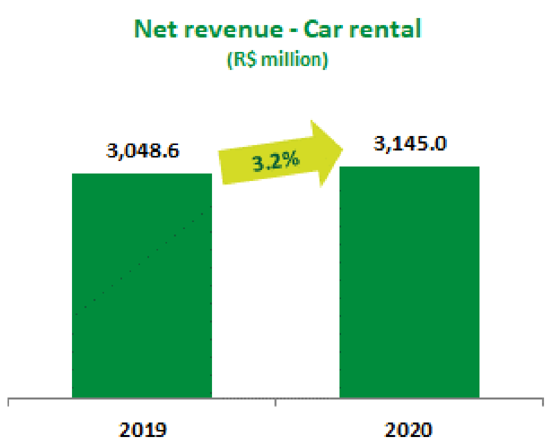
Net revenue:

Consolidated net revenue grew 1.1% in 2020 compared to 2019 due to the growth of 5.3% in the Car Rental and Fleet Rental revenues, offset by the decrease of 1.6% in revenue from sales of decommissioned cars for fleet renewal. The main drivers of net revenue growth were:

Car rental: In 2020, total net revenue was 2.7% down from 2019 due to:

(i) Car Rental: 3.2% growth in the Car Rental revenue, from R$3,048.6 million in 2019 to R$3,145.0 million in 2020, due to the 7.9% increase in the volume of daily car rentals, partially offset by the 4.3% reduction in the average rental rate, which decreased from R$71.57 to R$68.52. The reduction in the 2020 average rental rate reflects the mix of businesses; and

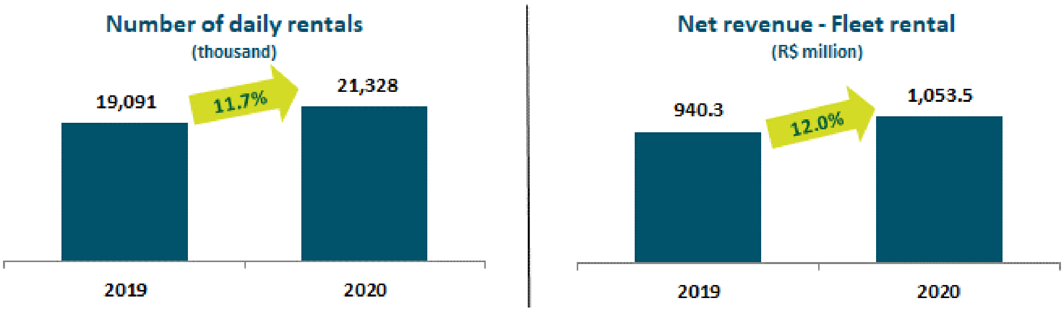




(ii) Used Cars: 5.9% decrease in revenue from the sale of decommissioned cars for fleet renewal, from R$5,465.8 million in 2019 to R$5,140.8 million in 2020, due to the 11.9% decrease in the number of cars sold, partially offset by the 6.7% increase in the average sales price.

Fleet Rental: Increase of 20.3% in total net revenue in 2020 compared to 2019, due to:

(i) Fleet Rental: 12.0% increase in Fleet Rental revenue, from R$940.3 million in 2019 to R$1,053.5 million in 2020, due to the 11.7% growth in daily rentals of this division.

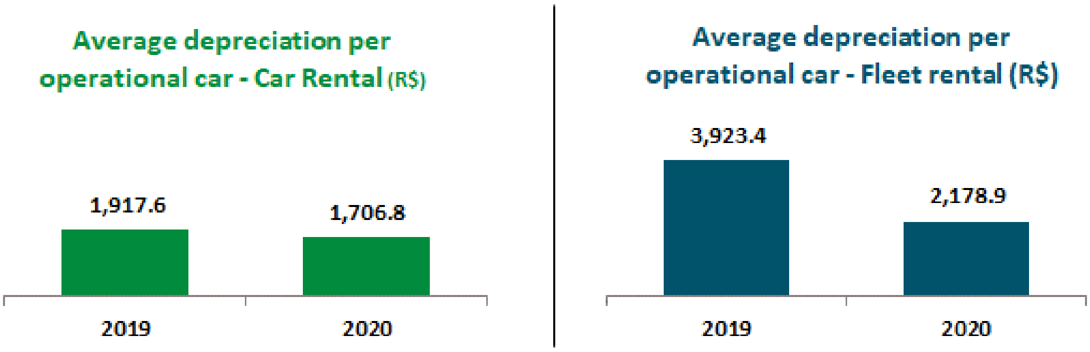


(ii) Used Cars: 30.7% growth in revenue from sale of decommissioned cars for fleet renewal, from R$740.9 million in 2019 to R$968.3 million in 2020, due to the 13.4% increase in the average price and 15.1% increase in the number of cars sold.

Costs: Consolidated costs of the Company in 2020 were 3.6% lower compared to 2019. As a percentage of consolidated net revenue, costs decreased by 3.5 p.p., from 75.4% in 2019 to 71.9% in 2020.

The decrease in costs in 2020 was due to the decrease of:

(i) 14.2% in the depreciation cost of fleet cars, mainly due to the dynamic price of cars and the reassessment of the method used to calculate the depreciation of cars in the Fleet Rental division, from SOYD to linear as from January 2020, to better reflect the equalization of maintenance and depreciation costs over the car's useful life. As a percentage of consolidated net revenue, these costs decreased 0.8 p.p., from 5.4% in 2019 to 4.6% in 2020.



Average depreciation per vehicle in the Car Rental division in 2020 was R$1,706.8, a decrease of 11.0% compared to the depreciation of 2019. Depreciation considers the Company's expectation regarding the future price of cars and costs related to their sale.

In the Fleet Rental division, the depreciation per car in 2020 was R$2,178.9, a 44.5% reduction compared to the depreciation of 2019 due to the dynamics of car prices and the re-evaluation of the method used to calculate the depreciation of cars in the division, from SOYD[1] to linear as from 2020, to better reflect the equalization of maintenance and depreciation costs over the car's useful life.

(ii) 4.2% decrease in the cost of cars sold. As a percentage of net revenue from sale of decommissioned cars for fleet renewal, these costs decreased 2.4 p.p., from 90.3% in 2019 to 87.9% in 2020; and

[1] SOYD (depreciation calculation method through the sum of years' digits).

(iii) a 21.4% increase in salaries, payroll charges, benefits and profit sharing. As a percentage of consolidated net revenue, these costs grew 0.8 p.p., from 4.1% in 2019 to 4.9% in 2020.

Operating expenses: Operating expenses grew 7.6% in 2020, mainly due to the average increase of: (i) 19.8% in expenses with salaries, payroll charges, benefits and profit sharing; (ii) 24.0% in expenses with third-party services; (iii) 92.9% in estimated impairment losses and expected losses; partially offset by the decrease of (iv) 64.4% in travel expenses; (v) 17.4% in marketing expenses; and (vi) reversal of the provision for PIS and COFINS of R$126.4 million. As a percentage of consolidated net revenue, operating expenses grew 0.6 p.p., from 10.0% in 2019 to 10.6% in 2020.

Finance costs, net: Consolidated net finance costs in 2020 decreased by 8.6% from 2019, mainly due to the lower interest rate, in addition to the positive mark-to-market of swap contracts, and the negative goodwill obtained in the execution of debentures repurchase programs.

Net income: Consolidated net income increased 25.7% in 2020 when compared to 2019, mainly due to the decrease in consolidated costs and net finance costs, mainly offset by the increase in operating expenses.

EBITDA and EBIT: The profit and EBITDA/EBIT reconciliation is as follows:

	R$ million		
	2019	**2020**	**Variation (%)**
Profit	**833.9**	**1048.2**	**25.7**
Finance costs, net	409.8	374.4	-8.6
Income tax and social contribution	245.9	379.1	54.2
EBIT	**1,489.6**	**1,801.7**	**21.0**
Car and other asset depreciation	**723.1**	666.3	-7.9
EBITDA	**2,212.7**	**2,468.0**	**11.5**

BALANCE SHEET

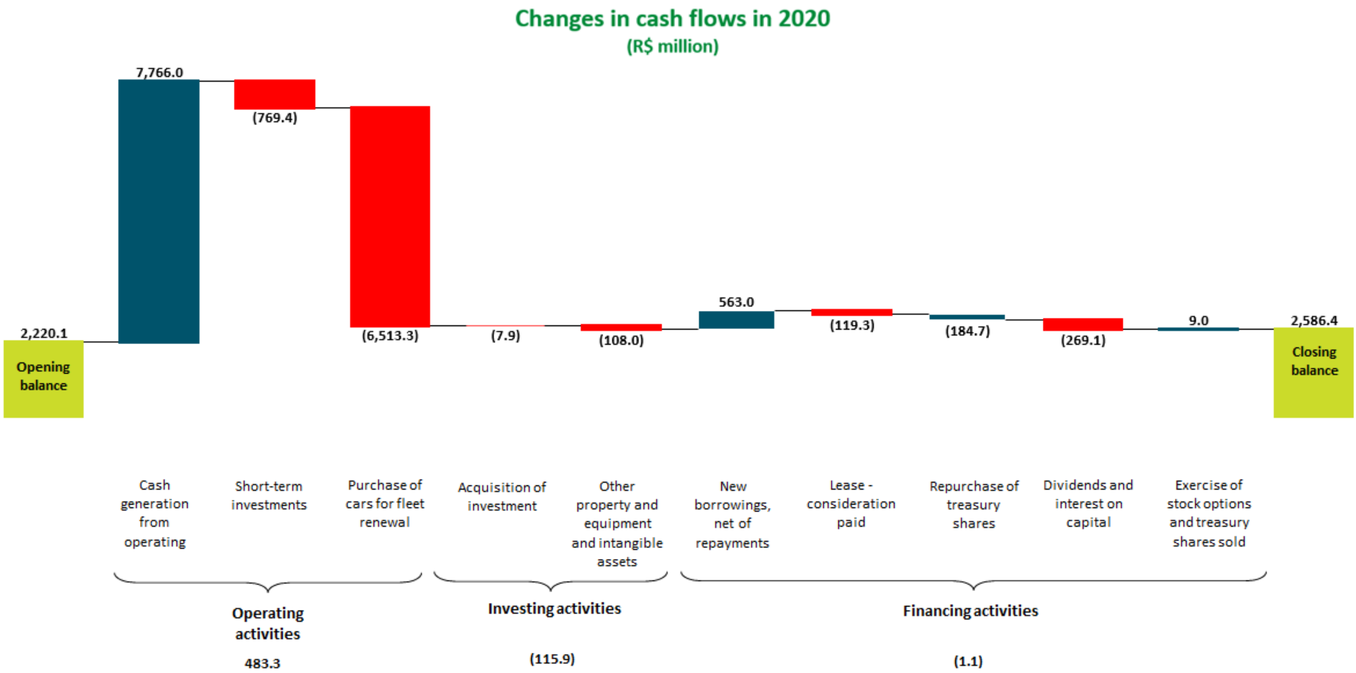
	12/31/19		12/31/20		Variation
	R$ million	% of total assets	R$ million	% of total assets	%
ASSETS					
Current assets					
Cash and cash equivalents	2,220.1	11.4	2,586.4	12.7%	16.5
Short-term investments	610.8	3.1	1,380.2	6.8%	126.0
Trade receivables	1,274.7	6.6	1,107.5	5.4%	-13.1
Decommissioned cars for fleet renewal	141.7	0.7	40.6	0.2%	-71.3
Other current assets	246.8	1.3	454.9	2.2%	84.3
Total current assets	**4,494.1**	**23.1**	5,569.6	**27.3%**	23.9
noncurrent assets					
Escrow deposits	114.6	0.6	113.7	0.6%	-0.8
Other noncurrent assets	74.8	0.4	424.4	2.1%	467.4
Property and equipment					
Cars	13,374.1	69.0	12,923.2	63.2%	-3.4
Other property and equipment	1,195.5	6.2	1,258.1	6.2%	5.2
Intangible assets	139.9	0.7	152.1	0.6%	8.7
Total noncurrent assets	**14,898.9**	**76.9**	14,871.5	**72.7%**	-0.2
Total assets	**19,393.0**	**100.0**	**20,441.1**	**100.0%**	**5.4**

	12/31/19		12/31/20		Variation
	R$ million	% of total liabilities	R$ million	% of total liabilities	%
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	2,565.4	13.2	1,661.0	8.1%	-35.3
Payroll and related taxes	161.8	0.8	218.5	1.1%	35.0
Borrowings and debt securities	144.3	0.7	1,615.0	7.9%	1,019.2
Dividends and interest on capital	63.4	0.3	72.4	0.4%	14.2
Other current liabilities	587.4	3.1	729.4	3.5%	24.2
Total current liabilities	**3,522.3**	**18.1**	**4,296.3**	**21.0%**	22.0
Noncurrent liabilities					
Borrowings and debt securities	9,235.1	47.6	8,882.7	43.5%	-3.8
Deferred income tax and social contribution	352.7	1.8	412.1	2.0%	16.8
Other noncurrent liabilities	835.4	4.4	797.3	3.9%	-4.6
Total noncurrent liabilities	**10,423.2**	**53.8**	**10,092.1**	**49.4%**	-3.2
Equity	**5,447.5**	**28.1**	**6,052.7**	**29.6%**	11.1
Total liabilities and equity	**19,393.0**	**100.0**	**20,441.1**	**100.0%**	**5.4**

The critical changes in assets and liabilities are as follows:

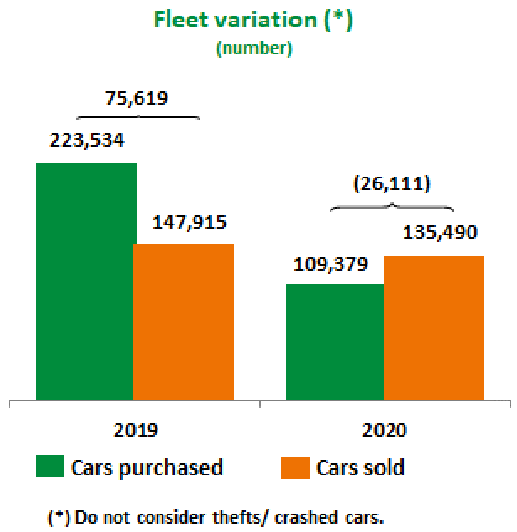
Cash and cash equivalents and financial investments: Cash and cash equivalents and financial investments totaled R$3,966.6 million at December 31, 2020, which represents 19.5% of total assets. This represents an increase of 40.1% when compared to December 31, 2019 (R$2,830.9, which represented 14.5% of total assets).

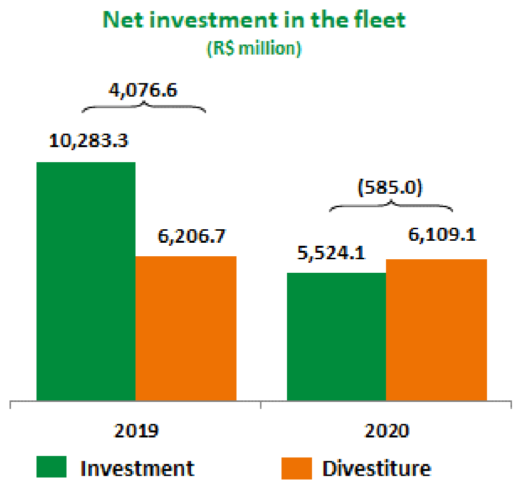
The Company's cash flows from operating, investing, and financing activities are as follows:



Other current and noncurrent assets: Other current and noncurrent assets increased by 173.4% in 2020, totaling R$879.3 million (R$321.6 million in 2019), mainly due to the changes in derivative financial instruments as a result of the foreign currency appreciation over the local currency applicable to the derivatives that the Company obtained to hedge against foreign exchange variations on its debts.

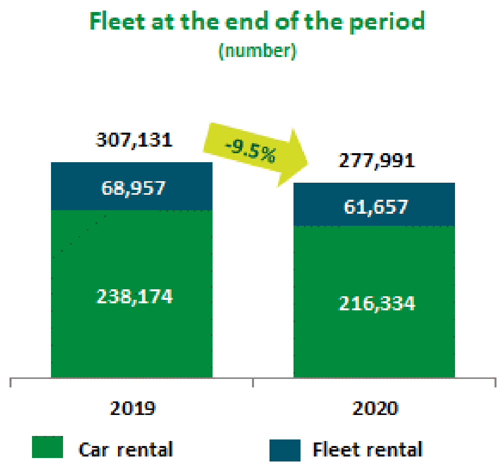
Property and equipment – cars:





The property and equipment – cars account decreased by 3.4% due to the reduction of 26,111 cars in the Company's fleet in 2020, leading to a net divestiture of R$585.0 million. This happened because cars available for purchase from manufacturers diminished as a result of the COVID-19 pandemic.

Trade payables: Trade payables totaled R$1,661.0 million in 2020, a decrease of 35.3% when compared to the prior year (R$2,565.4 in 2019), mainly because accounts payable to manufacturers also decreased by 41.1% following the 33.5% drop in the volume of cars acquired in 4Q20, when compared to 4Q19.

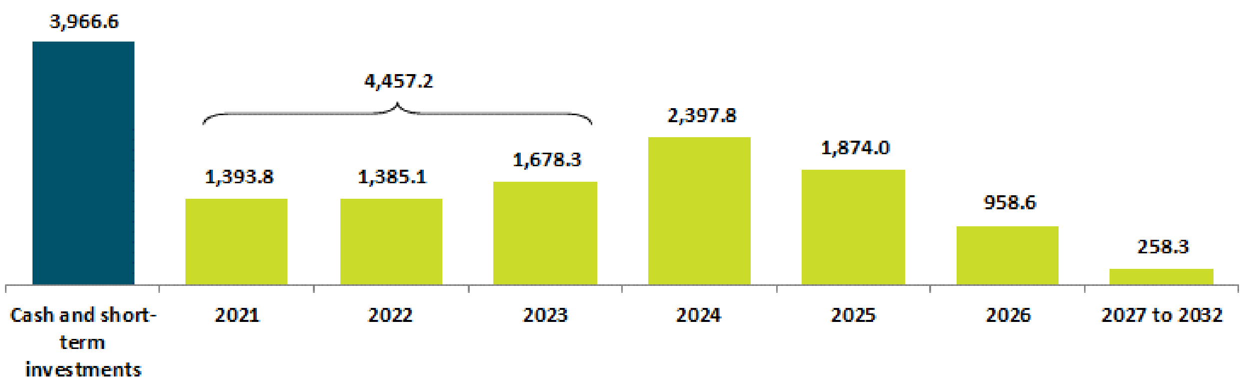


Borrowings and debt securities: Borrowings and debt securities increased by 11.9% due to major funding and repayment of borrowings and debt securities in 2020, as shown below:

Category	Funding (R$ million)	Repayment (R$ million)	Date	Notes
8th issue of debentures– Localiza Fleet	1,000.0	-	02/12/20	Final term of 60 months
3rd issue of debentures– Localiza Fleet	-	(500.0)	02/17/20	Payment of principal
4th issue of debentures– Localiza Fleet	-	(350.0)	02/17/20	Payment of principal
Working capital – Localiza	295.0	-	03/27/20	Final term of 36 months
Foreign currency borrowing – Localiza	562.5	-	03/05/20	Final term of 12 months
Working capital – Localiza	300.0	-	03/31/20	Final term of 24 months
Working capital – Localiza	100.0	-	04/24/20	Final term of 18 months
Total	**2,257.5**	**(850.0)**		

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 12/31/20 - Principal (R$ million)



Deferred income tax and social contribution liabilities: Deferred income tax and social contribution liabilities totaled R$412.1 million at December 31, 2020, an increase of 16.8% when compared to December 31, 2019 (R$352.7 million). This was mainly due to the increase of R$292.6 million in the car depreciation temporary differences. Such increase was partially offset by the increase in deferred income tax and social contribution tax losses amounting to R$130.4 million and in the provision for payment of services in progress, profit sharing, loyalty program and others, which totaled R$32.9 million.

Equity

The Company's share capital totaled 758,466,670 at December 31, 2020, of which 6,796,159 were treasury shares.

Share repurchase

In March 2020, 5,214,600 shares issued by the Company were repurchased, under the 11th Share Repurchase Program, as approved at the meeting of the Company's Board of Directors held on June 18, 2019. The treasury share acquisition cost, including negotiation costs, varied from R$26.86 to R$40.02 per share.

At the Board of Directors' Meeting held on June 18, 2020, the 12th Share Repurchase Program was approved, in which the Company was authorized to acquire up to 50,000,000 shares, with a term of 365 days as from July 23, 2020 to July 22, 2021. Until December 31, 2020, no shares had been purchased under this program.

The share buyback 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

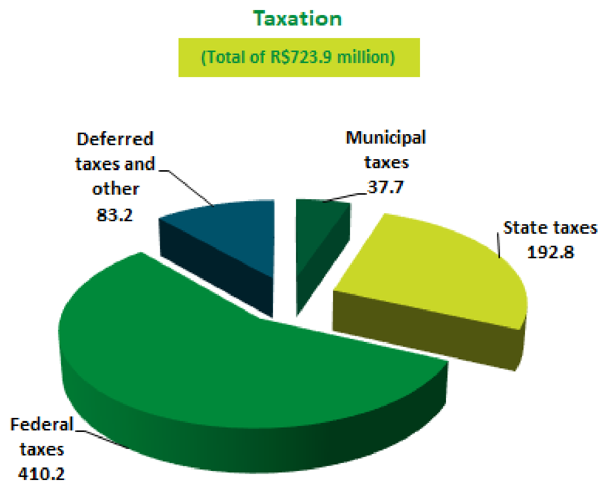
In 2020, 125,831 treasury shares amounting to R$3.2 million were sold to employees eligible to the 1st Stock Option Plan and Matching Shares, which was approved at the Extraordinary General Meeting held on July 12, 2017.

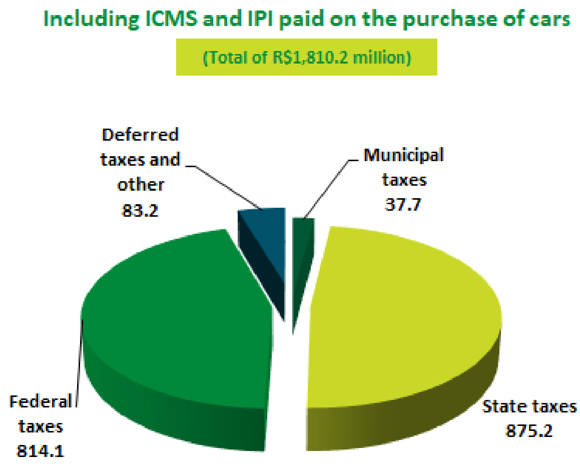
Exercise of stock options with treasury shares

In 2020, 1,092,031 stock options were exercised as related to the Stock Option Programs from 2014 to 2019, 1st Matching Plan, and 1st Deferred Plan, using treasury shares, and totaling R$28.2 million.

12 - TAXATION

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





13 - MAIN AWARDS RECEIVED

In 2020, the Company won several awards, notably:

Awards and acknowledgments	Category	Institution
Empresas Mais	Top position in the Services category	Estadão
Brazil’s Most Valuable Brands - Ranking BrandZ	15th position	Kantar
100+ Innovators in Using IT 2020	19th position	IT Mídia
Brazil’s 25 Most Valuable Brands	23rd position	*Interbrand*
Brazil’s 50 Most Valuable Brands	33rd position	*Brand Finance*
Companies with the best ESG performance	40th position	*Sustainalytics*
Brazil's most innovative companies: Valor Inovação Ranking	Second place in Transports and Logistics and 41st position in the general ranking	Valor Econômico Newspaper
Brazil’s 100 Largest Corporate Donators	53rd position	Forbes Brasil
Época 360º	51st position in the general ranking. Top position in Corporate Governance; 2nd position in Innovation; and 4th position in Services	Época Negócios
International Franchise Certificate 2020	Mega category	ABF - Brazilian Franchising Association
Marcas Mais	Car Rental Company - Top position	Estadão and Troiano Branding
Top of Mind Common Market - Successful Brands	Car Rental - Minas Gerais 2020	Mercado Comum Magazine
Institutional Investor Ranking	Best CEO, Best CFO, Best Investor Relations Professional, Best Investor Relations Team, Best Investor Relations Program, Best Meeting with Analysts and Best Sustainability Metric	*Institutional Investor*
Revelo Awards	Top 3 - Most Attractive Companies +500	Revelo
Jornal do Carro's The Best	Best Car Rental Company	Estadão
Reclame Aqui Award	Best customer service in the Car Rental Company and Car Dealers categories	Reclame Aqui
Mobility Award	Best Car Rental Company	Estadão
Ecovadis Gold Seal	-	CSR Rating
Great Place to Work	-	*Great Place to Work* - Brazil

14 - CORPORATE GOVERNANCE

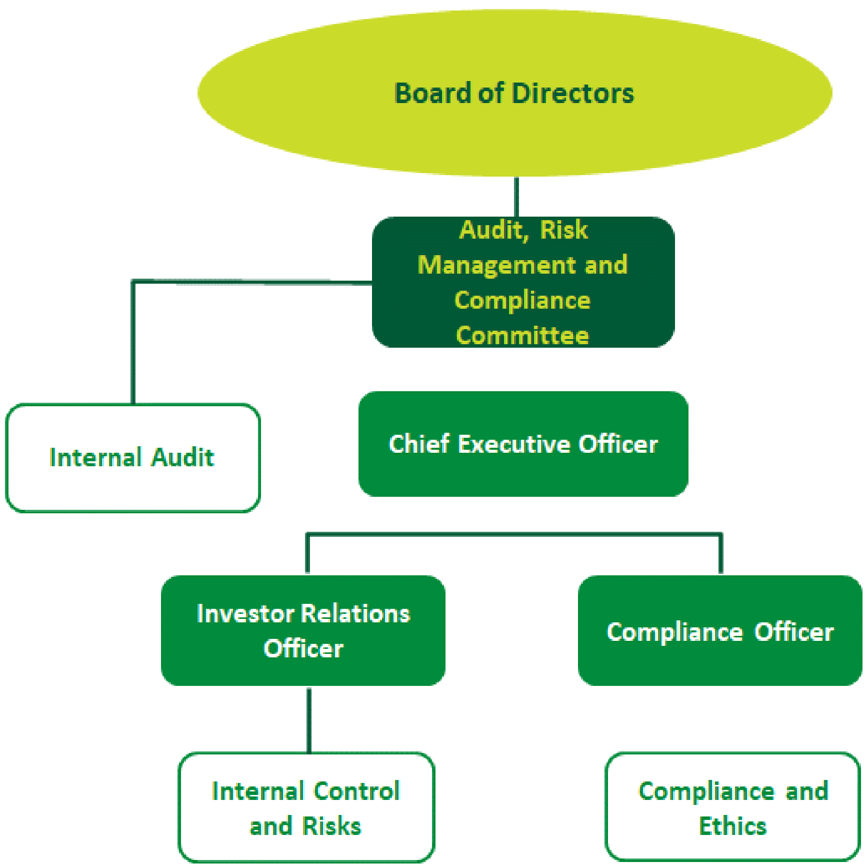
The Company works with the highest corporate governance standards in terms of fairness, compliance, accountability, and transparency to generate value to shareholders and the market in general. Since its listing, the Company adhered to the *Novo Mercado*, B3's highest governance level, which grants a 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, 2020 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.

At December 31, 2020, the composition of the Board of Directors and the Executive Board was as follows:

BOARD OF DIRECTORS

Name	Position	
Oscar De Paula Bernardes Neto	Chairman	Independent
Eugênio Pacelli Mattar	Director	Founder
Irlau Machado Filho	Director	Independent
Maria Letícia de Freitas Costa	Director	Independent
Paulo Antunes Veras	Director	Independent
Pedro de Godoy Bueno	Director	Independent

STATUTORY EXECUTIVE BOARD

Name	Title
Eugênio Pacelli Mattar	CEO of Localiza and subsidiaries, except Localiza Fleet
Rodrigo Tavares Gonçalves de Sousa	CFO and IR Officer of Localiza and subsidiaries
Bruno Sebastian Lasansky	CEO of Localiza Fleet and Statutory Executive Officer of Localiza and other subsidiaries
André Luiz Lopes Petenussi	Statutory Executive Officer of Localiza
Daniel Guerra Linhares	Statutory Executive Officer of Localiza
Elvio Lupo Neto	Statutory Executive Officer of Localiza
Heros di Jorge	Statutory Executive Officer of Localiza and subsidiaries
João Hilário De Ávila Valgas Filho	Statutory Executive Officer of Localiza and subsidiaries
Suzana Fagundes Ribeiro de Oliveira	Statutory Executive Officer of Localiza
João Alberto Mazoni Andrade	Statutory Executive Officer of Localiza Fleet and Car Rental Systems

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 Management and Compliance: The Audit Committee is comprised of three independent members, and has the responsibility of supervising the work performed by the independent auditor, participating in its selection, evaluating its performance, the quality of financial reporting and related audit opinions, the accounting principles used and assess the effectiveness and sufficiency of the internal control structure.

(ii) People 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 and Corporate Risks

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

The process review plan by the Internal Controls area is approved annually by the Audit, Risk Management and Compliance Committee, with periodic reporting to the committee on the results achieved. The Corporate Risk matrix is updated annually to ensure proper management of the Company's risks and continuous monitoring of the actions implemented.

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 used car 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 and Ethics

The Compliance and Ethics area is responsible for coordinating topics related to the Company's Integrity Program. 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 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.

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 *Management 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 Management and Compliance Committee.

Deloitte Touche Tohmatsu Auditores Independentes, responsible for the audit of the financial statements of the Company and its subsidiary Localiza Fleet, the related fees for 2020 totaled R$1.0 million, was also engaged to provide other services related to the intention of merging the shares of Unidas S.A., the consummation of which depends on the approval of the Brazilian Antitrust Agency (CADE), with related fees of R$1.0 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.

15 - 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.

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 2020, 930 employees were promoted, 1,098 were included in the Company's merit program and the Company invested approximately R$1.9 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.

In addition to health plan, dental plan and meal allowance, a group of executives may choose to participate in two long-term incentive plans: Stock Option and Matching Shares. The Company also offers a retirement benefit pension plan, through a supplementary pension plan, established as a "defined contribution" plan and managed by a major independent pension fund manager.

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 2020, the general turnover at Localiza was 15%, 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.

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. This topic was already focused by the Company in some actions, such as the program for hiring migrants that began in 2016, annual communications and talks on gender equity, flexibility of the dress code and training courses, among others. However, as we are treading a path of constant development, we have increased our efforts by structuring the program.

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. The program prioritized, in a first moment, five fronts of action: gender equity, people with disabilities, migrants and people with refugee status, race and LGBTI+.

The activities already carried out include awareness raising on the topic with the engagement of senior leadership; the formation of a structured committee with the Company's functional and executive leaders; and the creation of affinity groups, sponsored by a leader of the Company, who are responsible for building actions to assure respect without distinction, within a strategy previously defined by the Committee.

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 3,000 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. As from 2021, 3,800 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.

16 - SUSTAINABILITY

In the sustainable development of our business, we have combined governance, environmental, social and financial results. The commitment to sustainability is part of Localiza's strategy and permeates the Company's values.

We have been moving forward every year in this topic, with some highlights in 2020:

Environmental

- We have built a partnership with and provide support to the Climate Commitment Program, a movement designed to engage and inspire the private sector in actions of climate responsibility.

- We have neutralized emissions from our operations (scopes 1 and 2) in 2019, totaling 19,540 tCO_2e.

- In addition to using ethanol in about 99% of our fleet, considering the nature of our business, we have invested in Localiza's potential to contribute to promoting the use of flex fuel cars, thus creating value for our brand and for society.

- In line with the reduction in water consumption, we have continued to increase the dry-cleaning level, and reached 58.1% in December 2020.

- We have defined a new KPI, the Coverage Index, which represents the percentage of energy from renewable sources out of the total energy consumed by the Company.

- At the end of 2020, 59 branches benefited from clean energy credits from three solar farms in Minas Gerais, Rio de Janeiro and Pernambuco. We also had a significant development in generation through the installation of photovoltaic systems in our own units (RAC and Seminovos), covering 47 units at the end of the year, thus totaling 106 network points using renewable energy. With the development of the project in the second half of the year, in December we generated twice as much energy as we had generated in January, totaling more than 1.9 MWh of clean energy generation for the branches in the year.

Social initiatives

- We became signatories to the Business and LGBTI+ Rights Forum and were awarded the Great Place to Work seal.

- We launched the Localiza Diversity and Inclusion Program with an aim to develop in this area, through building an even stronger culture of welcoming and equal opportunities, highlighting that “Diversity Makes a Difference”. Five affinity groups were created: Gender Equity, LGBTI+, Migrants and People with Refugee Status, People with Disabilities and Race. There are more than 500 employees actively participating in the groups.

- We invested approximately R$16 million in the Company’s own actions and partnerships with other companies and NGOs, including three sector that were greatly impacted by the pandemic: public health, vulnerable communities and small and medium-sized enterprise owners. The actions include the donation for research of one of the new vaccines against Covid-19. In addition, the Company has lent more than 180 cars to help with the transportation of NGO's and other institutions' teams in connection with activities to mitigate the effects of the pandemic. In recognition of Localiza's social efforts, the Company ranked among the 60 Largest Corporate Donors in the country by Forbes Brazil.

Governance

- In December 2020, 95% of our employees had attended training courses focusing on the Code of Ethics and Conduct, which guides the behavior of employees in their relationships with colleagues and also with customers, franchisees, suppliers, partners, communities and other stakeholders.

