

Comments on performance

2Q2023 



cielo

DEAR SHAREHOLDERS

We present the Comments on Performance and the Interim Financial Statements of Cielo S.A. – Instituição de Pagamento (“Cielo”) and its subsidiaries (together referred to as “Consolidated” or “Cielo Group”) for the quarter ended June 30, 2023, accompanied by the Independent Auditor’s Report and the Supervisory Board Report.

The Interim Financial Statements have been prepared in conformity with the accounting guidelines from Law No. 6,404/76 (Corporation Law), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions from the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN), together referred to as “COSIF”

The Interim Financial Statements included the balances of the accounts of Cielo and of the direct and indirect subsidiaries: Cateno, Servinet, Aliança, Paggo, Stelo, Cielo USA and MerchantE (sold in April 2022) and of the Funds: Credit Rights Investment Funds (FIDCs) and Investment Funds in Investment Fund Quotas (FICs).

For purposes of presentation of the Interim Financial Statements, the assets and liabilities of the foreign subsidiary, originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at the end of each period, while revenues and expenses were translated at the average monthly exchange rates. Exchange differences resulting from such translations were classified in Cielo’s other comprehensive income and accumulated in equity. All the transactions, revenues and expenses among Cielo Group companies were fully eliminated in the Interim Financial Statements.

Amounts are presented in millions of Reais (R\$), unless otherwise stated.

In accordance with BCB Normative Instruction 236/22, Cielo chose to maintain the presentation of the Comments on Performance based on the Interim Financial Statements prepared under COSIF, for consistency with the disclosures of prior quarters.

2Q23

cielo


HIGHLIGHTS



Profit for the
Period

Recurring Profit for the Period R\$ 486.0 million


R\$ 708.5
million

60.7% 
QoQ



Net
Revenue


R\$ 2,642.0
million

2.8% 
QoQ



Revenue from
purchase of
receivables


R\$ 377.9
million

4.3% 
QoQ



Total
expenses


R\$ 1,442.7
million

-20.3% 
QoQ



EBITDA

R\$ 1,430.6
million

43.9% 
QoQ

Cielo's management is pleased to present the financial statements and results for the first half of 2023. Performance in the period showcases the Company's commitment to seeking profitability and carrying on its transformation process, promoting widespread improvements across operations and advancements in the quality of services provided to our customers.

MARKET CONTEXT

The semester ushered in major challenges for the payments industry. We witnessed a slowdown in Brazilian retail activity, as seen in the Cielo Broad Retail Index (ICVA), showing growth rates below inflation since March and even recording a nominal decline in May compared to the same periods in 2022.

In the card industry, transaction volumes continued to expand due to the trend of increased consumption penetration. However, growth rates have been lower than initially projected by the market for 2023.

RESULTS

In this context, Cielo maintained its business transformation agenda, seeking new frontiers of efficiency and focusing on optimizing profitability and generating value for shareholders.

We reported a net income of R\$ 1,149 million in the first half, corresponding to an annualized return on equity of 20%. On a recurring basis, the result reached R\$ 927 million, up 63% compared to the same period of the previous year.

The period's performance reflects the improvement in revenue yield, driven by the company's pricing initiatives, which leveraged revenue growth despite a 5% decrease in transaction volumes processed by Cielo. In addition to the growth of advance receivables businesses, the Company's discipline in expenses, and the strong performance of Cateno, which maintained its trend of growing results and cash generation.

It is essential to highlight the strong growth of prepaid volume, solutions that allow our customers to better manage their cash flow and receive credit card sales values in advance. Total prepaid volume reached R\$ 64 billion, up 15% compared to the same period of the previous year, accounting for a 26% penetration on the total volume of credit card transactions processed by Cielo. The acquisition of receivables (ARV) businesses also stood out, with total revenue of R\$ 740 million in the semester, showing an impressive growth of 90% compared to the same period in 2022. These advances in prepaid volume stem from operational

improvements implemented in business processes, as well as a more favorable market for ARV businesses.

But the Company's progress was not limited to financial results. We have an extensive agenda to improve service quality and operations, commercial productivity, and continue the Company's transformation process.

QUALITY OF SERVICES

During the semester, we made progress throughout the customer interaction journey with Cielo, revising digital onboarding, improving satisfaction with reactive channel service, and expanding the use of data intelligence. We also adopted predictive models to anticipate POS issues and proactively interact with our customers, anticipating their needs.

We saw significant improvements in service indicators throughout the semester, confirming that we are on the right track. The First Call Resolution index showed a 6-percentage point improvement in the comparison between the second quarter of 2023 and the fourth quarter of 2022. In the same period, we saw a 27-percentage point growth in customers serviced within 10 seconds. We also recorded improvements in service satisfaction indicators across different channels, use of digital channels, POS delivery, and maintenance services.

TRANSFORMATION

Amidst all the challenges and countless opportunities that the company faces, we understand the need for a robust, structured process with careful monitoring of all initiatives to improve our acquiring core and take the operation to the next level, in addition to leveraging initiatives beyond the core, preparing the Company for any future needs of its customers.

Therefore, for this new phase of the Company, we devised an extensive transformation program called #PraCimaCielo. The program permeates the entire organization and aims to consolidate cultural attributes and competencies that will make Cielo successful in its transformation journey.

As part of #PraCimaCielo, we have a dedicated team to systematize the search for improvement opportunities across the organization and ensure the generation of value.

Cielo's strategy remains unchanged. By creating/strengthening key competencies, #PraCimaCielo will allow us to speed up progress in both the acquiring pillar, putting the customer at the center to ensure excellency and efficiency in service, as well as in the pillars of payment innovation, financial



services distribution, and value-added services (VAS), aiming to ensure excellence in innovation and core products and beyond. To advance in all pillars, we work tirelessly on the development of the fundamental pillars: people, technology, and data, increasingly acting as a tech reference company.

RESPONSABILITY

The entire company's transformation process, aimed at overcoming its challenges and generating value for shareholders, is based on building increasingly sustainable and inclusive businesses. As a main player, Cielo has clear commitments to diversity and has worked on developing female leadership through development programs and affirmative action positions for women, among others. These initiatives are already showing results, with 38% of women in the Executive Board, 25% on the Board of Directors, and 39% in other leadership positions. The Company remains engaged in maintaining transparency regarding its performance and ESG, publishing its Integrated Annual Report in May.

SECOND SEMESTER

As we enter the second half of 2023, we are confident in the plan we have outlined, the people who make up Team Cielo, and the strength of the Brazilian economy. We remain committed to the purpose of building a better company for Brazilian retail. We thank our entire team for their dedication and the trust of our customers, shareholders, and partners.

RECOGNITIONS

GPTW 2022 (Diversity Category) – Our gender equity policies were recognized by GPTW (Great Place to Work), which placed us for the first time as one of the Best Companies to Work For in the diversity category of the 2022 ranking.

Ombudsman Award in Brazil – Cielo won, for the 2nd time, the *Prêmio Ouvidorias Brasil*, organized by ABRAREC (Brazilian Association of Company-Customer Relations), being the only acquirer among the winners.

Top Companies 2023 | LK - Cielo was recognized by LinkedIn Brazil as one of the 25 best companies for those who want to develop professionally, being the only acquirer in the ranking.

Interbrand - Cielo was recognized as one of the most valuable Brazilian brands 22/23, ranking in the Top 25.

The 100 most influential companies in mobility - Cielo was recognized by Estadão, in the Technology & Innovation for Mobility category, as one of the most influential companies in mobility.

Folha | Top of Mind - Cielo is the winner of the Payment Machine category of the Top of Mind 2022 Award, held by Folha de S. Paulo and the Datafolha Institute.

OPERATIONAL PERFORMANCE

2Q23

FINANCIAL VOLUME OF TRANSACTIONS

In 2Q23 Cielo's financial volume of transactions totaled R\$ 195.8 billion, a decrease of 2.6% or R\$ 5.2 billion compared to 1Q23 and a decrease of 11.4% or R\$ 25.2 billion compared to 2Q22.

Specifically with credit cards (lump sum and installment payments), the financial volume of transactions totaled R\$ 120.9 billion in 2Q23, a decrease of 1.1% compared to 1Q23 and a decrease of 7.7% compared to 2Q22. In debit cards, the financial volume of transactions totaled R\$ 75.0 billion in 2Q23, a decrease of 5.0% compared to 1Q23 and a decrease of 16.8% compared to 2Q22.

Additionally, Cielo captured 1.9 billion transactions in 2Q23, a decrease of 1.3% compared to 1Q23 and a decrease of 8.1% compared to 2Q22.



NET REVENUE

Net revenue totaled R\$ 2,642.0 million in 2Q23, an increase of 2.8% or R\$ 72.2 million compared to 1Q23.

The main impact on net revenue is related to the increase in revenue yield, which benefited from the behavior of prices and interchange, partially offset by the reduction in captured volume given the cooling down of retail activities in the country and the competitive scenario, impacting Cielo's revenue from capture, transmission, processing and financial settlement of transactions. At Cateno, the growth in net revenue is directly linked to the increase in the volume transacted, impacting the interchange revenue of the Ourocard Arrangement.

COST OF SERVICES PROVIDED

Consolidated cost of services provided totaled R\$ 1,396.0 million in 2Q23, a decrease of R\$ 12.9 million, or 0.9% compared to 1Q23. This change was mainly due to the following events:

- (i) Decrease of R\$ 31.3 million or 5.6% in **costs related to the capture, processing and settlement of Cielo transactions** related to volume reduction, mainly in brand fees, partially offset by the implementation of initiatives to improve services provided to customers;
- (ii) Decrease of R\$ 3.7 million or 1.2% in **equipment-related costs and other costs** compared to 1Q23, which is mainly due to an impact on the depreciation lines related to the acquisitions of POS terminals; and
- (iii) Increase of R\$ 22.1 million or 4.1% in **costs related to management of payment accounts of the Ourocard Arrangement at Cateno**, mainly related to higher costs with issuance and mailing of cards, in addition to the increase in remuneration of brands.

OPERATING EXPENSES

Operating expenses totaled R\$ 46.7 million in 2Q23, a decrease of R\$ 354.9 million or 88.4% compared to R\$ 401.6 million in 1Q23. The variation was mainly due to the following events:

Personnel expenses - Increase of R\$ 39.5 million, or 15.1%, to R\$ 301.4 million in 2Q23, compared to R\$ 261.9 million in 1Q23. Baseline effect on changes in provision for personnel expenses, such as the Company's variable compensation programs, which occurred in 1Q23, in addition to higher expenses arising mainly from the expansion of the commercial team.

General and administrative expenses, including depreciation - Increase of R\$ 28.1 million or 43.2% to R\$ 93.1 million in 2Q23, compared to R\$ 65.0 million in 1Q23. The increase is mainly related to expenses with initiatives aimed at improving the quality of services provided.

Sales and marketing expenses - Increase of R\$ 23.4 million or 185.7% to R\$ 36.0 million in 2Q23, compared to R\$ 12.6 million in 1Q23. The variation is mainly due to higher expenses with media, production, placement and promotional actions with partners in 2Q23.

Other operating income (expenses) - Decrease of R\$ 445.9 million or 718.0%, to R\$ 383.8 million in 2Q23, compared to R\$ 62.1 million in 1Q23. The variation is mainly due to non-recurring net gains generated by the reversal of the provision for ISS Municipality that occurred in 2Q23, resulting from the completion of the Federal Supreme Court (STF) judgment that set the understanding and maintained the collection of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located.

FINANCE INCOME (COSTS)

Finance costs totaled R\$ 49.3 million in 2Q23, a variation of 30.2% or R\$ 21.3 million compared to 1Q23, when the Company recorded finance costs of R\$ 70.6 million. The main variations in finance income (costs) are:

Finance income – Decrease of R\$ 16.9 million, or 17.0%, to R\$ 82.4 million in 2Q23, compared to R\$ 99.3 million in 1Q23, related to the lower average cash balance.

Prepayment of receivables – Increase of R\$ 15.7 million or 4.3% to R\$ 377.9 million in 2Q23 compared to R\$ 362.2 million in 1Q23, related to the growth in the volume of purchase of receivables in 2Q23.

Finance costs – Decrease of R\$ 21.2 million, or 4.0%, to R\$ 502.6 million in 2Q23, compared to R\$ 523.8 million in 1Q23, mainly related to the effect of a substantial decrease in the average balance raised during the quarter.

Exchange loss, net – Decrease of R\$ 1.3 million or 15.7%, exchange loss totaled R\$ 7.0 million in 2Q23 compared to the loss of R\$ 8.3 million in 1Q23. The variation is directly related to the foreign currency exposures.

NET REVENUE

Net revenue totaled R\$ 2,642.0 million in 2Q23, an increase of 4.0% or R\$ 101.8 million compared to 2Q22.

The main impact on net revenue is related to the increase in revenue yield, which benefited from the behavior of prices and interchange, partially offset by the reduction in transacted volume given the cooling down of retail activities in the country and the competitive scenario, impacting Cielo's revenue from capture, transmission, processing and financial settlement of transactions. At Cateno, the growth in net revenue is directly linked to the increase in the volume transacted, impacting the interchange revenue of the Ourocard Arrangement.

COST OF SERVICES PROVIDED

Consolidated cost of services provided totaled R\$ 1,396.0 million in 2Q23, a decrease of R\$ 69.5 million, or 4.7% compared to 2Q22. The variation was mainly due to the following events:

- (i) Decrease of R\$ 41.6 million or 7.3% in **costs related to capture, processing and settlement of Cielo transactions** stems from expenses related to the volume reduction, mainly brand and processing service fees, partially offset by improvements in services provided to customers;
- (ii) Decrease of R\$ 21.0 million or 3.6% in **costs related to management of payment accounts of the Ourocard Arrangement at Cateno**. The reduction in expenses is mainly related to efficiency gains in call center lines and bank expenses;
- (iii) Decrease of R\$ 11.0 million in **cost of services provided in subsidiary Cielo USA** due to the sale of MerchantE in April 2022;
- (iv) Increase of R\$ 4.1 million or 1.3% in **equipment-related costs and other costs** compared to 2Q22, which is mainly due to an increase in expenses with maintenance of POS terminals.

OPERATING EXPENSES

Operating expenses totaled R\$ 46.7 million in 2Q23, a decrease of R\$ 84.9 million or 64.5% compared to R\$ 131.6 million in 2Q22. The variation was mainly due to the following events:

Personnel expenses - Increase of R\$ 67.5 million, or 28.9%, to R\$ 301.4 million in 2Q23, compared to R\$ 233.9 million in 2Q22. The increase is related to the impacts of the collective bargaining agreement on salaries, provisions and labor charges, in addition to higher expenses arising mainly from the expansion of the commercial team.

General and administrative expenses, including depreciation - Increase of R\$ 12.4 million or 15.4% to R\$ 93.1 million in 2Q23, compared to R\$ 80.7 million in 2Q22. The increase is related to expenses with various initiatives aimed at improving the quality of services provided.

Sales and marketing expenses - Increase of R\$ 10.7 million or 42.3% to R\$ 36.0 million in 2Q23, compared to R\$ 25.3 million in 2Q22. The variation is related to expenses with marketing campaigns, commercial actions and sales incentives in 2Q23.

Other operating income (expenses), net - Variation of R\$ 175.5 million to R\$ 383.8 million in 2Q23, compared to R\$ 208.3 million in 2Q22. This increase is mainly related to non-recurring net gains recognized in 2Q22 and 2Q23: (i) Gain on the sale of MerchantE in 2Q22; (ii) Impairment of legacy software at Cielo in 2Q22; (iii) Restructuring of the stores channel, which took place in 2Q22; and (iv) Reversal of the provision for ISS Municipality, resulting from the completion of the Federal Supreme Federal (STF) judgment that set the understanding and maintained the collection of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located, occurred in 2Q23.

FINANCE INCOME (COSTS)

Finance costs totaled R\$ 49.3 million in 2Q23, a variation of 50.6% or R\$ 50.5 million compared to 2Q22, when the Company recorded finance costs of R\$ 99.8 million. The main variations in finance income (costs) are:

Finance income – Increase of R\$ 1.3 million or 1.6% to R\$ 82.4 million in 2Q23 compared to R\$ 81.1 million in 2Q22, in line with the same quarter of the previous year.

Prepayment of Receivables – Increase of R\$ 146.9 million or 63.6% to R\$ 377.9 million in 2Q23 compared to R\$ 231.0 million in 2Q22, related to the growth in the volume of purchase of receivables in 2Q23.

Finance costs – Increase of R\$ 106.5 million, or 26.9%, to R\$ 502.6 million in 2Q23, compared to R\$ 396.1 million in 2Q22, mainly related to the increase in the average balance raised and higher average CDI rate in 2Q23.

Exchange loss, net – Decrease of R\$ 8.8 million or 55.7%, to an Exchange loss totaled R\$ 7.0 million in 2Q23, compared to the loss of R\$ 15.8 million in 2Q22. The variation is directly related to foreign currency exposures.

Below we present the reconciliation between COSIF and IFRS accounting practices of equity compared to the quarters ended June 30, 2023 and March 31, 2023 and the consolidated result compared to the quarters ended June 30, 2023 and 2022:

R\$ million	Equity		Net Income	
	06/30/2023	12/31/2022	06/30/2023	06/30/2022
COSIF - Balance	21,870.0	21,122.4	825.0	708.7
Goodwill in subsidiaries abroad (a)	-	-	-	(158.7)
Third-party participation in Investment Funds (b)	(7,375.2)	(7,327.9)	-	-
Other (c)	22.0	22.3	0.1	0.2
IFRS - Balance	14,516.8	13,816.8	825.1	550.2

- (a) Difference in accounting practice in recognition of goodwill. Under IFRS, goodwill is maintained at historical value and under COSIF, it is amortized over the estimated period of the benefit. For the second quarter of 2022, the impact on profit is related to the realization of goodwill after the sale of MerchantE.
- (b) Third-party interests in Credit Rights Investment Funds (FIDCs) and Investment Funds in Investment Fund Quotas (FICs), previously presented in current and non-current liabilities, which according to BCB Normative Instruction 272/22, are now recognized directly in equity, specifically under the line item “non-controlling interests” in COSIF.
- (c) Composed by: i) goodwill from Subsidiaries not amortized in accordance with CPC 15 (R1) – Business Combinations; and ii) property and stores lease agreements, recorded as right-of-use assets and lease liabilities in the statement of financial position and amortized over the term of the agreements, pursuant to CPC 6 (R2) – Leases.

Consolidated EBITDA totaled R\$ 1,430.6 million in 2Q23, an increase of 43.9% compared to 1Q23 and an increase of 20.9% compared to 2Q22, as shown below:

EBITDA (R\$ million)	2Q23	2Q22	1Q23
Cielo Net Profit	708.5	635.3	440.8
Non-controlling shareholders	116.5	73.4	84.6
Financial Income (Costs), Net	49.4	99.8	70.6
Income Tax and Social Contribution	325.0	134.6	163.3
Depreciation and Amortization	231.2	240.1	235.1
EBITDA	1,430.6	1,183.2	994.4
<i>% EBITDA margin</i>	54.1%	46.6%	38.7%

EBITDA corresponds to net profit, plus income tax and social contribution, depreciation and amortization expenses and finance income and costs. For such calculation, Cielo's net profit includes non-controlling interests.

Management believes that EBITDA is an important parameter for investors because it provides relevant information about our operating results and profitability.

However, EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil, does not represent the cash flow for the reporting periods and should not be considered as an alternative to net profit as an operating performance indicator or as an alternative to cash flow or as a liquidity indicator. In addition, the EBITDA has a limitation which jeopardizes its use as a measure of profitability, since it does not consider certain costs deriving from businesses, which may significantly affect profit, such as finance costs, taxes, depreciation, capital expenditures and other related charges.

DIVIDEND DISTRIBUTION POLICY

The Bylaws ensure the distribution of the mandatory minimum dividend of at least 30% on earned profits (after constitution of the legal reserve) at the end of each fiscal year. Also, pursuant to Laws No. 9,430/96 and No. 9,249/95, Article 9, the amount of interest paid or credited by the legal entity, as remuneration of equity, may be imputed to the amount of dividends.

The remaining balance of profit for the fiscal year will be allocated in accordance with the resolution of the annual general meeting. The Company records, at the end of the fiscal year, a provision for the amount of minimum dividends that have not yet been distributed during the year up to the limit of the mandatory minimum dividend described above. The Bylaws grant the Company the right to prepare statements of financial position for six-month periods or for shorter periods and, subject to the limits set forth by law, the Board of Directors may declare dividends on the profit account calculated in these statements of financial position. Furthermore, the Board of Directors may declare interim dividends on account of existing profits, based on the last statement of financial position approved by the shareholders.

The Company will distribute proceeds for 2Q23 in the form of interest on capital within the tax deductibility limit.

In the first half of 2023, the Company reached a payout of 34.2%.

INVESTMENTS IN SUBSIDIARIES

The value of investments by the main companies of the group is shown in the table below:

Subsidiaries (R\$ million)	Investments		Share of profit of investees	
	06/30/2023	12/31/2022	06/30/2023	06/30/2022
Servinet	52.6	72.0	10.8	9.5
Cielo USA	3.6	4.4	(0.5)	226.3
Cateno	6,578.2	6,687.2	469.2	319.1
Stelo	295.5	278.6	46.1	11.2
Aliança	5.9	5.6	0.2	41.5

In 2022, Cielo sold the indirect subsidiary MerchantE through the subsidiary Cielo USA.

HUMAN RESOURCES

The Human Resources Management Strategy aims to boost our team's journey, generating pride in belonging and sustainable value to the business, ensuring the creation of value for shareholders, our team and other people involved in the Company's operations. This generation of value takes place through the alignment of stakeholders' interests, the pursuit of business sustainability, through optimal management of the human capital involved in the Company's operations.

We believe in our Team Cielo, boosting its journey and keeping employees engaged and willing to offer our internal and external customers an excellent service. We do this through our culture, our purpose of simplifying and boosting business for all people, directing employees through our competencies, which are:

1. Collaboration: Creates relationships of partnership and trust. Considers different perspectives and interdependencies when proposing solutions and evaluates the impacts of its actions on other areas;
2. Make It Happen: Ability to turn ideas into results for the business, has consistency in deliveries and works to exceed established goals;
3. Customer focus: Has the customer's needs and expectations as the starting point for its deliveries, contributes to Cielo providing a positive experience for its customers. Designs differentiated solutions to boost its businesses;
4. Grit and courage: Open to changes, challenges the existing scenario, contributes to the process of innovation and continuous improvement. Has initiative and takes risks;
5. Leader of oneself: Has self-knowledge and is the protagonist of its development. Manages one's own emotions. Has the ability to motivate oneself, even in the face of ambiguities and uncertainties. Has empathy and interpersonal communication skills; and
6. Transforming leader: Builds a high-performance team, communicates, inspires and encourages people in the face of business challenges. Gives autonomy, is fair, recognizes the deliveries and merit of each collaborating person.

Cielo cares about the quality of life and well-being of the people who make up Team Cielo, which is why, through the "De Bem com a Vida" Program, we enable several initiatives to promote a healthy and emotionally safe environment. *De Bem com a Vida* is organized into three pillars, namely: Health in Balance, Always on the Move and Facilities for You. From this organization we have initiatives focused on Health, Nutrition, Pregnancy and Parenting, Physical Activity, Leisure, Culture, Partnerships and Events.

Many of the initiatives are extended to employees' dependents, such as: emotional care, personal support and guidance, vaccination, conversation circles, Gympass, Olympics – Sports Championship. The program is recognized by employees, with a 91.9% favorability in the internal Employee Experience survey.

To further value our diverse team, we have an internal structure defined to ensure the existence of a formal structure for the Diversity and Inclusion agenda, we have the Diversity Forum, which has the participation of the CEO, the Executive Board and the Sustainability, Diversity and Corporate Responsibility Management, in line with our commitment to develop an inclusive leadership that is committed and demonstrates an active and protagonist behavior in the promotion of Diversity & Inclusion. The Human Resources structure has the Diversity, Equity and Inclusion area, responsible for the Diversity and Inclusion strategy, establishing the guidelines and governance to make the Company more inclusive, in line with the cultural attributes necessary to leverage the business, either by increasing the representation and career development of minority social groups in the workforce or by promoting an inclusive culture, respecting people and repudiating all forms of discrimination, as provided for in Cielo's Code of Ethical Conduct. And finally, all employees can participate in Affinity Groups: “Somos Todos Um”, aimed at the inclusion of people with disabilities, “Blue to Black” focused on ethnic-racial guidelines; “Prisma” focused on the inclusion of the LGBTQIAPN+ community; and “Além do Gênero”, focused on gender equity.