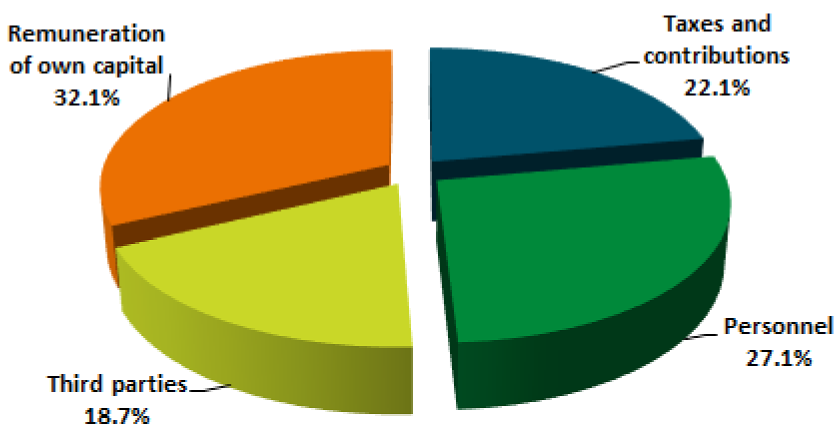
- The company was certified to ISO 37001, thus attesting the quality of its anti-bribery management system, based on a culture of integrity, transparency and compliance.

- Our Board of Directors has become even more diverse and independent.

- Governance on the topic of Sustainability has also developed further. In addition to the committee, three work fronts were created and officially nominated as responsible for ESG matters. All of them have a member of the Executive Board as a sponsor, one leader and one working group.

In 2021, we will update our materiality matrix based on the active listening to our main stakeholders, including ESG specialists, with the objective of mapping the key topics considering the impacts of our business and thus defining the priority initiatives to keep moving forward in a consistent and strategic manner with our sustainability actions.

Statement of Value Added: This statement shows the Company´s importance to society, as being responsible for generating wealth at the amount of R$3,270.5 million in 2020 (R$2,990.0 million in 2019), distributed as follows:



Social Report

(Amount in R$ thousand)

			2019			2020
Calculation basis for consolidated social indicators						
Net revenue ("NR")			10,195,637			10,307,615
Earnings before taxes ("EBT")			1,079,834			1,427,321
Gross payroll ("GP")			721,376			865,398
Internal social indicators	**Amount**	**% on GP**	**% on NR**	**Amount**	**% on GP**	**% on NR**
Meals	53,931	7%	1%	67,018	8%	1%
Compulsory payroll taxes	147,879	20%	1%	178,529	21%	2%
Health	52,204	7%	1%	69,241	8%	1%
Professional training and development	12,965	2%	0%	1,923	0%	0%
Daycare centers or childcare allowance	254	1%	0%	153	0%	0%
Profit sharing	104,301	14%	1%	148,761	17%	1%
Other	10,719	2%	0%	12,878	1%	0%
Total - internal social indicators	**382,253**	**53%**	**4%**	**478,503**	**55%**	**5%**
External social indicators	**Amount**	**% on EBT**	**% on NR**	**Amount**	**% on EBT**	**% on NR**
Education	434	0%	0%	883	0%	0%
Culture	1,613	0%	0%	3,807	0%	0%
Other	434	0%	0%	11,163	1%	0%
Total contributions to society	**2,481**	**0%**	**0%**	**15,853**	**1%**	**0%**
Taxes (net of payroll taxes) (*)	581,535	54%	6%	575,554	40%	6%
Total - external social indicators	**584,016**	**54%**	**6%**	**591,407**	**41%**	**6%**
Staff Indicators			**12/31/19**			**12/31/20**
Number of employees at the end of the period			10,514			11,251
Number of new hires during the period			4,297			3,823
Number of third-party employees			694			723
Number of interns			37			77
Number of employees over 50 years old			484			521
Number of female employees			4,651			5,081
% of lead positions held by female employees			38.78%			49.95%
Number of employees with special needs			400			351

(*) Does not include approximately R$682.4 million of Value-Added Tax on Sales and Services (ICMS) and R$403.9 million of Excise Tax (IPI) paid by the Company and included in the purchase price of cars.

Localiza Rent a Car S.A.

Financial Statements for the Year Ended December 31, 2020 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua Antônio de Albuquerque, 330 - 12º andar
30112-010 - Belo Horizonte - MG
Brasil

Tel.: + 55 (31) 3269-7400
Fax: + 55 (31) 3269-7470
www.deloitte.com.br

(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, 2020, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Localiza Rent a Car S.A. as at December 31, 2020, 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 - IFRSs, 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.

Deloitte.

Provision for tax risks

As detailed in note 17 to the individual and consolidated financial statements, the Company has tax matters under discussion at various procedural stages, for which, based on Management's and its legal counsel's opinion, a provision for risks was recognized in the amount of R$76,713 thousand for those assessed as probable loss and the amount of R$545,070 thousand relating to those assessed as possible loss was disclosed. The determination of the provision amount and the disclosed amounts depends on Management's judgments, based on an analysis of the lawsuits and corresponding likelihood of loss of its legal counsel. Also, and considering the significance of the respective amounts, any changes in the estimates or assumptions, which impact the likelihood of 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) understanding and assessing the design and implementation of the relevant internal control activities related to the provisions recognized and the tax risks disclosed in the individual and consolidated financial statements; (ii) assessing the reasonableness of the likelihood of loss determined by the attorneys of certain lawsuits selected, as well as assessing the arguments and case law related to certain litigations, including by involving our tax specialists in the review of the legal counsel's opinions obtained by the Company's Management; (iii) obtaining confirmation, from the Company's legal counsel, of the amounts and likelihood of loss of the lawsuits and the respective comparison with the Company's auxiliary controls; (iv) testing, on a sample basis, the calculation and documentation supporting Management's estimates for certain tax litigations; (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 in relation to the recognition of the provision and disclosure of the tax risks, in the context of the individual and consolidated financial statements taken as a whole.

Definition of the vehicles 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) analyzing, on a sample basis, the estimated resale amounts, considering the selling prices of similar vehicles disclosed in the market; (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; and (vi) assessing Management's disclosures in the individual and consolidated financial statements.

Deloitte.

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.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2020, 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 assess 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.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRSs, 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.

Deloitte.

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.

Deloitte.

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, when 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 25, 2021

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Daniel de Carvalho Primo
Engagement Partner

2021BH004221_REV_2021BH003598_Relatorio dos auditores Localiza 311220.docx

LOCALIZA RENT A CAR S.A.

BALANCE SHEET
(In thousands of Brazilian reais – R$)

ASSETS

		Individual		Consolidated	
	Note	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Current assets					
Cash and cash equivalents	*4*	1,575,486	1,622,676	2,586,393	2,220,102
Short-term investments	*5*	1,040,917	267,018	1,380,211	610,838
Trade receivables	*6*	974,296	1,095,724	1,107,467	1,274,723
Dividends receivable from subsidiaries	*8 (b)(iii)*	120,680	72,212	-	-
Decommissioned cars for fleet renewal	*9(b)*	7,997	20,361	40,551	141,735
Derivative financial instruments	*14*	85,021	-	154,305	-
Other current assets	*7*	276,163	199,828	300,695	246,681
Total current assets		**4,080,560**	**3,277,819**	**5,569,622**	**4,494,079**
Noncurrent assets					
Long-term assets:					
Trade receivables	*6*	-	-	1,982	1,809
Derivative financial instruments	*14*	325,585	18,198	353,022	18,198
Escrow deposits	*17(a)*	79,376	75,064	113,720	114,586
Deferred income tax and social contribution	*18(a)*	-	-	24,363	32,407
Other noncurrent assets	*7*	83	83	45,042	22,366
Total long-term assets		405,044	93,345	538,129	189,366
Investments in subsidiaries	*8(b)*	1,462,266	1,141,043	-	-
Property and equipment	*9(a)*	11,192,596	11,645,968	14,181,295	14,569,571
Intangible assets	*10*	38,865	44,715	152,088	139,944
Total noncurrent assets		**13,098,771**	**12,925,071**	**14,871,512**	**14,898,881**
Total assets		**17,179,331**	**16,202,890**	**20,441,134**	**19,392,960**

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

LOCALIZA RENT A CAR S.A.

BALANCE SHEET
(In thousands of Brazilian reais – R$)

LIABILITIES AND EQUITY

		Individual		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current liabilities					
Trade payables	*11*	1,458,302	2,290,871	1,661,001	2,565,387
Payroll and related taxes	*12*	199,117	139,365	218,451	161,770
Borrowings and debt securities	*13*	1,286,564	33,269	1,615,037	144,342
Derivative financial instruments	*14*	-	4,456	66,365	26,811
Income tax and social contribution		71,632	12,024	117,579	54,647
Dividends and interest on capital	*19(e)*	72,433	63,394	72,433	63,394
Right-of-use lease	*15*	144,492	128,321	130,239	115,966
Other current liabilities	*16*	382,649	362,044	415,283	389,932
Total current liabilities		**3,615,189**	**3,033,744**	**4,296,388**	**3,522,249**
Noncurrent liabilities					
Borrowings and debt securities	*13*	6,349,987	6,595,798	8,882,686	9,235,117
Derivative financial instruments	*14*	9,872	-	37,184	62,288
Provision for risks	*17(a)*	131,338	159,083	158,587	207,237
Deferred income tax and social contribution	*18(a)*	235,159	194,012	412,089	352,699
Right-of-use lease	*15*	773,292	761,274	532,537	526,767
Other noncurrent liabilities	*16*	11,835	11,447	69,004	39,071
Total noncurrent liabilities		**7,511,483**	**7,721,614**	**10,092,087**	**10,423,179**
Total liabilities		**11,126,672**	**10,755,358**	**14,388,475**	**13,945,428**
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		(175,526)	(22,288)	(175,526)	(22,288)
Capital reserves		174,948	185,494	174,948	185,494
Earnings reserves		2,096,348	1,327,437	2,096,348	1,327,437
Total equity		**6,052,659**	**5,447,532**	**6,052,659**	**5,447,532**
Total liabilities and equity		**17,179,331**	**16,202,890**	**20,441,134**	**19,392,960**

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

LOCALIZA RENT A CAR S.A.

INCOME STATEMENT
YEARS ENDED DECEMBER 31
(Amounts in thousands of Brazilian reais – R$, except earnings per share)

	Note	Individual		Consolidated	
		2020	2019	2020	2019
Net revenue	22	8,175,354	8,411,780	10,307,615	10,195,637
Costs	23	(6,242,974)	(6,622,651)	(7,408,647)	(7,685,944)
Gross profit		**1,932,380**	**1,789,129**	**2,898,968**	**2,509,693**
Operating income (expenses):					
Selling expenses	23	(796,318)	(672,542)	(888,014)	(747,381)
General, administrative and other expenses	23	(182,575)	(226,491)	(209,220)	(272,685)
Equity in the earnings of subsidiaries	8(b)	496,506	319,974	-	-
		(482,387)	(579,059)	(1,097,234)	(1,020,066)
Profit before finance income (costs)		**1,449,993**	**1,210,070**	**1,801,734**	**1,489,627**
Finance income (costs):	24				
Finance income		105,686	161,057	137,970	220,173
Finance costs		(356,046)	(430,024)	(512,383)	(629,966)
		(250,360)	(268,967)	(374,413)	(409,793)
Profit before income tax and social contribution		**1,199,633**	**941,103**	**1,427,321**	**1,079,834**
Income tax and social contribution:	18(b)				
Current		(110,306)	(53,446)	(311,707)	(180,727)
Deferred		(41,147)	(53,719)	(67,434)	(65,169)
		(151,453)	(107,165)	(379,141)	(245,896)
Profit for the year		**1,048,180**	**833,938**	**1,048,180**	**833,938**
Profit attributable to shareholders		-	-	1,048,180	833,938
Earnings per share (in R$):	20				
Basic				1.39381	1.11214
Diluted				1.39213	1.11094

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

LOCALIZA RENT A CAR S.A.

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

	Individual		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit for the year	**1,048,180**	**833,938**	**1,048,180**	**833,938**
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss:	-	-	-	-
Items that will not be subsequently reclassified to profit or loss:	-	-	-	-
Total comprehensive income for the year	**1,048,180**	**833,938**	**1,048,180**	**833,938**
Attributable to shareholders:			1,048,180	833,938

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

LOCALIZA RENT A CAR S.A.

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

					Capital reserves		Earnings reserves					
	Note	Capital	Expenditure on issuance of shares	Treasury shares	Stock options granted recognized	Goodwill on share subscription	Legal reserve	Statutory reserve	Earnings retention	Additional dividend proposed	Retained earnings	Total
At December 31, 2018		**1,500,000**	**-**	**(40,257)**	**61,250**	**103,981**	**178,868**	**1,047,187**	**236,893**	**6,580**	**-**	**3,094,502**
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	-	-	833,938	**833,938**
Transactions with shareholders: contributions and distributions												
Capital increase with issue of shares	*19(a)*	1,821,600	-	-	-	-	-	-	-	-	-	**1,821,600**
Expenses with issuance of shares net of tax effects	*19(a)*	-	(43,111)	-	-	-	-	-	-	-	-	**(43,111)**
Capital increase with earnings reserve	*19(a)*	678,400	-	-	-	-	-	(441,507)	(236,893)	-	-	**-**
Additional dividends (R$ 0.01 per share)		-	-	-	-	-	-	-	-	(6,580)	-	**(6,580)**
Stock options granted recognized	*19(c)(i)*	-	-	-	10,486	-	-	-	-	-	-	**10,486**
Exercise of long-term incentive programs with treasury shares	*19(b) and 19(c) (ii)*	-	-	17,362	-	7,777	-	-	-	-	-	**25,139**
Treasury shares sold	*19(b)*	-	-	607	-	2,000	-	-	-	-	-	**2,607**
Allocation of profit for the year:												
Legal reserve	*19(d)(i)*	-	-	-	-	-	41,697	-	-	-	(41,697)	**-**
Interest on capital (R$ 0.27 per share)	*19(e)*	-	-	-	-	-	-	-	-	-	(291,049)	**(291,049)**
Recognition of statutory reserve	*19(d)(ii)*	-	-	-	-	-	-	501,192	-	-	(501,192)	**-**
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) and 19(c)(ii)*	-	-	28,204	(15,821)	(7,611)	-	-	-	-	-	**4,772**
Treasury shares acquired	*19(b)*	-	-	(184,695)	-	-	-	-	-	-	-	**(184,695)**
Treasury shares sold	*19(b)*	-	-	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**

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$)

		Individual		Consolidated	
	Note	2020	2019	2020	2019
Cash flows from operating activities:					
Profit for the year		**1,048,180**	**833,938**	**1,048,180**	**833,938**
Adjustments to reconcile profit or loss to cash and cash equivalents generated by operating activities					
Depreciation and amortization	*9(a), 10 and 23*	536,063	508,160	666,336	723,129
Residual value of cars written off		4,705,398	5,179,178	5,599,920	5,863,600
Deferred income tax and social contribution	*18(b)*	41,147	53,719	67,434	65,169
Equity in the earnings of subsidiaries	*8(b)*	(496,506)	(319,974)	-	-
Provision for risks	*17(a)*	(27,745)	49,173	(48,650)	58,066
Interest on borrowings, debt securities and derivatives	*13 and 14*	250,723	340,209	423,691	552,917
Interest on leases	*15*	81,979	70,905	59,626	49,441
Allowance for doubtful debts	*6*	45,742	14,440	46,738	20,502
Other provisions		(593)	13,613	(787)	13,378
Other		11,783	11,681	11,985	11,686
(Increase) decrease in assets:					
Trade receivables	*6*	73,104	(238,517)	118,834	(275,930)
Acquisition of cars (see supplementary disclosure below)		(5,452,117)	(8,449,437)	(6,513,260)	(9,941,463)
Escrow deposits	*17(a)*	(4,312)	(13,713)	902	(17,941)
Recoverable taxes		7,175	(4,436)	11,540	(1,632)
Prepaid expenses	*7*	(8,198)	(4,351)	(7,857)	(4,864)
Other receivables		(67,879)	(46,190)	(44,738)	(44,733)
Increase (decrease) in liabilities:					
Trade payables (except car manufacturers)	*11 and 15*	72,628	19,779	84,302	20,975
Payroll and related taxes	*12*	59,752	28,631	56,505	26,802
Income tax and social contribution	*18(b)*	110,306	53,446	311,707	180,727
Insurance premium	*16*	21,451	22,118	20,767	23,156
Other payables		(1,576)	59,281	13,380	52,054
Cash generated by (used in) operating activities		**1,006,505**	**(1,818,347)**	**1,926,555**	**(1,791,023)**
Income tax and social contribution paid		(51,592)	(37,125)	(250,112)	(146,150)
Interest paid on borrowings, debt securities and derivatives	*13 and 14*	(227,795)	(391,576)	(366,907)	(562,172)
Interest on leases paid	*15*	(50,981)	(46,713)	(56,847)	(53,480)
Short-term investments	*5*	(773,899)	(222,113)	(769,373)	(343,354)
Net cash generated by (used in) operating activities		**(97,762)**	**(2,515,874)**	**483,316**	**(2,896,179)**
Cash flows from investing activities:					
Dividends from subsidiaries	*8 (b)(iii)*	126,815	40,884	-	-
Acquisition of other property and equipment	*9(a)*	(73,388)	(53,388)	(98,763)	(53,388)
Acquisition of intangible assets	*10*	(8,261)	(14,973)	(9,299)	(16,566)
Acquisition of subsidiary, net of cash acquired	*8(a)(ii)*	-	-	(7,876)	(123,736)
Other		-	13	-	-
Net cash generated by (used in) investing activities		**45,166**	**(27,464)**	**(115,938)**	**(193,690)**

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$)

		Individual		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Cash flows from financing activities:					
Borrowings and debt securities	*13*				
- Funding		1,250,313	2,983,509	2,238,895	3,635,187
- Repayments		(652,749)	(1,625,000)	(1,675,926)	(1,905,240)
Repayments of lease liability	*15*	(147,347)	(136,148)	(119,245)	(103,472)
Treasury shares sold	*19(b)*	4,224	2,607	4,224	2,607
Treasury shares acquired	*19(b)*	(184,695)	-	(184,695)	-
Exercise of stock options with treasury shares, net	*19(b) and (c)*	4,772	25,139	4,772	25,139
Interest on capital	*19(e)*	(269,112)	(268,609)	(269,112)	(268,609)
Dividends		-	(7,223)	-	(7,223)
Capital contribution with share subscription	*19(a)*	-	1,821,600	-	1,821,600
Expenditure on issuance of shares	*19(a)*	-	(65,320)	-	(65,320)
Net cash provided by (used in) financing activities		**5,406**	**2,730,555**	**(1,087)**	**3,134,669**
Increase (decrease) in cash and cash equivalents		**(47,190)**	**187,217**	**366,291**	**44,800**
Balance in cash and cash equivalents:	*4*				
At the beginning of the year		1,622,676	1,435,459	2,220,102	2,175,302
At the end of the year		1,575,486	1,622,676	2,586,393	2,220,102
Increase (decrease) in cash and cash equivalents		**(47,190)**	**187,217**	**366,291**	**44,800**

Supplementary disclosure of cash flows information

		Individual		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Acquisition of cars:					
For fleet renewal		(4,541,941)	(5,890,104)	(5,524,143)	(6,804,583)
For fleet growth		-	(2,912,001)	-	(3,478,727)
Total acquisition of cars	*9(a)*	**(4,541,941)**	**(8,802,105)**	**(5,524,143)**	**(10,283,310)**
Trade payables – car manufacturers:	*11*				
Balance at the end of the year		(1,247,684)	(2,157,860)	(1,418,358)	(2,407,475)
Balance at the beginning of the year		(2,157,860)	(1,805,192)	(2,407,475)	(2,065,628)
		(910,176)	352,668	(989,117)	341,847
Cash outflow for acquisition of cars		**(5,452,117)**	**(8,449,437)**	**(6,513,260)**	**(9,941,463)**
Revenue from sale of decommissioned cars, net of taxes	*22*	5,040,456	5,379,353	6,109,168	6,206,711
Trade receivables on sale of decommissioned cars:	*6*				
Balance at the end of the year		211,457	391,681	252,523	475,091
Balance at the beginning of the year		391,681	285,728	475,091	333,466
		180,224	(105,953)	222,568	(141,625)
Cash inflow from sale of decommissioned cars		**5,220,680**	**5,273,400**	**6,331,736**	**6,065,086**
Net cash outflow for investment in fleet		**(231,437)**	**(3,176,037)**	**(181,524)**	**(3,876,377)**

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

LOCALIZA RENT A CAR S.A.

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31
(In thousands of Brazilian reais – R$)

	Note	Individual 2020	Individual 2019	Consolidated 2020	Consolidated 2019
Revenues:					
Gross revenue net of discounts	*22*	8,498,031	8,726,718	10,758,703	10,628,455
Revenues related to the construction of own assets and leasehold improvements		45,015	33,266	45,975	33,266
Recognition of allowance for doubtful debts and expected losses, net of reversals	*6*	(45,742)	(14,440)	(46,738)	(20,502)
Total revenues		**8,497,304**	**8,745,544**	**10,757,940**	**10,641,219**
Costs and expenses acquired from third parties:					
Materials, electric power, outsourced services and others		(519,987)	(463,374)	(559,184)	(485,436)
Costs of car and fleet rental and residual value of cars written off		(5,367,408)	(5,814,891)	(6,399,853)	(6,662,796)
Total costs and expenses acquired from third parties:		**(5,887,395)**	**(6,278,265)**	**(6,959,037)**	**(7,148,232)**
Gross wealth generated		**2,609,909**	**2,467,279**	**3,798,903**	**3,492,987**
Depreciation and amortization	*23*	(536,063)	(508,160)	(666,336)	(723,129)
Net wealth created		**2,073,846**	**1,959,119**	**3,132,567**	**2,769,858**
Wealth received in transfer:					
Finance income	*24*	105,686	161,057	137,970	220,173
Equity in the earnings of subsidiaries	*8(b)*	496,506	319,974	-	-
Wealth for distribution		**2,676,038**	**2,440,150**	**3,270,537**	**2,990,031**
Wealth distributed					
Taxes, fees and contributions					
- Federal		225,506	279,083	493,516	468,706
- State		150,165	132,176	192,753	168,923
- Municipal		27,934	41,154	37,665	53,822
Personnel					
- Salaries and wages		594,600	487,423	686,685	572,829
- Benefits		126,973	99,858	141,678	113,749
Severance pay fund ("FGTS")		40,142	34,296	46,308	40,471
- Others		11,961	10,486	11,961	10,486
Remuneration of third-party capital					
- Interest	*24*	356,046	430,024	512,383	629,966
- Property rental	*23*	68,009	66,732	71,172	71,422
- Other rents		26,522	24,980	28,236	25,719
Remuneration of own capital					
- Interest on capital	*19(e)*	261,141	291,049	261,141	291,049
- Dividends	*19(e)*	18,128	-	18,128	-
- Retained earnings		768,911	542,889	768,911	542,889
Wealth distributed and retained		**2,676,038**	**2,440,150**	**3,270,537**	**2,990,031**

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

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, 2020, the Localiza Platform, including its franchisees in Brazil and abroad, was comprised of 610 car rental locations (unaudited), of which: (i) 540 locations in 370 cities in Brazil, 442 of which were operated by Localiza and 98 by franchisees; and (ii) 70 locations in 37 cities in 4 other South American countries, all operated by franchisees. Approximately half of the decommissioned cars are sold to final consumers through 130 points of sale owned by the Company, located in 89 cities throughout Brazil.

On October 10, 2019, the Securities and Exchange Commission of Brazil ("CVM") granted the registration of securities issuer, category "B", for the subsidiary Localiza Fleet. As of this date, Localiza Fleet is authorized to trade fixed income securities in regulated markets in Brazil as category "B", in addition to being subject to the fulfillment of the obligations of category "B" issuers provided for in CVM Instruction 480, of December 7, 2009, as amended and other applicable regulations.

These individual and consolidated financial statements were approved and authorized for issue by the Company's Management on February 24, 2021 and by the Company's Board of Directors on February 25, 2021.

1.1 Covid-19 Pandemic

In view of the spread of the New Coronavirus (Covid-19) in Brazil, as from the second half of March 2020 and, in order to preserve the health of the Company's employees, customers and the population in general, 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 car rental activity was considered an essential activity by several municipalities, states and the federal government, since its clients provide essential services or need private transportation in the pandemic scenario.

Hygiene measures and health and safety protocols were intensified in all the Company's facilities, as well as in cars and vans, to ensure the safety of employees, customers and everyone who interacts with Localiza.

In order to minimize social interaction, most of Localiza's administrative employees are working from home. In addition, an information portal on actions to contain the spread of the virus was created, as well as an online consultation channel for employees and their dependents to answer questions and be guided by doctors.

During the most critical period of the pandemic, the Company and its subsidiaries have adopted a series of measures to increase liquidity and reduce expenses to mitigate the impacts of the COVID-19 pandemic, such as:

(i) Three new working capital borrowings in the total amount of R$ 695 million, repurchase of R$ 811 million in debentures of its own issues and prepayment of approximately R$ 490 million in card receivables.

(ii) From May to August 2020, due to the fall in volumes of Car Rental and sale of decommissioned cars, the Company has adopted measures to reduce costs, expenses, investments and personnel, with the suspension of employment contracts, reduction of working hours and compensation, and staff reduction.

Part of the Management had a reduction in working hours and compensation by 25% and, in the case of the Statutory Board and the Board of Directors, by 35%. In addition, the Company reduced the volume of purchase of new cars.

(iii) The Company's Board of Directors, in a meeting held on April 1, 2020, approved the postponement of the payment date of interest on capital approved on March 10, 2020 to January 5, 2021. On June 18, 2020, another payment of interest on capital was approved for 2021.

With the pandemic slowdown and in response to the decisions described above, as from July, there was resumption of the pre-pandemic volumes of car rental and sale of decommissioned cars for fleet renewal. Considering that the scenario improved as regards the impacts initially estimated, and the Company's cash position, on September 4, 2020 the Board of Directors approved the advance payment of such interest on capital during 2020.

Additionally, the Company recomposed the salary of employees who had a reduction in their compensation, resumed the contributions to the private pension plan and adapted the benefits as a consequence of the remote work.

During this period, the Company's Management performed various analyses of the impacts of Covid-19, which involved mainly the assessment of indicators of impairment of noncurrent assets, expected credit losses on trade receivables, measurement of financial instruments, including derivative financial instruments, among others. The financial statements present the impacts arising from these analyses.

1.2 Termination of the partnership with Hertz

According to the Significant Event Notice disclosed on August 19, 2020, Localiza signed with The Hertz Corporation (parent company of Hertz Group) and Hertz System Inc., on that date, the 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. In December 2020, the parties agreed to extend, for up to six months from March 2021, the Referral Agreements. Up to December 31, 2020, the Company incurred costs, associated with the removal of the Hertz brand from its network of car rental locations, totaling approximately R$15 million.

1.3 Combination of Localiza and Unidas businesses

According to the Significant Event Notice 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 Annual Shareholders' Meetings held on November 12, 2020.

Nonetheless, the completion of the Merger of Shares depends on the approval by the Brazilian Antitrust Agency ("CADE") without restrictions or with restrictions that, according to the terms of the agreement, are acceptable by the parties, 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. Under the terms of art. 88, Paragraphs 2 and 9, of Law 12,529 / 11, CADE will have 240 days, which may be extended for up to 90 additional days, starting from the protocol of February 8, 2021, to analyze this proposal.

Up to its conclusion, the Companies will continue to operate in an independent manner.

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 of MOBI7 and Localiza RP (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, 2020 and 2019, except for right-of-use and lease liability, the Company concluded that its current and noncurrent 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 2020 and 2019, 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.

3. 3. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

- **Review 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 applied to the years beginning on or after January 1, 2020.

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. The Company and its subsidiaries applied this practical expedient and recognized in profit or loss for the year ended December 31, 2020 the amounts of R$ 24.5 million and R$ 24.6 million in Individual and Consolidated, respectively (note 23).

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

- **Reform of the Reference Interest Rate – 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 Reform of the Reference Interest Rate, 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: Disclosures.
- CPC 48 - IFRS 9: Financial Instruments

The amendments address issues that may affect the financial statements as a result of the reform of the reference interest rate, 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 reference interest rate with an alternative reference rate.

The effectiveness of the proposed amendments will be established by regulatory bodies that approve the “Review of Technical Pronouncements 17”, and in order to fully comply with IFRS, the entity must apply them in the annual periods beginning on or after January 1, 2021. The Company is evaluating potential impacts on its financial statements.

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	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash and banks	14,512	16,246	16,238	17,122
Bank Certificates of Deposit ("CDB")	896,555	430,427	1,333,006	487,065
Fixed-income investment fund units	664,419	1,176,003	1,237,149	1,715,915
Total	**1,575,486**	**1,622,676**	**2,586,393**	**2,220,102**

At December 31, 2020, financial investments in CDBs, and fixed-income investment fund units had annual weighted average yield of 92.4% of the Interbank Deposit Certificates ("CDI") rate variation (99.9% at December 31, 2019).

5. SHORT-TERM INVESTMENTS

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

Short-term investments are broken down as follows:

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Bank Certificates of Deposit ("CDB")	552,226	115,571	806,130	345,171
Fixed-income investment fund units	65,903	151,447	85,038	265,667
Investments in financial bills	422,788	-	489,043	-
Total	**1,040,917**	**267,018**	**1,380,211**	**610,838**

At December 31, 2020, short-term investments presented a weighted average annual yield of 104.6% of the CDI rate (102.5% at December 31, 2019).

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	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Car rental	674,468	592,669	678,540	594,609
Fleet rental	-	-	112,517	116,347
Unbilled revenue	218,632	195,893	221,514	199,392
Sale of decommissioned cars	211,457	391,681	252,523	475,091
	1,104,557	**1,180,243**	**1,265,094**	**1,385,439**
Allowance for doubtful debts/ expected losses	(130,261)	(84,519)	(155,645)	(108,907)
Total	**974,296**	**1,095,724**	**1,109,449**	**1,276,532**
Current	**974,296**	**1,095,724**	**1,107,467**	**1,274,723**
Noncurrent	**-**	**-**	**1,982**	**1,809**

Aging list of trade receivables is as follows:

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Falling due	890,609	986,974	1,005,522	1,137,532
Up to 30 days past-due	55,876	66,413	72,531	92,494
31 to 60 days past-due	32,463	43,336	35,380	49,861
61 to 90 days past due	24,856	20,007	26,803	22,423
91 to 180 days past due	53,050	36,174	56,186	39,533
Over 181 days past-due	47,703	27,339	68,672	43,596
Total	**1,104,557**	**1,180,243**	**1,265,094**	**1,385,439**

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

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Falling due	(8,885)	(9,089)	(10,533)	(13,303)
Up to 30 days overdue	(11,710)	(6,694)	(12,054)	(7,550)
31 to 60 days overdue	(10,822)	(4,913)	(11,134)	(5,352)
61 to 90 days overdue	(8,203)	(4,092)	(8,568)	(4,688)
91-180 days past due	(44,179)	(32,392)	(45,849)	(34,418)
Over 181 days overdue	(46,462)	(27,339)	(67,507)	(43,596)
Total	**(130,261)**	**(84,519)**	**(155,645)**	**(108,907)**

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

	Individual		Consolidated	
	2020	2019	2020	2019
Balance at the beginning of the year	**(84,519)**	**(70,079)**	**(108,907)**	**(88,405)**
Recognition	(83,515)	(55,700)	(90,249)	(82,310)
Reversal	37,773	41,260	43,511	61,808
Balance at the end of the year	**(130,261)**	**(84,519)**	**(155,645)**	**(108,907)**

7. OTHER CURRENT AND NONCURRENT ASSETS

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

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Recoverable taxes	23,438	29,721	29,348	39,850
Prepaid expenses	18,728	10,530	19,614	11,757
Receivables from insurance company (*)	192,307	146,229	194,835	148,162
Other receivables – subsidiaries (note 8(c)(i))	5,765	144	-	-
Investments in restricted accounts (note 16)	-	-	-	22,283
Other current assets	35,925	13,204	56,898	24,629
Total other current assets	**276,163**	**199,828**	**300,695**	**246,681**
Investments in restricted accounts (note 16)	-	-	44,959	22,283
Other noncurrent assets	83	83	83	83
Total other noncurrent assets	**83**	**83**	**45,042**	**22,366**
Total other current and noncurrent assets	**276,246**	**199,911**	**345,737**	**269,047**

(**) 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 (note 2.7.4).

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.

At the Extraordinary General Meeting of Car Rental System held on March 15, 2019 it was decided to change the name of Localiza Car Rental Systems S.A. to Car Rental Systems S.A.

The Board of Directors' Meeting of Localiza, held on October 23, 2019, approved the shut-down of Rental International LLC ("Rental International") and Localiza Franchising International S.R.L.("LFI S.R.L."), which were dormant.

The Extraordinary General Meeting of Localiza Franchising Brasil, held on December 2, 2019, approved the shut-down of FR Assistance Serviços de Administração de Sinistros S.A. ("FR Assistance"), which was dormant.

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, with version of the net assets in the amount of R$ 73,305, evaluated 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.

(a) Business combination

(i) MOBI7

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 a portion of R$7,999, which was paid on March 12, 2020, and in three successive annual installments updated by CDI, the last installment due on March 13, 2023. 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 noncurrent liabilities" (note 16).

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

	MOBI7		
	03/12/2020		
	Carrying amount	Surplus value	Fair value
Assets			
Current	995	-	995
Noncurrent			
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
Noncurrent	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 labor. 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 undefined 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 noncurrent 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 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 acquisition on consolidated profit or loss**

The Company's consolidated statement of profit or loss for 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 from the acquisition date.