Much more than policies and practices, we build an environment with a culture of respect and values for people on our team and our value chain, respecting their identities and skills, with the aim of simplifying and boosting businesses for all people.

At the end of June 2023, the organization had 5,187 employees and 192 interns.

HUMAN RESOURCES HIGHLIGHTS



National Quality of Life Award: silver certification as one of the best companies focused on corporate well-being by the Brazilian Quality of Life Association;



Award in the “Inclusive Leadership” category, for the Inclusive Leadership Assessment initiative, in the Diversity in Practice award;



Think Work Flash Innovations: the “edUCa” platform won the title of champion in the “Compensation and Benefits” category, in the award that evaluates the most innovative practices in the market regarding people management;



Continuous Improvement: our Lean Six Sigma program was recognized by SETA Desenvolvimento Organizacional for its evolution; and



Valor Carreira: we ranked 4th in the best companies in People Management category by Valor Carreira.

Cielo is committed to sustainability, diversity and corporate responsibility. The Company's commitment to sustainable development is formalized through the Sustainability Policy, which establishes guidelines for the implementation of an agenda of environmental, social and governance (ESG) practices.

To structure the achievement of these commitments, Cielo established its Sustainability Strategic Plan. Approved by the Sustainability Committee and in line with Cielo's Strategic Objectives, the planning translates Cielo's Purpose and Vision from the perspective of sustainability, establishing as Sustainability Purpose to 'enhance sustainable and inclusive business with all people' and as Sustainability Vision to 'be a platform for the sustainable development of the Brazilian market'.

The enforcement of the plan is followed up periodically by the Sustainability Committee, which reports its progress to the Board of Directors.

Such planning establishes Cielo's guidelines for Sustainability – including:

- Sustainable Operations: Adopt ESG practices in culture, structures and processes;
- Impact on the Business: Generate shared value through the business model; and
- Development of Society: To be a means for social transformation.

In this context, strategic themes were structured for value creation, namely: (a) ESG Risks, Management and Engagement; (b) Diversity, Equity & Inclusion; (c) Social Impact with Business; and (d) Eco-efficiency and Climate. Further information and highlights on each of the strategic themes for value creation are presented below:

(a) ESG Risks, Management and Engagement

In May 2023, Cielo published its 2022 Integrated Annual Report. The publication offers a broad strategic vision of Cielo, its business model and value creation. The document is available at <https://ri.cielo.com.br/sobre-acielo/sustentabilidade-empresarial>.

Cielo is part of the 2023 portfolio of the B3 Corporate Sustainability Index (ISE B3) and is included in the S&P Global Sustainability Yearbook 2023, making it the only Brazilian company in the IT Services sector.

Since July 2022, Cielo's ESG supplier assessment process incorporated a socio-environmental criticality rule, according to supplier classification, in addition to a module dedicated to Diversity and Inclusion, which includes training and tests on this topic.

(b) Diversity, Equity & Inclusion

To guide our actions regarding this theme, we have a Diversity and Inclusion Policy, whose main objective is to establish guidelines and governance to promote diversity and inclusion in the representativeness and corporate culture.

In the first quarter of 2022, Cielo announced its representation goals, which aim at making the staff more diverse and representative until 2025. The goals were approved by Cielo's Board of Directors. Until 2025, the number of women in the overall staff shall represent 45% of the total. Also, black and indigenous professionals shall correspond to 35% of the total.

During Pride Month in June 2023, we carried out actions aimed at promoting diversity, equity and inclusion in the LGBTQIAPN+ community, including lectures on 'Employability of people from the community' and 'importance of celebrating diversity and empowerment'.

(c) Social Impact with Business

We understand that our role in promoting the development of society can go beyond offering solutions for the trade of goods and services. Therefore, we work to be a means of social transformation, seeking to leverage our social impact through innovation in business and the promotion of entrepreneurship, education, technology and diversity.

In 2022, we carried out the Impulsiona Aí program, aimed at generating income and entrepreneurial education for black women from popular territories in São Paulo, who work in the field of gastronomy. The program supported, free of charge, 150 entrepreneurs in different stages of their business development.

(d) Eco-efficiency & Climate

The environmental aspects and impacts of our operations are evaluated and monitored by our Environmental Management System (SGA), ISO 14.001 certified. This environmental management system goes through annual internal and external audits aimed at maintenance or recertification in the standard's requirements.

Cielo has a Climate Strategy, validated and overseen by the Sustainability Committee, which guides the actions regarding climate governance, risk and opportunity management, accounting for Greenhouse Gases (GHG) emissions, goals and engagement with the value chain.

Information on climate change management is presented in the Carbon Disclosure Project (CDP) – Climate index, where it has a “B” rating, thus attesting that Cielo is addressing actions on climate issues in a coordinated manner.

Scope 1 and 2 residual GHG emissions are offset through carbon credits and international renewable energy certificates, both with social and environmental integrity, traceable and verified by an entity recognized in the world market.

MAIN ESG INITIATIVES



In May 2023, Cielo's **Environmental Management System (EMS)** underwent an audit, **ensuring the maintenance of the ISO 14001 certification.**



Cielo reaches 30% of women in senior management positions: Cielo's Executive Board now has 3 women (37.5%), while the Board of Directors now has two more female leadership positions, totaling 3 women (25%).



Cielo was elected by the **Filasa Ranking 2023** (Finance & Law Summit and Awards) as the company with the **Best Legal Department in the Banking and Financial Services category.**



Residual scope 1 and 2 GHG emissions from 2022 were offset through **traceable and verified carbon credits that promote social and environmental integrity.**

Corporate Governance is a priority for Cielo, which has as one of its goals its continuous improvement to support sustainable, long-term corporate performance. In this spirit, Cielo voluntarily adopts the best corporate governance practices besides those required for companies listed on the Novo Mercado of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), evidencing the commitment of Cielo and its management to the interest of its shareholders and investors.

The maximization of its efficiency and creation of long-term value can be seen in: (a) the adoption of an appropriate decision-making system and the monitoring of compliance therewith; (b) the maintenance of a Corporate Governance Office, which aims to support management bodies and committees/advisory forums of Cielo and its subsidiaries, as well as to ensure compliance with the best corporate governance practices; (c) the adoption of ethical and sustainable conduct; (d) the formal performance assessment of the Board of Directors, its Advisory Committees and the Executive Board on an individual and group basis; (e) the presence of distinct personnel holding the positions of Chairman of the Board of Directors and Chief Executive Officer; (f) the existence of an annual calendar of events and annual agenda for the Board of Directors, covering the subjects to be discussed over the year in meetings previously scheduled; (g) the exchange of information through the Corporate Governance Electronic Portal; (h) the existence of a Policy on Related Party Transactions and Other Situations Involving Conflicts of Interest (“TPR Policy”); and (i) a Code of Ethics mandatorily adhered to by all employees and management, which establishes basic principles that shall guide Cielo's relations and activities, in addition to reiterating the need to comply with current legislation, widely disseminated at Cielo and publicly disclosed on its Investor Relations website.

It is worth pointing out that since 2013 Cielo has been adopting the TPR Policy, which aims at consolidating the procedures to be followed in Cielo's businesses involving related parties, as well as other situations involving potential conflict of interests, conferring transparent procedures to its shareholders and the market in general, ensuring its strict alignment with Cielo's interests, always in compliance with the best Corporate Governance practices, being reviewed in July 2021 to comply with the recommendations of the Brazilian Corporate Governance Code – Publicly-Held Companies prepared by the Interagents Working Group, which is coordinated by the Brazilian Institute of Corporate Governance.

Regarding the transactions with related parties, the levels of authority and procedures set forth in the TPR Policy and the Bylaws must be observed. The transactions are instructed as the documentation that evidences that the transaction will be carried out under fair market conditions (such as, but not limited to, commercial proposals actually obtained from independent third parties and market researches about prices and other conditions in similar operations). Notwithstanding the submission of this documentation, independent studies, reports and/or appraisal reports may still be submitted, prepared without the participation of any of the parties involved in the TPR, be it a bank, lawyer, specialized consulting firm, among others, based on realistic assumptions and information endorsed by third parties about the commutativity of the terms of the transaction. If the approval of the transaction falls under the authority of Cielo's Board of Directors, the Corporate Governance Committee will evaluate the aforementioned documentation and recommend or not the topic to be decided about to the Board of Directors.

It is important to note that the Corporate Governance Committee and Board of Directors, when called to evaluate and/or approve proposals of transactions with related parties carried out between Cielo and any of its controlling shareholders, will exceptionally be composed of all independent directors, and such independent directors shall be called upon to consider the matter as ad hoc members of the Committee, replacing the member(s) appointed by the conflicting controlling shareholder(s), in addition to the members who are not in conflict.

In addition, a person in a position of conflict (i) a priori, will not participate in the meetings or (ii) if he or she is present due to other matters covered, he or she shall be absent from discussions on the topic and abstain from voting to decide about transactions, evaluate, express opinion or in any other way participate or influence the conducting or approval of the matter. If requested by the Chairman of the Board of Directors or by the Chief Executive Officer, as the case may be, the person in conflict may partially participate in the discussions, aiming to support them with more information about the operation and the parties involved, but shall always, however, be absent at the end of the discussions, including and especially from the voting process to decide about the matter. The member(s) appointed by the controlling shareholder(s) who is (are) not in conflict regarding the matter to be decided about shall not participate in the meetings of the Board of Directors or Corporate Governance Committee when the matter to be decided about refers to a strategic issue of the conflicting shareholder.

Regarding Cielo's corporate governance bodies, the Board of Directors, which is a joint committee, should be composed of at least 7 (seven) and no more than 12 (twelve) members who do not perform management activities at Cielo, of which 4 (four) are independent, where their independence aims to protect the interests of the Company and its non controlling shareholders. The Board of Directors is responsible, among other attributions, for setting the general direction of Cielo's business, electing the members of the Executive Board and overseeing its management. Currently, Cielo's Executive Board is composed of at least 2 (two) and no more than 11 (eleven) members and performs the general management of Cielo, respecting the guidelines defined by the Board of Directors. Moreover, as another evidence of Cielo's adherence to the best Corporate Governance practices, the Board of Directors has 6 (six) Advisory Committees, namely: Audit Committee, Finance Committee, Corporate Governance Committee, People and Compensation Committee, Sustainability Committee and Risk Committee; and the Executive Board has 9 (nine) advisory forums: Disclosure Forum, Ethics Forum, Social and Cultural Investment Forum, Strategic Pricing Forum, Diversity Forum, Innovation Forum, Products and Services Forum, Information Security Management and Fraud Prevention Forum and Data Privacy and Protection Forum.

Cielo's Supervisory Board, an independent management body, is currently installed to oversee the management activities and is composed of 5 (five) full members and 5 (five) deputy members, with 4 (four) of the full members being appointed by the controlling shareholders and 1 (one) appointed by non-controlling shareholders.

ACKNOWLEDGEMENTS

Motivated by what we achieved in previous periods, we remain aware of the challenges and opportunities that present themselves in the payments market and committed to the purpose of building an ever better company.

We appreciate the dedication of our team, and the trust placed in us by our customers, shareholders and partners.

We inform that, during the second quarter of 2023, Cielo Group engaged the independent auditing services of KPMG.

Cielo Group's policy when contracting independent auditors' services assures there is no conflict of interests, no loss of independence or objectivity. Therefore, Cielo Group's policy to engage independent auditors adopts the following internationally accepted principles: (a) the auditor shall not audit his or her own work, (b) the auditor shall not perform managerial duties at his or her client and (c) the auditor shall not promote the interests of his or her client.