Had this business combination occurred on January 1, 2020, the Company's consolidated revenues in the year ended December 31, 2020 would be increased by R$ 1,659 and profit or loss would be increased by R$ 93. The Company's Management considers that these pro forma amounts represent an approximate measure of the combined company's performance on a pro rata basis.

(ii) Localiza RP

At a meeting held on July 10, 2019, the Company's Board of Directors approved the acquisition of the car rental operation by Localiza or a subsidiary, after the spin-off of the Localiza brand franchisee company based in Ribeirão Preto, with operations in 3 other cities in the countryside of São Paulo State. The Purchase and Sale Agreement was entered into on August 31, 2019, by Car Rental Systems when the acquisition of 100% of Localiza RP's quotas was concluded. The referred franchisee had 6 rent a car locations and a fleet of 2,715 cars.

In the consolidated financial statements, the acquisition of Localiza RP was accounted for at the fair value of the assets acquired and liabilities assumed by Car Rental Systems on the acquisition date, and the excess over the consideration paid is recorded as goodwill, which may be deductible in the event of an incorporation.

The goodwill on the acquisition of Localiza RP is supported by the strategic character of maintaining its strong presence in the car rental business in the countryside of the state of São Paulo. In addition, the acquisition also enabled the Company to achieve business synergy through operational efficiencies (sales structure, administrative costs and car purchase). These effects result in the Localiza Platform having higher margins in the coming years.

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

The acquisition price for 100% of the ownership interest in Localiza RP was R$ 123,736. The acquired assets and liabilities measured at fair value by a specialized company, are as follows:

Localiza RP Fair value on 8/31/19			
Assets		**Liabilities**	
Current	1	Current	47,087
Noncurrent		Noncurrent	-
Property and equipment	111,555	Equity	64,469
Total	**111,556**	**Total**	**111,556**

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

Localiza RP	Fair value on 8/31/19
Consideration transferred	123,736
Recognized net fair value of identifiable assets and liabilities	(58,746)
Surplus value of property and equipment, net of loss	(5,723)
Goodwill on acquisition	**59,267**

Goodwill was generated considering that the consideration paid for the business combination includes amounts related to benefits from expected synergies, revenue growth, future development of 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. Such goodwill, classified as having indefinite useful life, is stated at cost on the date of business combination, net of accumulated impairment losses, if any. Total goodwill generated from the acquisition will be deductible for tax purposes.

In the individual balance sheet of Car Rental Systems, the surplus value of property and equipment, net of acquisition loss, was classified under "Investments" and, in the consolidated, it was reclassified to "Property and Equipment". Goodwill will be realized upon depreciation and sale of the corresponding asset.

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

Localiza RP	Fair value on 8/31/19
Consideration transferred in cash	123,736
Effects of acquisition presented in the statement of cash flow	**123,736**

- **Impact of acquisition on consolidated profit or loss**

Consolidated revenue after the acquisition includes R$ 23,344, and the consolidated profit or loss includes R$ 18,928 attributable to additional businesses generated by Localiza RP.

Had these business combinations been carried out on January 1, 2019, Company's consolidated revenue would have been increased by R$ 46,688 and the profit or loss would have been increased by R$ 37,856. The Company’s Management considers that these pro forma amounts represent an estimate of the Company’s combined performance on an annual basis.

(b) Information on subsidiaries

The variation in the investments balance was as follows:

	Individual			
	At December 31, 2019	Equity in the earnings of subsidiaries	Dividends	At December 31, 2020
Localiza Fleet S.A. Consolidated	**683,725**	396,666	(99,166)	**981,225**
Rental Brasil	**264,745**	21,517	(17,746)	**268,516**
Localiza Prime	**131,493**	30,435	(22,669)	**139,259**
Car Assistance	**21,712**	34,861	(30,188)	**26,385**
Franchising Brasil	**5,659**	1,834	(5,514)	**1,979**
LFI S.R.L.	**128**	8	-	**136**
Effect of the elimination of IFRS 16 in subsidiary	**11,504**	11,185	-	**22,689**
Total investments in subsidiaries	**1,118,966**	**496,506**	**(175,283)**	**1,440,189**
Goodwill in the acquisition of investments	22,077	-	-	**22,077**
Total investments	**1,141,043**	**496,506**	**(175,283)**	**1,462,266**

	Individual				
	At December 31, 2018	Equity in the earnings of subsidiaries	Dividends	Reduction due to closing	At December 31, 2019
Localiza Fleet S.A. Consolidated	**526,314**	216,045	(58,634)	-	**683,725**
Rental Brasil	**258,032**	17,735	(11,022)	-	**264,745**
Localiza Prime	**96,746**	39,894	(5,147)	-	**131,493**
Car Assistance	**14,473**	28,629	(21,390)	-	**21,712**
Franchising Brasil	**6,758**	6,740	(7,839)	-	**5,659**
LFI S.R.L.	**698**	(570)	-	-	**128**
Rental International	**16**	(3)	-	(13)	**-**
Effect of the elimination of IFRS 16 in subsidiary	**-**	11,504	-	-	**11,504**
Total investments in subsidiaries	**903,037**	**319,974**	**(104,032)**	**(13)**	**1,118,966**
Goodwill in the acquisition of investments	22,077	-	-	-	**22,077**
Total investments	**925,114**	**319,974**	**(104,032)**	**(13)**	**1,141,043**

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

Subsidiary	Parent company	Number of shares		Capital (%)	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
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	5,890,000	-	100.0	-
Localiza RP (**)	Car Rental Systems	-	59,277,789	-	100.0
MOBI7 México (***)	Car Rental Systems	200	-	2.0	-
MOBI7 Mexico	MOBI7	9,800	-	98.0	-

(*) At the General Meetings of Localiza Fleet held on March 13, 2020, May 20, 2020 and August 20, 2020, advances for future capital increase on behalf of MOBI7 in the respective amounts of up to R$5,000, R$4,000 and R$100,000 were approved. On July 14, 2020, a capital increase of R$ 5,000 was made with the issue of 5,000,000 new shares, due to the conversion of the advance for future capital increase.
(*) Wholly-owned subsidiary of Car Rental Systems merged on January 31, 2020, as approved at the Extraordinary General Meeting of Car Rental Systems held on the same date.
(***) At the General Meeting of MOBI7 Mexico held on May 8, 2020, the transfer of the 2% ownership interest from MOBI7 Mexico to Car Rental Systems was approved.

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

(i) Statement of financial position

12/31/2020	Localiza Fleet S.A. Consolidated	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.
Assets						
Current	1,205,630	219,805	163,634	37,820	10,086	233
Noncurrent	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
Noncurrent	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**

12/31/2019	Localiza Fleet S.A. Consolidated	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil Consolidated	LFI S.R.L.
Assets						
Current	898,618	226,897	148,509	32,907	13,893	268
Noncurrent	3,026,309	396,526	16,109	-	9,604	-
Total	**3,924,927**	**623,423**	**164,618**	**32,907**	**23,497**	**268**
Liabilities						
Current	559,200	11,042	24,779	11,192	6,509	129
Noncurrent	2,682,002	347,636	8,346	3	11,329	8
Equity	683,725	264,745	131,493	21,712	5,659	131
Total	**3,924,927**	**623,423**	**164,618**	**32,907**	**23,497**	**268**

(ii) Statement of profit or loss

2020	Localiza Fleet S.A. Consolidated	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	LFI S.R.L.
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

2019	Localiza Fleet S.A. Consolidated	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil Consolidated	LFI S.R.L.
Net revenue	1,719,921	37,262	75,075	33,293	12,375	22
Gross profit	587,968	37,753	75,075	32,425	7,966	(254)
Profit (loss) before income tax and social contribution	319,392	26,829	60,073	33,133	8,347	(560)
Profit (loss)	216,045	17,735	39,894	28,629	6,740	(560)

(iii) Dividends from subsidiaries

2020	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	Total
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**

2019	Localiza Fleet	Rental Brasil	Localiza Prime	Car Assistance	Franchising Brasil	Total
Dividends for 2018 (minimum mandatory)	-	2,269	-	4,744	2,051	**9,064**
Dividends in addition to the minimum mandatory for 2018	4,622	6,810	-	14,234	6,154	**31,820**
Proposed dividends for 2019 (minimum mandatory)	54,012	4,212	5,147	7,156	1,685	**72,212**
Total	**58,634**	**13,291**	**5,147**	**26,134**	**9,890**	**113,096**

(c) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries and other related parties

	Localiza Fleet		Other subsidiaries		Total	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balances:						
Trade receivables	13,057	5,590	-	-	**13,057**	**5,590**
Dividends receivable (note 8 b(iii))	99,166	54,012	21,514	18,200	**120,680**	**72,212**
Other receivables (note 7)	5,003	-	762	144	**5,765**	**144**
Trade payables	(830)	(3,142)	(4,768)	(4,584)	**(5,598)**	**(7,726)**
Other payables (note 16)	-	(4,262)	(740)	(12,542)	**(740)**	**(16,804)**

	Localiza Fleet		Other subsidiaries		Total	
	2020	2019	2020	2019	2020	2019
Transactions:						
Revenues	34,423	26,519	-	4	**34,423**	**26,523**
Costs and expenses	(30,037)	(31,804)	(57,360)	(54,245)	**(87,397)**	**(86,049)**
Recoverable costs and expenses	78,515	23,480	4,915	3,585	**83,430**	**27,065**

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.

At December 31, 2020, there were collateral guarantees for borrowings and debt securities amounting to: (i) R$ 3,939,848 issued by Localiza Fleet to Localiza (R$ 4,318,938 at December 31, 2019); (ii) R$ 2,410,156 issued by Localiza to Localiza Fleet (R$ 2,426,059 at December 31, 2019); and (iii) R$ 345,972 issued by Localiza to Rental Brasil (R$ 351,330 at December 31, 2019). There was also collateral between companies when bank guarantees and guarantees insurances were issued for lawsuits totaling R$ 201,280 (R$ 142,213 at December 31, 2019).

Additionally, the Company has guarantee insurances with Austral Seguradora, Berkley International, Chubb Seguros, J Malucelli Seguradora and Pottencial Seguradora. The latter being a company in which Salim Mattar and Eugênio Mattar, founding partners of Localiza, jointly held 43.75% of its capital at December 31, 2020. In transactions with Pottencial Seguradora, made under normal market conditions, the amount accounted for as expense in 2020 related to guarantee insurance was R$ 1,069 (R$ 652 in 2019) and the insured amount is R$ 201,280 at December 31, 2020 (R$ 142,213 at December 31, 2019).

(ii) Key management compensation

	Individual		Consolidated	
	2020	2019	2020	2019
Short-term benefits	55,049	49,251	57,513	52,972
Post-employment benefits	1,349	920	1,411	1,027
Share-based compensation	8,989	7,345	8,989	7,345
Total	**65,387**	**57,516**	**67,913**	**61,344**

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:

	2020	2019
Cars:		
Car Rental Division	3.2%	3.6%
Fleet Rental Division	4.2%	7.5%
Other property and equipment:		
Leasehold improvements	15.6%	15.3%
Furniture and fixtures	10.0%	10.0%
IT equipment	20.0%	20.0%
Buildings – head office (*)	1.4%	1.4%
Constructions in own properties	4.0%	4.0%
Other	10.0%	10.0%

(*) Annual average rate of the head office obtained through valuation report of expert firm.

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.

In the Car Rental Division, depreciation is recognized based on the estimated useful life of each asset on the straight-line basis. Up to December 31, 2019, in the Fleet Rental Division, cars were depreciated using the sum of digits method, or exponential.

The Company reviewed the method used to calculate the depreciation of cars in the Fleet Rental Division to better reflect the equalization of maintenance and depreciation costs over the car's useful life. As defined by CPC 23 -

Accounting Policies, Changes in Accounting Estimates and Errors, the change in the depreciation calculation assumption to the straight-line method started to be recognized prospectively as of January 1, 2020. Management believes that this review of estimate provides information that better reflects the consumption pattern of economic benefits over the car's useful life.

The effects of applying the straight-line method in the year ended December 31, 2020 are the decrease in depreciation expense by approximately R$ 55 million, to be offset by the increase in the cost of the car sold when it is decommissioned, and the increase in deferred income tax and social contribution expense by approximately R$ 19 million.

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									
	Cars	Right-of-use	Property	Leasehold improvements	Furniture and fixtures	Constructions in progress	Land	IT equipment	Other	Total
Cost										
As of December 31, 2018	**7,422,844**	**-**	**1,913**	**115,396**	**87,720**	**9,816**	**681**	**47,986**	**26,600**	**7,712,956**
Initial application of IFRS 16	-	837,305	-	-	-	-	-	-	-	**837,305**
Additions	8,802,105	167,304	-	971	9,100	33,266	-	6,550	3,501	**9,022,797**
Write-offs/transfers (*)	(5,360,428)	(4,005)	-	22,088	(627)	(22,282)	-	(824)	-	**(5,366,078)**
At December 31, 2019	**10,864,521**	**1,000,604**	**1,913**	**138,455**	**96,193**	**20,800**	**681**	**53,712**	**30,101**	**12,206,980**
Additions	4,541,941	149,707	-	-	13,298	55,290	-	2,103	2,697	**4,765,036**
Write-offs/transfers (*)	(4,963,442)	(32,304)	-	27,775	(168)	(40,702)	-	(30)	12,899	**(4,995,972)**
At December 31, 2020	**10,443,020**	**1,118,007**	**1,913**	**166,230**	**109,323**	**35,388**	**681**	**55,785**	**45,697**	**11,976,044**
Accumulated depreciation:										
As of December 31, 2018	**(109,327)**	**-**	**(1,129)**	**(65,012)**	**(31,246)**	**-**	**-**	**(26,766)**	**(14,116)**	**(247,596)**
Additions	(327,981)	(137,497)	(85)	(13,206)	(7,908)	-	-	(6,744)	(2,359)	**(495,780)**
Write-offs/transfers (*)	180,967	1,039	-	-	138	-	-	220	-	**182,364**
At December 31, 2019	**(256,341)**	**(136,458)**	**(1,214)**	**(78,218)**	**(39,016)**	**-**	**-**	**(33,290)**	**(16,475)**	**(561,012)**
Additions	(335,850)	(149,813)	(82)	(17,582)	(8,993)	-	-	(6,913)	(2,719)	**(521,952)**
Write-offs/transfers (*)	267,042	32,375	-	-	72	-	-	26	1	**299,516**
At December 31, 2020	**(325,149)**	**(253,896)**	**(1,296)**	**(95,800)**	**(47,937)**	**-**	**-**	**(40,177)**	**(19,193)**	**(783,448)**
Net carrying amount										
At December 31, 2019	**10,608,180**	**864,146**	**699**	**60,237**	**57,177**	**20,800**	**681**	**20,422**	**13,626**	**11,645,968**
At December 31, 2020	**10,117,871**	**864,111**	**617**	**70,430**	**61,386**	**35,388**	**681**	**15,608**	**26,504**	**11,192,596**

(*) 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									
	Cars	**Right-of-use**	**Property**	**Leasehold improvements**	**Furniture and fixtures**	**Constructions in progress**	**Land**	**IT equipment**	**Other**	**Total**
Cost										
As of December 31, 2018	**9,910,476**	**-**	**369,935**	**115,396**	**87,722**	**13,474**	**29,342**	**48,316**	**27,024**	**10,601,685**
Initial application of IFRS 16	-	598,533	-	-	-	-	-	-	-	**598,533**
Opening balance Localiza RP	111,555	-	-	-	-	-	-	-	-	**111,555**
Additions	10,283,310	154,769	-	971	9,100	33,266	-	6,550	3,501	**10,491,467**
Write-offs/transfers (*)	(6,288,767)	(4,005)	-	25,746	(627)	(25,940)	-	(824)	-	**(6,294,417)**
At December 31, 2019	**14,016,574**	**749,297**	**369,935**	**142,113**	**96,195**	**20,800**	**29,342**	**54,042**	**30,525**	**15,508,823**
Opening balance MOBI7 (note 8 (a))	-	266	-	-	-	-	-	-	4,415	**4,681**
Additions	5,524,143	136,449	8,760	-	13,332	62,508	5,769	2,343	6,051	**5,759,355**
Write-offs/transfers (*)	(5,932,755)	(32,799)	-	27,775	(282)	(41,261)	-	(31)	13,458	**(5,965,895)**
At December 31, 2020	**13,607,962**	**853,213**	**378,695**	**169,888**	**109,245**	**42,047**	**35,111**	**56,354**	**54,449**	**15,306,964**
Accumulated depreciation:										
As of December 31, 2018	**(428,921)**	**-**	**(3,298)**	**(65,012)**	**(31,248)**	**-**	**-**	**(27,082)**	**(14,238)**	**(569,799)**
Additions	(551,418)	(125,339)	(1,548)	(13,389)	(7,908)	-	-	(6,749)	(2,402)	**(708,753)**
Write-offs/transfers (*)	337,903	1,039	-	-	138	-	-	220	-	**339,300**
At December 31, 2019	**(642,436)**	**(124,300)**	**(4,846)**	**(78,401)**	**(39,018)**	**-**	**-**	**(33,611)**	**(16,640)**	**(939,252)**
Opening balance MOBI7 (note 8 (a))	-	(11)	-	-	-	-	-	-	(460)	**(471)**
Additions	(472,940)	(137,301)	(1,810)	(17,765)	(8,879)	-	-	(6,952)	(3,963)	**(649,610)**
Write-offs/transfers (*)	430,653	32,912	-	-	72	-	-	26	1	**463,664**
At December 31, 2020	**(684,723)**	**(228,700)**	**(6,656)**	**(96,166)**	**(47,825)**	**-**	**-**	**(40,537)**	**(21,062)**	**(1,125,669)**
Net carrying amount										
At December 31, 2019	**13,374,138**	**624,997**	**365,089**	**63,712**	**57,177**	**20,800**	**29,342**	**20,431**	**13,885**	**14,569,571**
At December 31, 2020	**12,923,239**	**624,513**	**372,039**	**73,722**	**61,420**	**42,047**	**35,111**	**15,817**	**33,387**	**14,181,295**

(*) 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 Car Rental Division considers as "decommissioned cars for fleet renewal" those that already have a purchase proposal signed with third parties. In the Fleet Rental Division, all the cars returned by customers are classified as "decommissioned cars for fleet renewal", as Management does not expect to rent them again.

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

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cost	8,368	21,497	47,449	171,559
Accumulated depreciation:	(371)	(1,136)	(6,898)	(29,824)
Net carrying amount	**7,997**	**20,361**	**40,551**	**141,735**

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:				
As of December 31, 2018	**104,545**	**118,079**	**30,719**	**148,798**
Additions	14,973	16,566	59,267	**75,833**
At December 31, 2019	**119,518**	**134,645**	**89,986**	**224,631**
Opening balance MOBI7	-	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**
Accumulated amortization				
As of December 31, 2018	**(62,423)**	**(70,311)**	**-**	**(70,311)**
Additions	(12,380)	(14,376)	-	**(14,376)**
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)**
Residual value:				
At December 31, 2019	**44,715**	**49,958**	**89,986**	**139,944**
At December 31, 2020	**38,865**	**46,651**	**105,437**	**152,088**

Impairment tests for goodwill

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

	Consolidated	
	12/31/2020	12/31/2019
Car rental	22,077	22,077
Fleet rental	83,360	67,909
Total	**105,437**	**89,986**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budget approved by management for the next year. The amounts referring to the subsequent cash flows were extrapolated based on the average of the last years.

In 2020 and 2019, no impairment of these assets was identified and recorded.

11. TRADE PAYABLES

Trade payables are broken down as follows:

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Car manufacturers (*)	1,247,684	2,157,860	1,418,358	2,407,475
Maintenance services and parts	46,802	38,031	68,361	58,705
Rentals	28,763	19,334	29,274	12,785
Other	135,053	75,646	145,008	86,422
Total	**1,458,302**	**2,290,871**	**1,661,001**	**2,565,387**

(*) The balance payable to car manufacturers refer to cars acquired with average payment term of approximately 60 days (105 days at December 31, 2019).

12. PAYROLL AND RELATED TAXES

Payroll and related taxes are broken down as follows:

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Accrued vacation pay	57,877	45,029	63,241	52,199
Accrued profit sharing (*)	114,788	75,808	126,631	88,082
Social security contribution (INSS)	11,903	8,167	12,445	9,042
Government Severance Indemnity Fund for Employees ("FGTS")	4,557	3,910	5,436	4,939
Other	9,992	6,451	10,698	7,508
Total	**199,117**	**139,365**	**218,451**	**161,770**

(*) 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	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
In local currency				
Debt securities (a)	5,157,814	5,802,803	7,004,184	7,672,656
Working capital (b)	704,120	-	904,384	198,222
Certificates of Real Estate Receivables ("CRI") (c)	-	-	337,095	341,522
Prepurchase financing pool (d)	-	-	21,582	-
Leases	-	-	-	8,275
In foreign currency				
Foreign currency borrowings (e)	1,774,617	826,264	2,230,478	1,158,784
Total	**7,636,551**	**6,629,067**	**10,497,723**	**9,379,459**
Current	**1,286,564**	**33,269**	**1,615,037**	**144,342**
Noncurrent	**6,349,987**	**6,595,798**	**8,882,686**	**9,235,117**

On June 18, 2020, the Board of Directors of Localiza approved the Company's 1st debenture repurchase program with the limit of R$ 200,000, subsequently increased to R$ 500,000 in the meeting held on July 27, 2020. And again increased to R$ 1,300,000 in a meeting held on October 27, 2020. Up to December 31, 2020, the Company repurchased debentures in the amount of R$ 652,749.

On October 27, 2020, the Board of Directors of Localiza Fleet approved the Company's 1st Debenture Repurchase Program with the limit of R$ 200,000. Up to December 31, 2020, Localiza Fleet repurchased debentures in the amount of R$ 158,136.

Changes in borrowings and debt securities are as follows:

	Individual		Consolidated	
	2020	2019	2020	2019
Balance at the beginning of the year	**6,629,067**	**5,310,968**	**9,379,459**	**7,645,978**
Opening balance of subsidiaries acquired	-	-	2,306	45,864
Prepurchase financing pool liability transfer	-	-	21,582	-
Funding	1,250,313	2,983,509	2,238,895	3,635,187
Repurchase of debentures	(652,749)	-	(810,885)	-
Interest and finance charges	620,885	343,095	843,593	492,308
Repayment of principal	-	(1,625,000)	(865,041)	(1,905,240)
Interest amortization	(210,965)	(383,505)	(312,186)	(534,638)
Balance at the end of the year	**7,636,551**	**6,629,067**	**10,497,723**	**9,379,459**

(a) Debt securities

At December 31, 2020 and 2019, 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:

						Individual		Consolidated	
Issue	Maturity date	Contract rate (p.a.)	Financial settlement	Annual amortizations	Surety/Guarantee	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Debentures - 11th issuance	01/12/2022	111.50% of CDI	R$500,000	2022	Localiza Fleet	456,637	499,406	456,637	499,406
Debentures - 12th issuance	05/15/2024	107.25% of CDI	R$700,000	2024	Localiza Fleet	689,761	700,591	689,761	700,591
Debentures - 13th issuance - 1st series	02/15/2023	109.35% of CDI	R$868,910	2022 and 2023	Localiza Fleet	981,443	1,084,711	981,443	1,084,711
Debentures - 13th issuance - 2nd series	02/15/2025	111.30% of CDI	R$216,110	2024 and 2025	Localiza Fleet				
Debentures - 14th issuance - 1st series	01/18/2024	107.90% of CDI	R$200,000	2024	Localiza Fleet	719,084	1,011,193	719,084	1,011,193
Debentures - 14th issuance - 2nd series	09/18/2026	112.32% of CDI	R$800,000	2024, 2025 and 2026	Localiza Fleet				
Debentures - 15th issuance	04/15/2026	107.25% of CDI	R$ 1,000,000	2025 and 2026	Localiza Fleet	785,050	1,006,058	785,050	1,006,058
Debentures - 16th issuance	01/25/2026	CDI + 1.05%	R$ 1,000,000	2024, 2025 and 2026	None	1,004,472	994,653	1,004,472	994,653
Promissory notes - 7th issuance	09/24/2021	108.00% of CDI	R$500,000	2021	None	521,367	506,191	521,367	506,191
Debentures Localiza Fleet – 3rd issuance	05/05/2023	107.00% of CDI	R$500,000	2023	Localiza	-	-	-	503,571
Debentures of Localiza Fleet - 4th issuance	10/02/2024	CDI + 0.30%	R$350,000	2024	Localiza	-	-	-	353,809
Debentures of Localiza Fleet - 5th issuance	07/18/2025	112.00% of CDI	R$300,000	2025	Localiza	-	-	203,170	307,195
Debentures of Localiza Fleet - 6th issuance	02/21/2024	110.40% of CDI	R$ 400,000	2024	Localiza	-	-	339,357	398,638
Debentures of Localiza Fleet - 7th issuance	07/29/2025	109.00% of CDI	R$300,000	2023, 2024 and 2025	Localiza	-	-	301,907	306,640
Debentures of Localiza Fleet - 8th issuance	02/12/2025	CDI + 1.00%	R$ 1,000,000	2023, 2024 and 2025	Localiza	-	-	1,001,936	-
Total						**5,157,814**	**5,802,803**	**7,004,184**	**7,672,656**

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 + 1.31% p.a.

At December 31, 2020, the amount of issuance costs with debt securities to be recognized was R$ 40,029 (R$ 32,401 as at December 31, 2019), being presented net in the respective security.

On February 12, 2020, Localiza Fleet raised the 8th issue of debentures, not convertible into shares, in the amount of R$ 1,000,000 in a single series maturing on April 12, 2025. Expenses incurred on issuances, including fees, commissions and other costs totaled R$ 11,043. The proceeds raised were used for the full early redemption of the debentures of the 3rd and 4th issuances of Localiza Fleet and to reinforce cash.

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, 2020 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, 2020 and 2019 as shown below:

		12-month period ended	
Ratio	**Limits**	**12/31/2020**	**12/31/2019**
Net debt / Adjusted EBITDA (*)	Below 4.00	2.47	2.98
Net debt deducted from credit card balance (**) / Adjusted EBITDA	Below 4.00	2.29	2.77
Adjusted EBITDA /Finance costs, net	Above 1.50	6.62	5.43

(*) 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.
(**) The 14th, 15th and 16th issuance of debentures and the 7th issuance of promissory notes from Localiza Fleet include in the definition of net debt the discount of the receivables from credit card balance.

Additionally, the Company has borrowings that also include certain accelerated maturity events under conditions similar to those applicable to debt securities. At December 31, 2020, these restrictive covenants were met.

(b) Working capital

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

Company	Maturity date	Interest rate (p.a.)	Contracted amount	Annual repayments	Surety/ Guarantee	Individual 12/31/2020	Individual 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Localiza	10/20/2021	CDI + 2.65%	R$ 100,000	2021	None	100,882	-	100,882	-
Localiza	03/31/2022	CDI + 3.6%	R$300,000	2022	None	313,409	-	313,409	-
Localiza	03/23/2023	CDI + 1.88%	R$ 295,000	2023	Localiza Fleet	289,829	-	289,829	-
Localiza Fleet	02/16/2024	112.5% of CDI	R$250,000	2023 and 2024	Localiza	-	-	200,264	198,222
Total						**704,120**	**-**	**904,384**	**198,222**

At December 31, 2020, the amount of issuance costs with working capital borrowings to be recognized was R$ 5,688 (R$ 2,988 at December 31, 2019), being presented net in the respective contract.

On February 15, 2020, Localiza Fleet extended the maturity of the current working capital, which was changed from February 15, 2021 to February 15, 2024.

As mentioned in note 1.1, the Company's funding for working capital was substantially made in the context of the pandemic scenario with the objective of reinforcing cash.

(c) 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.

(d) Prepurchase financing pool

Localiza Fleet acquired prepurchase financing pool quotas to finance part of the car purchase. At December 31, 2020, there were 895 quotas totaling R$ 21,582, with an average cost equivalent to CDI + 2% p.a. and maturities up to June 2023.

(e) 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:

				Individual		Consolidated	
Company	**Maturity**	**Rate (p.a.)**	**Contracted amount**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Localiza	03/03/2021	1.997% up to Sep/20 2,112% after Oct/20	USD 125,000 thousand	650,655	-	650,655	-
Localiza	01/03/2023	0.93%	EUR 55,394 thousand	353,825	251,338	353,825	251,338
Localiza	05/22/2023	LIBOR + 0.47%	USD 80,000 thousand	416,088	323,430	416,088	323,430
Localiza	01/03/2025	1.33%	EUR 55,394 thousand	354,049	251,496	354,049	251,496
Localiza Fleet	12/13/2021	1.69%	AUD 73,249 thousand	-	-	294,023	206,794
Localiza Fleet	08/22/2022 and 01/23/2023	LIBOR + 1.66%	USD 31,081 thousand	-	-	161,838	125,726
Total				**1,774,617**	**826,264**	**2,230,478**	**1,158,784**

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

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.

Derivative financial instruments are broken down as follows:

	Individual		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Foreign currency x Reais				
Current assets	85,021	-	154,305	-
Noncurrent assets	325,585	18,198	353,022	18,198
Current liabilities	-	(4,456)	(549)	(17,694)
Total derivative financial instruments - foreign currency x Real	**410,606**	**13,742**	**506,778**	**504**
CDI vs fixed rate				
Current liabilities	-	-	(65,816)	(9,117)
Noncurrent liabilities	(9,872)	-	(37,184)	(62,288)
Total derivative financial instruments - CDI x fixed rate	**(9,872)**	**-**	**(103,000)**	**(71,405)**
Total derivative financial instruments assets / (liabilities), net	**400,734**	**13,742**	**403,778**	**(70,901)**
Current assets	**85,021**	**-**	**154,305**	**-**
Noncurrent assets	**325,585**	**18,198**	**353,022**	**18,198**
Current liabilities	**-**	**(4,456)**	**(66,365)**	**(26,811)**
Noncurrent liabilities	**(9,872)**	**-**	**(37,184)**	**(62,288)**

Changes in derivative financial instruments are as follows:

	Individual			Consolidated		
	Assets	Liabilities and equity	Total, net	Assets	Liabilities and equity	Total, net
At 12/31/2018	**2,785**	**-**	**2,785**	**2,785**	**(40,611)**	**(37,826)**
Fair value adjustment	15,413	(12,527)	**2,886**	15,413	(76,022)	**(60,609)**
Amortization	-	8,071	**8,071**	-	27,534	**27,534**
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**

(a) 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, 2020 are as follows:

		Weighted average rates		Notional amount	Value of curve			Market value (carrying amount)			Variation
Financial institution	Range of maturity dates	Long position	Short position	*Notional*	Long position	Short position	Gain (loss)	Long position	Short position	Gain (loss)	Curve x MTM
		% CDI									
Institution A	January 2021 to October 2022	123.1%	6.43%	495,000	518,868	535,858	(16,990)	522,948	550,332	(27,384)	(10,394)
Institution B	January 2021 to April 2022	108.0%	6.77%	125,000	132,885	139,191	(6,306)	132,954	140,954	(8,000)	(1,694)
Institution C	January 2021 to January 2023	131.1%	6.49%	500,000	496,114	511,518	(15,404)	502,699	524,120	(21,421)	(6,017)
Institution D	January 2021 to January 2023	108.6%	7.70%	320,000	369,628	392,007	(22,379)	370,093	401,147	(31,054)	(8,675)
Institution E	July 2021 to April 2022	187.5%	5.97%	45,000	46,938	48,218	(1,280)	47,153	49,654	(2,501)	(1,221)
Institution F	July 2022	110.0%	5.90%	25,000	25,709	26,433	(724)	25,847	27,357	(1,510)	(786)
Institution G	April 2021 to January 2022	220.0%	5.23%	75,000	76,925	77,722	(797)	77,693	78,869	(1,176)	(379)
Institution H	April 2022	170.7%	5.63%	25,000	25,405	25,519	(114)	26,201	26,283	(82)	32
					1,692,472	**1,756,466**	**(63,994)**	**1,705,588**	**1,798,716**	**(93,128)**	**(29,134)**

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, 2020, the specific characteristics of the contracted operations are as follows:

Financial institution	Maturity	Weighted average rates: Long position	Short position	Notional amount: *Notional*	Market value (carrying amount): Long position	Short position	Gain (loss)
		% CDI					
Institution A	January 2027	100.0%	8.07%	200,000	195,628	201,697	(6,069)
Institution B	January 2027	100.0%	7.71%	50,000	48,752	52,555	(3,803)
					244,380	**254,252**	**(9,872)**

(b) Foreign currency x Reais

At December 31, 2020, 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

Company	Maturity	Index: Long position	Short position	Notional amount: *Notional*	Value of curve: Long position	Short position	Gain (loss)	Market value (carrying amount): Long position	Short position	Gain (loss)	Variation: Curve x MTM
Localiza	03/03/2021	1.997% up to Sep/20 2,112% after Oct/20	CDI + 0.60%	USD 125,000 thousand	650,655	563,548	87,107	649,357	564,113	85,244	(1,863)
Localiza	01/03/2023	0.93%	CDI + 1.00%	EUR 55,394 thousand	353,825	250,965	102,860	358,691	255,845	102,846	(14)
Localiza	05/22/2023	LIBOR + 0.47%	108.0% of CDI	USD 80,000 thousand	416,088	300,678	115,410	413,987	302,469	111,518	(3,892)
Localiza	01/03/2025	1.33%	CDI + 1.20%	EUR 55,394 thousand	354,049	251,031	103,018	373,113	262,115	110,998	7,980
Localiza Fleet	08/22/2022 and 01/25/2023	LIBOR + 1.66%	6.51%	USD 31,081 thousand	161,838	130,868	30,970	160,695	133,808	26,887	(4,083)
					1,936,455	**1,497,090**	**439,365**	**1,955,843**	**1,518,350**	**437,493**	**(1,872)**

Non Deliverable Forward (NDF) transactions

		Notional amount		Value of curve			Market value (carrying amount)			Variation
Company	Maturity	*Notional*	*Forward/ Strike*	Long position	Short position	Gain (loss)	Long position	Short position	Gain (loss)	Curve x MTM
Localiza Fleet	12/13/2021	AUD 73,249 thousand	AUD 3.12 (*)	298,374	224,352	74,022	296,685	227,400	69,285	(4,737)

(*) Referring to the notional amount of the transaction. A NDF was contracted for each payment of interest, with average forward/ strike of AUD 3.00.

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 8.24% in 2020 (8.96% in 2019).

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	
	2020	**2019**	**2020**	**2019**
Balance at the beginning of the year	**889,595**	**837,305**	**642,733**	**598,533**
Opening balance MOBI7	-	-	255	-
Addition/remeasurement of new agreements	149,707	167,304	136,449	154,769
Write-off	(190)	(3,058)	(195)	(3,058)
Consideration paid	(198,328)	(178,291)	(176,092)	(156,952)
Consideration payable	(4,979)	(4,570)	-	-
Interest	81,979	70,905	59,626	49,441
Balance at the end of the year	**917,784**	**889,595**	**662,776**	**642,733**
Current	**144,492**	**128,321**	**130,239**	**115,966**
Noncurrent	**773,292**	**761,274**	**532,537**	**526,767**

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, 2020 and classified as leases are as follows:

	Individual							
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and onwards**	**Total**
Concessions in airports	31,476	27,197	24,822	21,481	17,059	9,851	32,270	164,156
Downtown locations, stores, headquarters and parking lots	160,489	148,335	137,199	123,001	111,892	105,787	737,642	1,524,345
Total	**191,965**	**175,532**	**162,021**	**144,482**	**128,951**	**115,638**	**769,912**	**1,688,501**
Embedded interest								**(770,717)**
Balance of lease liability (current and noncurrent)								**917,784**

	Consolidated							
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and onwards**	**Total**
Concessions in airports	32,766	27,381	24,897	21,495	17,058	9,852	32,269	**165,718**
Downtown locations, stores and parking lots	131,971	118,682	106,570	91,392	79,818	72,686	299,502	**900,621**
Total	**164,737**	**146,063**	**131,467**	**112,887**	**96,876**	**82,538**	**331,771**	**1,066,339**
Embedded interest								**(403,563)**
Balance of lease liability (current and noncurrent)								**662,776**

The estimated amount of PIS and COFINS credit embedded in the undiscounted lease considerations totals R$ 133,891 in the Individual and R$ 76,341 in the Consolidated (R$ 70,689 in the Individual and R$ 47,098 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, 2020:

	12/31/2020					
	Individual			Consolidated		
	IFRS 16	Projected inflation	%	IFRS 16	Projected inflation	%
Right-of-use asset, net	864,111	1,010,676	17.0%	624,513	716,309	14.7%
Lease liability	917,784	1,065,456	16.1%	662,776	755,029	13.9%
Depreciation expenses	(149,813)	(158,946)	6.1%	(137,312)	(142,067)	3.5%
Finance costs	(81,979)	(92,382)	12.7%	(59,626)	(65,526)	9.9%

16. OTHER CURRENT AND NONCURRENT LIABILITIES

Breakdown of the balance of other current and noncurrent liabilities is as follows:

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Revenue to be appropriated (*)	2,482	3,213	5,114	6,221
Payables to related parties (note 8 (c)(i))	740	16,804	-	-
Federal taxes payable	16,128	5,271	19,285	8,082
Municipal taxes payable	3,663	4,440	6,128	5,959
Advances from car rental and decommissioned sale customers	201,503	196,314	209,424	200,529
Insurance premiums for transfer (**)	145,397	123,946	146,715	125,948
Restricted obligations (***)	-	-	-	22,549
Payable related to the acquisition of MOBI7 (note 8 (a))	-	-	3,600	-
Other	12,736	12,056	25,017	20,644
Total other current liabilities	**382,649**	**362,044**	**415,283**	**389,932**
Revenue to be appropriated (*)	3,670	2,885	8,196	7,952
Restricted obligations (***)	-	-	45,435	22,549
Payable related to the acquisition of MOBI7 (note 8 (a))	-	-	7,199	-
Other	8,165	8,562	8,174	8,570
Total other noncurrent liabilities	**11,835**	**11,447**	**69,004**	**39,071**
Total other current and noncurrent liabilities	**394,484**	**373,491**	**484,287**	**429,003**

(*) 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 (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 first withdrawal on August 31, 2020, and for final withdrawal in 2023, less the indemnifiable amounts assessed on the related dates (note 7). In August 2020, no payment was made to sellers because the indemnifiable amounts were higher than the escrow amount forecast for the first withdrawal.

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 2020, there were changes in the provisions, as follows:

	Individual				
	Tax	Social security	Labor	Civil	Total
At December 31, 2019	**99,006**	**10,808**	**25,497**	**23,772**	**159,083**
Recognition, net of reversals	(43,801)	3,220	6,344	9,393	**(24,844)**
Transfer for payment	-	-	(9,187)	(5,254)	**(14,441)**
Monetary adjustment, net of reversals	12,463	279	-	(1,202)	**11,540**
At December 31, 2020	**67,668**	**14,307**	**22,654**	**26,709**	**131,338**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
At December 31, 2019	**126,119**	**12,217**	**37,434**	**31,467**	**207,237**
Recording of provisions, net of reversals	(60,670)	3,478	2,624	9,996	**(44,572)**
Transfer for payment	-	-	(9,187)	(5,254)	**(14,441)**
Monetary adjustment, net of reversals	11,264	301	-	(1,202)	**10,363**
At December 31, 2020	**76,713**	**15,996**	**30,871**	**35,007**	**158,587**

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				
	Tax	Social security	Labor	Civil	Total
At December 31, 2019	**42,665**	**1,397**	**16,035**	**14,967**	**75,064**
Deposit	1,060	3,684	6,996	4,000	**15,740**
Write-off	(1,016)	-	(7,267)	(4,089)	**(12,372)**
Monetary adjustment, net	93	16	398	437	**944**
Transfers	348	-	-	(348)	-
At December 31, 2020	**43,150**	**5,097**	**16,162**	**14,967**	**79,376**

	Consolidated				
	Tax	Social security	Labor	Civil	Total
At December 31, 2019	**72,830**	**1,397**	**23,743**	**16,616**	**114,586**
Opening balance Mobi7	-	-	-	36	**36**
Deposit	14,097	3,684	9,783	4,629	**32,193**
Write-off	(14,839)	-	(12,483)	(4,852)	**(32,174)**
Monetary adjustment, net	(1,862)	16	398	527	**(921)**
Transfers	348	-	-	(348)	-
At December 31, 2020	**70,574**	**5,097**	**21,441**	**16,608**	**113,720**

(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, 2020 and 2019, is as follows:

	Individual							
	12/31/2020				12/31/2019			
	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee/ guarantee insurance	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee/ guarantee insurance
Tax	12	67,668	2,991	29,508	3	99,006	2,575	-
Social security	5	14,307	1,412	3,064	5	10,808	1,397	3,064
Labor	289	22,654	8,056	6,101	368	25,497	5,531	2,238
Civil	2,210	26,709	14,967	36,531	2,098	23,772	14,967	33,850
Total	**2,516**	**131,338**	**27,426**	**75,204**	**2,474**	**159,083**	**24,470**	**39,152**

	Consolidated							
	12/31/2020				12/31/2019			
	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee/ guarantee insurance	Number of lawsuits	Accrued amount	Escrow deposit	Bank guarantee/ guarantee insurance
Tax	29	76,713	9,550	29,508	19	126,119	8,559	-
Social security	10	15,996	1,412	3,064	7	12,217	1,397	3,064
Labor	378	30,871	12,775	9,629	507	37,434	9,024	3,632
Civil	2,405	35,007	16,608	37,305	2,284	31,467	16,616	33,850
Total	**2,822**	**158,587**	**40,345**	**79,506**	**2,817**	**207,237**	**35,596**	**40,546**

- **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.

Based on this judgment, the Company's legal counselors changed to probable the classification of the likelihood of loss in lawsuits where it is discussed the requirement of ICMS on sales in less than 12 months, made in accordance with Agreement 64/06; a provision was recorded in the amount of R$ 68,730.

- **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, 2020, 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							
	12/31/2020				12/31/2019			
	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	33	57,111	3,790	43,560	24	39,847	42	26,975
PIS and COFINS	1	149,525	1,010	-	3	1,430	-	2,844
ICMS	46	130,354	-	76,921	66	127,816	207	94,731
Vehicle Tax (IPVA)	885	57,243	34,000	51,454	1,535	52,516	34,705	19,012
Other taxes	113	70,742	5,044	38,247	151	31,208	196	49,187
Labor	332	65,062	28	316	144	62,639	5,786	101
Civil	1,004	71,240	-	-	-	-	-	-
Total	**2,414**	**601,277**	**43,872**	**210,498**	**1,923**	**315,456**	**40,936**	**192,850**

	Consolidated							
	12/31/2020				12/31/2019			
	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	53	66,821	7,037	44,156	30	42,960	3,162	27,338
PIS and COFINS	4	184,909	1,010	204	19	3,155	-	3,094
ICMS	51	137,104	-	77,022	70	132,181	208	94,833
Vehicle Tax (IPVA)	910	84,014	51,618	64,046	1,586	79,244	55,679	25,567
Other taxes	119	72,222	5,044	38,375	180	37,319	196	49,346
Labor	346	67,379	33	353	172	67,071	5,828	163
Civil	1,111	82,845	116	-	76	6,709	26	-
Total	**2,594**	**695,294**	**64,858**	**224,156**	**2,133**	**368,639**	**65,099**	**200,341**

- **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.

- **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$ 137,104, 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).

- **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).

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, 2020 and 2019 is as follows:

	Individual		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Temporary differences in the deductibility of provisions:				
Provision for risks and other provisions	43,849	53,290	51,333	67,981
Allowance for doubtful debts and expected losses and other allowances	55,959	46,259	59,161	50,121
Provision for payment of services in progress and others, profit sharing, loyalty program and others	82,371	50,105	92,672	59,758
Swap transaction with payment on a cash basis	2,942	4,239	41,419	29,991
Income tax and social contribution tax loss carryforwards	140,666	4,146	159,394	29,005
Total deferred income tax and social contribution assets	**325,787**	**158,039**	**403,979**	**236,856**
Car depreciation (*)	560,733	351,819	742,255	449,705
Lease in the purchase of property and equipment (**)	213	232	33,727	96,150
Other	-	-	15,723	11,293
Total deferred income tax and social contribution liabilities	**560,946**	**352,051**	**791,705**	**557,148**
Total deferred income tax and social contribution, net	**235,159**	**194,012**	**387,726**	**320,292**
Noncurrent assets	**-**	**-**	**(24,363)**	**(32,407)**
Noncurrent liabilities	**235,159**	**194,012**	**412,089**	**352,699**

(*) 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.
(**) 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, 2020, as tax credit on tax loss carryforwards of R$ 140,666 in Individual and R$ 159,394 in Consolidated (R$ 4,146 and R$ 29,005, respectively, at December 31, 2019). 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 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 income 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 tax credits recovering:

	Individual		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
2020	-	89,303	-	126,160
2021	201,848	3,396	249,684	21,114
2022	65,811	17,264	75,457	29,267
2023	20,448	3,606	31,421	6,577
2024	6,618	37,221	10,077	45,238
2025	20,982	7,249	25,567	8,500
2026 onwards	10,080		11,773	
Total deferred income tax and social contribution assets	**325,787**	**158,039**	**403,979**	**236,856**

(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, 2020 and 2019 is as follows:

	Individual		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit before taxes	1,199,633	941,103	1,427,321	1,079,834
Statutory rate	34%	34%	34%	34%
Expense at statutory rate	**(407,875)**	**(319,975)**	**(485,289)**	**(367,144)**
Adjustments to expense at statutory rate:				
Equity in the earnings of subsidiaries	168,812	108,791	-	-
Effect of deduction of interest on capital	88,788	98,957	88,788	98,957
Income tax and social contribution due by subsidiaries (deemed income)	-	-	13,046	12,256
Other, net	(1,178)	5,062	4,314	10,035
Expense at effective rate	**(151,453)**	**(107,165)**	**(379,141)**	**(245,896)**
Current income tax and social contribution	**(110,306)**	**(53,446)**	**(311,707)**	**(180,727)**
Deferred income tax and social contribution	**(41,147)**	**(53,719)**	**(67,434)**	**(65,169)**

18. EQUITY

(a) Capital

At December 31, 2020 and 2019, 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 Audit and Statutory Boards**	**Treasury shares**	**Outstanding shares**	**Number of shares – ON**
Number at December 31, 2018	**155,539,657**	**641,971**	**5,164,144**	**505,803,438**	**667,149,210**
Primary public distribution of shares	-	-	-	55,200,000	55,200,000
Bonus in shares	7,721,176	13,767	133,312	28,249,205	36,117,460
Election (removal)	-	(387,489)	-	387,489	-
Acquisition (sale) of shares, net	(1,555,927)	(598,941)	-	2,154,868	-
Exercise of stock options with treasury shares	1,428,174	593,592	(2,425,879)	404,113	-
Sale of treasury shares	30,170	26,310	(72,022)	15,542	-
Renting of shares	(1,018,500)	-	-	1,018,500	-
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	-
Renting and return of renting of shares	2,370,750	-	-	(2,370,750)	-
Acquisition (sale) of shares, net	(6,166,388)	(129,980)	-	6,296,368	-
Share repurchas	-	-	5,214,600	(5,214,600)	-
Sale of treasury shares	44,755	40,682	(125,964)	40,527	-
Exercise of stock options with treasury shares	106,076	195,176	(1,092,031)	790,779	-
Election (removal) of management	-	(170,742)	-	170,742	-

	Management				
	Founding partners	Board of Directors and Audit and Statutory Boards	Treasury shares	Outstanding shares	Number of shares – ON
Number at December 31, 2020	**158,499,942**	**224,346**	**6,796,159**	**592,946,223**	**758,466,670**

For comparability purposes, the ownership interest and the related reconciliation of the number of outstanding shares adjusted to reflect the 5% bonus in shares, approved at the Board of Directors' Meeting held on December 12, 2019, are as follows:

	Management				
	Founding partners	Board of Directors and Audit and Statutory Boards	Treasury shares	Outstanding shares	Number of shares – ON
Number at December 31, 2018	**163,316,640**	**674,070**	**5,422,351**	**531,093,609**	**700,506,670**
Primary public distribution of shares	-	-	-	57,960,000	57,960,000
Election (removal)	-	(406,863)	-	406,863	-
Acquisition (sale) of shares, net	(1,633,726)	(628,894)	-	2,262,620	-
Exercise of stock options with treasury shares	1,499,583	623,271	(2,547,173)	424,319	-
Sale of treasury shares	31,679	27,626	(75,623)	16,318	-
Renting of shares	(1,069,426)	-	-	1,069,426	-
Number at December 31, 2019	**162,144,750**	**289,210**	**2,799,555**	**593,233,155**	**758,466,670**

At a meeting of the Company's Board of Directors held on January 18, 2019, the Company approved the initial public offering of 46,000,000 registered common shares, with no par value, free and clear of any liens or encumbrances, issued by the Company ("Shares"), with restricted placement efforts, pursuant to CVM Instruction 476, of January 16, 2009, as amended.

At a meeting of the Company's Board of Directors held on January 31, 2019, the Company's capital increase was approved with the issuance of 55,200,000 new shares of the Company, at the unit price of R$ 33.00, resulting in a capital increase of R$ 1,821,600. Expenditures with the issuance of these shares totaled R$ 43,111 and were recognized in equity in accordance with Technical Pronouncement CPC 08 - Transaction Costs and Premiums on the Issuance of Bonds and Securities.

At a meeting of the Board of Directors, held on December 12, 2019, an increase in the subscribed and paid-up capital of R$ 678,400 was approved, from R$ 3,321,600 to R$ 4,000,000, using part of the balance of Statutory Reserve of R$ 441,507, and the totality of the Company's Earnings Retention Reserve balance, in the amount of R$ 236,893. The capital increase occurred through a bonus in shares at the rate of 5%, with the issuance of 36,117,460 new book-entry common shares, with no par value, which were attributed to the holders of shares, in the proportion of one new share of the same type for each lot of 20 shares held, and the shares held in treasury also received bonus share. The stock option programs were adjusted accordingly.

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 6,796,767 ADRs issued in the United States of America as at December 31, 2020 and 3,119,356 as at December 31, 2019 (unaudited). Each ADR corresponds to one Company’s share.

(b) 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:

	R$	Number of shares	Average unit price (R$)
At December 31, 2018	**40,257**	**5,422,351**	**7.80**
Exercise of long-term incentive programs (i)	(17,362)	(2,547,173)	6.82
Sale to employees eligible to the Matching Program (ii)	(607)	(75,623)	8.03
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**

At December 31, 2020, the market value of treasury shares was R$ 468,595 (quotation of R$ 68.95 per share at December 30, 2020).

(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 2020, 125,831 treasury shares were sold in the amount of R$ 3,250 (75,623 shares amounting to R$ 607 in 2019) 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$ 971 in 2020 (R$ 2,000 in 2019).

(iii) Share repurchas

At a meeting of the Company's Board of Directors on June 18, 2019, the Company was authorized to acquire up to 50,000,000 shares (52,500,000 shares including the effects of the bonus) in the 11th Share Repurchase Program, with a term of 365 days from July 23, 2019 to July 22, 2020.

In March 2020, 5,214,600 shares issued by the Company were acquired under this program. The acquisition cost of the treasury shares, including trading costs, ranged between R$ 26.86 and R$ 40.02 per share.

In a meeting of the Board of Directors on June 18, 2020, the 12th Share Repurchase Program was approved, in which the Company was authorized to acquire up to 50,000,000 shares, with a term of 365 days from July 23, 2020 to July 22, 2021. Until December 31, 2020, no shares had been purchased under this program.

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.

(c) 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 2020):** 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 2020):** 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 2020):** 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).

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.

The Company's costs of Stock Option, Matching Shares and Deferred Shares Plans are measured at fair value of shares granted on the date of granting of the right to the beneficiaries, based on the market value of the Company's common shares traded on B3.

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, 2020, 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:

	Programs											
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2017	2016	2015
	1st Deferred Plan			1st Matching Plan			4th Options Plan				3rd Options Plan	
Number of eligible participants	8	3	1	44	26	23	42	25	23	22	15	17
Number of options granted	195,896	89,281	62,967	250,192	152,716	240,794	365,094	228,614	368,086	515,755	1,684,946	1,466,991
Number of annual tranches	1	1	1	1	1	1	3	3	3	3	1	1
Number of options by tranche	195,896	89,281	62,967	250,192	152,716	240,794	121,698	76,205	122,695	171,918	1,684,946	1,466,991
Exercise year of 1st tranche	2023	2022	2021	2023	2022	2021	2021	2020	2019	2018	2019	2018
Limit date for exercise of options	May/23	May/22	May/21	May/23	May/22	May/21	May/26	May/25	May/24	May/23	May/22	May/21

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:

		12/31/2019		Concessions		Cancelations		Exercises		12/31/2020	
Plan	**Program**	**Eligible**	**Options**	**Eligible**	**Options granted**	**Eligible**	**Options canceled**	**Eligible who exercised 100%**	**Options exercised**	**Eligible**	**Existing options**
3rd Options Plan	**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**
4th 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**
1st 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**
1st 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**

		12/31/2018		Concessions		Cancelations		Exercises			12/31/2019	
Plan	**Program**	**Eligible**	**Pre-bonus options**	**Eligible**	**Options granted**	**Eligible**	**Options canceled**	**Eligible who exercised 100%**	**Options exercised**	**Bonus (*)**	**Eligible**	**Existing options**
3rd Plan Options	**2013**	6	182,127	-	-	-	(6)	(6)	(182,121)	-	**-**	**-**
	2014	6	273,114	-	-	-	-	(2)	(19,479)	12,679	**4**	**266,314**
	2015	12	1,131,540	-	-	-	(9)	(7)	(866,709)	13,238	**5**	**278,060**
	2016	13	1,512,462	-	-	(1)	(14,901)	(6)	(1,268,115)	11,468	**6**	**240,914**
4th Options Plan	**2017**	20	439,882	-	-	(3)	(19,530)	-	(68,510)	17,584	**17**	**369,426**
	2018	23	350,559	-	-	(4)	(23,502)	-	(20,945)	15,297	**19**	**321,409**
	2019	-	-	25	217,728	(1)	(11,430)	-	-	10,302	**24**	**216,600**
1st Matching Plan	**2017**	23	439,608	-	-	(4)	(32,208)	-	-	20,363	**19**	**427,763**
	2018	23	229,328	-	-	(4)	(18,694)	-	-	10,522	**19**	**221,156**
	2019	-	-	26	145,444	(1)	(7,570)	-	-	6,887	**25**	**144,761**
1st Deferred Plan	**2017**	1	13,245	-	1,710	-	-	-	-	747	**1**	**15,702**
	2018	1	53,117	-	6,852	-	-	-	-	2,998	**1**	**62,967**
	2019	-	-	3	85,031	-	-	-	-	4,250	**3**	**89,281**
Total		**128**	**4,624,982**	**54**	**456,765**	**(18)**	**(127,850)**	**(21)**	**(2,425,879)**	**126,335**	**143**	**2,654,353**

(*) The bonus was always made in whole numbers, so that, pursuant to the provisions of Article 169, paragraph 3 of Law 6,404 / 76, the remaining shares resulting from the fractions of shares will be sold at B3 and the net amount determined will be made available to shareholders owners of any fractions.

At December 31, 2020, 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:

	Program						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
	4th Options Plan				**3rd Options Plan**		
Exercise price (*)	42.31	26.37	19.44	10.03	8.99	10.91	9.88
Risk-free rate by tranche	4.92%	7.18%	7.11%	4.59%	4.87%	10.00%	11.00%
Expected annualized volatility (**)	33.27	35.05%	35.13%	42.59%	43.11%	43.64%	43.64%
Expected dividends	0.48%	0.49%	0.51%	0.42%	0.42%	0.41%	0.41%
Duration of the program in years	3.0	3.0	3.0	2.8	3.0	3.0	2.0
Option fair value on grant date (R$/share)	12.20	12.62	7.70	7.13	3.87	4.38	3.29

(*) 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.

The Company's Stock Option, Matching Shares and Deferred Shares Plans are measured at fair value of shares granted on the date of granting of the right to the eligible parties, based on the market value of the Company's common shares traded on B3, as follows:

	Program					
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
	1st Matching Plan			**1st Deferred Plan**		
Option fair value on grant date (R$/share)	42.31	34.25	23.55	42.31	34.25	27.62

In 2020, the consolidated cost of these Programs was R$ 11,915 (R$ 10,486 in 2019).

Considering the exercise of the options existing on December 31, 2020, the interest dilution percentage to which current shareholders are subject is 0.3% (0.4% on December 31, 2019).

(ii) Options exercised in 2020

The weighted average exercise prices of shares in 2020, 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$)
3rd Options Plan	2014	266,314	3.29	9.88	32.34
	2015	175,185	4.38	10.91	65.10
	2016	143,906	3.87	8.99	65.17
4th Options Plan	2017	83,508	7.13	10.03	64.58
	2018	61,617	7.70	19.44	63.59
	2019	15,455	12.62	26.37	59.41
1st Matching Plan	2017	320,939	17.17	17.17	32.44
	2018	23,312	23.55	23.55	64.63
1st Deferred Plan	2017	1,795	17.17	17.17	29.60
Total		**1,092,031**			

All options were exercised using treasury shares amounting to R$ 28,204 (R$ 17,362 at December 31, 2019) and, therefore, it was not necessary to issue new shares. The negative goodwill generated for the options exercised was R$ 7,611 in 2020 (R$ 7,777 in 2019).

(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, 2020 arises from the following:

	12/31/2020
Primary distribution of shares of Localiza in 2006	48,174
Goodwill between 2011 and 2019 on realization of treasury shares for the options exercised	65,584
Negative goodwill in 2020 on realization of treasury shares for the options/shares exercised and the sale of treasury shares	(6,640)
Total	**107,118**

(d) 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, 2020 and 2019, R$ 52,409 and R$ 41,697, respectively, were recorded as legal reserve. This reserve amounted to R$ 272,974 at December 31, 2020 (R$ 220,565 at December 31, 2019).

(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$ 501,192 related to the remaining balance of the profit for 2019.

At December 31, 2020, Management proposed, subject to approval of the Annual General Meeting, the allocation of 100% of the remaining profit for 2020, in the amount of R$ 716,502, to the statutory reserve.

(e) Allocation of profit for the year

(i) Interest on capital and dividends

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	
	2020	2019
Profit for the year	1,048,180	833,938
Legal reserve (5%)	(52,409)	(41,697)
Profit for the year, basis for dividends proposal	**995,771**	**792,241**
Minimum dividends (25%)	**248,943**	**198,060**
Dividends and interest on capital proposed/distributed:		
Distributed interest on capital	261,141	291,049
Withholding income tax on interest on capital	(30,326)	(35,631)
Distributed interest on capital, net	230,815	255,418
Minimum mandatory dividend	18,128	-
Total	**248,943**	**255,418**
Percentage on profit for the year deducted from legal reserve	25.0%	32.2%
Gross dividends and interest on capital per share, net of treasury shares at the end of the year (in R$)	**R$ 0.372**	**R$ 0.385**

At December 31, 2020, management proposed for the approval of the Annual General Meeting the supplementary minimum mandatory dividend in the amount of R$ 18,128, considering that the amount distributed through interest on capital and 2020 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:

2020				
Approval date	**Total amount approved**	**Amount per share (R$)**	**Shareholding position date**	**Payment date**
03/10/2020	66,954	0.08901	03/13/2020	9/15/2020 (*)
06/18/2020	64,764	0.08622	06/23/2020	10/15/2020 (*)
09/04/2020	65,611	0.08735	09/10/2020	11/05/2020
12/10/2020	63,812	0.08491	12/15/2020	02/05/2021
Total	**261,141**			

(*) At the Board of Directors' Meeting held on April 1, 2020, the payment date of interest on capital was postponed from May 5, 2020 to January 5, 2021, in view of the impacts of the Covid-19 pandemic on the Company's business and on the domestic economy in general. Therefore, and due to the change in the number of treasury shares, the estimated gross value per share of interest on capital payable was changed from R$ 0.08860 to R$ 0.08901. At the Board of Directors' Meeting held on September 4, 2020, considering the improvement in the scenario in comparison with the impacts previously expected, the date of the payment of interest on capital was advanced as follows: (i) the payment scheduled for January 5, 2021 occurred on September 15, 2020; and (ii) the payment scheduled for April 5, 2021 occurred on October 15, 2020.

2019					
		Amount per share (in R$)			
Approval date	**Total amount approved**	**On approval date**	**For comparability (*)**	**Shareholding position date**	**Payment date**
03/21/2019	69,156	0.09641	0.09182	03/26/2019	05/20/2019
06/18/2019	75,503	0.10498	0.09998	06/24/2019	08/16/2019
09/04/2019	74,607	0.10368	0.09874	09/09/2019	11/08/2019
12/12/2019	71,783	0.09974	0.09499	12/17/2019	02/14/2020
Total	**291,049**				

(*) For comparability purposes, the amount of interest on capital per share was adjusted considering the 5% bonus in shares, approved at the Board of Directors' Meeting held on December 12, 2019.

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

	Consolidated	
	12/31/2020	**12/31/2019**
Dividends in addition to the mandatory minimum	18,128	-
Proposed interest on capital on profit for the 4th quarter	63,812	71,783
Provision for withholding income tax on interest on capital	(9,507)	(8,389)
Total dividends and interest on capital payable	**72,433**	**63,394**

19. 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 and Consolidated	
	2020	**2019**
Profit for the year	**1,048,180**	**833,938**
Basic earnings per share:		
Weighted average number of outstanding common shares (units)	752,024,521	749,849,604
Basic earnings per share (R$)	**1.39381**	**1.11214**
Diluted earnings per share:		
Weighted average number of outstanding common shares (units)	752,024,521	749,849,604
Dilutive effect of stock options (units)	906,214	811,205
Total shares subject to dilution (units)	752,930,735	750,660,809
Diluted earnings per share (R$)	**1.39213**	**1.11094**

20. 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.[1] 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 29 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

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

12/31/2019	Car rental	Fleet rental	Unallocated balances		Eliminations/ Reclassifications	Consolidated
Assets						
Cash and cash equivalents	-	-	2,220,102		-	**2,220,102**
Short-term investments	-	-	610,838		-	**610,838**
Trade receivables	1,122,277	168,641	-		(14,386)	**1,276,532**
Decommissioned cars for fleet renewal	25,172	116,563	-		-	**141,735**
Property and equipment	11,708,977	2,827,326	385,808	(*)	(352,540)	**14,569,571**
Other receivables	470,673	214,331	-		(110,822)	**574,182**
Total assets	**13,327,099**	**3,326,861**	**3,216,748**		**(477,748)**	**19,392,960**
Liabilities and equity						
Trade payables	2,292,364	288,476	-		(15,453)	**2,565,387**
Borrowings and debt securities	-	-	9,379,459		-	**9,379,459**
Other payables	1,916,482	556,760	-		(472,660)	**2,000,582**
Total liabilities	**4,208,846**	**845,236**	**9,379,459**		**(488,113)**	**13,945,428**
Equity	**-**	**-**	**5,447,532**		**-**	**5,447,532**
Total liabilities and equity	**4,208,846**	**845,236**	**14,826,991**		**(488,113)**	**19,392,960**

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

[1] Franchising does not meet the quantitative criteria required by IFRS / CPC for Reportable Segments and, therefore, started to be presented, as of 2020, together with the Car Rental segment. The information related to the year ended December 31, 2019 was restated for comparative purposes, being R$ 20,902 - net revenue, R$ 13,765 - assets and R$ 17,973 - liabilities.

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

2020	Car rental	Fleet rental	Reclassifications	Consolidated
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**

2019	Car rental	Fleet rental	Reclassifications	Consolidated
Net revenue	8,514,458	1,681,179	-	**10,195,637**
Cost	(6,585,797)	(1,093,464)	(6,683)	**(7,685,944)**
Gross profit	**1,928,661**	**587,715**	**(6,683)**	**2,509,693**
Operating expenses:				
Selling expenses	(676,622)	(73,784)	3,025	**(747,381)**
General, administrative and other expenses	(223,623)	(52,720)	3,658	**(272,685)**
Profit (loss) before finance costs, net	**1,028,416**	**461,211**	**-**	**1,489,627**
Finance costs, net				**(409,793)**
Profit before income tax and social contribution				**1,079,834**
Income tax and social contribution				**(245,896)**
Profit for the year				**833,938**

(iii) Consolidated depreciation and amortization expenses per operating division

	Consolidated	
	2020	**2019**
Car rental		
Car depreciation	342,631	332,763
Depreciation of other property and equipment and amortization of intangible assets	175,026	159,327
Fleet rental		
Car depreciation	130,309	218,655
Depreciation of other property and equipment and amortization of intangible assets	18,370	12,384
Total	**666,336**	**723,129**

21. 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	
	2020	**2019**	**2020**	**2019**
Gross revenue	8,512,209	8,733,350	10,793,989	10,658,884
Deductions:				
Discounts	(14,178)	(6,632)	(35,286)	(30,429)
Taxes (*)	(322,677)	(314,938)	(451,088)	(432,818)
Net revenue	**8,175,354**	**8,411,780**	**10,307,615**	**10,195,637**

(*) 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	
	Car rental	
	2020	**2019**
Geographic markets		
Revenue in Brazil	8,145,870	8,375,115
Exports revenue (*)	21,173	28,160
Royalties abroad	8,311	8,505
Net revenue	**8,175,354**	**8,411,780**
Revenue categories		
Car rental	3,134,898	3,032,427
Car sold for fleet renewal	5,040,456	5,379,353
Net revenue	**8,175,354**	**8,411,780**

	Consolidated					
	Car rental		Fleet rental		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Geographic markets						
Revenue in Brazil	8,256,314	8,477,793	2,021,817	1,681,179	**10,278,131**	**10,158,972**
Exports revenue (*)	21,173	28,160	-	-	**21,173**	**28,160**
Royalties abroad	8,311	8,505	-	-	**8,311**	**8,505**
Net revenue	**8,285,798**	**8,514,458**	**2,021,817**	**1,681,179**	**10,307,615**	**10,195,637**
Revenue categories						
Car rental	3,144,985	3,048,648	-	-	**3,144,985**	**3,048,648**
Fleet rental	-	-	1,053,462	940,278	**1,053,462**	**940,278**
Car sold for fleet renewal	5,140,813	5,465,810	968,355	740,901	**6,109,168**	**6,206,711**
Net revenue	**8,285,798**	**8,514,458**	**2,021,817**	**1,681,179**	**10,307,615**	**10,195,637**

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

At December 31, 2020 and 2019, the Company had a network of franchisees in four South American countries, in addition to Brazil, and its revenues derived substantially from its operations in the Brazilian market.

Minimum contracted revenue from Fleet Rental

The gross minimum contracted amounts of fleet rentals to be received by Localiza Fleet are as follows:

Year	Revenues
2021	870,005
2022	452,745
2023	168,964
2024 and onwards	22,250
Total	**1,513,964**

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.