Cielo Group declares that the independent auditors have been engaged to provide services not related to external audit until December 31, 2023, which consist of provision of limited assurance about Environmental, Social and Governance information and the 2022 Sustainability Report and reasonable assurance about compliance with the Procedure Adjustment Agreement ("TCC") by and between CADE (Brazilian antitrust agency) and Cielo. This engagement complies with the group's corporate governance requirement, which determines that every extraordinary engagement of independent auditors that audit its financial statements, directly or indirectly, needs to be previously analyzed by the Audit Committee and authorized by the Board of Directors. The total amount of these services is R\$ 333.0 thousand and represents approximately 12.8% of the total fees for auditing Cielo Group's financial statements for the year ending December 31, 2023. Further information on audit fees is provided on the Reference Form.

Cielo S.A. - Instituição de Pagamento

Individual and Consolidated
Interim Financial Statements
for the three- and six-month periods ended
June 30, 2023, and
Independent Auditor's Report on
Interim Financial Statements
(*COSIF*)

Contents

Independent auditor's report	2
Statements of financial position	4
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows.....	8
Statements of value added	9
1 Operations	10
2 Summary of significant accounting practices.....	11
3 Consolidated interim financial statements	18
4 Cash.....	19
5 Financial instruments, including derivatives.....	19
6 Credit rights investment funds ("FIDCs")	21
7 Operating receivables	24
8 Income tax, social contribution and other taxes	25
9 Investments	27
10 Property and equipment.....	30
11 Intangible assets	32
12 Borrowings	34
13 Payables to merchants	35
14 Provision for contingencies.....	36
15 Equity	39
16 Earnings per share.....	42
17 Net revenue.....	43
18 Expenses by nature	44
19 Commitments	45
20 Employee benefits.....	46
21 Employee and officers result sharing	47
22 Compensation of Key Management Personnel and Supervisory Board ..	47
23 Restricted stock plans	48
24 Finance income (costs).....	49
25 Risk Management.....	50
26 Related-party balances and transactions	59
27 Noncash transactions	63
28 Insurance	64



KPMG Auditores Independentes Ltda.
Rua Arquiteto Olavo Redig de Campos, 105, 12º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP – Brasil
Telefone 55 (11) 3940-1500, Fax 55 (11) 3940-1501
www.kpmg.com.br

Report on Review of Interim financial Information - ITR

To the Shareholders and Board of Directors of
Cielo S.A. – Instituição de Pagamento
Barueri - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Cielo S.A. – Instituição de Pagamento (“Company”), included in the Interim Financial Information Form (ITR) for the quarter ended June 30, 2023, which comprises the balance sheet at June 30, 2023 and the related statements of income and comprehensive income for the three and six-month periods then ended and changes in shareholders’ equity and cash flows for the six-month period then ended, including the explanatory notes.

The Company’s management is responsible for the preparation of this individual and consolidated interim financial information in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil, as well as for the presentation of this information in accordance with the standards issued by the Securities and Exchange Commission of Brazil, applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



Conclusion on the interim individual and consolidated financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information, included in the interim financial information referred to above, were not prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil, as well as for the presentation of this information in accordance with the standards issued by the Securities and Exchange Commission of Brazil.

Other matters

Statements of value added

The interim individual and consolidated information referred to above, include the individual and consolidated statement of value added (DVA), related to the six-month period ended June 30, 2023, prepared under the Company's Management responsibility, whose presentation is not required by the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil, were submitted to the same review procedures of the review of the Company's interim financial information – ITR. In order to form our opinion, we evaluated whether these statements are reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in the Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware, of any fact that could lead us to believe that the accompanying statements of value added were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

Interim consolidated financial information

This consolidated interim financial information for the quarter ended June 30, 2023, which was prepared in accordance with accounting practices adopted in Brazil applicable to payments institutions authorized to operate by the Central Bank of Brazil (BACEN), is being presented in an additional manner, according to the faculty provided for in Art. No. 68 of BCB Resolution No. 219, to the consolidated interim financial information prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and were presented separately by Cielo S.A. – Instituição de Pagamento, on this date and on which we issued a report independent audit, not containing any modification, dated August 01, 2023.

São Paulo, August 01, 2023

KPMG Auditores Independentes Ltda.
CRC 2SP027685/O-0 F-SP

Original report in Portuguese signed by
Gustavo Mendes Bonini
CRC 1SP296875/O-4

Cielo S.A. - Instituição de Pagamento

Statements of financial position as at June 30, 2023 and December 31, 2022

(In thousands of Brazilian reais)

Assets	Not e	Parent Company		Consolidated		Liabilities and equity	Not e	Parent Company		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022			06/30/2023	12/31/2022		
Current assets						Current liabilities					
Cash	4	11.454	127.730	37.123	140.547	Borrowings	12	4.389.524	3.623.321	4.389.524	3.623.321
Financial instruments, including derivatives	5	54.222	959.705	914.773	1.742.318	Other payables		82.732.236	95.323.119	66.387.406	80.156.435
Credit rights investment funds	6	12.242.039	9.927.566	-	-	Social and statutory		254.461	340.911	284.060	405.743
Income receivable	7	115.552	130.002	2.410.135	995.533	Tax and social security	8	56.906	147.767	420.630	787.165
Receivables from card-issuing banks	7	79.568.180	92.081.398	79.568.659	92.083.831	Payables to merchants	13	64.384.462	77.709.823	64.512.622	77.835.921
Receivables from related parties	26	146.576	13.566	812.499	826.350	Payables to related parties	26	17.462.142	16.486.795	521.563	422.596
Taxes and contributions for offset/recoverable		632.361	571.779	898.724	1.112.528	Others		574.265	637.823	648.531	705.010
Other operating receivables	7	168.087	140.633	187.779	142.525	Total current liabilities		87.121.760	98.946.440	70.776.930	83.779.756
Allowance for expected losses associated with credit risk	7	(200.182)	(170.209)	(200.838)	(170.739)						
Other receivables		101.825	80.680	115.969	91.566						
Total current assets		92.840.114	103.862.850	84.744.823	96.964.459						
Noncurrent assets						Borrowings	12	3.009.165	3.019.750	3.009.165	3.019.750
Financial instruments, including derivatives	5	-	-	292.125	286.718	Other payables		376.896	2.123.349	406.360	2.309.281
Escrow deposits	14	61.524	1.580.209	66.732	1.584.203	Provision for contingencies	14	306.272	2.061.899	326.024	2.239.392
Tax credits	8	929.658	1.046.478	1.169.185	1.346.699	Others		70.624	61.450	80.336	69.889
Other operating receivables	7	23.142	26.937	23.700	26.952	Total noncurrent liabilities		3.386.061	5.143.099	3.415.525	5.329.031
Investments in subsidiaries and joint ventures	9	6.935.719	7.047.935	-	-						
Property and equipment	10	864.184	936.886	876.116	950.937	Equity					
Property and equipment in use		2.012.498	2.143.564	2.064.191	2.195.211	Issued capital	15	5.700.000	5.700.000	5.700.000	5.700.000
(-) Accumulated depreciation		(1.093.844)	(1.096.718)	(1.133.605)	(1.134.314)	Capital reserve	15	60.559	70.893	60.559	70.893
Provision for impairment of assets		(54.470)	(109.960)	(54.470)	(109.960)	Earnings reserves	15	6.191.470	5.435.319	6.191.470	5.435.319
Intangible assets	11	529.023	516.821	8.889.754	9.071.233	Other comprehensive income	15	(164.361)	(164.030)	(164.361)	(164.030)
Other intangible assets		1.702.897	1.452.633	13.602.126	13.039.260	(-) Treasury shares	15	(112.125)	(113.605)	(112.125)	(113.605)
(-) Accumulated amortization		(1.140.066)	(895.244)	(4.678.564)	(3.927.459)	Attributable to:					
Provision for impairment of assets		(33.808)	(40.568)	(33.808)	(40.568)	Owners of the Company		11.675.543	10.928.577	11.675.543	10.928.577
Total noncurrent assets		9.343.250	11.155.266	11.317.612	13.266.742	Noncontrolling interests		-	-	10.194.437	10.193.837
Total assets		102.183.364	115.018.116	96.062.435	110.231.201	Total equity		11.675.543	10.928.577	21.869.980	21.122.414
						Total liabilities and equity		102.183.364	115.018.116	96.062.435	110.231.201

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

Cielo S.A. - Instituição de Pagamento

Statements of profit or loss

For the three and six-month periods ended June 30, 2023 and 2022

(In thousands of Brazilian reais, except earnings per share)

Note	Parent Company				Consolidated				
	Three-month period		Six-month period		Three-month period		Six-month period		
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	
NET REVENUE	17	1,645.783	1,577.509	3,231.192	2,911.182	2,642.077	2,540.198	5,211.895	5,302.392
COST OF SERVICES PROVIDED	18	(843.769)	(878.555)	(1,720.119)	(1,694.137)	(1,395.951)	(1,465.540)	(2,804.840)	(3,313.886)
GROSS PROFIT		802.014	698.954	1,511.073	1,217.045	1,246.126	1,074.658	2,407.055	1,988.506
OPERATING INCOME (EXPENSES)									
Personnel	18	(159.246)	(110.389)	(292.158)	(212.368)	(301.374)	(233.920)	(563.308)	(480.149)
General and administrative	18	(230.167)	(211.827)	(426.358)	(406.268)	(93.130)	(80.668)	(158.167)	(182.008)
Sales and marketing	18	(35.989)	(25.346)	(48.591)	(47.040)	(36.044)	(25.331)	(48.654)	(90.891)
Share of profit (loss) of investees	9	301.052	481.251	525.853	607.515	-	-	-	-
Other operating income (expenses), net	18	228.207	(90.305)	190.605	(128.290)	383.762	208.326	321.742	153.880
OPERATING PROFIT		905.871	742.338	1,460.424	1,030.594	1,199.340	943.065	1,958.668	1,389.338
FINANCE INCOME (COSTS)									
Finance income	24	19.846	16.643	54.409	45.297	82.362	81.143	181.649	202.938
Finance costs	24	(540.107)	(402.587)	(1,102.296)	(724.460)	(502.630)	(396.142)	(1,026.440)	(738.406)
FIDC shares yield and purchase of receivables	24	437.676	255.607	864.384	463.962	377.905	230.993	740.075	388.729
Loss on exchange differences, net	24	(7.000)	(15.762)	(15.250)	(36.193)	(7.005)	(15.781)	(15.270)	(36.219)
		(89.585)	(146.099)	(198.753)	(251.394)	(49.368)	(99.787)	(119.986)	(182.958)
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		816.286	596.239	1,261.671	779.200	1,149.972	843.278	1,838.682	1,206.380
INCOME TAX AND SOCIAL CONTRIBUTION									
Current	8	53.046	(31.398)	4.479	(86.530)	(110.624)	(181.312)	(310.753)	(357.733)
Deferred	8	(160.843)	70.419	(116.819)	127.147	(214.348)	46.721	(177.515)	107.910
PROFIT FOR THE PERIOD		708.489	635.260	1,149.331	819.817	825.000	708.687	1,350.414	956.557
ATTRIBUTABLE TO:									
Owners of the Company						708.489	635.260	1,149.331	819.817
Noncontrolling interests						116.511	73.427	201.083	136.740
Earnings per share (in R\$) - Basic	16	<u>0,26272</u>	<u>0,23467</u>	<u>0,42651</u>	<u>0,30273</u>	<u>0,26272</u>	<u>0,23467</u>	<u>0,42651</u>	<u>0,30273</u>
Earnings per share (in R\$) - Diluted	16	<u>0,26076</u>	<u>0,23305</u>	<u>0,42333</u>	<u>0,30064</u>	<u>0,26076</u>	<u>0,23305</u>	<u>0,42333</u>	<u>0,30064</u>

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

Cielo S.A. - Instituição de Pagamento

Statements of comprehensive income

For the three- and six-month periods ended June 30, 2023 and 2022

(In thousands of Brazilian reais)

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period	708.489	635.260	1.149.331	819.817	825.000	708.687	1.350.414	956.557
Items that may be reclassified to profit or loss								
Exchange differences on translation of foreign operations:								
Exchange differences on foreign investments	(215)	9.128	(331)	162.963	(215)	9.128	(331)	162.963
Total comprehensive income for the period	708.274	644.388	1.149.000	982.780	824.785	717.815	1.350.083	1.119.520
Attributable to:								
Owners of the Company					708.274	644.388	1.149.000	982.780
Noncontrolling interests					116.511	73.427	201.083	136.740

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

Cielo S.A. - Instituição de Pagamento

Statements of changes in equity

For the six-month periods ended June 30, 2023 and 2022

(In thousands of Brazilian reais)

	Earnings reserves					Earnings retention	Other comprehensive income	Attributable to owners of the Company	Noncontrolling interests	Total equity
	Issued capital	Capital reserve	Treasury shares	Legal	Capital budget					
Balances as at December 31, 2021	5.700.000	77.030	(98.578)	1.140.000	3.402.989	-	(330.852)	9.890.589	10.367.903	20.258.492
Acquisition of treasury shares	-	-	(47.425)	-	-	-	-	(47.425)	-	(47.425)
Restricted stock units granted	-	13.397	-	-	-	-	-	13.397	-	13.397
Transfer of treasury shares due to exercise of shares	-	(23.694)	23.694	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	819.817	-	819.817	136.740	956.557
Allocation of profit for the period:										
Interest on capital proposed	-	-	-	-	-	(224.210)	-	(224.210)	-	(224.210)
Interest on capital paid	-	-	-	-	-	(65.138)	-	(65.138)	-	(65.138)
Other comprehensive income:										
Exchange differences on net foreign investments	-	-	-	-	-	-	162.963	162.963	-	162.963
Effect of noncontrolling interests on consolidated entities	-	-	-	-	-	-	-	-	(115.563)	(115.563)
Balances as at June 30, 2022	5.700.000	66.733	(122.309)	1.140.000	3.402.989	530.469	(167.889)	10.549.993	10.389.080	20.939.073
Balances as at December 31, 2022	5.700.000	70.893	(113.605)	1.140.000	4.295.319	-	(164.030)	10.928.577	10.193.837	21.122.414
Acquisition of treasury shares	-	-	(30.842)	-	-	-	-	(30.842)	-	(30.842)
Restricted stock units granted	23	21.988	-	-	-	-	-	21.988	-	21.988
Transfer of treasury shares due to exercise of shares	23	(32.322)	32.322	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	1.149.331	-	1,149.331	201.083	1,350.414
Allocation of profit for the period:										
Interest on capital proposed	15.f)	-	-	-	-	(196.970)	-	(196.970)	-	(196.970)
Interest on capital paid	15.f)	-	-	-	-	(196.210)	-	(196.210)	-	(196.210)
Other comprehensive income:										
Exchange differences on net foreign investments	15.g)	-	-	-	-	-	(331)	(331)	-	(331)
Effect of noncontrolling interests on consolidated entities	-	-	-	-	-	-	-	-	(200.483)	(200.483)
Balances as at June 30, 2023	5.700.000	60.559	(112.125)	1.140.000	4.295.319	756.151	(164.361)	11.675.543	10.194.437	21.869.980

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

Cielo S.A. - Instituição de Pagamento

Statements of cash flows

For the six-month periods ended June 30, 2023 and 2022

(In thousands of Brazilian reais)

Note	Parent Company		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Cash flows from operating activities				
Profit before income tax and social contribution	1,261,671	779,200	1,838,682	1,206,380
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:				
Depreciation and amortization	270,421	253,255	466,267	505,312
Disposals and provision/(reversals) of losses on property and equipment and intangible assets	10 and 11			
Share of profit (loss) of investees	9	(113)	(113)	66,754
Exchange differences on property and equipment and intangible assets	10 and 11	(525,853)	(607,515)	-
Restricted stock units granted	23	-	-	44,691
Loss on doubtful debts and fraud	18	21,988	13,397	21,988
Provision for tax, civil and labor risks		59,414	35,974	94,270
Exchange differences relating to interest on foreign borrowings	12	(195,081)	91,281	(352,147)
Gains (losses) on derivative financial instruments		-	(33,256)	-
Interest on borrowings	12	-	(70,693)	-
Amortization of debt issuance costs	12	454,271	213,421	454,271
Yield from interest in FIDC	6	849	233	849
		(906,538)	(486,589)	-
Decrease/(increase) in operating assets:				
Income receivable		14,450	(12,625)	(1,414,602)
Receivables from card-issuing banks		12,483,777	(6,671,677)	12,451,001
Receivables from related parties		(133,010)	(494)	13,851
Taxes and contributions for offset/recoverable		56,238	(230,408)	391,318
Escrow deposits		1,544	(1,939)	330
Dividends receivable	9	139,195	-	-
Other receivables		(21,145)	(20,151)	(24,403)
Other assets		(23,659)	139,075	(42,002)
Financial instruments, including derivatives		-	130,143	(5,407)
(Decrease)/increase in operating liabilities:				
Social and statutory		(86,450)	(17,464)	(121,683)
Tax and social security		(96,917)	183,778	(571,029)
Payables to merchants		(13,325,361)	3,677,752	(13,323,299)
Payables to related parties		975,347	3,605,593	98,967
Provision for contingencies	14	(43,405)	(17,977)	(44,080)
Other liabilities		(54,053)	(233,987)	(46,032)
Cash generated by/(used in) operations		327,580	782,081	(113,003)
Income tax and social contribution paid		(22,431)	(42,223)	(277,220)
Net cash generated by/(used in) operating activities		305,149	739,858	(390,223)
Cash flows from investing activities				
Acquisitions of shares of FIDC		(1,450,089)	(1,082,422)	-
Disposal of interest in subsidiary		-	-	489,483
Capital increase in subsidiaries	9	-	(1,359,181)	-
Dividends received from subsidiaries	9	498,543	330,850	-
Purchases of property and equipment	10	(113,925)	(256,637)	(113,971)
Purchases of intangible assets	11	(95,883)	(113,382)	(95,883)
Net cash (used in)/generated by investing activities		(1,161,354)	(2,480,772)	(209,854)
Cash flows from financing activities				
Proceeds from borrowings	12	1,170,000	1,620,000	1,170,000
Payment of principal of borrowings, net of derivatives	12	(431,277)	(851,278)	(431,277)
Interest paid	12	(438,225)	(159,135)	(438,225)
Increase in third parties' interest in FIDC		-	-	516,675
Amortization of senior quotas - FIDC		-	-	(517,029)
Acquisition of treasury shares		(30,842)	(47,425)	(30,842)
Dividends and interest on capital paid		(435,210)	(300,898)	(600,194)
Net cash (used in)/generated by financing activities		(165,554)	261,264	(330,892)
(Decrease) in cash and cash equivalents		(1,021,759)	(1,479,650)	(930,969)
Cash and cash equivalents				
Closing balance	4 and 5 a)	65,676	345,062	951,896
Effect of exchange difference on foreign cash and cash equivalents		-	-	307
Opening balance	4 and 5 a)	1,087,435	1,824,712	1,882,865
(Decrease) in cash and cash equivalents		(1,021,759)	(1,479,650)	(930,969)

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

Cielo S.A. - Instituição de Pagamento

Statements of value added

For the six-month periods ended June 30, 2023 and 2022

(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		06/30/2023	06/30/2022	06/30/2023	06/30/2022
REVENUES					
Sales of services	17	3.614.740	3.295.991	5.913.202	6.016.044
Loss on doubtful debts and fraud	18	(59.414)	(35.974)	(94.270)	(82.853)
		3.555.326	3.260.017	5.818.932	5.933.191
INPUTS PURCHASED FROM THIRD PARTIES					
Cost of services provided		(1.354.682)	(1.335.916)	(2.232.454)	(2.664.886)
Materials, electric energy, outside services and others		(469.999)	(443.939)	(215.372)	(290.562)
Other expenses, net		242.589	(32.475)	408.581	296.928
Impairment of assets	18	7.431	(59.841)	7.431	(60.194)
		(1.574.661)	(1.872.171)	(2.031.814)	(2.718.714)
GROSS VALUE ADDED					
		1.980.665	1.387.846	3.787.118	3.214.477
Depreciation and amortization	10 and 11	(270.421)	(253.255)	(466.267)	(505.312)
WEALTH CREATED, NET					
		1.710.244	1.134.591	3.320.851	2.709.165
WEALTH RECEIVED IN TRANSFER					
Share of profit (loss) of investees	9	525.853	607.515	-	-
Finance income, including purchase of receivables and exchange differences, net		903.543	473.066	906.454	555.448
		1.429.396	1.080.581	906.454	555.448
TOTAL WEALTH FOR DISTRIBUTION					
		3.139.640	2.215.172	4.227.305	3.264.613
DISTRIBUTION OF WEALTH					
Personnel and related taxes		(288.151)	(233.025)	(502.699)	(463.192)
Salaries and wages		(228.950)	(186.905)	(376.610)	(364.432)
Benefits		(44.295)	(33.971)	(98.772)	(75.565)
Severance pay fund (FGTS)		(14.906)	(12.149)	(27.317)	(23.195)
Employee and officers result sharing	21	(58.640)	(52.435)	(88.237)	(78.921)
Taxes and contributions		(537.286)	(382.907)	(1.258.091)	(1.025.219)
Federal		(485.914)	(301.899)	(1.132.210)	(842.485)
State		(10)	(8)	(10)	(8)
Municipal		(51.362)	(81.000)	(125.871)	(182.726)
Interest and rental expenses		(1.106.232)	(726.988)	(1.027.863)	(740.724)
Rentals		(3.936)	(2.527)	(8.843)	(7.694)
Interest		(1.063.009)	(687.701)	(981.245)	(696.786)
Others		(39.287)	(36.760)	(37.775)	(36.244)
Dividends and interest on capital paid		(196.210)	(65.138)	(420.849)	(206.929)
Dividends and interest on capital proposed		(196.970)	(224.210)	(196.970)	(224.210)
Earnings retention		(756.151)	(530.469)	(531.513)	(388.678)
Noncontrolling interests		-	-	(201.083)	(136.740)
WEALTH DISTRIBUTED					
		(3.139.640)	(2.215.172)	(4.227.305)	(3.264.613)

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

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

1 Operations

Cielo S.A. – Instituição de Pagamento (the "Company" or "Cielo") was established in Brazil on November 23, 1995 and is primarily engaged in providing services related to credit and debit cards and other means of payment, including signing up of merchants and service providers, rental, installation and maintenance of POS (point-of-sale) terminals, data capture and processing of electronic and manual transactions, as well as the issuance and management of payment accounts.

Cielo is a corporation headquartered in the City of Barueri, State of São Paulo. Its shares are traded on B3 S.A. - Brasil, Bolsa, Balcão, under the ticker symbol "CIEL3", and Cielo and its subsidiaries are part of the Banco do Brasil S.A. ("Banco do Brasil") and Banco Bradesco S.A. ("Bradesco") groups.

The Company's direct and indirect subsidiaries and joint ventures that, together with Cielo, are also referred to as "Cielo Group" throughout this report provide services related to means of payment or complementary to the acquiring services, such as provision of services in processing means of payments that involve cards, services related to maintenance and contacts with merchants for acceptance of credit and debit cards, development and licensing of computer software, processing of electronic transactions, IT services for collection and management of accounts payable and receivable using the Internet.

Significant events occurred for the six-month period:

- On March 30, 2023, the Board of Directors approved the opening of a new share buyback program, through which the Company was authorized to acquire up to 6,569,512 common shares, without par value, of its own issuance. This action aims to exclusively support the Company's variable compensation programs.
- On June 19, 2023, the Federal Regional Court of the 3rd Region approved the Company's withdrawal from the lawsuit in which it challenged the increase in the COFINS rate between 2004 and 2017. The Company's decision was approved by the Board of Directors after internal assessments and consultations to specialized legal advisors, considering the existence of a decision of the Federal Supreme Court unfavorable to the hypothesis defended by the Company in such lawsuit. The withdrawal from the lawsuit will not generate impacts on the Company's results or on its available cash, since the amounts related to such lawsuit are fully provided for and deposited in court.
- With the completion of the judgment by the Federal Supreme Court (STF) in June 2023, which set STF's position and maintained the

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

payment of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located, the balances provided for were reversed, as described in Note 14.