22. 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	
	2020	2019	2020	2019	2020	2019
Cost of cars sold	(4,506,548)	(4,948,430)	-	-	**(4,506,548)**	**(4,948,430)**
Car maintenance, IPVA and others	(750,874)	(742,790)	-	-	**(750,874)**	**(742,790)**
Car depreciation	(335,850)	(327,981)	-	-	**(335,850)**	**(327,981)**
Salaries, payroll taxes and benefits	(397,393)	(332,009)	(360,260)	(302,288)	**(757,653)**	**(634,297)**
Property lease (*)	(67,844)	(62,309)	(165)	(4,423)	**(68,009)**	**(66,732)**
Third-party services	(173,145)	(160,962)	(173,205)	(143,676)	**(346,350)**	**(304,638)**
Profit sharing	(68,781)	(48,001)	(61,470)	(41,921)	**(130,251)**	**(89,922)**
Depreciation and amortization of other property and equipment and intangible assets	(128,364)	(116,664)	(71,849)	(63,515)	**(200,213)**	**(180,179)**
Water, electricity and telephone	(13,429)	(14,338)	(7,215)	(8,306)	**(20,644)**	**(22,644)**
Travel	(9,415)	(20,395)	(3,526)	(10,150)	**(12,941)**	**(30,545)**
Advertising	-	-	(61,227)	(75,967)	**(61,227)**	**(75,967)**
Commission	-	-	(80,841)	(80,991)	**(80,841)**	**(80,991)**
ECLs (**) and write-off of uncollectible amounts	-	-	(171,687)	(83,981)	**(171,687)**	**(83,981)**
PIS and COFINS credits, net	319,868	272,437	(71)	-	**319,797**	**272,437**
Reversal of provision for PIS and COFINS (note 17(c))	-	-	103,438	-	**103,438**	**-**
ICMS provision (note 17 (b))	-	-	(46,717)	-	**(46,717)**	**-**
Other	(111,199)	(121,209)	(44,098)	(83,815)	**(155,297)**	**(205,024)**
Total	**(6,242,974)**	**(6,622,651)**	**(978,893)**	**(899,033)**	**(7,221,867)**	**(7,521,684)**

	Consolidated					
	Costs		Selling, general, administrative and other expenses		Total	
	2020	2019	2020	2019	2020	2019
Cost of cars sold	(5,367,328)	(5,604,806)	-	-	**(5,367,328)**	**(5,604,806)**
Car maintenance, IPVA and others	(972,025)	(961,323)	-	-	**(972,025)**	**(961,323)**
Car depreciation	(472,940)	(551,418)	-	-	**(472,940)**	**(551,418)**
Salaries, payroll taxes and benefits	(434,994)	(365,595)	(435,407)	(375,072)	**(870,401)**	**(740,667)**
Property lease (*)	(71,065)	(66,482)	(107)	(4,940)	**(71,172)**	**(71,422)**
Third-party services	(201,167)	(200,731)	(192,721)	(155,431)	**(393,888)**	**(356,162)**
Profit sharing	(74,333)	(53,919)	(74,428)	(50,382)	**(148,761)**	**(104,301)**
Depreciation and amortization of other property and equipment and intangible assets	(120,452)	(107,365)	(72,944)	(64,346)	**(193,396)**	**(171,711)**
Water, electricity and telephone	(13,902)	(14,534)	(8,526)	(9,248)	**(22,428)**	**(23,782)**
Travel	(9,617)	(21,073)	(4,159)	(11,826)	**(13,776)**	**(32,899)**
Advertising	-	-	(65,323)	(79,066)	**(65,323)**	**(79,066)**
Commission	-	-	(82,605)	(82,770)	**(82,605)**	**(82,770)**
ECLs (**) and write-off of uncollectible amounts	-	-	(175,456)	(91,024)	**(175,456)**	**(91,024)**
PIS and COFINS credits, net	408,815	358,379	(71)	(426)	**408,744**	**357,953**
Reversal of provision for PIS and COFINS (note 17(c))	-	-	126,365	-	**126,365**	**-**
ICMS provision (note 17 (b))	-	-	(49,627)	-	**(49,627)**	**-**
Other	(79,639)	(97,077)	(62,225)	(95,535)	**(141,864)**	**(192,612)**
Total	**(7,408,647)**	**(7,685,944)**	**(1,097,234)**	**(1,020,066)**	**(8,505,881)**	**(8,706,010)**

(*) Property rentals for the car rental locations have a fixed and a variable portion, the latter linked to the location's revenue. In 2020, the Company recognized variable costs and expenses in the amount of R$ 37,062 in the Individual and R$ 37,120 in the Consolidated (R$ 32,770 in the Individual and R$ 33,690 in the Consolidated in 2019), 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$ 24,532 in the Individual and R$ 24,588 in the Consolidated. In addition, R$ 55,479 and R$ 58,640 were recognized in the Individual and Consolidated, respectively (R$ 33,962 in the Individual and R$ 37,732 in the Consolidated in 2019) related to contracts to which IFRS 16 does not apply.
(**) Allowance for doubtful debts and expected credit losses.

23. 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	
	2020	2019	2020	2019
Interest on short-term investments	75,615	165,964	106,555	226,295
Repurchase of debentures	34,710	-	40,561	-
PIS/COFINS on finance income	(5,445)	(7,718)	(7,459)	(10,436)
Other interest income	806	2,811	(1,687)	4,314
Total finance income	**105,686**	**161,057**	**137,970**	**220,173**
Interest expenses on borrowings, debt securities and derivative financial instruments	(250,724)	(340,209)	(423,692)	(552,917)
Interest expenses on leases (note 15)	(81,979)	(70,905)	(59,626)	(49,441)
Reversal of the monetary adjustment in the provision for contingency of PIS/COFINS credits (note 17(c))	7,164	-	8,656	-
Monetary adjustment in the provision for ICMS (note 17 (b))	(18,580)	-	(19,103)	-
Other interest expenses	(11,927)	(18,910)	(18,618)	(27,608)
Total finance costs	**(356,046)**	**(430,024)**	**(512,383)**	**(629,966)**
Total finance income (costs)	**(250,360)**	**(268,967)**	**(374,413)**	**(409,793)**

24. 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, 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	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets				
Amortized cost				
Cash and cash equivalents (note 4)	911,067	446,673	1,349,244	504,187
Trade receivables (note 6)	974,296	1,095,724	1,109,449	1,276,532
Receivables from insurance company (note 7)	192,307	146,229	194,835	148,162
Other receivables – subsidiaries (note 7)	5,765	144	-	-
Investments in restricted accounts (note 7)	-	-	44,959	44,566
Escrow deposits (note 17)	79,376	75,064	113,720	114,586
Financial assets at fair value through profit or loss				
Cash and cash equivalents (note 4)	664,419	1,176,003	1,237,149	1,715,915
Short-term investments (note 5)	1,040,917	267,018	1,380,211	610,838
Derivative financial instruments (note 14)	410,606	18,198	507,327	18,198
Financial liabilities				
Amortized cost				
Trade payables (note 11)	(1,458,302)	(2,290,871)	(1,661,001)	(2,565,387)

	Individual		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Borrowings and debt securities (note 13)	(7,636,551)	(6,629,067)	(10,497,723)	(9,379,459)
Payables to related parties (note 16)	(740)	(16,804)	-	-
Insurance premiums for transfer (note 16)	(145,397)	(123,946)	(146,715)	(125,948)
Restricted obligations (note 16)	-	-	(45,435)	(45,098)
Amount payable for the acquisition of MOBI7 (note 16)	-	-	(10,799)	-
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (note 14)	(9,872)	(4,456)	(103,549)	(89,099)

(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 Company's risk management is monitored by the Audit, Risk Management and Compliance Committee. In addition, the risk identification, analysis and monitoring are accompanied by the Board of Directors, which has the power to decide on the strategies to be adopted by the Company.

(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 fluctuation. 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 fluctuation, 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, 2020, the Company's net debt totaled R$ 6,127,341. Of this total, R$ 1,887,334, with fixed cost at an average rate of 6.69% 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$ 4,240,007 at December 31, 2020.

- 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 2.27% against the effective annual rate of 2.78% in 2020.

Description	Consolidated Probable scenario (*)	 Scenario I – 25% deterioration	 Scenario II – 50% deterioration
Net debt as at December 31, 2020	**6,127,341**	**6,127,341**	**6,127,341**
Debts at a fixed-rate and amounts hedged with swap to a fixed-rate	(1,887,334)	(1,887,334)	(1,887,334)
Net debt subject to the CDI fluctuation	**4,240,007**	**4,240,007**	**4,240,007**
Effective average annual CDI rate for the twelve-month period ended December 31, 2020	2.78%	2.78%	2.78%
Estimated average annual CDI rate, according to stress scenarios	2.27%	2.84%	3.41%
Effect on finance costs subject to the CDI rate fluctuation:			
- according to effective rate from January to December 2020.	(117,872)	(117,872)	(117,872)
- according to scenarios	(96,248)	(120,416)	(144,584)
(Increase) Decrease in finance costs for the next 12 months	**21,624**	**(2,544)**	**(26,712)**

- **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	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Cash and cash equivalents:				
At least Aa3 in the Moody´s scale or equivalent in another rating agency	1,560,974	1,606,430	2,570,155	2,202,980
Cash and banks	14,512	16,246	16,238	17,122
Total cash and cash equivalents (note 4)	**1,575,486**	**1,622,676**	**2,586,393**	**2,220,102**
Short-term investments:				
At least Aa3 in the Moody´s scale or equivalent in another rating agency	1,040,917	267,018	1,380,211	610,838
Total short-term investments (note 5)	**1,040,917**	**267,018**	**1,380,211**	**610,838**
Trade receivables — customers	551,005	655,601	666,861	817,801
Trade receivables – credit cards:				
Aaa in the Moody's scale	96,801	147,338	98,744	148,569
Sundry	326,490	292,785	343,844	310,162
Total trade receivables (note 6)	**974,296**	**1,095,724**	**1,109,449**	**1,276,532**
Total	**3,590,699**	**2,985,418**	**5,076,053**	**4,107,472**

- **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 1.90% at December 31, 2020, is as follows:

	Individual						
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**Total**
Debentures - 11th issuance	9,543	458,690	-	-	-	-	**468,233**
Debentures - 12th issuance	13,880	14,003	13,947	697,049	-	-	**738,879**
Debentures - 13th issuance	12,033	411,285	400,981	101,279	99,258	-	**1,024,836**
Debentures - 14th issuance	15,085	15,085	15,024	342,545	138,437	265,811	**791,987**
Debentures - 15th issuance	15,897	15,960	15,833	15,960	401,259	401,363	**866,272**
Debentures - 16th issuance	29,410	29,364	29,364	348,074	353,452	343,113	**1,132,777**
Promissory notes - 7th issuance	530,161	-	-	-	-	-	**530,161**
Working capital	115,497	346,328	297,730	-	-	-	**759,555**
Foreign currency borrowings	665,814	219,038	569,970	5,558	355,072	-	**1,815,452**
Total	**1,407,320**	**1,509,753**	**1,342,849**	**1,510,465**	**1,347,478**	**1,010,287**	**8,128,152**

	Consolidated							
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**Total**
Debentures - 11th issuance	9,543	458,690	-	-	-	-	-	**468,233**
Debentures - 12th issuance	13,880	14,003	13,947	697,049	-	-	-	**738,879**
Debentures - 13th issuance	12,033	411,285	400,981	101,279	99,258	-	-	**1,024,836**
Debentures - 14th issuance	15,085	15,085	15,024	342,545	138,437	265,811	-	**791,987**
Debentures - 15th issuance	15,897	15,960	15,833	15,960	401,259	401,363	-	**866,272**
Debentures - 16th issuance	29,410	29,364	29,364	348,074	353,452	343,113	-	**1,132,777**
Promissory notes - 7th issuance	530,161	-	-	-	-	-	-	**530,161**
Debentures of Localiza Fleet - 5th issuance	4,284	4,272	4,272	4,272	206,699	-	-	**223,799**
Debentures of Localiza Fleet - 6th issuance	7,057	7,114	7,086	341,717	-	-	-	**362,974**
Debentures of Localiza Fleet - 7th issuance	6,152	6,158	6,133	6,084	306,158	-	-	**330,685**
Debentures of Localiza Fleet - 8th issuance	28,938	28,980	347,939	352,480	343,141	-	-	**1,101,478**
Working capital	119,947	350,754	373,872	127,733	-	-	-	**972,306**
CRI	12,044	15,329	18,463	21,002	25,819	30,393	275,869	**398,919**
Prepurchase financing poll	15,393	5,708	481	-	-	-	-	**21582**
Foreign currency borrowings	966,756	302,882	650,994	5,558	355,072	-	-	**2,281,262**
Total	**1,786,580**	**1,665,584**	**1,884,389**	**2,363,753**	**2,229,295**	**1,040,680**	**275,869**	**11,246,150**

At December 31, 2020, the balance of cash and cash equivalents and short-term investments was R$ 2,616,403 in the Individual and R$ 3,966,604 in the Consolidated, compatible with the business cycle and with the macroeconomic environment.

(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, 2020 and 2019:

	Consolidated	
	12/31/2020	**12/31/2019**
Short and long-term debts (note 13)	10,497,723	9,379,459
Derivative financial instruments (note 14)	(403,778)	70,901
Cash and cash equivalents (note 4)	(2,586,393)	(2,220,102)
Short-term investments (note 5)	(1,380,211)	(610,838)
Net debt	**6,127,341**	**6,619,420**
Equity	6,052,659	5,447,532
Debt ratio (net debt / equity)	**1.01**	**1.22**
Fleet value (*)	12,963,790	13,515,873
Net debt / fleet value	**0.47**	**0.49**

(*) 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, 2020 and 2019 are as follows:

	Individual			
	Carrying amount		Fair value	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial liabilities – other financial liabilities:				
Borrowings and debt securities	(7,636,551)	(6,629,067)	(7,355,408)	(6,397,979)

	Consolidated			
	Carrying amount		Fair value	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial liabilities – other financial liabilities:				
Borrowings and debt securities	(10,497,723)	(9,379,459)	(9,982,458)	(8,996,481)

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.

25. SUPPLEMENTARY PENSION PLAN

Since August 2011, the Company has offered a supplementary pension plan. In December 2019, the Company contracted a new supplementary pension plan, which came into force in 2020, established in the form of a “defined contribution” and managed by a large independent management company, and the participants of previous plans were allowed the adherence and portability of their reserves to the new plan. For participants that do not transfer all their reserves to the current plan, the Company will preserve the vesting rules of the reserves established under previous plans, safeguarding the vested rights.

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 2020, contributions made by the Company totaled R$ 1,613 in the Individual and R$ 1,972 in the Consolidated (R$ 2,547 in the Individual and R$ 3,365 in the Consolidated in 2019), which were allocated to line items “cost”, “selling expenses” and “general and administrative expenses” in profit or loss, as applicable.

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, 2020.

Belo Horizonte, February 24, 2021

Eugênio Pacelli Mattar	Rodrigo Tavares Gonçalves de Sousa
CEO	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 related to the financial statements of Localiza for the year ended December 31, 2020.

Belo Horizonte, February 24, 2021

Eugênio Pacelli Mattar	Rodrigo Tavares Gonçalves de Sousa
CEO	CFO and Investor Relations Officer

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

LOCALIZA RENT A CAR S.A.
National Corporate Taxpayers' Registry (CNPJ) 16.670.085/0001-55
NIRE 3130001144-5

Statement of the Audit, Risk and Compliance Management Committees Meeting held on February 24, 2021

Date, Time and Place: February 24, 2021, at 9AM, in accordance with paragraph 3 of article 13 of the Company's Bylaws.

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

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

Agenda: (1) To meet with the independent auditors and discuss the Independent Auditors' Report; **(2)** To evaluate the Company's Management Report for the year ended December 31, 2020, the Company's Financial Statements as of December 31, 2020 and the proposal for allocation of net income and dividends for the year of 2020.

Matters discussed and manifestations of the Committee:

(1) The Committee met with the Company's independent auditors, Deloitte Touche Tohmatsu Auditores Independentes, represented by the partner Mr. Daniel de Carvalho Primo. Mr. Daniel presented the audit work related to the Financial Statements of December 31, 2020 and presented the Independent Auditor's Report, to be issued without qualifications. In addition, the auditors reported that the following had not occurred: (i) any material disagreement between the judgment of the audit team and that of the Management; (ii) difficulties encountered in performing the audit; and (iii) discussion about 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, 2020, 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, 2020; and (ii) the Financial Statements as of December 31, 2020, 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 2020 as follows: (i) R$52,409,069.88 for constitution of a legal reserve; (ii) R$279,270,118.46 to shareholders as dividends and interests on capital of which R$261,143,529.16 were previously credited as interests on capital, and (iii) R$716,502,209.22 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 Management and Compliance Committee, held on February 24, 2021, is filed at the Company's headquarters.

Alehandra Castro Brant
Secretary of the Audit, Risk Management and Compliance Committee

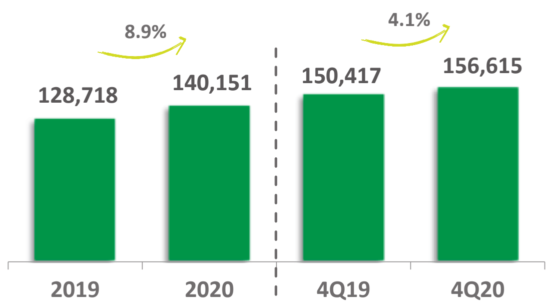
COMMENTS ON THE PERFORMANCE OF BUSINESS PROJECTIONS

The Company did not disclose any projections for 2021 and 2020.

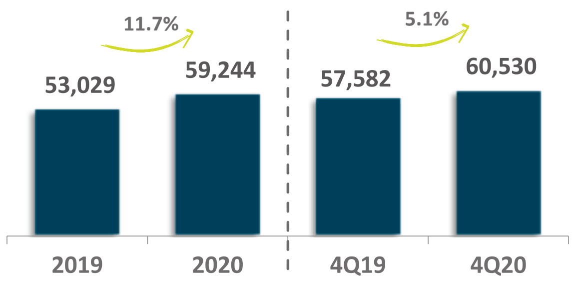
Major highlights of 2020

OPERATING HIGHLIGHT

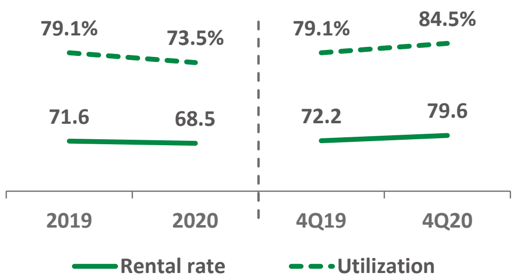
Average rented fleet – Car Rental



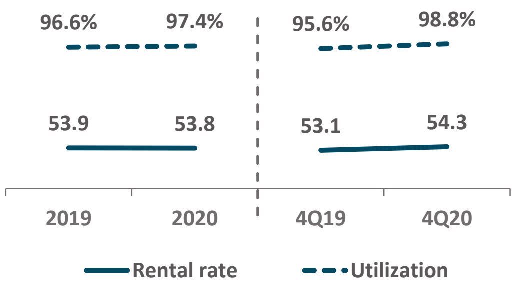
Average rented fleet – Fleet Rental



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

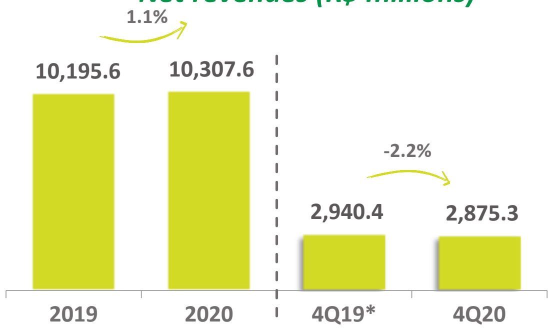


Average rental rate (in R$) and utilization rate (%) Fleet Rental



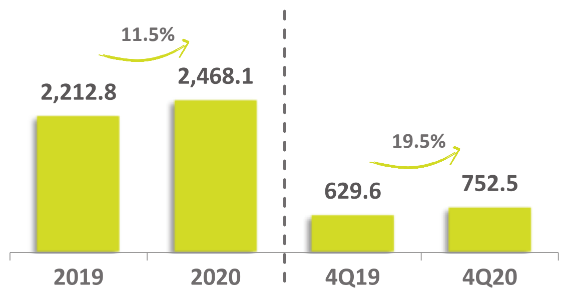
CONSOLIDATED FINANCIAL HIGHLIGHT

Net revenues (R$ millions)

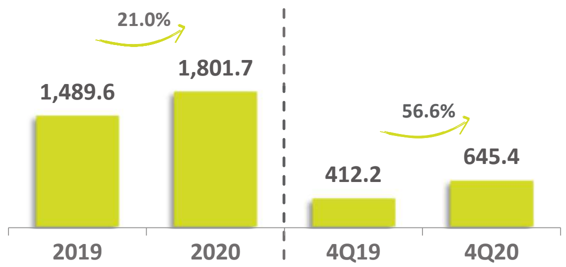


(*) GAAP number including the effects of the reclassification of PIS and COFINS credits for the period

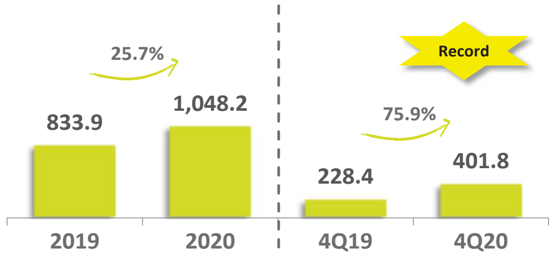
EBITDA (R$ millions)



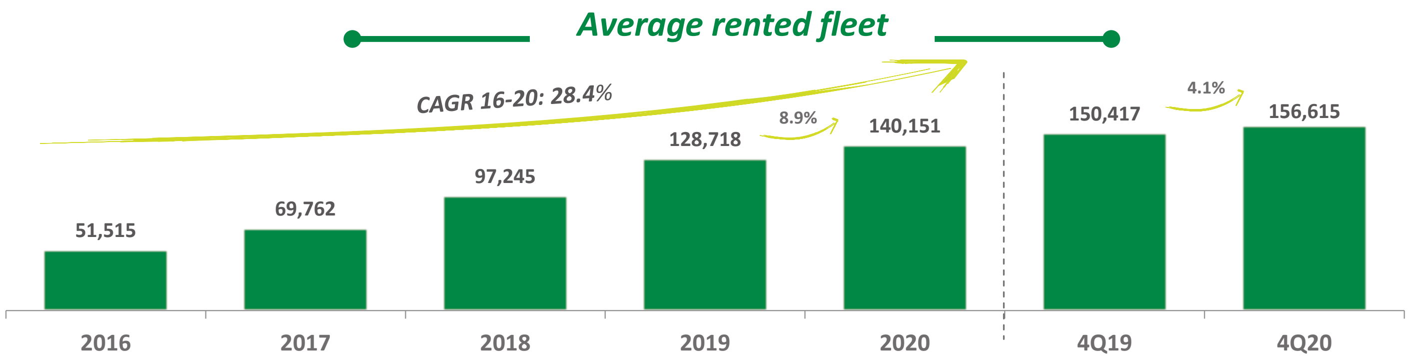
EBIT (R$ millions)

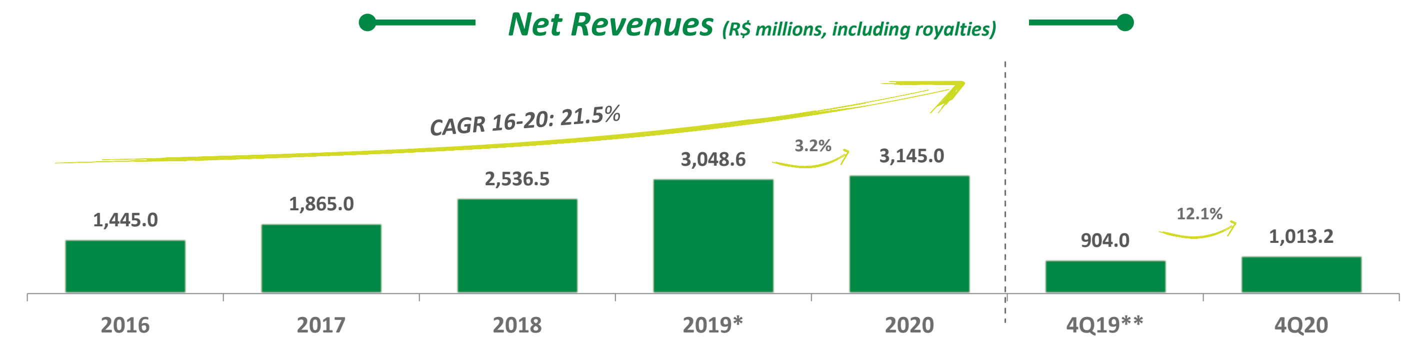


Net Income (R$ millions)



1 - Rent a Car



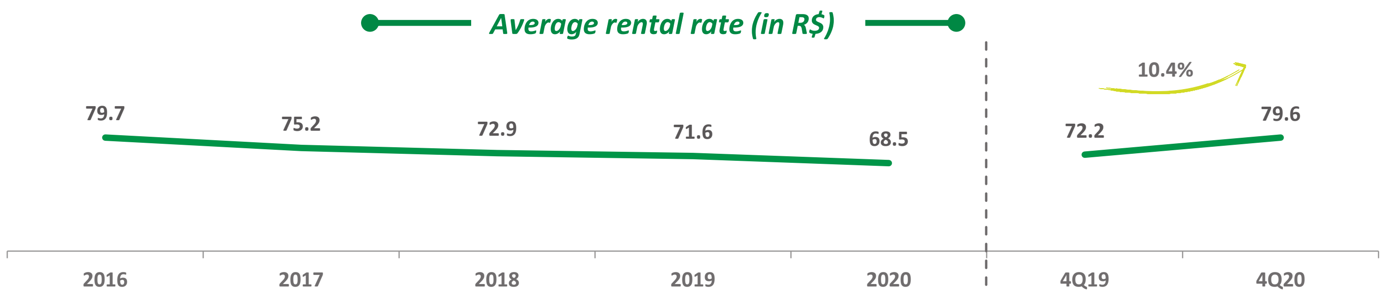


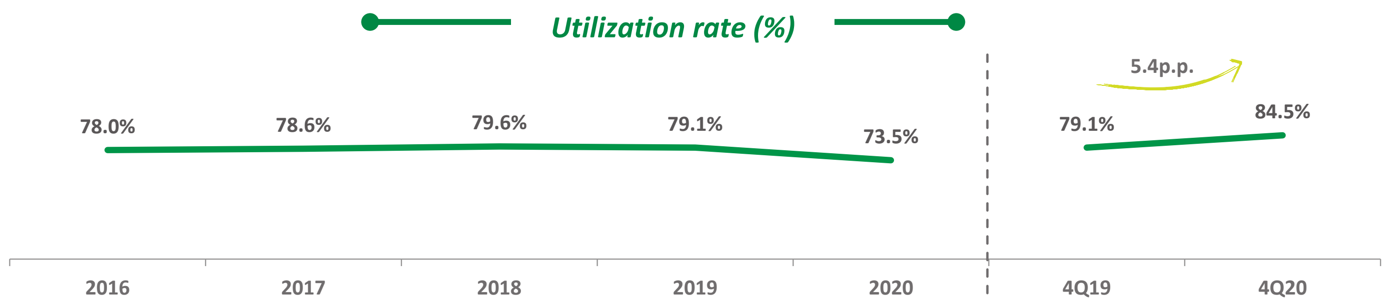
(*) From 2019 the Company begun to record PIS and COFINS credits in SG&A. Before, those credits were recorded as a reduction of sales taxes.
(**) GAAP number including the reclassification of PIS and COFINS credits for the period

In 4Q20, the **Car Rental** division's average rented fleet increased 4.1% versus 4Q19. In the same period, net revenues increased 12.1% due to the 10.4% growth in the average rental rate.

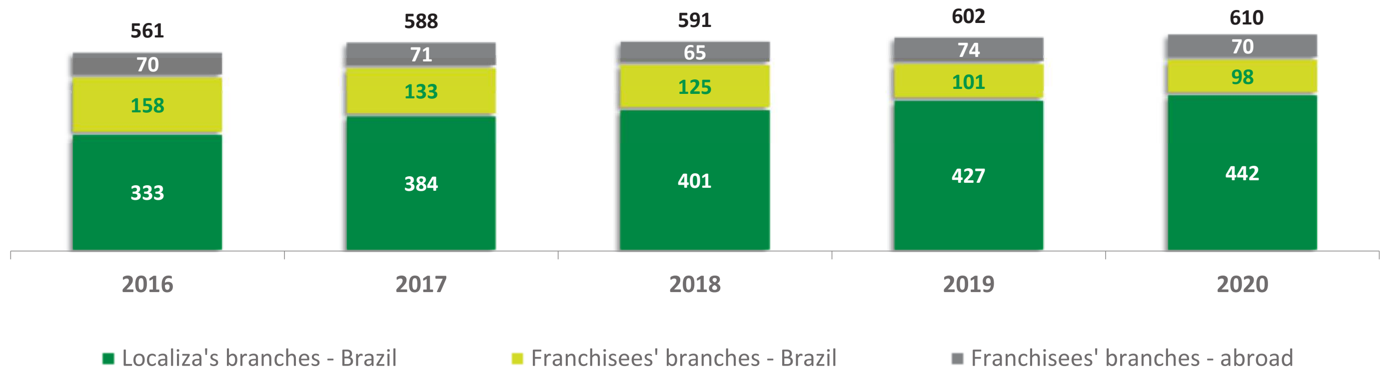
Comparing to prior year there was an increase of 8.9% in the average rented fleet and 3.2% in the revenue of this division, with the average rental rate showing a decrease by 4.3%, mainly impacted in 2Q20 by the pandemic.

With a fleet utilization rate above 84% in 4Q20, we took advantage of the high season to prioritize higher tariffs segments.



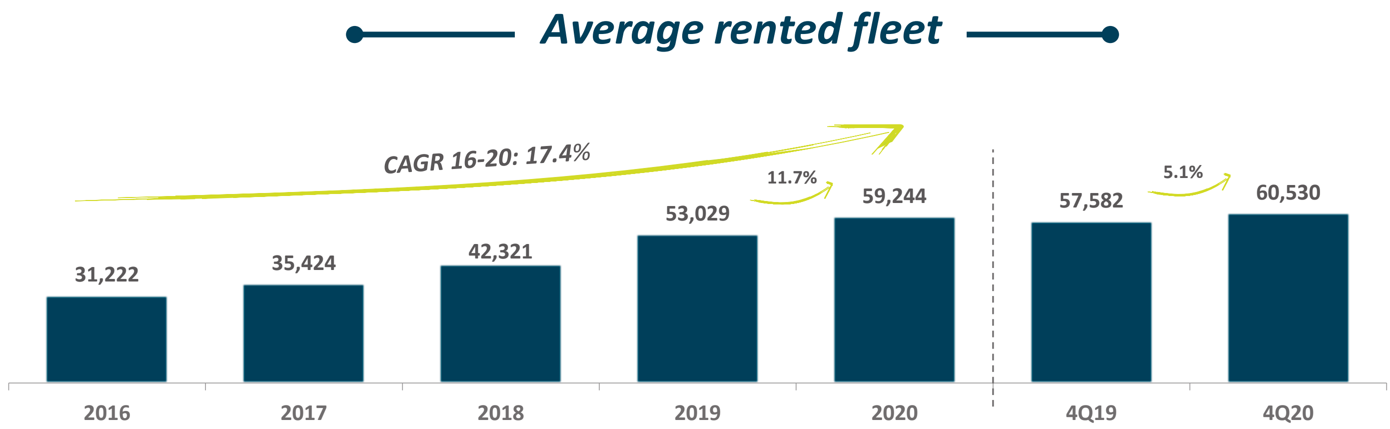


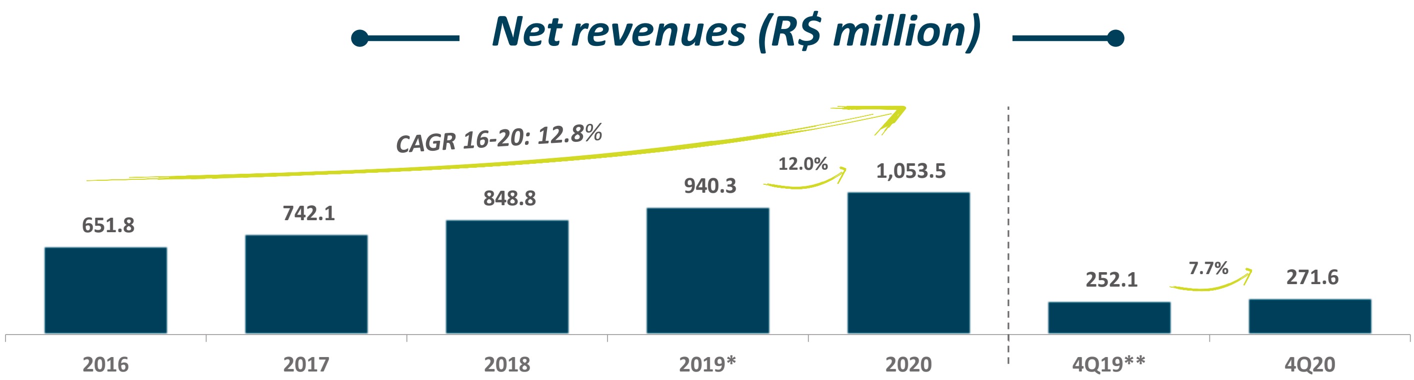
1.1 - Distribution network



Localiza ended the year with 610 rental locations, being 540 in Brazil and 70 in 4 other South American countries. 15 branches were added to our own network in 2020.