2 Summary of significant accounting practices

2.1 Statement of compliance and approval of the Interim Financial Statements

The Company's interim financial statements have been prepared under the assumption that the Company will continue as a going concern and in accordance with the accounting guidelines established by Law No. 6,404/76 ("Brazilian Corporation Law"), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions of the National Monetary Council ("CMN") and Central Bank of Brazil ("BACEN"), together referred to as "COSIF", and the Securities and Exchange Commission of Brazil ("CVM"), when applicable.

The interim financial statements were approved by the Company's Board of Directors and authorized for issue on August 1, 2023.

2.2 Standards, amendments and interpretations applicable in future periods

BCB Resolution No. 219/22 – Such Resolution addresses the accounting criteria and concepts applicable to financial instruments as well as for the designation and recognition of hedge transactions; supersedes, among other standards, CMN Resolution No. 2,682/99, BACEN Circular Letter No. 3,068/01 and BACEN Circular Letter No. 3,833/17.

It will be applied prospectively, effective from January 1, 2025.

The Company developed the implementation plan of said resolution and did not identify material impacts on its interim financial statements, nor on the systems and internal processes.

BCB Resolution No. 178/22 addresses the accounting criteria applicable to lease transactions contracted as lessee by consortium administrators and payment institutions. This resolution, as well as BCB Resolution No. 219/22, are BACEN's measures for convergence with the International Financial Reporting Standards. It will also be applied prospectively, effective from January 1, 2025, with no expectation of relevant impacts on the adoption date.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

2.3 Significant accounting judgments, estimates and assumptions

The preparation of interim financial statements requires the Company's Management to adopt estimates that affect certain assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses for the period. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property and equipment and intangible assets, allowance for doubtful debts (on receivables from rental of POS equipment and receivables from card-issuing banks, for example), deferred income tax and social contribution (tax assets), impairment of non-financial assets (when applicable), provision for risks and fair value measurement of financial instruments. Since Management's judgment involves estimates concerning the probability of occurrence of future events, actual amounts may differ from those estimates. The Company reviews the estimates and assumptions at least semi-annually.

2.4 Functional and presentation currency

The interim financial statements are presented in Brazilian reais (R\$), which is the Company's functional and presentation currency.

Management determined that the functional currency of its foreign subsidiaries is the US dollar. For Cielo USA Inc ("Cielo USA"), the main factor to determine the functional currency was the raising of US dollar denominated borrowings for the acquisition of control of Merchant e-Solutions, Inc ("MerchantE"). In addition, with respect to MerchantE (sold in April 2022), the cash flows and services provided were fully denominated in US dollars.

For purposes of presentation of the consolidated interim financial statements, the assets and liabilities of subsidiaries Cielo USA and MerchantE (based in the USA), originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at period-end. Revenues and expenses were translated at the average monthly exchange rates. Exchange differences resulting from such translations were classified in other comprehensive income and accumulated in equity.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less estimated returns, trade discounts and/or bonuses granted and other similar deductions.

Revenues from the capture of transactions with credit and debit cards are recognized on the date of capture/processing of the transactions. Revenues from credit and debit card transactions and payment accounts management

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

services, as well as other services provided to partners and merchants are recognized when the services are provided.

The revenue from purchase of receivables with merchants is recognized on a "pro rata temporis" basis considering their maturities.

2.6 Cash and cash equivalents

For purposes of the statement of cash flows, this balance includes cash and cash equivalents that are represented by cash in local currency and in foreign currency, investments in repurchase agreements (open market investments), investments in interbank deposits and investments in foreign currency, which are highly liquid and readily convertible into a known cash amount and with insignificant risk of change in fair value.

Open market investments

These investments are stated at cost, plus income earned through the end of the reporting period, less a provision for impairment, when applicable.

2.7 Financial instruments

The financial instruments acquired for own portfolio are recorded at the amount actually paid, including brokerage fees and charges, and are classified into three different categories according to the intent of the Company's Management, in accordance with BACEN Circular Letter No. 3,068/01:

The financial instruments classified in the categories of trading securities and available-for-sale securities, as well as the derivative financial instruments, are recorded in the statement of financial position at their market value. The market value is generally based on market price quotations for assets or liabilities with similar characteristics.

The financial instruments are assessed to verify if there is objective evidence of impairment. The objective evidence of impairment may include non-payment or late payment by the counterparty, indications of bankruptcy proceedings or even a significant or prolonged decline in the value of the asset. An impairment of a security is recognized in profit or loss for the period if its carrying amount exceeds its recoverable amount.

Pursuant to article 7 of BACEN Circular Letter No. 3,068/01, financial instruments classified as trading securities are recorded in the statement of financial position in current assets, irrespective of their maturity dates.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

2.8 Derivative financial instruments and hedge transactions

The Company enters into derivative financial instruments mainly to manage its exposure to fluctuations in exchange rates. The Company measures its derivative financial instruments based on quotations obtained from market participants, which is the market value of the financial instruments at the end of the reporting period.

Changes in the market value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge or a hedge of exchange differences on foreign investments are recognized in other comprehensive income and when the derivative qualifies as a market risk hedge, the hedged item and the hedging instrument are recognized in the statement of profit or loss at their fair values.

The Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in market values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised, the cumulative unrealized gain or loss, which had been recognized in other comprehensive income, is immediately reported in the statement of profit or loss. Additionally, changes in the market value of financial instruments not qualifying as hedge or qualifying as market risk hedge are recognized in the line item of Finance income (costs), net, in the statement of profit or loss.

2.9 Receivables from card-issuing banks and payables to merchants

(a) Operating receivables

Receivables from card-issuing banks

Refer to amounts of transactions carried out by holders of debit and credit cards issued by financial institutions, and the balances of receivables from card-issuing banks are net of interchange fees with receipt terms of less than one year.

(b) Payables to merchants

These are related to obligations payable to merchants accredited by the Company and include the amounts transacted using cards (debit/credit) for the purchase of products and/or services.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Payables to merchants for processed transactions

Refer to the balances due to merchants for processed transactions that have not yet been paid.

2.10 Investments

In the individual interim financial statements, investments in subsidiaries and joint ventures are accounted for under the equity method of accounting, based on the equity value of the subsidiary.

In the consolidated financial statements, subsidiaries are fully consolidated and joint ventures are accounted for under the equity method of accounting.

The financial statements of foreign subsidiaries are conformed to the accounting criteria of the parent company and translated into the Real currency at the period-end rate.

2.11 Property and equipment

Stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets. The estimated useful life, the residual value and the depreciation method are reviewed on an annual basis, and the effect of any changes in estimates is accounted for on a prospective basis.

2.12 Intangible assets

Intangible assets correspond to the rights acquired that have as object intangible property for the maintenance of the Company's activities or exercised for this purpose. Intangible assets are comprised by:

Separately acquired intangible assets

Separately acquired intangible assets with finite useful lives are stated at purchase cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis based on the estimated useful lives of the assets. The estimated useful life, the residual value and the amortization method are reviewed on an annual basis, and the effect of any changes in estimates is accounted for on a prospective basis.

Internally generated intangible assets

The expenditures attributed to the development of an intangible asset in the research phase are expensed as incurred. When no internally generated

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

intangible asset can be recognized, the expenditures with development are recognized in profit or loss.

2.13 Impairment of tangible and intangible assets

Annually, and if there is evidence of impairment, the Company reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that these assets might be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, and the impairment loss is immediately recognized in profit or loss.

2.14 Goodwill

Goodwill corresponds to the amount paid in excess of the carrying amount of the investments acquired at fair value, arising from expected future profitability and supported by economic and financial studies on which the purchase price of the businesses was based.

Goodwill from expected future profitability is amortized according to the projection periods that justified it and is subject to impairment test annually or more frequently, whenever there is indication that the cash-generating unit may be impaired.

The goodwill arising from investments in subsidiaries and joint ventures is included in the carrying amount of the investment in the individual interim financial statements.

2.15 Income tax and social contribution - current and deferred

The income tax and social contribution expense represents the sum of current and deferred taxes.

Current taxes

The Company's provision for income tax and social contribution is calculated based on the taxable profit for the period. Income tax was calculated at the rate of 15%, plus a 10% surtax on the taxable profit exceeding R\$ 240 (annually). Social contribution was calculated at the rate of 9% on the adjusted book profit.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Deferred taxes

Deferred income tax and social contribution are fully recognized on the differences between assets and liabilities recognized for tax purposes and the related amounts recognized in the interim financial statements. Deferred income tax and social contribution are determined based on the tax rates and tax laws in effect at the end of the reporting period, applicable when the income tax and social contribution are realized. The recovery of deferred tax assets is reviewed semi-annually and when it is no longer probable that future taxable profits will be available to allow the recovery of all or part of the assets, the asset balance is adjusted to the amount expected to be recovered.

Current and deferred taxes are recognized in profit or loss, except when they relate to items recognized in "Other comprehensive income" in equity.

2.16 Employee benefits

Supplementary pension plan

Refers to amounts in which the Company is the co-sponsor of a defined contribution supplementary pension plan. Contributions are made based on a percentage of the employee's compensation. Payments to defined contribution plans are recognized as expense when the services that entitle to such payments are provided.

Post-employment benefit

Represents amounts in which the Company has an actuarial liability resulting from post-employment benefits, relating to the expected expenses on healthcare plan.

2.17 Provision for contingencies

Recognized when there is a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, taking into consideration the risks and uncertainties related to the obligation.

The recognition, measurement and disclosure of provisions, contingent assets, contingent liabilities and legal obligations are made according to the criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3,823/09.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

2.18 Dividends and interest on capital

The proposal for payment of dividends and interest on capital made by the Company's Management that is included in the portion equivalent to the minimum mandatory dividend is recognized in line item "Social and statutory" in current liabilities as it is considered a legal obligation under the Company's bylaws. However, the portion of dividends exceeding the minimum mandatory dividend, when applicable, declared by Management after the fiscal year to which the interim financial statements refer, but before the date of authorization for issue of the interim financial statements, is recognized in line item "Additional dividends proposed" in equity. For corporate and accounting purposes, interest on capital is included in the minimum mandatory dividend.

2.19 Restricted stock plan

The Company offers a restricted stock plan to its officers and some of its employees. Shares are priced at fair value at the grant date of the plans and are recognized on a straight-line basis over the term of the grant of the share as a matching entry to equity. At the end of each reporting period, the Company reviews its estimates of the number of shares that will be vested based on these conditions and recognizes the impact of the revision of the initial estimates, if any, in the statement of profit or loss, as a matching entry to equity.

3 Consolidated interim financial statements

The consolidated interim financial statements include the information of the Company, its subsidiaries and its investment funds. The Company consolidates the FIDCs' and FICs' accounting information as it understands that a relevant part of the risks and benefits related to profitability is linked to the shares held by Cielo. When necessary, the subsidiaries' accounting information is adjusted to conform their accounting practices to those established by the Cielo Group.

In addition to the provisions in the Accounting Chart for Institutions of the National Financial System (COSIF), the consolidation procedures established by Technical Pronouncement CPC 36 (R3) - Consolidated Financial Statements were also applied in the preparation of the consolidated financial statements.

As at June 30, 2023 and December 31, 2022, Cielo Group comprised the following companies:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Companies	Interest in the capital (%)	
	06/30/2023	12/31/2022
Direct and indirect interests in Subsidiaries and funds:		
Aliança Pagamentos e Participações Ltda. ("Aliança")	99.99	99.99
Cateno Gestão de Contas de Pagamentos S.A. ("Cateno")	70.00	70.00
Cielo USA, Inc. ("Cielo USA")	100.00	100.00
Fundo de Investimento em Direitos Creditórios Cielo ("FIDC Plus")	93.34	92.80
Fundo de Investimento em Direitos Creditórios Cielo Emissores I ("FIDC Emissor I")	14.41	13.00
Fundo de Investimento em Direitos Creditórios Cielo Emissores II ("FIDC Emissor II")	13.72	12.27
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC")	100.00	100.00
Fundo de Investimento em Cotas de Fundos de Investimento ("FICs")	100.00	100.00
Paggo Soluções e Meios de Pagamento S.A. ("Paggo")	50.00	50.00
Servinet Serviços Ltda. ("Servinet")	99.99	99.99
Stelo S.A. ("Stelo")	100.00	100.00

4 Cash

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
In local currency	10,970	100,560	33,035	108,934
In foreign currency	484	27,170	4,088	31,613
Total	11,454	127,730	37,123	140,547

5 Financial instruments, including derivatives

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets:				
Cash equivalent financial instruments	54,222	959,705	914,773	1,742,318
Other financial instruments	-	-	292,125	286,718
Total	54,222	959,705	1,206,898	2,029,036
Total current	54,222	959,705	914,773	1,742,318
Total noncurrent	-	-	292,125	286,718

The income from financial instruments is included in the finance income shown in note 24 - Finance income.

(a) Cash equivalent financial instruments

As at June 30, 2023 and December 31, 2022, the balance of cash equivalent financial instruments comprises open market investments and marketable securities as follows:

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Open market investments	15,444	7,473	15,444	7,473
Marketable securities	38,778	952,232	899,329	1,734,845
Total	54,222	959,705	914,773	1,742,318

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Open market investments

As at June 30, 2023 and December 31, 2022, the Company's open market investments balances are as follows:

	Parent Company and Consolidated		
	Maturity	Total	
	0 - 30	06/30/2023	12/31/2022
Open market investments			
Repurchase agreements	15,444	15,444	7,473
Total	15,444	15,444	7,473

Marketable securities

Breakdown of the asset and liability balances and classification of the portfolio by category and terms of the marketable securities are as follows:

	Parent Company				
	Maturity	06/30/2023		12/31/2022	
		Total		Total	
	0 - 30	Fair Value	Cost	Fair Value	Cost
Trading securities					
Private securities:	38,778	38,778	38,448	952,232	812,274
Investment fund shares	21,193	21,193	21,064	783,879	649,319
Bank Deposit Certificate – CDB	17,585	17,585	17,384	168,353	162,955
Total	38,778	38,778	38,448	952,232	812,274

	Consolidated				
	Maturity	06/30/2023		12/31/2022	
		Total		Total	
	0 - 30	Fair Value	Cost	Fair Value	Cost
Held for trading					
Private securities	882,235	882,235	879,627	1,734,845	1,581,467
Investment fund shares	756,840	756,840	755,933	1,556,283	1,408,421
Bank Deposit Certificate – CDB	125,395	125,395	123,694	168,353	162,955
Financial Bills – LF	-	-	-	10,209	10,091
Government securities	17,094	17,094	16,124	-	-
Financial Treasury Bills – LFT	17,094	17,094	16,124	-	-
Total	899,329	899,329	895,751	1,734,845	1,581,467

The fair value of the financial instruments is determined according to the market price quotation available at the end of the reporting period. If there is no available market price quotation, the values are estimated based on quotations from dealers, pricing models, quotation models or price quotations for instruments with similar characteristics. In the case of investment funds, the updated cost reflects the fair value of the respective shares. Even though securities have maturities of more than 90 days, investments are highly liquid and readily convertible into a known cash amount, without any restriction as to their settlement, and are used as part of the Company's cash management.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

(b) Other financial instruments

As at June 30, 2023 and December 31, 2022, the balances comprise held-to-maturity securities.

	Consolidated		
	06/30/2023	06/30/2023	12/31/2022
	Above 365	Total	Total
	Amortized cost	Amortized cost	Amortized cost
Held-to-maturity securities			
Government securities	105,694	105,694	99,237
National Treasury Bills – LTN	105,694	105,694	99,237
Private securities	186,431	186,431	187,481
Financial Treasury Bills – LFT	186,431	186,431	187,481
Total	292,125	292,125	286,718

6 Credit rights investment funds ("FIDCs")

The objective of all FIDCs is to provide shareholders with appreciation of their shares through the investment of their funds mainly in credit rights arising from payment transactions made by end users using payment instruments for purchase of goods, products and services in merchants, or through the purchase of credit portfolios operated by partnering financial institutions, complying with the other applicable rules and standards.

Funds

Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC NP") started its activities on August 5, 2016 as an open-ended condominium, exclusive and for an indeterminate term. From July 31, 2017 to the updating of the regulation on June 3, 2019, the fund did not operate new purchases of receivable. After update, the fund resumed the operation with new purchases.

Fundo de Investimento em Direitos Creditórios Cielo ("FIDC Plus") started its activities on July 28, 2017 as a closed condominium, restricted to professional investors and for an indeterminate term. The senior shares' yields are paid semi-annually and with minimum subordination index of 20%.

Fundo de Investimento em Direitos Creditórios Cielo Receba Mais ("FIDC Receba Mais") started its activities on April 29, 2021 as a closed condominium, restricted to professional investors and for a six-year term. The General Meeting of Shareholders held on January 31, 2022 decided on the liquidation of the Fund in light of item 12.3, subitem (g), of the Regulation. Accordingly, the amortization and total early redemption of senior shares was on February 4, 2022.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Fundo de Investimento em Direitos Creditórios Cielo Emissores I ("FIDC Emissor I") started its activities on March 16, 2021 as a closed condominium, restricted to professional investors and for an indeterminate term. The senior shares' yields are paid semi-annually and with minimum subordination index of 10%.

Fundo de Investimento em Direitos Creditórios Cielo Emissores II ("FIDC Emissor II") started its activities on May 13, 2021 as a closed condominium, restricted to professional investors and for an indeterminate term. The senior shares' yields are paid semi-annually and with minimum subordination index of 9.1%.

The credit rights of the FIDCs are measured at the purchase price and remunerated based on the internal rate of return ("IRR") of the contracts, under the *pro rata temporis* criterion. The internal rate is calculated based on the purchase price, face value and term for receiving the credit rights.

All funds are governed by CMN Resolution No. 2,907/01, by CVM Instructions No. 356/01 and No. 444/06, by the terms of the Regulation, and by all other applicable legal and regulatory provisions.

Structure and composition of the Funds

The equity structure of the FIDCs as at June 30, 2023 and December 31, 2022 is presented below:

	06/30/2023			
	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC NP	4,425,851	2,340,999	2,340,999	-
FIDC Plus	891,168,660	9,450,068	8,821,016	629,052
Senior	600,000	629,052	-	629,052
Subordinated	890,568,660	8,821,016	8,821,016	-
FIDC Emissor I	2,222,223	2,433,788	350,769	2,083,019
Senior	2,000,000	2,083,019	-	2,083,019
Subordinated	222,223	350,769	350,769	-
FIDC Emissor II	4,965,131	5,315,405	729,255	4,586,150
Senior	4,500,000	4,586,150	-	4,586,150
Subordinated	465,131	729,255	729,255	-
Total	902,781,865	19,540,260	12,242,039	7,298,221

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	31/12/2022			
	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC NP	57,285	865,073	865,073	-
FIDC Plus	683,501,577	8,739,288	8,109,880	629,408
Senior	600,000	629,408	-	629,408
Subordinated	682,901,577	8,109,880	8,109,880	-
FIDC Emissor I	2,222,223	2,394,175	311,156	2,083,019
Senior	2,000,000	2,083,019	-	2,083,019
Subordinated	222,223	311,156	311,156	-
FIDC Emissor II	4,965,131	5,227,605	641,457	4,586,148
Senior	4,500,000	4,586,148	-	4,586,148
Subordinated	465,131	641,457	641,457	-
Total	690,746,216	17,226,141	9,927,566	7,298,575

The statements of financial position of the FIDCs as at June 30, 2023 and December 31, 2022 are as follows:

	06/30/2023			12/31/2022		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
FIDC NP	2,341,528	529	2,340,999	865,297	224	865,073
FIDC Plus	9,450,730	662	9,450,068	8,739,706	418	8,739,288
FIDC Emissor I	2,433,881	93	2,433,788	2,394,175	-	2,394,175
FIDC Emissor II	5,315,498	93	5,315,405	5,227,618	13	5,227,605
Total	19,541,637	1,377	19,540,260	17,226,796	655	17,226,141

The statements of profit or loss of the FIDCs for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

	Three-month period				
	06/30/2023				
	FIDC NP	FIDC Plus	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	58,000	341,249	-	-	399,249
Income - Credit rights Card issuing banks	-	-	91,148	204,289	295,437
Finance income	3,604	18,809	41	3,094	25,548
Finance costs	(1,196)	(1,867)	(363)	(384)	(3,810)
Other operating expenses	(1,192)	(304)	(415)	(425)	(2,336)
Profit for the three-month period	59,216	357,887	90,411	206,574	714,088
Remuneration – Senior Share	-	21,233	70,554	163,279	255,066
Remuneration – Subordinated Share	59,216	336,654	19,857	43,295	459,022

	Three-month period				
	06/30/2022				
	FIDC NP	FIDC Plus	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	1,231	242,226	-	-	243,457
Income - Credit rights Card issuing banks	-	-	83,132	182,125	265,257
Finance income	1,532	5,171	32	2,249	8,984
Finance costs	(5,412)	(7,201)	(339)	(348)	(13,300)
Other operating expenses	1,581	(253)	(227)	(268)	833
Profit (loss) for the three-month period	(1,068)	239,943	82,598	183,758	505,231
Remuneration – Senior Share	-	19,750	65,786	151,623	237,159
Remuneration – Subordinated Share	(1,068)	220,193	16,812	32,135	268,072

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Six-month period					Total
	06/30/2023					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	
Income - Credit rights	94,060	688,169	-	-	-	782,229
Income - Credit rights Card issuing banks	-	-	-	184,568	418,439	603,007
Finance income	5,674	42,665	-	1,561	3,193	53,093
Finance costs	(2,503)	(4,175)	-	(693)	(784)	(8,155)
Other operating expenses	(737)	(642)	-	(710)	(697)	(2,786)
Profit for the six-month period	96,494	726,017	-	184,726	420,151	1,427,388
Remuneration – Senior Share	-	43,385	-	145,113	332,352	520,850
Remuneration – Subordinated Share	96,494	682,632	-	39,613	87,799	906,538

	Six-month period					Total
	06/30/2022					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	
Income - Credit rights	1,620	409,587	148	-	-	411,355
Income - Credit rights Card issuing banks	-	-	-	143,944	327,677	471,621
Finance income	2,505	35,638	795	9,164	13,982	62,084
Finance costs	(6,410)	(9,185)	(82)	(638)	(655)	(16,970)
Other operating expenses	999	(500)	(158)	(445)	(515)	(619)
Profit (loss) for the six-month period	-	36,622	318	122,416	281,526	440,882
Remuneration – Senior Share	(1,286)	398,918	385	29,609	58,963	486,589

7 Operating receivables

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Receivables from card-issuing banks (a)	79,568,180	92,081,398	79,568,659	92,083,831
Income receivable for payment transactions	115,552	130,002	2,410,135	995,533
Other operating receivables	191,229	167,570	211,479	169,477
Allowance for doubtful debts (b)	(200,182)	(170,209)	(200,838)	(170,739)
Total	79,674,779	92,208,761	81,989,435	93,078,102
Current	79,651,637	92,181,824	81,965,735	93,051,150
Non-current	23,142	26,937	23,700	26,952
Total	79,674,779	92,208,761	81,989,435	93,078,102

(a) Receivables from card-issuing banks refer to the flow of receivables for credit and debit card transactions made by cardholders.

(b) Refers to the allowance for expected losses and past-due amounts from transactions carried out with merchants, which are related to products and services provided by the Company, as well as collection of cancellations and chargebacks, as presented in note 25 - Risk management. This allowance is determined through the methodology of attributing ratings and allowance percentages, according to the range of late payment in operations.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

8 Income tax, social contribution and other taxes

(a) Current income tax and social contribution

The reconciliation of the income tax and social contribution expense in relation to the nominal rate of these taxes for the three-month and six-month periods ended June 30, 2023, and 2022 is as follows:

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit before income tax and social contribution	816,286	596,239	1,261,671	779,200
Statutory rates - %	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(277,537)	(202,721)	(428,968)	(264,928)
Interest on capital	66,970	76,231	133,681	98,378
Tax benefit of R&D	5,150	3,256	7,693	3,256
Share of profit (loss) of investees	102,358	163,625	178,790	206,555
Other permanent differences, net	(4,738)	(1,370)	(3,536)	(2,644)
Income tax and social contribution	(107,797)	39,021	(112,340)	40,617
Current	53,046	(31,398)	4,479	(86,530)
Deferred	(160,843)	70,419	(116,819)	127,147

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit before income tax and social contribution	1,149,972	843,278	1,838,682	1,206,380
Statutory rates - %	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(390,991)	(286,715)	(625,152)	(410,169)
Interest on capital	66,970	76,231	133,681	98,378
Tax benefit of R&D	5,150	3,256	7,693	3,256
Difference in the US income tax rate	-	73,932	-	61,293
Other permanent differences, net	(6,101)	(1,295)	(4,490)	(2,581)
Income tax and social contribution	(324,972)	(134,591)	(488,268)	(249,823)
Current	(110,624)	(181,312)	(310,753)	(357,733)
Deferred	(214,348)	46,721	(177,515)	107,910

(b) Deferred income tax and social contribution

Deferred income tax and social contribution arise from temporary differences caused mainly by temporarily non-deductible provisions, and are classified in noncurrent assets, according to the expected realization of the tax credit.