2 – Fleet Rental





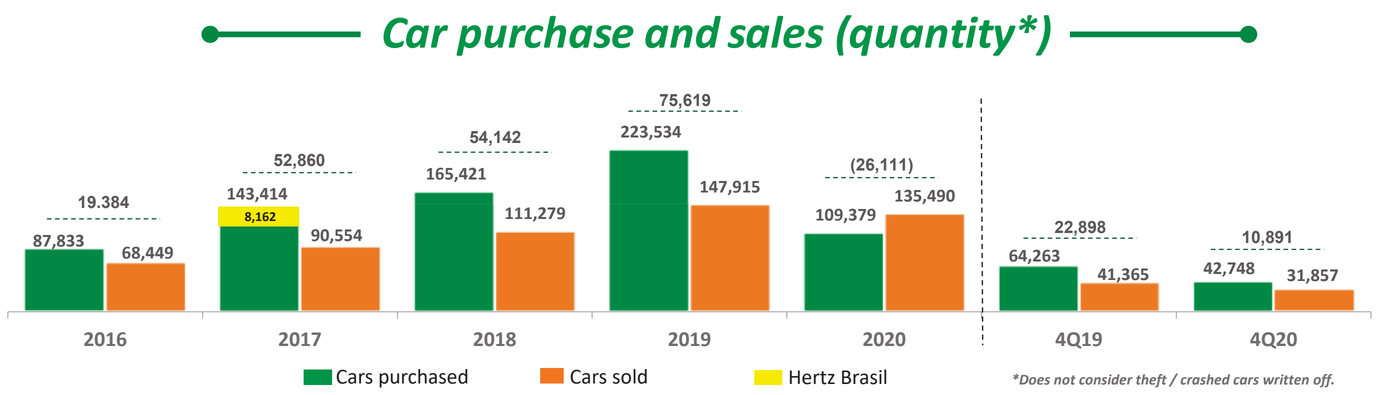
(*) From 2019 the Company begun to record PIS and COFINS credits in SG&A. Before, those credits were recorded as a reduction of sales taxes.
(**) GAAP number including the reclassification of PIS and COFINS credits for the period

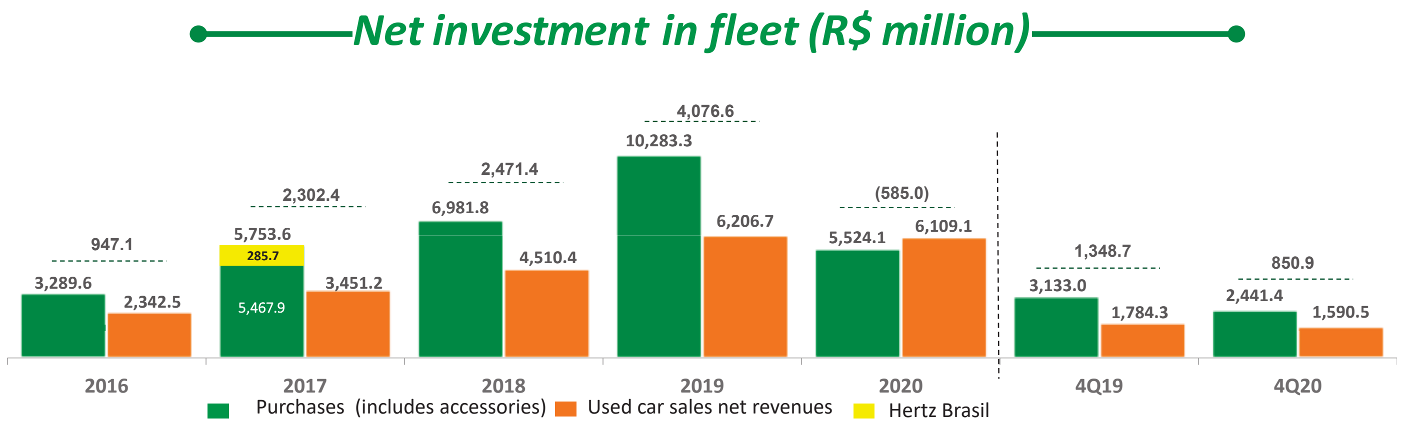
In 4Q20, **Fleet Rental** division registered 5.1% increase in the average rented fleet and 7.7% in net revenues, compared to the same period of the prior year, with the average rental rate 2.3% higher. In 2020, there was an increase of 11.7% in the average rented fleet and 12.0% in the revenue of this division.

In September of 2020 we announced the launch of Localiza Meoo, our long-term subscription car solution, creating a new lever for Company's growth.

3 - Fleet

3.1 – Net investment in the fleet

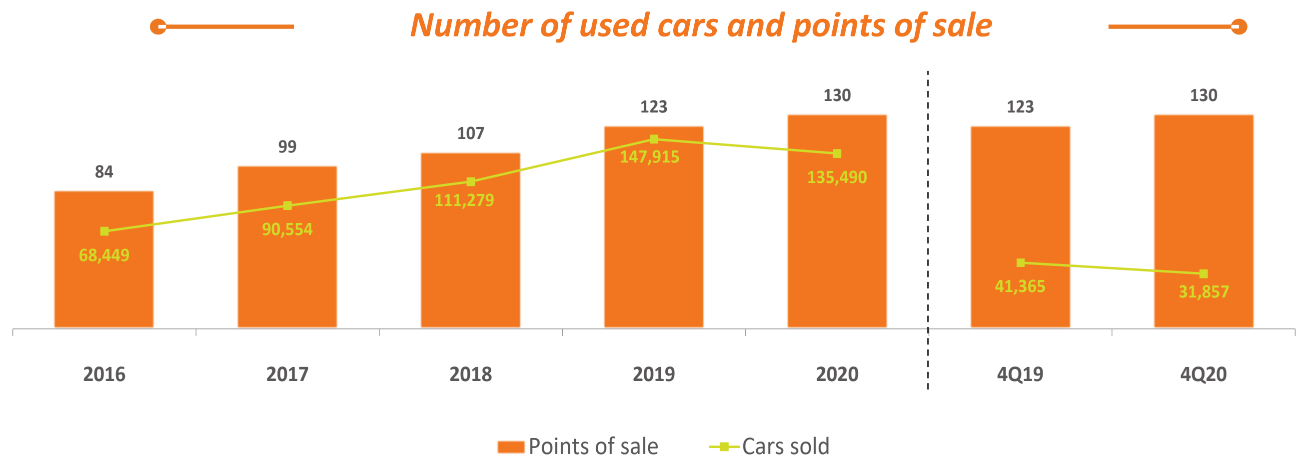




In 4Q20, given the context of lower levels of new car production, we postponed the decommissioning of the **Car Rental** fleet to service the demand during the high peak of summer vacation and reduced the pace of sale in **Seminovos**. In 4Q20, 31,857 cars were sold and 42,748 were purchased, resulting in an increase of 10,891 cars in the fleet and a net investment of R$ 850.9 million.

In 2020, 109,379 cars were purchased and 135,490 were sold, resulting in a reduction of 26,111 cars in the fleet and cash generation of R$585.0 million.

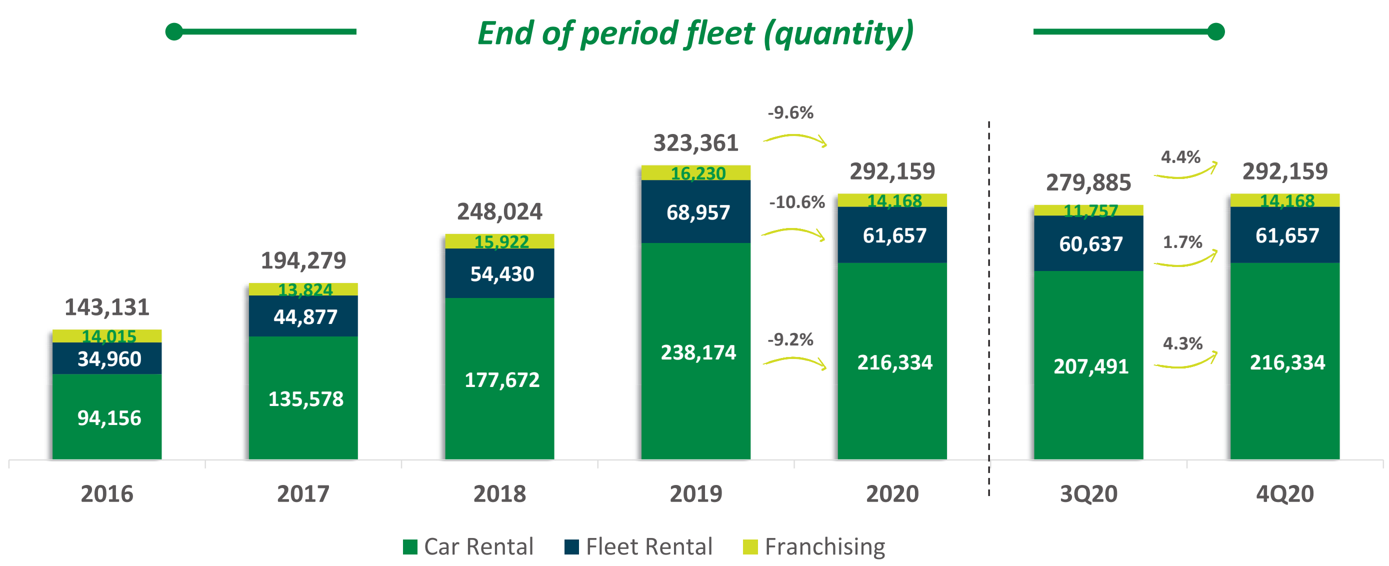
4 – Seminovos – Number of points of sale



	2016	2017	2018	2019	2020	Var. % YoY	4Q19	4Q20	Var.% QoQ
Average price of cars sold (R$ thousand)	34.3	38.2	40.6	42.1	45.2	7.4%	43.3	50.0	15.7%

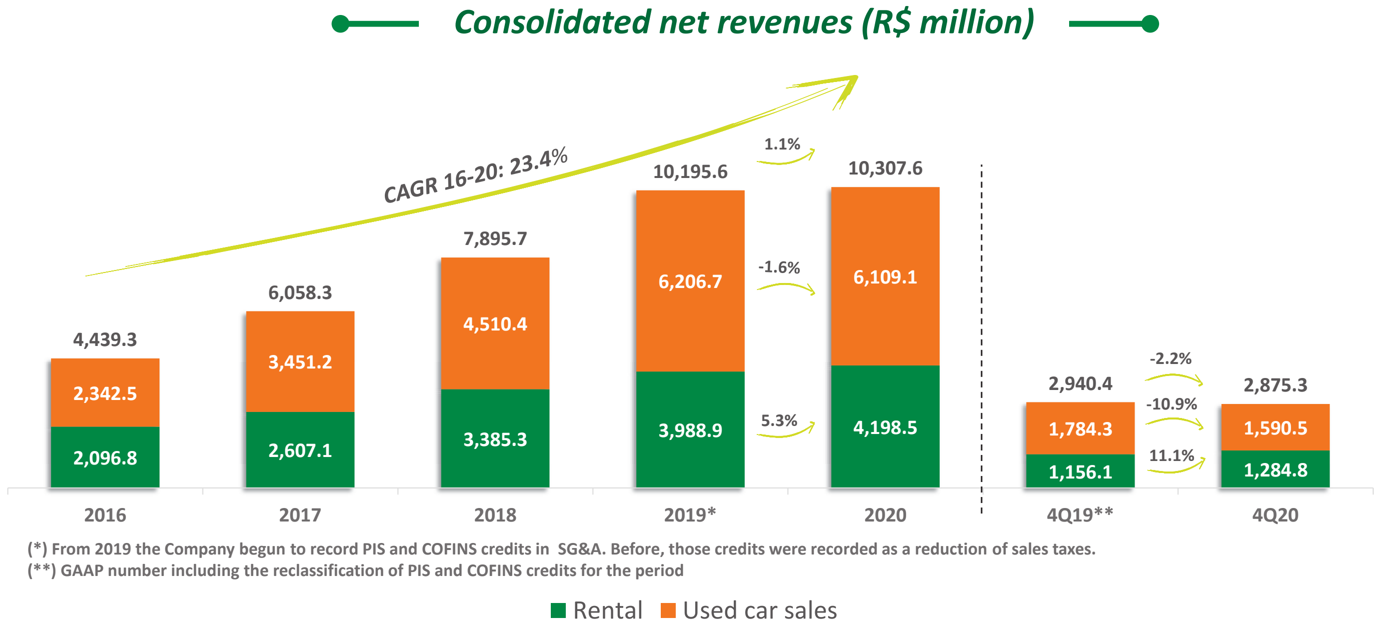
We ended 2020 with 130 **Seminovos** stores, in 89 cities in Brazil. In 4Q20, the average price of cars sold reached R$50.0 thousand per car, an increase of 15.7%.

5 – End of period fleet



In 2020, the fleet was reduced by 9.6% due to the reduction in car purchases and the number of cars available for sale. Even so, resulting from the optimization of the utilization rate, the average rented fleet grew both in the **Car Rental** and **Fleet Rental** divisions.

6 – Net revenues - consolidated

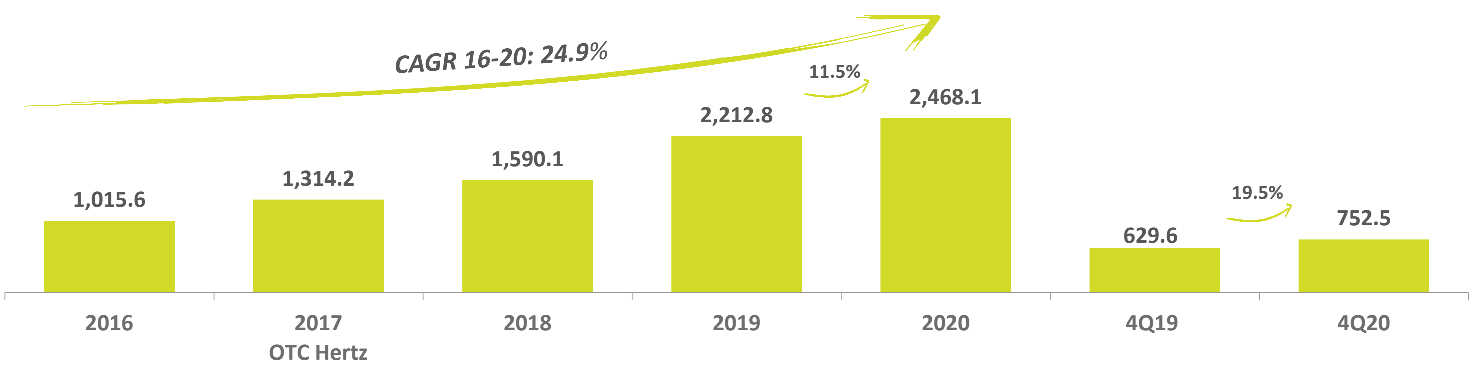


In 4Q20, consolidated net revenues decreased 2.2%, due to lower sales of **Seminovos** to service the demand during the summer season in **Car Rental,** in a context of lower availability of new cars. Compared to 4Q19, net rental revenues increased 11.1%, being 12.1% in **Car Rental** and 7.7% in **Fleet Rental** divisions. **Seminovos** net revenues in 4Q20 decreased 10.9%, compared to the same period last year, due to the lower volumes made available for sale, partially offset by the 15.7% increase in the average sale price.

In 2020, consolidated net revenues increased 1.1% when compared to 2019. Net rental revenues increased by 5.3%, with a 3.2% increase in the **Car Rental** division, mostly impacted by the pandemic, and a 12.0% increase in the **Fleet Rental** division. **Seminovos** net revenues decreased 1.6% when compared to the previous year, with a 8.4% reduction in the volumes of cars sold, due to the closing of stores between March and April this year, the most critical period of the pandemic, and the reduction in volumes available for sale in 4Q20, as previously mentioned. Average sales prices increased 7.4% in the year, reflecting the growth in new car prices.

7 - EBITDA

Consolidated EBITDA (R$ million)



EBITDA margin:	2016	2017*	2018	2019**	2020	4Q19**	4Q20
Car Rental and Franshising	32.4%	34.9%	35.9%	45.7%	45.3%	46.5%	41.2%
Fleet Rental	64.5%	61.9%	64.0%	67.7%	72.4%	67.1%	64.5%
Rental Consolidated	42.3%	42.6%	43.0%	50.9%	52.1%	51.0%	46.1%
Used Car Sales	5.5%	5.9%	3.0%	3.0%	4.6%	2.3%	10.1%
Consolidated (on rental revenue)	48.4%	50.4%	47.0%	55.5%	58.8%	54.5%	58.6%

(*) 2017 adjusted by the one-time costs incurred (OTC) - Hertz Brasil acquisition and franchisees incorporation
(**) 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 4Q20, consolidated EBITDA totaled R$752.5 million, 19.5% higher than the same period of the prior year.

Compared to 4Q19, this quarter was impacted by the recomposition of wages for employees who had a reduction in compensation in the period of MP 936 (Government's provisional measure to protect jobs in response to the pandemic, converted into Law 14.020/20); increase in the provision for doubtful debtors in the context of pandemic in the **Car Rental** division; complement of the profit sharing provision due to the results of the year; increase of tax provisions and costs associated with the removal of the Hertz brand from our branch network. Such expenses impacted the margins of business divisions, especially **Car Rental**.

In the **Car Rental** division, EBITDA margin was 41.2% in 4Q20, a decrease of 5.3p.p. as compared to 4Q19. In the **Fleet Rental** division, the EBITDA margin was 64.5%, a decrease of 2.6p.p. in the same comparison.

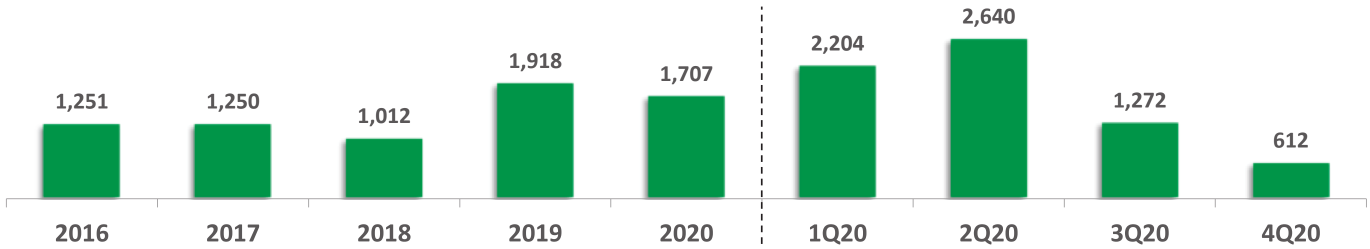
On the other hand, the increase in the price of new cars reflected in the increase in **Seminovos** prices, positively impacting its EBITDA margin, even with the reduction in sales volumes this quarter. EBITDA margin reached 10.1% in 4Q20, 7.8 p.p. higher than the same period last year.

The consolidated EBITDA margin on rental revenue reached 58.5%, an expansion of 4.1 pp. compared to 4Q19.

8 - Depreciation

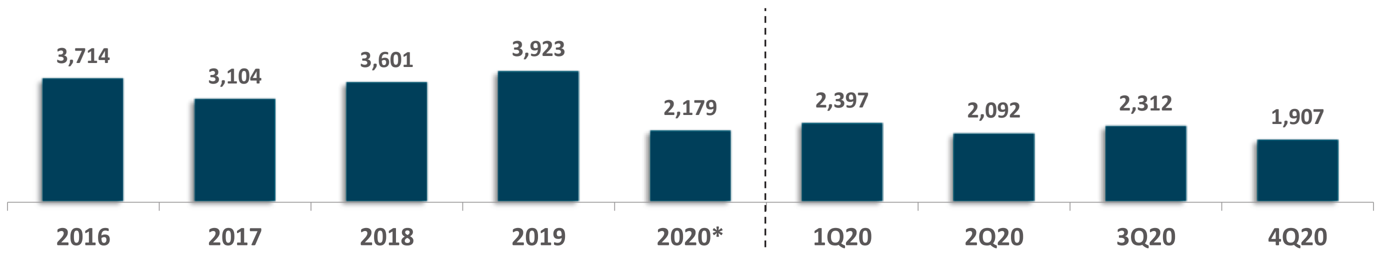
Depreciation is calculated using the straight-line method, considering the difference between the purchase price of the car and the estimated selling price at the end of its useful life, net of estimated costs and expenses to sell it.

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



During the second half of 2020, there was a significant increase in market prices for new and used cars. As previously shown, the average price of cars sold increased by 7.4% in the year and 15.7% in 4Q20. In addition, the increase in the average age of cars means that a reasonable part of our fleet is already depreciated, contributing to the reduction in the average depreciation per car.

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

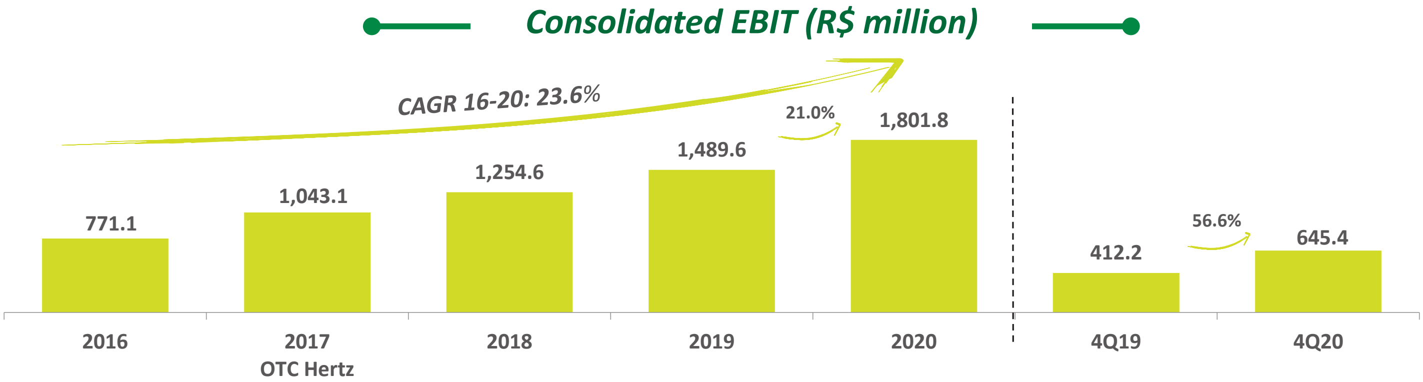


*Since 2020, the Company began depreciating the Fleet Rental cars using the linear method opposed to the SOYD (Sum-of-the-years' digits

In the **Fleet Rental** division, the average depreciation per car in 4Q20 was R$1,907. Depreciation in this division was reduced by increases in the sale price, as mentioned above. Also, we remind you that since 1Q20 we have changed the depreciation method from SOYD to linear. In the transition period, the average depreciation is benefited due to the cars that were already 100% depreciated before the end of their operational life and the entry of new cars with lower depreciation in the first year, compared to the SOYD method(1).

(1) SOYD: Sum-of-the-Years'-Digits – method of calculating depreciation by adding the sum of the years' digits.

9 - EBIT



EBIT margins include Seminovos sales results, but is calculated over the rental revenues:

	2016	2017*	2018	2019**	2020	4Q19 **	4Q20
Car Rental and Franshising	30.2%	35.2%	33.2%	33.7%	35.1%	32.1%	46.7%
Fleet Rental	51.2%	51.4%	48.6%	49.1%	66.4%	48.3%	63.4%
Consolidated	36.8%	40.0%	37.1%	37.3%	42.9%	35.7%	50.2%

(*) 2017 adjusted by the one-time costs (OTC) incurred - Hertz Brasil acquisition and franchisees incorporation
(**) EBIT margin calculated based on the GAAP number including the reclassification of PIS and COFINS credits for the period

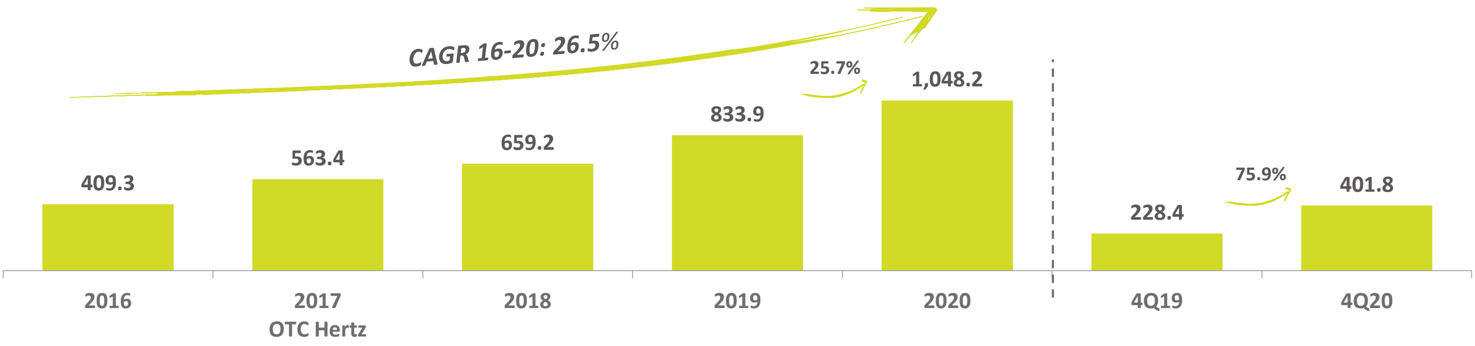
Consolidated EBIT in 4Q20 totaled R$645.4 million, representing an increase of 56.6% compared to 4Q19.

In 4Q20, the EBIT margin of the **Car Rental** division, was 46.7%, representing an increase of 14.6p.p. compared to 4Q19. In the **Fleet Rental** division, the EBIT margin totaled 63.4%, an increase of 15.1p.p. compared to the same period last year.

The margins improvement in the rental divisions reflect the reduction in average depreciation per car and the higher EBITDA margin in the sale of **Seminovos** compared to the same period last year.

10 - Consolidated net income

Consolidated net income (R$ million)



EBITDA x Net income **reconciliation**	2016	2017*	2018	2019	2020	Var. R$	Var. %	4Q19	4Q20	Var. R$	Var. %
Consolidated EBITDA	**1,015.6**	**1,314.2**	**1,590.1**	**2,212.8**	**2,468.1**	255.3	11.5%	**629.6**	**752.5**	122.9	19.5%
Cars depreciation	**(206.3)**	**(232.0)**	**(291.6)**	**(551.5)**	**(473.0)**	78.5	-14.2%	**(171.2)**	**(57.3)**	113.9	-66.5%
Other property depreciation and amortization	**(38.2)**	**(39.1)**	**(43.9)**	**(171.7)**	**(193.4)**	(21.7)	12.6%	**(46.2)**	**(49.8)**	(3.6)	7.8%
EBIT	**771.1**	**1,043.1**	**1,254.6**	**1,489.6**	**1,801.7**	312.1	21.0%	**412.2**	**645.4**	233.2	56.6%
Financial expenses, net	**(243.5)**	**(315.0)**	**(368.9)**	**(409.8)**	**(374.4)**	35.4	-8.6%	**(112.5)**	**(65.0)**	47.5	-42.2%
Income tax and social contribution	**(118.3)**	**(164.7)**	**(226.5)**	**(245.9)**	**(379.1)**	(133.2)	54.2%	**(71.3)**	**(178.6)**	(107.3)	150.5%
Net income of the period	409.3	563.4	659.2	833.9	1,048.2	**214.3**	**25.7%**	228.4	401.8	**173.4**	**75.9%**

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

Net income in 4Q20 was R$401.8 million, representing an increase of 75.9% over 4Q19, resulting from:

(+) R$122.9 million increase in EBITDA,

(+) R$110.3 million reduction in depreciation,

(+) R$47.5 million lower net financial expenses, mainly due to lower interest rate, in addition to the positive mark-to-market of swap contracts and discounts obtained in the debenture repurchase program, and

(-) R$107.3 million increase in income tax and social contribution, due to the higher taxable profit and higher average rate.

11 – Free cash flow (FCF)

	Free cash flow (R$ million)	2016	2017	2018	2019	2020
Operations	EBITDA	1,015.7	1,314.2 *	1,590.1	2,212.8	2,468.1
	Used car sale revenue, net of taxes	(2,342.6)	(3,451.2)	(4,510.4)	(6,206.7)	(6,109.1)
	Net book value of vehicles written-off	2,102.5	3,106.6	4,198.5	5,863.6	5,599.9
	(-) Income tax and social contribution	(93.3)	(108.3)	(131.2)	(146.1)	(250.1)
	Change in working capital	(40.8)	(47.9)	(117.4)	(268.9)	103.5
	Cash generated by rental operations	641.5	813.4	1,029.6	1,454.7	1,812.3
Capex - renewal	Used car sale revenue, net from taxes – fleet renewal	2,342.6	3,451.2	4,510.4	6,206.7	4,886.9
	Fleet renewal investment	(2,563.6)	(3,660.9)	(4,696.7)	(6,804.6)	(5,524.1)
	Change in accounts payable to car suppliers for fleet renewal	219.8	227.6	250.1	468.7	235.1
	Net investment for fleet renewal	(1.2)	17.9	63.8	(129.2)	(402.1)
	Fleet renewal – quantity	68,449	90,554	111,279	147,915	109,379
Investment, property and intangible		(40.9)	(28.8)	(42.8)	(70.0)	(108.0)
Free cash flow from operations, before fleet increase or reduction		599.4	802.5	1,050.6	1,255.5	1,302.2
Capex - Growth	(Investment) / Divestment in cars for fleet growth	(726.0)	(1,807.0)	(2,285.1)	(3,478.7)	1,222.2
	Change in accounts payable to car suppliers for fleet growth	26.8	168.7	509.4	23.6	(943.4)
	Acquisition of Hertz and franchisees (fleet value)	-	(285.7)	-	(105.5)	-
	Net investment for fleet growth	(699.2)	(1,924.0)	(1,775.7)	(3,560.6)	278.8
	Fleet increase / (reduction) – quantity	19,384	52,860	54,142	75,619	(26,111)
Free cash flow after growth		(99.8)	(1,121.5)	(725.1)	(2,305.0)	1,581.0
Capex - non-recurring	Acquisitions and francisees acquision- except fleet value	-	(121.5)	-	(18.2)	(7.9)
	New headquarters construction and furniture	(85.7)	(146.2)	-	-	-
Free cash generated before the cash effects of discounts and anticipation of payables to		(185.5)	(1,389.2)	(725.1)	(2,323.2)	1,573.1
Cash effects of receivables and anticipation of payables to suppliers (**)		98.0	88.3	(113.2)	(131.8)	(293.1)
Free cash flow before interest		(87.5)	(1,300.9)	(838.3)	(2,455.0)	1,280.0

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.
(**) Discount of credit card receivables and anticipation of accounts payable were demonstrated in a different line so that the Free Cash Flow From Operations considered only the contractual terms, reflecting the Company's operation.

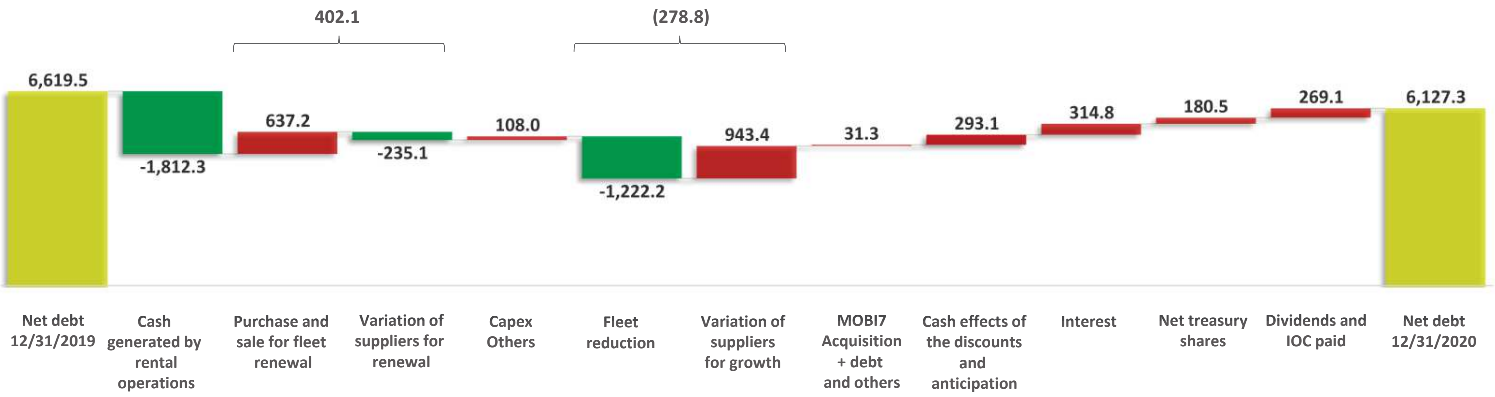
In 2020, the Company generated R$1,302.2 million in cash before growth, due to the generation of R$1,812.3 million from rental activities, partially offset by the consumption of R$402.1 million for fleet renewal.

In addition, the Company generated another R$278.8 million from fleet reduction, already net of the reduction of R$943.4 million in accounts payable to the OEMs.

The balance of the OEM's account payable, which ended 2019 with at R$2,407.5 million, was reduced in 4Q20 to R$1,418.3 million.

12 – Net debt

12.1 – Change in net debt – R$ million



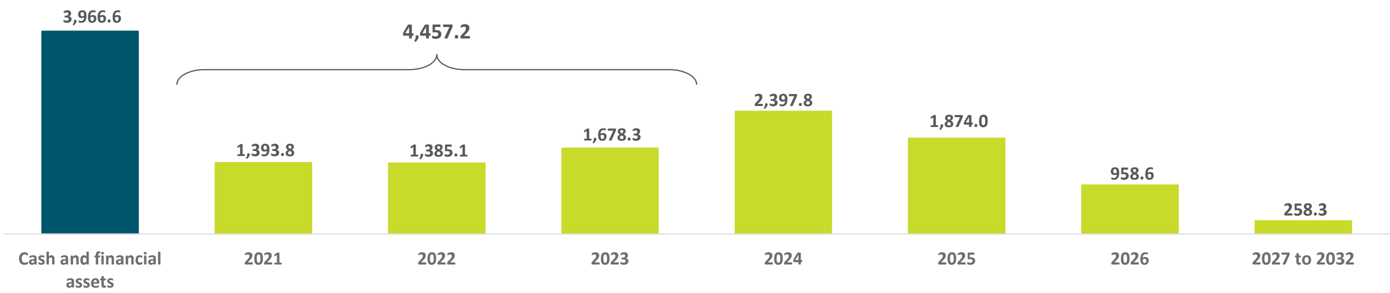
On 12/31/2020, net debt totaled R$6,127.3 million, a decrease of 7.4%, or R$492.2 million, mainly due to the cash generated by the rental activities and the reduction of the fleet, partially offset by the reduction in the accounts payable to suppliers.

12.2 – Debt maturity profile – R$ million

Debt	Issuance	Contract rate	2020	2021	2022	2023	2024	2025	2026	2027 to 2032	Total
Debentures 11th Issuance	12/12/2016	111.50% CDI	-	-	457.9	-	-	-	-	-	**457.9**
Debentures 12th Issuance	5/15/2017	107.25% CDI	-	-	-	-	690.2	-	-	-	**690.2**
Debentures 13th Issuance - 1st serie	12/15/2017	109.35% CDI	-	-	397.2	397.2	-	-	-	-	**794.4**
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	-	-	-	-	106.9	206.9	206.9	-	**520.7**
Debentures 15th Issuance	4/15/2019	107.25% CDI	-	-	-	-	-	393.3	393.3	-	**786.6**
Debentures 16th Issuance	11/29/2019	CDI + 1.05%	-	-	-	-	333.3	333.3	333.3	-	**999.9**
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	-	-	-	-	400.0	(59.4)	-	-	**340.6**
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	-	CDI + 1.00%	-	-	-	333.3	333.3	333.3	-	-	**999.9**
Promissory Notes - 7th Issuance	9/24/2019	108.00% CDI	-	500.0	-	-	-	-	-	-	**500.0**
Foreign currency loan with swap	-	Several	-	773.1	215.0	465.0	-	250.0	-	-	**1,703.1**
Real State Receivables Certificate (CRI)	2/26/2018	99.00% CDI	-	5.6	9.0	12.3	15.0	20.1	25.1	258.3	**345.4**
Working Capital / Others	-	Several	-	115.1	306.0	370.5	125.0	-	-	-	**916.6**
Interest accrued	-	-	148.0	-	-	-	-	-	-	-	**148.0**
Cash and cash equivalents on 12/31/2020	-	-	(3,966.6)	-	-	-	-	-	-	-	**(3,966.6)**
Net debt	**-**	**-**	**(3,818.6)**	**1,393.8**	**1,385.1**	**1,678.3**	**2,397.8**	**1,874.0**	**958.6**	**258.3**	**6,127.3**

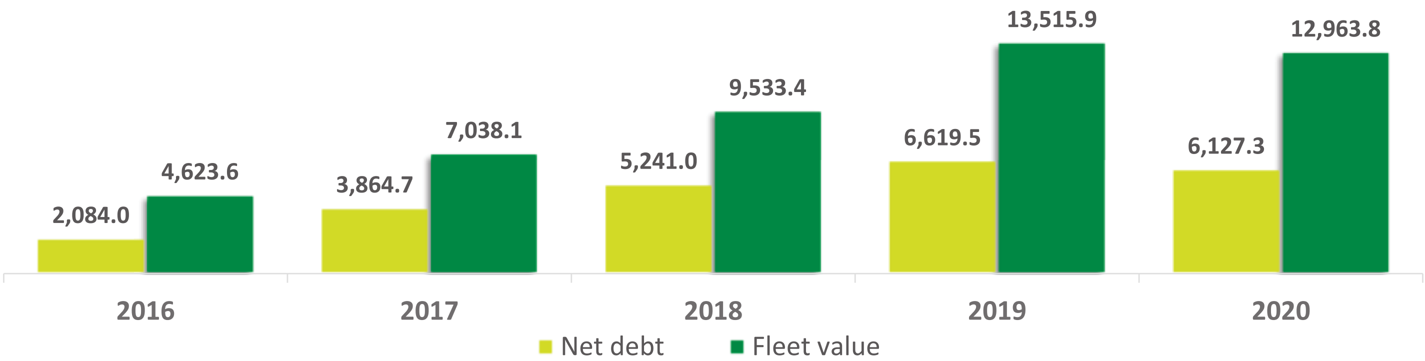
12.3 – Debt profile – R$ million

As of December 31, 2020



Operating cash generation and fleet reduction contributed to the strengthening of the Company's cash position, which ended 2020 at R$3,966.6 million.

12.4 – Debt ratios – R$ million

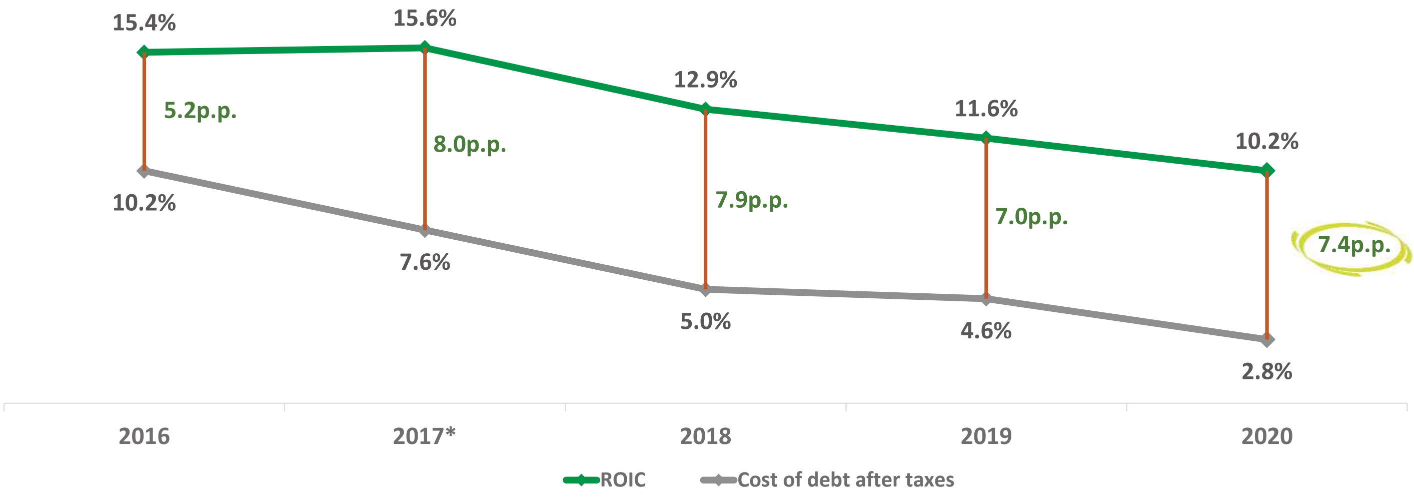


BALANCE AT THE END OF PERIOD	*2016*	*2017*	*2018*	*2019*	*2020*
Net debt/Fleet value (book value)	45%	55%	55%	49%	47%
Net debt/annualized EBITDA	2.1x	2.9x	3.3x	3.0x	2.5x
Net debt/Equity	0.9x	1.5x	1.7x	1.2x	1.0x
EBITDA/Net financial expenses	4.2x	4.2x	4.3x	5.4x	6.6x

The lower volume of car purchases combined with the strong cash generation from rentals and used cars sales, resulted in a reduction of the Company's leverage ratio.

For the purpose of covenants, we ended the year with a Net Debt / LTM EBITDA ratio of 2.5x.

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



ROIC considered each year´s effective income tax and social contribution rate
* 2017 adjusted by the one-time costs (OTC) incurred Hertz Brasil acquisition and franchisees incorporation

STRONG VALUE GENERATION, EVEN IN AN EXTREMELY ADVERSE SCENARIO

14 – Dividends and interest on capital (IOC)

2019 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	2019	03/21/2019	03/26/2019	05/20/2019	69.2	0.091823
IOC	2019	06/18/2019	06/24/2019	08/16/2019	75.5	0.099983
IOC	2019	09/04/2019	09/09/2019	11/08/2019	74.6	0.098744
IOC	2019	12/12/2019	12/17/2019	02/14/2020	71.8	0.094993
				Total	**291.1**	

(*) Adjusted by the share bonus approved in the Board of Directors meeting held on 12/12/2019.

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
				Total	**261.2**	

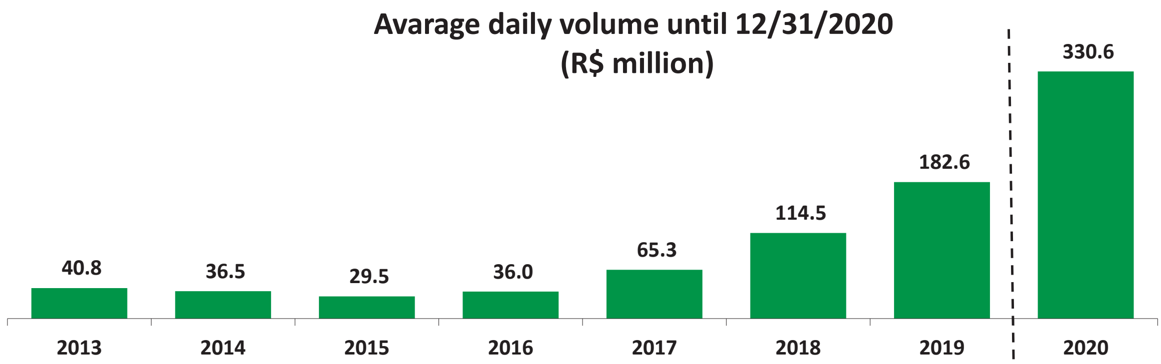
In 2020, Management proposed for deliberation at the Annual Shareholders' Meeting the complementary payment of dividends to shareholders in the amount of R$18.1 million, considering that the amount distributed through IOC in 2020 did not reach a mandatory minimum of 25% of net profit.

15 – RENT3

Up to December 31, 2020, RENT3 average daily traded volume was R$330.6 million, 81.1% higher than the average volume traded in 2019.

Under the ADR level I program, the Company had 6,796,767 ADRs as of December 31,2020.

Since January 2020, Localiza integrates the Carbon Efficiency Index, ICO2.



16 – ESG

In the sustainable development of our business, we combine financial, environmental, social and governance results. The commitment to sustainability is part of Localiza's strategy and permeates the company's values.

We have been advancing year after year on the theme, with some highlights in 2020:

Environmental

- We built a partnership and support for the Climate Commitment Program, an action with the purpose of engaging and inspiring the private sector in actions of climate responsibility.

- We neutralized emissions from our operations (scopes 1 and 2) in 2019, totaling 19,540 tCO_2e.

- In addition to fueling about 99% of our fleet with ethanol, given the nature of our business, we invest in Localiza's potential to contribute to promoting the fueling of cars with biofuels, creating value for our brand and for society.

- In line with the reduction in water consumption, we continue to move forward with the dry-cleaning indicator in 2020.

- We defined a new KPI called Coverage Index which represents the percentage of clean energy from the total energy consumed by the company.

- We ended 2020 with 59 branches benefiting from clean energy credits by 3 solar farms in Minas Gerais, Rio de Janeiro, and Pernambuco. We also had a strong progress in generation through the installation of photovoltaic units in our own units (Car Rental and Seminovos). With the strong progress of the project in the second half of 2020, in December we generated twice as much energy as we generated in January, totaling more than 1.9 MWh of clean energy generation for the branches in the year.

Social

- Localiza became a signatory to the LGBTI+ Business and Rights Forum (Fórum de Empresas e Direitos LGBTI+) and received the Great Place to Work seal.

- We launched Localiza Diversity and Inclusion Program with the aspiration to evolve in this area, building an even stronger culture of welcoming and equal opportunities, highlighting that “Diversity Makes a Difference”. Five affinity groups were created: Gender Equity, LGBTI+, Migrants and People in Refuge, People with Disabilities and Race, there are more than 500 employees actively participating in the groups.

- The company allocated R$ 16 million in its own initiatives and partnerships with other companies and NGOs, including three fronts that were mostly impacted by the pandemic: public health, vulnerable communities, and small and medium entrepreneurs. Among the actions, there is a donation for research of one of the vaccines against Covid-19. In addition, the company lent more than 180 cars to contribute to the mobility of NGOs and other institutions for activities to mitigate the effects of pandemic. In recognition of Localiza's social effort, the company was among the 60 Largest Donor Companies in the country by Forbes Brasil.

16 – ESG

Governance

- As of December 2020, we had 95% of employees trained in the Code of Ethics and Conduct that guides the attitude of employees in internal relationships also with customers, franchisees, suppliers, partners, communities, and other interested parties.

- The company was certified by ISO 37001, attesting the quality of its actions against bribery, based on a culture of integrity, transparency, and compliance.

- Our Board of Directors became even more diverse and independent.

- Governance on the topic of Sustainability also advanced further. In addition to the committee, three work fronts were created and made official as responsible for ESG themes. All with a member of the executive board as a sponsor, one leader, and a working group.

In 2021, we will revisit our materiality matrix based on the active listening of our main stakeholders, including ESG specialists, with the objective of mapping the most relevant topics considering the impacts of our business and thus defining the priority initiatives to keep moving forward consistently and strategic role in our sustainability actions.

17 – Subsequent events – Businesses combination with Unidas

On February 17, 2021, the Company informed its shareholders and the market that the announcement regarding Concentration Act No. 08700.000149/2021-46, about the proposed combination of the Companies through the merger of Unidas shares by Localiza ("Merger of Shares"), was published on the Brazilian Antitrust Authority ("CADE") website.

Under the terms of article 88, Paragraph 2 and Paragraph 9, of Law No. 12,529/2011, CADE will have 240 days, extendable for up to 90 additional days, as of the protocol carried out on February 8, 2021, to analyze the proposal for the Merger of Shares. The public version of the notification form is available on the CADE website, where further updates on the evolution of the analysis process can also be obtained.

The prior CADE's approval is one of the precedent conditions for the closing of the deal.

18 – Results per division

18.1 –Table 1 – Car Rental – R$ million

The Company has a franchising division responsible for franchising the Car Rental brand. This segment does not meet the quantitative criteria required by IFRS / CPC for reportable segments and, therefore, started to be presented, from 2020, together with the Car Rental segment. The information for previous years shown in the table has been restated for comparative purposes.

CAR RENTAL RESULTS	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,504.9	1,916.3	1,916.3	2,588.9	3,367.4	3,367.4	3,475.2	3.2%	998.9	1,119.1	12.0%
Taxes on revenues (*)	(59.9)	(51.3)	(51.3)	(52.4)	(44.5)	(318.8)	(330.2)	3.6%	(94.9)	(105.9)	11.6%
Car rental net revenues	**1,445.0**	**1,865.0**	**1,865.0**	**2,536.5**	**3,322.9**	**3,048.6**	**3,145.0**	**3.2%**	**904.0**	**1,013.2**	**12.1%**
Car rental and franchising costs	(717.1)	(935.3)	(879.6)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	1.1%	(316.6)	(381.0)	20.3%
Gross profit	**727.9**	**929.7**	**985.4**	**1,348.8**	**1,838.4**	**1,936.6**	**2,020.7**	**4.3%**	**587.4**	**632.2**	**7.6%**
Operating expenses (SG&A)	(260.3)	(349.0)	(334.1)	(437.8)	(544.0)	(544.0)	(595.4)	9.4%	(167.3)	(215.0)	28.5%
Other assets depreciation and amortization	(24.4)	(24.2)	(24.2)	(27.1)	(31.1)	(108.8)	(120.7)	10.9%	(29.9)	(30.6)	2.3%
Operating profit before financial results and taxes (EBIT)	**443.2**	**556.5**	**627.1**	**883.9**	**1,263.3**	**1,283.8**	**1,304.6**	**1.6%**	**390.2**	**386.6**	**-0.9%**
Financial expenses, net	0.7	(3.5)	(3.5)	(22.4)	(12.1)	(42.3)	(43.3)	2.4%	(11.5)	(9.1)	-20.9%
Income tax and social contribution	(97.4)	(124.6)	(140.1)	(219.5)	(284.9)	(282.0)	(348.7)	23.7%	(89.9)	(118.5)	31.8%
Net income for the period	**346.5**	**428.4**	**483.5**	**642.0**	**966.3**	**959.5**	**912.6**	**-4.9%**	**288.8**	**259.0**	**-10.3%**
Net Margin	**24.0%**	**23.0%**	**25.9%**	**25.3%**	**29.1%**	**31.5%**	**29.0%**	**-2.5 p.p.**	**31.9%**	**25.6%**	**-6.3 p.p.**
EBITDA	**467.6**	**580.7**	**651.3**	**911.0**	**1,294.4**	**1,392.6**	**1,425.3**	**2.3%**	**420.1**	**417.2**	**-0.7%**
EBITDA Margin	**32.4%**	**31.1%**	**34.9%**	**35.9%**	**39.0%**	**45.7%**	**45.3%**	**-0.4 p.p.**	**46.5%**	**41.2%**	**-5.3 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Gross revenues, net of discounts and cancellations	1,997.8	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	-6.0%	1,554.5	1,386.5	-10.8%
Taxes on revenues	(2.7)	(4.9)	(4.9)	(7.4)	(13.8)	(13.8)	(10.0)	-27.5%	(4.4)	(3.5)	-20.5%
Net revenues	**1,995.1**	**2,985.1**	**2,985.1**	**3,911.8**	**5,465.8**	**5,465.8**	**5,140.7**	**-5.9%**	**1,550.1**	**1,383.0**	**-10.8%**
Book value of cars sold and preparation for sale	(1,727.5)	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	-8.1%	(1,436.6)	(1,150.7)	-19.9%
Gross profit	**267.6**	**381.9**	**381.9**	**369.3**	**425.3**	**428.0**	**511.0**	**19.4%**	**113.5**	**232.3**	**104.7%**
Operating expenses (SG&A)	(176.8)	(220.0)	(220.0)	(269.6)	(349.4)	(300.2)	(316.1)	5.3%	(89.4)	(101.3)	13.3%
Cars depreciation	(87.8)	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	2.9%	(110.9)	(29.6)	-73.3%
Other assets depreciation and amortization	(9.1)	(9.7)	(9.7)	(10.2)	(8.4)	(50.5)	(54.3)	7.5%	(12.9)	(14.8)	14.7%
Operating profit (loss) before financial results and taxes (EBIT)	**(6.1)**	**34.5**	**34.5**	**(42.2)**	**(265.3)**	**(255.5)**	**(202.0)**	**-20.9%**	**(99.7)**	**86.6**	**-186.9%**
Financial expenses, net	(174.4)	(229.9)	(229.9)	(266.5)	(247.7)	(264.5)	(261.9)	-1.0%	(79.4)	(43.9)	-44.7%
Income tax and social contribution	37.2	43.9	43.9	77.5	116.8	115.8	158.7	37.0%	42.2	(12.9)	-130.6%
Loss for the period	**(143.3)**	**(151.5)**	**(151.5)**	**(231.2)**	**(396.2)**	**(404.2)**	**(305.2)**	**-24.5%**	**(136.9)**	**29.8**	**-121.8%**
Net Margin	**-7.2%**	**-5.1%**	**-5.1%**	**-5.9%**	**-7.2%**	**-7.4%**	**-5.9%**	**1.5 p.p.**	**-8.8%**	**2.2%**	**11.0 p.p.**
EBITDA	**90.8**	**161.9**	**161.9**	**99.7**	**75.9**	**127.8**	**194.9**	**52.5%**	**24.1**	**131.0**	**443.6%**
EBITDA Margin	**4.6%**	**5.4%**	**5.4%**	**2.5%**	**1.4%**	**2.3%**	**3.8%**	**1.5 p.p.**	**1.6%**	**9.5%**	**7.9 p.p.**

CAR RENTAL TOTAL FIGURES	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,504.9	1,916.3	1,898.7	2,588.9	3,367.4	3,367.4	3,475.2	3.2%	998.9	1,119.1	12.0%
Car sales for fleet renewal - gross revenues, net of discounts and cancellations	1,997.8	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	-6.0%	1,554.5	1,386.5	-10.8%
Total gross revenues	3,502.7	4,906.3	4,888.7	6,508.1	8,847.0	8,847.0	8,625.9	-2.5%	2,553.4	2,505.6	-1.9%
Taxes on revenues											
Car rental and franchising(*)	(59.9)	(51.3)	(50.2)	(52.4)	(44.5)	(318.8)	(330.2)	3.6%	(94.9)	(105.9)	11.6%
Car sales for fleet renewal	(2.7)	(4.9)	(4.9)	(7.4)	(13.8)	(13.8)	(10.0)	-27.5%	(4.4)	(3.5)	-20.5%
Car rental revenues - net revenues	1,445.0	1,865.0	1,848.5	2,536.5	3,322.9	3,048.6	3,145.0	3.2%	904.0	1,013.2	12.1%
Car sales for fleet renewal - net revenues	1,995.1	2,985.1	2,985.1	3,911.8	5,465.8	5,465.8	5,140.7	-5.9%	1,550.1	1,383.0	-10.8%
Total net revenues	**3,440.1**	**4,850.1**	**4,833.6**	**6,448.3**	**8,788.7**	**8,514.4**	**8,285.7**	**-2.7%**	**2,454.1**	**2,396.2**	**-2.4%**
Direct costs											
Car rental	(717.1)	(935.3)	(870.7)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	1.1%	(316.6)	(381.0)	20.3%
Car sales for fleet renewal	(1,727.5)	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	-8.1%	(1,436.6)	(1,150.7)	-19.9%
Gross profit	**995.5**	**1,311.6**	**1,359.7**	**1,718.1**	**2,263.7**	**2,364.6**	**2,531.7**	**7.1%**	**700.9**	**864.5**	**23.3%**
Operating expenses (SG&A)											
Car rental	(260.3)	(349.0)	(332.3)	(437.8)	(544.0)	(544.0)	(595.4)	9.4%	(167.3)	(215.0)	28.5%
Car sales for fleet renewal	(176.8)	(220.0)	(220.0)	(269.6)	(349.4)	(300.2)	(316.1)	5.3%	(89.4)	(101.3)	13.3%
Cars depreciation	(87.8)	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	2.9%	(110.9)	(29.6)	-73.3%
Other assets depreciation and amortization											
Car rental	(24.4)	(24.2)	(23.6)	(27.1)	(31.1)	(108.8)	(120.7)	10.9%	(29.9)	(30.6)	2.3%
Car sales for fleet renewal	(9.1)	(9.7)	(9.7)	(10.2)	(8.4)	(50.5)	(54.3)	7.5%	(12.9)	(14.8)	14.7%
Operating profit before financial results and taxes (EBIT)	**437.1**	**591.0**	**656.4**	**841.7**	**998.0**	**1,028.3**	**1,102.6**	**7.2%**	**290.5**	**473.2**	**62.9%**
Financial expenses, net	(173.7)	(233.4)	(235.2)	(288.9)	(259.8)	(306.8)	(305.2)	-0.5%	(90.9)	(53.0)	-41.7%
Income tax and social contribution	(60.2)	(80.7)	(95.0)	(142.0)	(168.1)	(166.2)	(190.0)	14.3%	(47.7)	(131.4)	175.5%
Net income for the period	**203.2**	**276.9**	**326.2**	**410.8**	**570.1**	**555.3**	**607.4**	**9.4%**	**151.9**	**288.8**	**90.1%**
Net margin	**5.9%**	**5.7%**	**6.7%**	**6.4%**	**6.5%**	**6.5%**	**7.3%**	**0.8 p.p.**	**6.2%**	**12.1%**	**5.9 p.p.**
EBITDA	**558.4**	**742.6**	**807.4**	**1,010.7**	**1,370.3**	**1,520.4**	**1,620.2**	**6.6%**	**444.2**	**548.2**	**23.4%**
EBITDA margin	**16.2%**	**15.3%**	**16.7%**	**15.7%**	**15.6%**	**17.9%**	**19.6%**	**1.7 p.p.**	**18.1%**	**22.9%**	**4.8 p.p.**

CAR RENTAL OPERATING DATA	2016	2017	2017	2018	2019	2019	2020	Var.	4Q19	4Q20	Var.
Average operating fleet	70,185	94,194	94,194	130,058	173,649	173,649	200,742	15.6%	201,559	193,782	-3.9%
Average rented fleet	51,515	69,762	69,762	97,245	128,718	128,718	140,151	8.9%	150,417	156,615	4.1%
Average operating fleet age (in months)	7.9	6.5	6.5	7.2	7.0	7.0	10.0	42.9%	6.7	11.6	73.1%
End of period fleet	94,156	135,578	135,578	177,672	135,578	135,578	216,334	59.6%	238,174	216,334	-9.2%
Number of rental days - in thousands (net of fleet replacement service)	18,662.4	25,263.6	25,263.6	35,284.5	46,745.9	46,745.9	50,446.5	7.9%	13,770.5	13,985.2	1.6%
Average daily rental revenues per car (R$)	79.67	75.16	75.16	72.86	71.57	71.57	68.52	-4.3%	72.15	79.63	10.4%
Annualized average depreciation per car (R$)	1,251.2	1,250.1	1,250.1	1,012.4	1,917.6	1,917.6	1,706.8	-11.0%	2,206.5	611.6	-72.3%
Utilization rate (Does not include cars in preparation and decomissioning)	78.0%	78.6%	78.6%	79.6%	79.1%	79.1%	73.5%	-5.6 p.p.	79.1%	84.5%	5.4 p.p.
Number of cars purchased	76,071	114,966	114,966	139,273	192,292	192,292	92,801	-51.7%	56,586	37,415	-33.9%
Number of cars sold	57,596	76,901	76,901	94,945	128,677	128,677	113,346	-11.9%	35,104	27,636	-21.3%
Average sold fleet age (in months)	16.8	14.3	14.3	14.7	15.2	15.2	16.9	11.2%	14.8	17.5	18.2%
Average total fleet	80,765	107,997	107,997	150,045	201,791	201,791	221,895	10.0%	235,090	210,880	-10.3%
Average value of total fleet - R$ million	2,790.2	4,100.6	4,100.6	6,005.7	8,652.7	8,652.7	9,951.6	15.0%	10,405.4	9,705.4	-6.7%
Average value per car in the period - R$ thsd	34.5	38.0	38.0	40.0	42.9	42.9	44.8	4.4%	44.3	46.0	3.8%

(*)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.

18.2 – Table 2 – Fleet Rental – R$ million

FLEET RENTAL RESULTS	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Fleet rental gross revenues, net of discounts and cancellations	664.1	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	12.0%	278.7	300.0	7.6%
Taxes on revenues (*)	(12.3)	(15.3)	(15.3)	(9.0)	(15.2)	(98.8)	(110.2)	11.5%	(26.6)	(28.4)	6.8%
Fleet rental net revenues	**651.8**	**742.1**	**742.1**	**848.8**	**1,023.9**	**940.3**	**1,053.5**	**12.0%**	**252.1**	**271.6**	**7.7%**
Fleet rental costs	(193.7)	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	0.5%	(57.5)	(69.2)	20.3%
Gross profit	**458.1**	**521.7**	**522.0**	**602.9**	**719.8**	**719.8**	**832.0**	**15.6%**	**194.6**	**202.4**	**4.0%**
Operating expenses (SG&A)	(37.9)	(65.4)	(62.3)	(59.6)	(83.6)	(83.2)	(69.7)	-16.2%	(25.4)	(27.1)	6.7%
Other assets depreciation and amortization	(2.9)	(3.5)	(3.5)	(4.9)	(5.3)	(5.7)	(8.4)	47.4%	(1.4)	(2.2)	57.1%
Operating profit before financial results and taxes (EBIT)	**417.3**	**452.8**	**456.2**	**538.4**	**630.9**	**630.9**	**753.9**	**19.5%**	**167.8**	**173.1**	**3.2%**
Financial expenses, net	(1.1)	(1.6)	(1.6)	(0.5)	(0.6)	(0.7)	(0.5)	-28.6%	(0.2)	(0.1)	-50.0%
Income tax and social contribution	(90.4)	(102.8)	(103.6)	(136.5)	(143.5)	(140.3)	(228.1)	62.6%	(39.3)	(50.6)	28.8%
Net income for the period	**325.8**	**348.4**	**351.0**	**401.4**	**486.8**	**489.9**	**525.3**	**7.2%**	**128.3**	**122.4**	**-4.6%**
Net Margin	**50.0%**	**46.9%**	**47.3%**	**47.3%**	**47.5%**	**52.1%**	**49.9%**	**-2.2 p.p.**	**50.9%**	**45.1%**	**-5.8 p.p.**
EBITDA	**420.2**	**456.3**	**459.7**	**543.3**	**636.2**	**636.6**	**762.3**	**19.7%**	**169.2**	**175.3**	**3.6%**
EBITDA Margin	**64.5%**	**61.5%**	**61.9%**	**64.0%**	**62.1%**	**67.7%**	**72.4%**	**4.7 p.p.**	**67.1%**	**64.5%**	**-2.6 p.p.**

USED CAR SALES RESULTS (SEMINOVOS)	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Gross revenues, net of discounts and cancellations	347.8	466.5	466.5	599.5	742.4	742.4	969.2	30.5%	234.6	207.9	-11.4%
Taxes on revenues	(0.4)	(0.4)	(0.4)	(0.9)	(1.5)	(1.5)	(0.8)	-46.7%	(0.4)	(0.4)	0.0%
Net revenues	**347.4**	**466.1**	**466.1**	**598.6**	**740.9**	**740.9**	**968.4**	**30.7%**	**234.2**	**207.5**	**-11.4%**
Book value of cars sold and preparation for sale	(279.4)	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	28.0%	(206.3)	(165.1)	-20.0%
Gross profit	**68.0**	**74.0**	**74.0**	**72.7**	**90.7**	**90.8**	**136.4**	**50.2%**	**27.9**	**42.4**	**52.0%**
Operating expenses (SG&A)	(31.0)	(32.7)	(32.7)	(36.6)	(41.4)	(35.0)	(50.8)	45.1%	(11.7)	(13.4)	14.5%
Cars depreciation	(118.5)	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	-40.4%	(60.3)	(27.7)	-54.1%
Other assets depreciation and amortization	(1.8)	(1.7)	(1.7)	(1.7)	(1.5)	(6.7)	(10.0)	49.3%	(2.0)	(2.2)	10.0%
Operating profit (loss) before financial results and taxes (EBIT)	**(83.3)**	**(74.7)**	**(74.7)**	**(125.5)**	**(170.9)**	**(169.6)**	**(54.8)**	**-67.7%**	**(46.1)**	**(0.9)**	**-98.0%**
Financial expenses, net	(68.7)	(80.0)	(80.0)	(79.6)	(100.2)	(102.3)	(68.7)	-32.8%	(21.4)	(11.9)	-44.4%
Income tax and social contribution	32.3	35.1	35.1	52.0	61.7	60.6	39.0	-35.6%	15.7	3.4	-78.3%
Loss for the period	**(119.7)**	**(119.6)**	**(119.6)**	**(153.1)**	**(209.4)**	**(211.3)**	**(84.5)**	**-60.0%**	**(51.8)**	**(9.4)**	**-81.9%**
Net Margin	**-34.5%**	**-25.7%**	**-25.7%**	**-25.6%**	**-28.3%**	**-28.5%**	**-8.7%**	**19.8 p.p.**	**-22.1%**	**-4.5%**	**17.6 p.p.**
EBITDA	**37.0**	**41.3**	**41.3**	**36.1**	**49.3**	**55.8**	**85.6**	**53.4%**	**16.2**	**29.0**	**79.0%**
EBITDA Margin	**10.7%**	**8.9%**	**8.9%**	**6.0%**	**6.7%**	**7.5%**	**8.8%**	**1.3 p.p.**	**6.9%**	**14.0%**	**7.1 p.p.**

FLEET RENTAL TOTAL FIGURES	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Fleet rental gross revenues, net of discounts and cancellations	664.1	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	12.0%	278.7	300.0	7.6%
Car sales for fleet renewal - gross revenues, net of discounts and cancellations	347.8	466.5	466.5	599.5	742.4	742.4	969.2	30.5%	234.6	207.9	-11.4%
Total gross revenues	1,011.9	1,223.9	1,223.9	1,457.3	1,781.5	1,781.5	2,132.9	19.7%	513.3	507.9	-1.1%
Taxes on revenues											
Fleet rental (*)	(12.3)	(15.3)	(15.3)	(9.0)	(15.2)	(98.8)	(110.2)	11.5%	(26.6)	(28.4)	6.8%
Car sales for fleet renewal	(0.4)	(0.4)	(0.4)	(0.9)	(1.5)	(1.5)	(0.8)	-46.7%	(0.4)	(0.4)	0.0%
Fleet rental - net revenues	651.8	742.1	742.1	848.8	1,023.9	940.3	1,053.5	12.0%	252.1	271.6	7.7%
Car sales for fleet renewal - net revenues	347.4	466.1	466.1	598.6	740.9	740.9	968.4	30.7%	234.2	207.5	-11.4%
Total net revenues (**)	**999.2**	**1,208.2**	**1,208.2**	**1,447.4**	**1,764.8**	**1,681.2**	**2,021.9**	**20.3%**	**486.3**	**479.1**	**-1.5%**
Direct costs											
Fleet rental	(193.7)	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	0.5%	(57.5)	(69.2)	20.3%
Car sales for fleet renewal	(279.4)	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	28.0%	(206.3)	(165.1)	-20.0%
Gross profit	**526.1**	**595.7**	**596.0**	**675.6**	**810.5**	**810.6**	**968.4**	**19.5%**	**222.5**	**244.8**	**10.0%**
Operating expenses (SG&A)											
Fleet rental	(37.9)	(65.4)	(62.3)	(59.6)	(83.6)	(83.2)	(69.7)	-16.2%	(25.4)	(27.1)	6.7%
Car sales for fleet renewal	(31.0)	(32.7)	(32.7)	(36.6)	(41.4)	(35.0)	(50.8)	45.1%	(11.7)	(13.4)	14.5%
Cars depreciation	(118.5)	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	-40.4%	(60.3)	(27.7)	-54.1%
Other assets depreciation and amortization											
Fleet rental	(2.9)	(3.5)	(3.5)	(4.9)	(5.3)	(5.7)	(8.4)	47.4%	(1.4)	(2.2)	57.1%
Car sales for fleet renewal	(1.8)	(1.7)	(1.7)	(1.7)	(1.5)	(6.7)	(10.0)	49.3%	(2.0)	(2.2)	10.0%
Operating profit before financial results and taxes (EBIT)	**334.0**	**378.1**	**381.5**	**412.9**	**460.0**	**461.3**	**699.1**	**51.5%**	**121.7**	**172.2**	**41.5%**
Financial expenses, net	(69.8)	(81.6)	(81.6)	(80.1)	(100.8)	(103.0)	(69.2)	-32.8%	(21.6)	(12.0)	-44.4%
Income tax and social contribution	(58.1)	(67.7)	(68.5)	(84.5)	(81.8)	(79.7)	(189.1)	137.3%	(23.6)	(47.2)	100.0%
Net income for the period	**206.1**	**228.8**	**231.4**	**248.3**	**277.4**	**278.6**	**440.8**	**58.2%**	**76.5**	**113.0**	**47.7%**
Net margin	**20.6%**	**18.9%**	**19.2%**	**17.2%**	**15.7%**	**16.6%**	**21.8%**	**5.2 p.p.**	**15.7%**	**23.6%**	**7.9 p.p.**
EBITDA	**457.2**	**497.6**	**501.0**	**579.4**	**685.5**	**692.4**	**847.9**	**22.5%**	**185.4**	**204.3**	**10.2%**
EBITDA margin	**45.8%**	**41.2%**	**41.5%**	**40.0%**	**38.8%**	**41.2%**	**41.9%**	**0.7 p.p.**	**38.1%**	**42.6%**	**4.5 p.p.**

OPERATING DATA	2016	2017	2017	2018	2019	2019	2020	Var.	4Q19	4Q20	Var.
Average operating fleet	31,908	36,804	36,804	44,404	55,726	55,726	59,801	7.3%	61,330	58,017	-5.4%
Total Average rented fleet	31,222	35,424	35,424	42,321	53,029	53,029	59,244	11.7%	57,582	60,530	5.1%
Average rented fleet	31,222	35,424	35,424	42,321	53,029	53,029	57,706	8.8%	57,582	56,858	-1.3%
Average rented fleet - Car Rental fleet replacement	-	-	-	-	-	-	1,538	-	-	3,672	-
Average operating fleet age (in months)	18.0	18.1	18.1	15.1	15.1	15.1	17.4	15.2%	14.7	19.1	29.9%
End of period fleet											
Rented Fleet	34,960	44,877	44,877	54,430	68,957	68,957	61,657	-10.6%	68,957	61,657	-10.6%
Managed Fleet	145	94	94	57	32	32	105	228.1%	32	105	228.1%
Number of rental days - in thousands	11,240.0	12,752.7	12,752.7	15,235.7	19,090.5	19,090.5	21,328.0	11.7%	5,182.4	5,447.7	5.1%
Average daily rental revenues per car (R$)	58.23	58.77	58.77	55.62	53.92	53.92	53.81	-0.2%	53.09	54.31	2.3%
Annualized average depreciation per car (R$)	3,714.0	3,104.3	3,104.3	3,601.1	3,923.4	3,923.4	2,178.9	-44.5%	3,928.9	1,907.0	-51.5%
Utilization rate (Does not include cars in preparation and decomissioning) (**)(***)	98.9%	98.2%	98.2%	96.8%	96.6%	96.6%	97.4%	0.8 p.p.	95.6%	98.8%	3.2 p.p.
Number of cars purchased	11,762	20,286	20,286	26,148	31,242	31,242	16,578	-46.9%	7,677	5,333	-30.5%
Number of cars sold	10,853	13,653	13,653	16,334	19,238	19,238	22,144	15.1%	6,261	4,221	-32.6%
Average sold fleet age (in months)	31.4	31.8	31.8	31.2	28.6	28.6	28.9	1.0%	29.4	29.7	1.0%
Average total fleet	33,436	39,605	39,605	48,776	61,374	61,374	63,919	4.1%	69,243	60,940	-12.0%
Average value of total fleet - R$ million	1,130.4	1,482.5	1,482.5	1,943.1	2,520.6	2,520.6	2,812.1	11.6%	2,884.0	2,768.1	-4.0%
Average value per car in the period - R$ thsd	33.8	37.4	37.4	39.8	41.1	41.1	44.0	7.1%	41.6	45.4	9.1%

(*)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

18.3 – Table 3 – Consolidated – R$ million

CONSOLIDATED RESULTS	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020	Var.	4Q19 with reclassification of PIS/COFINS credits	4Q20	Var.
Car rental and franchising gross revenues, net of discounts and cancellations	1,504.9	1,916.3	1,916.3	2,588.9	3,367.4	3,367.4	3,475.2	3.2%	998.9	1,119.1	12.0%
Fleet Rental gross revenues, net of discounts and cancellations	664.1	757.4	757.4	857.8	1,039.1	1,039.1	1,163.7	12.0%	278.7	300.0	7.6%
Car and Fleet Rentals and Franchising total gross revenues	2,169.0	2,673.7	2,673.7	3,446.7	4,406.5	4,406.5	4,638.9	5.3%	1,277.6	1,419.1	11.1%
Taxes on revenues - Car and Fleet Rentals and Franchising (*)	(72.2)	(66.6)	(66.6)	(61.4)	(59.7)	(417.6)	(440.4)	5.5%	(121.5)	(134.3)	10.5%
Car and Fleet Rentals and Franchising net revenues	**2,096.8**	**2,607.1**	**2,607.1**	**3,385.3**	**4,346.8**	**3,988.9**	**4,198.5**	**5.3%**	**1,156.1**	**1,284.8**	**11.1%**
Car sales gross revenues											
Car sales for fleet renewal - Car Rental, net of discounts and cancellations	1,997.8	2,990.0	2,990.0	3,919.2	5,479.6	5,479.6	5,150.7	-6.0%	1,554.5	1,386.5	-10.8%
Car sales for fleet renewal - Fleet Rental, net of discounts and cancellations	347.8	466.5	466.5	599.5	742.4	742.4	969.2	30.5%	234.6	207.9	-11.4%
Car sales for fleet renewal - total gross revenues (*)	2,345.6	3,456.5	3,456.5	4,518.7	6,222.0	6,222.0	6,119.9	-1.6%	1,789.1	1,594.4	-10.9%
Taxes on revenues - Car sales for fleet renewal	(3.1)	(5.3)	(5.3)	(8.3)	(15.3)	(15.3)	(10.8)	-29.4%	(4.8)	(3.9)	-18.8%
Car sales for fleet renewal - net revenues	**2,342.5**	**3,451.2**	**3,451.2**	**4,510.4**	**6,206.7**	**6,206.7**	**6,109.1**	**-1.6%**	**1,784.3**	**1,590.5**	**-10.9%**
Total net revenues	**4,439.3**	**6,058.3**	**6,058.3**	**7,895.7**	**10,553.5**	**10,195.6**	**10,307.6**	**1.1%**	**2,940.4**	**2,875.3**	**-2.2%**
Direct costs and expenses:											
Car rental and franchising	(717.1)	(935.3)	(879.6)	(1,187.7)	(1,484.5)	(1,112.0)	(1,124.3)	1.1%	(316.6)	(381.0)	20.3%
Fleet Rental	(193.7)	(220.4)	(220.1)	(245.9)	(304.1)	(220.5)	(221.5)	0.5%	(57.5)	(69.2)	20.3%
Total Car and Fleet Rentals and Franchising	(910.8)	(1,155.7)	(1,099.7)	(1,433.6)	(1,788.6)	(1,332.5)	(1,345.8)	1.0%	(374.1)	(450.2)	20.3%
Car sales for fleet renewal - Car rental	(1,727.5)	(2,603.2)	(2,603.2)	(3,542.5)	(5,040.5)	(5,037.8)	(4,629.7)	-8.1%	(1,436.6)	(1,150.7)	-19.9%
Car sales for fleet renewal - Fleet Rental	(279.4)	(392.1)	(392.1)	(525.9)	(650.2)	(650.1)	(832.0)	28.0%	(206.3)	(165.1)	-20.0%
Total Car sales for fleet renewal (book value) and preparation for sale	(2,006.9)	(2,995.3)	(2,995.3)	(4,068.4)	(5,690.7)	(5,687.9)	(5,461.7)	-4.0%	(1,642.9)	(1,315.8)	-19.9%
Total costs	(2,917.7)	(4,151.0)	(4,095.0)	(5,502.0)	(7,479.3)	(7,020.4)	(6,807.5)	-3.0%	(2,017.0)	(1,766.0)	-12.4%
Gross profit	**1,521.6**	**1,907.3**	**1,963.3**	**2,393.7**	**3,074.2**	**3,175.2**	**3,500.1**	**10.2%**	**923.4**	**1,109.3**	**20.1%**
Operating expenses											
Advertising, promotion and selling:											
Car rental and franchising	(149.2)	(200.7)	(194.4)	(285.8)	(357.3)	(357.3)	(460.3)	28.8%	(110.6)	(127.1)	14.9%
Fleet Rental	(14.0)	(18.8)	(18.8)	(27.7)	(36.0)	(35.6)	(38.2)	7.3%	(9.5)	(10.5)	10.5%
Car sales for fleet renewal	(191.6)	(232.3)	(232.3)	(279.5)	(357.1)	(301.6)	(328.4)	8.9%	(88.8)	(102.5)	15.4%
Total advertising, promotion and selling	(354.8)	(451.8)	(445.5)	(593.0)	(750.4)	(694.5)	(826.9)	19.1%	(208.9)	(240.1)	14.9%
General, administrative and other expenses	(151.2)	(215.3)	(203.6)	(210.6)	(268.0)	(267.9)	(205.1)	-23.4%	(84.9)	(116.7)	37.5%
Total Operating expenses	(506.0)	(667.1)	(649.1)	(803.6)	(1,018.4)	(962.4)	(1,032.0)	7.2%	(293.8)	(356.8)	21.4%
Depreciation expenses:											
Cars depreciation:											
Car rental	(87.8)	(117.7)	(117.7)	(131.7)	(332.8)	(332.8)	(342.6)	2.9%	(110.9)	(29.6)	-73.3%
Fleet Rental	(118.5)	(114.3)	(114.3)	(159.9)	(218.7)	(218.7)	(130.4)	-40.4%	(60.3)	(27.7)	-54.1%
Total cars depreciation expenses	(206.3)	(232.0)	(232.0)	(291.6)	(551.5)	(551.5)	(473.0)	-14.2%	(171.2)	(57.3)	-66.5%
Other assets depreciation and amortization	(38.2)	(39.1)	(39.1)	(43.9)	(46.3)	(171.7)	(193.4)	12.6%	(46.2)	(49.8)	7.8%
Total depreciation and amortization expenses	(244.5)	(271.1)	(271.1)	(335.5)	(597.8)	(723.2)	(666.4)	-7.9%	(217.4)	(107.1)	-50.7%
Operating profit before financial results and taxes (EBIT)	**771.1**	**969.1**	**1,043.1**	**1,254.6**	**1,458.0**	**1,489.6**	**1,801.7**	**21.0%**	**412.2**	**645.4**	**56.6%**
Financial expenses, net:											
Expense	(445.5)	(511.9)	(511.9)	(536.8)	(591.2)	(630.0)	(512.4)	-18.7%	(155.9)	(113.4)	-27.3%
Income	202.0	196.9	196.9	167.9	230.6	220.2	138.0	-37.3%	43.4	48.4	11.5%
Financial (expenses) revenues, net	(243.5)	(315.0)	(315.0)	(368.9)	(360.6)	(409.8)	(374.4)	-8.6%	(112.5)	(65.0)	-42.2%
Income before tax and social contribution	**527.6**	**654.1**	**728.1**	**885.7**	**1,097.4**	**1,079.8**	**1,427.3**	**32.2%**	**299.7**	**580.4**	**93.7%**
Income tax and social contribution	(118.3)	(148.4)	(164.7)	(226.5)	(249.9)	(245.9)	(379.1)	54.2%	(71.3)	(178.6)	150.5%
Net income for the period	**409.3**	**505.7**	**563.4**	**659.2**	**847.5**	**833.9**	**1,048.2**	**25.7%**	**228.4**	**401.8**	**75.9%**
EBITDA	1,015.6	1,240.2	1,314.2	1,590.1	2,055.8	2,212.8	2,468.1	11.5%	629.6	752.5	19.5%
EBIT	771.1	969.1	1,043.1	1,254.6	1,458.0	1,489.6	1,801.7	21.0%	412.2	645.4	56.6%
Consolidated EBIT Margin (calculated over rental revenues)	**36.8%**	**37.2%**	**40.0%**	**37.1%**	**33.5%**	**37.3%**	**42.9%**	**5.6 p.p.**	**35.7%**	**50.2%**	**14.6 p.p.**
Car and Fleet Rentals and Franchising EBITDA	887.8	1,037.0	1,111.0	1,454.3	1,930.6	2,029.2	2,187.6	7.8%	589.3	592.5	0.5%
EBITDA Margin	**42.3%**	**39.8%**	**42.6%**	**43.0%**	**44.4%**	**50.9%**	**52.1%**	**1.2 p.p.**	**51.0%**	**46.1%**	**-4.9 p.p.**
Used Car Sales (Seminovos) EBITDA	127.8	203.2	203.2	135.8	125.2	183.6	280.5	52.8%	40.3	160.0	297.0%
EBITDA Margin	**5.5%**	**5.9%**	**5.9%**	**3.0%**	**2.0%**	**3.0%**	**4.6%**	**1.6 p.p.**	**2.3%**	**10.1%**	**7.8 p.p.**

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

19 – Table 4 – Operating data

SELECTED OPERATING DATA	2016	2017	2018	2019	2020	Var.	4Q19	4Q20	Var.
Average operating fleet:									
Car Rental	70,185	94,194	130,058	173,649	200,742	15.6%	201,559	193,782	-3.9%
Fleet Rental	31,908	36,804	44,404	55,726	59,801	7.3%	61,330	58,017	-5.4%
Total	102,093	130,998	174,462	229,375	260,543	13.6%	262,889	251,799	-4.2%
Average rented fleet:									
Car Rental	51,515	69,762	97,245	128,718	140,151	8.9%	150,417	156,615	4.1%
Fleet Rental	31,222	35,424	42,321	53,029	59,244	11.7%	57,582	60,530	5.1%
Total	82,737	105,186	139,566	181,747	199,395	9.7%	207,999	217,145	4.4%
Average age of operating fleet (months)									
Car Rental	7.9	6.5	7.2	7.0	10.0	42.9%	6.7	11.6	73.1%
Fleet Rental	18.0	18.1	15.1	15.1	17.4	15.2%	14.7	19.1	29.9%
Average age of total operating fleet	11.0	9.8	9.3	9.0	11.7	30.0%	8.6	13.4	55.8%
Fleet at end of period:									
Car Rental	94,156	135,578	177,672	238,174	216,334	-9.2%	238,174	216,334	-9.2%
Fleet Rental	34,960	44,877	54,430	68,957	61,657	-10.6%	68,957	61,657	-10.6%
Total	129,116	180,455	232,102	307,131	277,991	-9.5%	307,131	277,991	-9.5%
Managed fleet at end period - Fleet Rental	145	94	57	32	105	228.1%	32	105	228.1%
Fleet investment (R$ million) (does not include accessories)									
Car Rental	2,782.2	4,581.8	5,785.2	8,802.1	4,541.9	-48.4%	2,748.6	2,091.6	-23.9%
Fleet Rental	503.4	881.5	1,189.2	1,472.6	975.7	-33.7%	382.1	348.3	-8.8%
Total	3,285.6	5,463.3	6,974.4	10,274.7	5,517.6	-46.3%	3,130.7	2,439.9	-22.1%
Number of rental days (In thousands):									
Car Rental - Total	18,864.8	25,494.0	35,514.6	47,029.0	51,286.4	9.1%	13,840.9	14,408.5	4.1%
Rental days for Fleet Rental replacement service	(202.4)	(230.4)	(230.1)	(283.0)	(839.9)	196.7%	(70.4)	(423.3)	501.6%
Car Rental - Net	18,662.4	25,263.6	35,284.5	46,745.9	50,446.5	7.9%	13,770.5	13,985.2	1.6%
Fleet Rental	11,240.0	12,752.7	15,235.7	19,090.5	21,328.0	11.7%	5,182.4	5,447.7	5.1%
Total	29,902.4	38,016.3	50,520.2	65,836.5	71,774.5	9.0%	18,952.9	19,432.9	2.5%
Annualized average depreciation per car (R$)									
Car Rental	1,251.2	1,250.1	1,012.4	1,917.6	1,706.8	-11.0%	2,206.5	611.6	-72.3%
Fleet Rental	3,714.0	3,104.3	3,601.1	3,923.4	2,178.9	-44.5%	3,928.9	1,907.0	-51.5%
Total	2,020.9	1,771.0	1,671.2	2,405.2	1,815.2	-24.5%	2,609.1	910.1	-65.1%
Average annual gross revenues per operating car (R$ thousand)									
Car Rental	21.2	20.2	19.8	19.3	17.3	-10.2%	20.0	20.7	3.5%
Fleet Rental	20.5	20.4	19.1	18.5	19.2	3.9%	18.2	18.4	1.1%
Average daily rental (R$)									
Car Rental (*)	79.67	75.16	72.86	71.57	68.52	-4.3%	72.15	79.63	10.4%
Fleet Rental	58.23	58.77	55.62	53.92	53.81	-0.2%	53.09	54.31	2.3%
Utilization rate (does not include cars in preparation and decomissioning):									
Car Rental	78.0%	78.6%	79.6%	79.1%	73.5%	-5.6 p.p.	79.1%	84.5%	5.4 p.p.
Fleet Rental	98.9%	98.2%	96.8%	96.6%	97.4%	0.8 p.p.	95.6%	98.8%	3.2 p.p.
Number of cars purchased - consolidated (**)	87,833	135,252	165,421	223,534	109,379	-51.1%	64,263	42,748	-33.5%
Average price of cars purchased (R$ thsd) - consolidated	37.41	40.39	42.16	45.96	50.45	9.8%	48.72	57.08	17.2%
Numbers of cars sold - consolidated	68,449	90,554	111,279	147,915	135,490	-8.4%	41,365	31,857	-23.0%
Average price of cars sold (R$ thsd) (***) - consolidated	31.23	35.38	37.86	39.80	42.47	6.7%	40.82	46.50	13.9%

(*) 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 decomissioned for fleet renewal.

20 – Consolidated financial statements – IFRS – R$/million

ASSETS	2016	2017	2018	2019 without IFRS 16	2019	2020
CURRENT ASSETS:						
Cash and cash equivalents	1,692.3	1,338.2	2,175.3	2,220.1	2,220.1	2,586.4
Financial assets	-	1,275.7	267.5	610.8	610.8	1,380.2
Trade accounts receivable	424.5	585.1	1,016.5	1,274.7	1,274.7	1,107.5
Derivative financial instruments - swap	2.2	-	-	-	-	154.3
Other current assets	115.0	128.6	182.7	246.8	246.8	300.7
Decommissioning cars to fleet renewal	8.8	103.4	51.8	141.7	141.7	40.5
Total current assets	**2,242.8**	**3,431.0**	**3,693.8**	**4,494.1**	**4,494.1**	**5,569.6**
NON CURRENT ASSETS:						
Long-term assets:						
Marketable securities	-	-	-	-	-	-
Derivative financial instruments - swap	7.4	16.7	2.8	18.2	18.2	353.0
Trade accounts receivable	3.2	4.7	3.8	1.8	1.8	2.0
Escrow deposit	60.1	83.1	96.3	114.6	114.6	113.7
Deferred income tax and social contribution	-	42.0	42.2	32.4	32.4	24.4
Investments in restricted accounts	-	40.6	43.0	22.3	22.3	44.9
Other non current assets	0.1	0.7	0.1	0.1	0.1	0.1
Total long-term assets	**70.8**	**187.8**	**188.2**	**189.4**	**189.4**	**538.1**
Property and equipment						
Cars	4,614.8	6,934.7	9,481.6	13,374.1	13,374.1	12,923.3
Right of use	-	-	-	-	625.0	624.5
Other	405.8	549.3	550.3	570.5	570.5	633.5
Intangible:						
Software and others	61.1	52.8	47.8	49.9	49.9	46.7
Goodwill on acquisition of investments	22.0	30.6	30.7	90.0	90.0	105.4
Total non current assets	**5,174.5**	**7,755.2**	**10,298.6**	**14,273.9**	**14,898.9**	**14,871.5**
TOTAL ASSETS	**7,417.3**	**11,186.2**	**13,992.4**	**18,768.0**	**19,393.0**	**20,441.1**

LIABILITIES AND SHAREHOLDERS' EQUITY	2016	2017	2018	2019 without IFRS 16	2019	2020
CURRENT LIABILITIES:						
Trade accounts payable	910.9	1,331.7	2,202.6	2,565.4	2,565.4	1,661.0
Social and labor obligations	95.0	109.2	135.0	161.8	161.8	218.5
Loans, financing and debentures	654.6	537.2	616.6	144.3	144.3	1,615.0
Lease liability				-	116.0	130.2
Derivative financial instruments - swap	-	6.8	18.7	26.8	26.8	66.4
Income tax and social contribution	23.0	31.3	41.1	58.7	54.6	117.6
Dividends and interest on own capital	39.7	36.4	42.6	63.4	63.4	72.4
Other current liabilities	118.5	181.5	282.8	390.0	390.0	415.3
Total current liabilities	**1,841.7**	**2,234.1**	**3,339.4**	**3,410.4**	**3,522.3**	**4,296.4**
NON CURRENT LIABILITIES:						
Loans, financing and debentures	3,131.3	5,940.5	7,029.4	9,235.1	9,235.1	8,882.7
Lease liability				-	526.8	532.5
Derivative financial instruments - swap	-	10.8	21.9	62.3	62.3	37.2
Provisions	63.1	126.5	148.8	207.2	207.2	158.6
Deferred income tax and social contribution	171.9	219.7	297.3	352.7	352.7	412.1
Restricted Obligations	-	40.6	43.1	22.5	22.5	45.4
Other non current liabilities	12.3	13.3	18.0	16.6	16.6	23.6
Total non current liabilities	**3,378.6**	**6,351.4**	**7,558.5**	**9,896.4**	**10,423.2**	**10,092.1**
Total liabilities	**5,220.3**	**8,585.5**	**10,897.9**	**13,306.8**	**13,945.5**	**14,388.5**
SHAREHOLDERS' EQUITY:						
Capital	976.7	1,500.0	1,500.0	4,000.0	4,000.0	4,000.0
Expenses with share issues	-	-	-	(43.1)	(43.1)	(43.1)
Treasury Shares	-	-	-	-	-	(175.5)
Capital Reserves	34.0	94.9	125.0	163.2	163.2	174.9
Earnings Reserves	1,186.3	1,005.8	1,469.5	1,341.1	1,327.4	2,096.3
Total shareholders' equity	**2,197.0**	**2,600.7**	**3,094.5**	**5,461.2**	**5,447.5**	**6,052.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,417.3**	**11,186.2**	**13,992.4**	**18,768.0**	**19,393.0**	**20,441.1**

21 – Consolidated financial statements – Income statements - R$/million

STATEMENT OF INCOME	2016	2017	2017 adjusted	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	2020
Total net revenues	**4,439.3**	**6,058.3**	**6,058.3**	**7,895.7**	**10,553.5**	**10,195.6**	**10,307.6**
COSTS AND EXPENSES:							
Direct costs	(2,917.7)	(4,151.0)	(4,095.0)	(5,502.0)	(7,479.3)	(7,020.4)	(6,807.5)
Selling, general, administrative and other expenses	(506.0)	(667.1)	(649.1)	(803.6)	(1,018.4)	(962.4)	(1,032.0)
Cars depreciation	(206.3)	(232.0)	(232.0)	(291.6)	(551.5)	(551.5)	(473.0)
Other assets depreciation and amortization	(38.2)	(39.1)	(39.1)	(43.9)	(46.3)	(171.7)	(193.4)
Total costs and expenses	(3,668.2)	(5,089.2)	(5,015.2)	(6,641.1)	(9,095.5)	(8,706.0)	(8,505.9)
Income before financial results and taxes (EBIT)	**771.1**	**969.1**	**1,043.1**	**1,254.6**	**1,458.0**	**1,489.6**	**1,801.7**
FINANCIAL EXPENSES, NET	(243.5)	(315.0)	(315.0)	(368.9)	(360.6)	(409.8)	(374.4)
Income before taxes	**527.6**	**654.1**	**728.1**	**885.7**	**1,097.4**	**1,079.8**	**1,427.3**
INCOME TAX AND SOCIAL CONTRIBUTION							
Current	(88.0)	(119.4)	(135.7)	(139.8)	(183.7)	(180.7)	(311.7)
Deferred	(30.3)	(29.0)	(29.0)	(86.7)	(66.2)	(65.2)	(67.4)
	(118.3)	(148.4)	(164.7)	(226.5)	(249.9)	(245.9)	(379.1)
Net income	**409.3**	**505.7**	**563.4**	**659.2**	**847.5**	**833.9**	**1,048.2**

22 – Statements of Cash Flows – R$/million

CONSOLIDATED CASH FLOW	2016	2017	2017 adjusted	2018	2019 without IFRS 16	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net income	409.3	505.7	563.4	659.2	847.5	833.9	1,048.2
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:							
Depreciation and amortization	244.5	271.1	271.1	335.5	597.9	723.1	666.4
Net book value of vehicles w ritten off	2,102.5	3,106.6	3,106.6	4,198.5	5,863.6	5,863.6	5,599.9
Deferred income tax and social contribution	30.3	29.1	29.1	86.7	65.2	65.2	67.4
Interest on loans, financing, debentures and sw aps of fixed rates	438.1	476.2	476.2	529.8	552.9	552.9	423.7
Lease interest	-	-	-	-	-	49.40	59.60
Other	26.9	81.7	81.7	87.8	103.6	103.6	9.3
(Increase) decrease in assets:							
Trade receivable	56.8	(151.8)	(151.8)	(489.0)	(275.9)	(275.9)	118.8
Purchases of cars (see supplemental disclosure below)	(3,098.9)	(5,052.4)	(5,052.4)	(6,113.7)	(9,941.4)	(9,941.4)	(6,513.3)
Escrow deposits	(7.2)	(17.5)	(17.5)	(13.1)	(17.9)	(17.9)	0.9
Taxes recoverable	(6.0)	2.6	2.6	3.4	(1.6)	(1.6)	11.5
Prepaid expenses	0.0	2.7	2.7	1.3	(4.9)	(4.9)	(7.9)
Other assets	(3.6)	(8.8)	(8.8)	(71.9)	(44.7)	(44.7)	(44.7)
Increase (decrease) in liabilities:							
Accounts payable (except car manufacturers)	29.6	(4.8)	(4.8)	3.1	21.0	21.0	84.2
Social and labor obligations	9.4	7.5	7.5	25.8	26.8	26.8	56.5
Income tax and social contribution	88.0	119.4	135.7	139.8	184.7	180.7	311.7
Insurance premium	8.6	19.3	19.3	37.0	23.2	23.2	20.8
Other liabilities	(19.5)	40.1	40.1	60.1	52.0	52.0	13.4
Cash provided by (used in) operating activities	**308.8**	**(573.3)**	**(499.3)**	**(519.7)**	**(1,948.0)**	**(1,791.0)**	**1,926.4**
Income tax and social contribution paid	(93.3)	(108.3)	(108.3)	(131.2)	(146.1)	(146.1)	(250.1)
Interest on loans, financing and debentures paid	(442.3)	(485.7)	(485.7)	(424.7)	(562.2)	(562.2)	(366.9)
Lease interest paid	-	-	-	-	-	(53.5)	(56.8)
Financial assets	-	(1,275.8)	(1,275.8)	1,008.2	(343.4)	(343.4)	(769.4)
Net cash provided by (used in) operating activities	**(226.8)**	**(2,443.1)**	**(2,369.1)**	**(67.4)**	**(2,999.7)**	**(2,896.2)**	**483.2**
CASH FLOWS FROM INVESTING ACTIVITIES:							
(Investments) w ithdraw in marketable securities	-	-	-	-	-	-	-
Acquisition of investment, goodw ill and fair value surplus	-	(333.2)	(333.2)	-	(123.7)	(123.7)	(7.9)
Purchases of other property and equipment and addition of intangible assets	(126.6)	(175.0)	(175.0)	(42.8)	(70.0)	(70.0)	(108.0)
Net cash provided by (used in) investing activities	**(126.6)**	**(508.2)**	**(508.2)**	**(42.8)**	**(193.7)**	**(193.7)**	**(115.9)**
CASH FLOWS FROM FINANCING ACTIVITIES:							
Loans and financings:							
Proceeds	266.3	950.1	950.1	742.8	1,351.5	1,351.5	1,250.2
Repayment	(297.9)	(510.1)	(510.1)	(518.5)	(930.2)	(930.2)	(15.0)
Debentures							
Proceeds	943.4	2,626.9	2,626.9	1,690.7	2,283.7	2,283.7	988.6
Repayment	(105.0)	(355.0)	(355.0)	(815.0)	(975.0)	(975.0)	(1,660.8)
Lease liability:							
Proceeds	-	-	-	-	-	-	-
Repayment	-	-	-	-	-	(103.5)	(119.2)
Capital Increase	-	-	-	-	1,821.6	1,821.6	-
Treasury shares (acquired)/ sold	(25.0)	2.1	2.1	3.20	2.6	2.6	(180.5)
Expenses w ith issuance of shares.	-	-	-	-	(65.3)	(65.3)	-
Exercise of stock options w ith treasury shares, net	18.2	50.1	50.1	16.4	25.1	25.1	4.80
Dividends paid	(1.0)	-	-	-	(7.2)	(7.2)	-
Interest on ow n capital	(138.4)	(166.9)	(166.9)	(172.3)	(268.6)	(268.6)	(269.1)
Net cash provided by (used in) financing activities	**660.6**	**2,597.2**	**2,597.2**	**947.3**	**3,238.2**	**3,134.7**	**(1.0)**
NET CASH FLOW PROVIDED (USED) IN THE YEAR	**307.2**	**(354.1)**	**(280.1)**	**837.1**	**44.8**	**44.8**	**366.3**
Cash flow w ithout incurred one-time costs Hertz and franchisees	-	-	(74.0)	-	-	-	-
NET CASH FLOW PROVIDED (USED) IN THE YEAR AFTER ONE TIME COSTS	**307.2**	**(354.1)**	**(354.1)**	**837.1**	**44.8**	**44.8**	**366.3**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,385.1	1,692.3	1,692.3	1,338.2	2,175.3	2,175.3	2,220.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,692.3	1,338.2	1,338.2	2,175.3	2,220.1	2,220.1	2,586.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**307.2**	**(354.1)**	**(354.1)**	**837.1**	**44.8**	**44.8**	**366.3**
Supplemental disclosure of cash flow information:							
Cash paid during the period for cars acquisition							
Cars acquisition in the year/period - renew al	(2,563.6)	(3,660.9)	(3,660.9)	(4,696.7)	(6,804.6)	(6,804.6)	(5,524.1)
Cars acquisition in the year/period - grow th	(726.0)	(1,807.0)	(1,807.0)	(2,285.1)	(3,478.7)	(3,478.7)	0.0
Suppliers - automakers:							
Balance at the end of the year	782.0	1,197.5	1,197.5	2,065.6	2,407.5	2,407.5	1,418.3
Balance at the beginning of the year	(591.3)	(782.0)	(782.0)	(1,197.5)	(2,065.6)	(2,065.6)	(2,407.5)
Cash paid for cars purchased	(3,098.9)	(5,052.4)	(5,052.4)	(6,113.7)	(9,941.4)	(9,941.4)	(6,513.3)

23 – 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 division, depreciation method used is linear. In the Fleet Rental division, depreciation is recorded according to the sum of the years' digits (SOYD) method, which better reflects the consumption pattern of the economic benefits that decrease during the cars' useful life. 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, less the technical discount. The **technical discount** is the discount given to the buyer for any required repairs that were not made. These repair costs are recorded as a charge to operating costs and as a credit to cost of cars sold.

•**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.

•**NOPAT:** Net operating profit after tax.

•**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.