Deferred income tax and social contribution are recorded to reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and the related carrying amounts.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Breakdown of deferred income tax and social contribution – assets

	Parent Company			06/30/2023
	12/31/2022	Additions	(Write-offs)	
Provision for tax, labor and civil risks	696,623	-	(596,201)	100,422
Accrual for sundry expenses	181,598	97,540	(64,201)	214,937
Provision for variable compensation	63,154	46,943	(66,710)	43,387
Income tax and social contribution losses	-	471,418	-	471,418
Allowance for losses on POS equipment, doubtful debts and fraud	105,103	13,436	(19,045)	99,494
Total	1,046,478	629,337	(746,157)	929,658

	Parent Company			06/30/2022
	12/31/2021	Additions	(Write-offs)	
Provision for tax, labor and civil risks	669,089	27,143	(2,311)	693,921
Accrual for sundry expenses	123,906	173,824	(61,672)	236,058
Provision for variable compensation	49,380	4,886	(20,209)	34,057
Allowance for losses on POS equipment, doubtful debts and fraud	82,148	6,745	(1,259)	87,634
Total	924,523	212,598	(85,451)	1,051,670

	Consolidated			06/30/2023
	12/31/2022	Additions	(Write-offs)	
Provision for tax, labor and civil risks	757,549	2,158	(651,131)	108,576
Accrual for sundry expenses	327,044	115,999	(72,468)	370,575
Provision for variable compensation	85,962	48,644	(78,236)	56,370
Income tax and social contribution tax losses in subsidiary	61,834	474,657	(4,382)	532,109
Allowance for losses on POS equipment, doubtful debts and fraud	114,310	13,436	(26,191)	101,555
Total	1,346,699	654,894	(832,408)	1,169,185

	Consolidated			06/30/2022
	12/31/2021	Additions	(Write-offs)	
Provision for tax, labor and civil risks	727,848	42,782	(2,379)	768,251
Accrual for sundry expenses	262,098	192,095	(77,523)	376,670
Provision for variable compensation	69,767	5,365	(31,046)	44,086
Income tax and social contribution tax losses in subsidiary	76,662	3,640	(6,968)	73,334
Allowance for losses on POS equipment, doubtful debts and fraud	92,486	6,838	(1,259)	98,065
Others	54,185	-	(54,185)	-
Total	1,283,046	250,720	(173,360)	1,360,406

Realization of tax credit

The premise of measuring and recognizing current and deferred tax assets and liabilities is the history of taxable profits and income for IRPJ and CSLL purposes in at least three out of the five last fiscal years, as well as the expectation of generation of future taxable profits and income for IRPJ and

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

CSLL purposes, based on a technical study that demonstrates the probability of realization of the deferred tax asset within no more than 10 years.

According to Management's best estimate, the tax credits set up on the accrual for sundry expenses, allowance for losses on POS equipment, and allowance for doubtful debts and fraud will be realized mainly during the next 12 months. The credits on tax losses with subsidiaries will be realized in accordance with the profitability of each company, over a period of no more than 10 years and the credits on provision for risks, which depend on the final outcome of each lawsuit partially estimated in up to 5 years, except for the provision for labor risks which is estimated to be realized in up to 10 years, according to the development of the lawsuit described in note 14.

We present below the expected tax credit per year:

	Parent Company	Consolidated
	06/30/2023	06/30/2023
2023	185,965	363,198
2024	84,882	95,900
2025	94,628	105,262
2026	116,939	127,644
2027	186,597	195,422
2028 a 2032	260,647	281,759
Total	929,658	1,169,185
Present value adjustment	(55,262)	(69,500)
Total net of present value adjustment	874,396	1,099,685

Taxes payable

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Income tax and social contribution, net of prepayments	7,072	78,765	324,994	668,082
Contribution for Social Security Funding – Cofins	19,807	34,144	42,186	57,802
Tax on Services – ISS	6,573	7,232	17,147	18,993
Social Integration Program – PIS	3,935	7,060	8,767	12,171
Other taxes payable	19,519	20,566	27,536	30,117
Total	56,906	147,767	420,630	787,165

9 Investments

	Parent Company	
	06/30/2023	12/31/2022
In subsidiaries	6,935,719	7,047,935
Total	6,935,719	7,047,935

The main activities of the subsidiaries are presented below:

- Servinet Serviços Ltda. (“Servinet”) - Provision of maintenance and customer prospecting services.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

- Cateno Gestão de Contas de Pagamento S.A. (“Cateno”) – Management of payment accounts for the Ourocard Arrangement.
- Cielo USA, Inc (Cielo USA) – Holding that is an investment vehicle.
- Aliança Pagamento e Participações Ltda. (Aliança) – Provision of services related to development and maintenance of contracts with merchants.
- Stelo S.A (“Stelo”) – Provision of services related to means of payment, development and licensing of software.

The main information on the direct and indirect subsidiaries referring to the investment value and share of profit (loss) of investees recorded in the individual and consolidated accounting information is shown in the table below:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Equity interest %	06/30/2023					06/30/2023			06/30/2023	
		Assets	Liabilities	Equity	Revenues	Gross profit	Operating profit (loss) before finance income (costs)	Profit (loss)	Share of profit (loss) of investees for the three-month period	Share of profit (loss) of investees for the six-month period	Investments
Subsidiaries:											
Servinet	99.99	154,754	102,162	52,592	261,571	259,488	15,082	10,780	5,237	10,780	52,592
Cielo USA	100.00	3,604	-	3,604	-	-	(507)	(507)	(507)	(507)	3,604
Cateno	70.00	10,427,106	1,029,689	9,397,417	1,999,252	904,743	963,595	670,280	271,860	469,196	6,578,192
Stelo	99.99	454,960	159,479	295,481	98,887	67,042	57,232	46,142	24,336	46,140	295,468
Aliança	99.99	5,938	75	5,863	336	336	19	244	126	244	5,863
Total Parent Company									301,052	525,853	6,935,719

	Equity interest %	12/31/2022			06/30/2022			06/30/2022		12/31/2022	
		Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit before finance income (costs)	Profit	Share of profit of investees for the three-month period	Share of profit of investees for the six-month period	Investments
Subsidiaries:											
Servinet	99.99	210,236	138,191	72,045	224,322	222,466	13,011	9,489	5,095	9,489	72,045
Cielo USA	100.00	4,443	-	4,443	-	(47,540)	282,313	226,343	279,966	226,343	4,443
Cateno	70.00	10,728,321	1,175,150	9,553,171	1,839,584	724,105	623,479	455,801	171,330	319,061	6,687,219
Stelo	99.99	476,693	198,073	278,620	99,444	71,001	65,351	52,201	5,248	11,151	278,609
Aliança	99.99	12,308	6,689	5,619	10,165	10,257	41,622	41,471	19,612	41,471	5,619
Total Parent Company									481,251	607,515	7,047,935

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Changes in investments for the six-months ended June 30, 2023, and 2022 are as follows:

	<u>Parent Company</u>
Balance at December 31, 2021	<u>7,596,638</u>
Dividends received:	
Cateno	(330,850)
Share of profit (loss) of investees	607,515
Exchange difference on foreign investments	185,043
Provision for obligations with investees	(1,665,513)
Capital contribution - Cielo USA	1,359,181
Balance at June 30, 2022	<u>7,752,014</u>
Balance at December 31, 2022	<u>7,047,935</u>
Dividends received:	
Cateno	(384,963)
Servinet	(30,233)
Stelo	(29,280)
Additional dividends – Cateno	(54,067)
Accrued dividends:	
Cateno	(139,195)
Share of profit (loss) of investees	525,853
Exchange difference on foreign investments	(331)
Balance at June 30, 2023	<u>6,935,719</u>

10 Property and equipment

	Annual depreciation rate -%	<u>Parent Company</u>				
		<u>06/30/2023</u>		<u>12/31/2022</u>		
		<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Impairment of assets</u>	<u>Net</u>	<u>Net</u>
POS equipment	20	1,685,111	(858,010)	(54,470)	772,631	834,578
Data processing equipment	20	263,311	(196,511)	-	66,800	79,818
Machinery and equipment	10 - 20	21,447	(19,946)	-	1,501	722
Facilities	10	35,239	(17,398)	-	17,841	19,030
Furniture and fixtures	10	3,862	(1,549)	-	2,313	2,485
Vehicles	20	3,528	(430)	-	3,098	253
Total		<u>2,012,498</u>	<u>(1,093,844)</u>	<u>(54,470)</u>	<u>864,184</u>	<u>936,886</u>

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Annual depreciation rate-%	Consolidated				12/31/2022
		06/30/2023				
		Cost	Accumulated depreciation	Impairment of assets	Net	
POS equipment	20	1,685,111	(858,010)	(54,470)	772,631	834,578
Data processing equipment	20	271,233	(202,844)	-	68,389	81,792
Machinery and equipment	10 - 20	26,042	(24,256)	-	1,786	1,068
Facilities	10	70,325	(43,766)	-	26,559	29,280
Furniture and fixtures	10	7,952	(4,299)	-	3,653	3,965
Vehicles	20	3,528	(430)	-	3,098	254
Total		2,064,191	(1,133,605)	(54,470)	876,116	950,937

Changes in property and equipment for the six-month periods ended June 30, 2023, and 2022 are as follows:

	Parent Company				
	12/31/2022	Additions	Disposals/ Estimated	Depreciation	06/30/2023
			losses		
POS equipment	834,578	106,701	(6,951)	(161,697)	772,631
Data processing equipment	79,818	2,843	-	(15,861)	66,800
Machinery and equipment	722	1,034	(4)	(251)	1,501
Facilities	19,030	293	-	(1,482)	17,841
Furniture and fixtures	2,485	-	(86)	(86)	2,313
Vehicles	253	3,054	(64)	(145)	3,098
Total	936,886	113,925	(7,105)	(179,522)	864,184

	Parent Company				
	12/31/2021	Additions	Disposals/ Estimated	Depreciation	06/30/2022
			losses		
POS equipment	791,128	248,834	(20,520)	(148,716)	870,726
Data processing equipment	98,576	6,839	(14)	(15,801)	89,600
Machinery and equipment	1,680	119	(11)	(477)	1,311
Facilities	19,646	840	159	(1,398)	19,247
Furniture and fixtures	2,933	5	(527)	(86)	2,325
Vehicles	793	-	(116)	(135)	542
Total	914,756	256,637	(21,029)	(166,613)	983,751

	Consolidated				
	12/31/2022	Additions	Disposals/ Estimated	Depreciation	06/30/2023
			losses		
POS equipment	834,578	106,701	(6,951)	(161,697)	772,631
Data processing equipment	81,792	2,844	-	(16,247)	68,389
Machinery and equipment	1,068	1,034	(4)	(312)	1,786
Facilities	29,280	329	-	(3,050)	26,559
Furniture and fixtures	3,965	10	(86)	(236)	3,653
Vehicles	254	3,053	(64)	(145)	3,098
Total	950,937	113,971	(7,105)	(181,687)	876,116

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Consolidated						
	12/31/2021	Additions	Disposals/ Estimated losses	Depreciation	Exchange differences	Sale MerchantE	06/30/2022
POS equipment	791,375	248,954	(20,552)	(148,750)	(29)	(272)	870,726
Data processing equipment	104,780	7,020	(150)	(17,078)	(385)	(2,319)	91,868
Machinery and equipment	33,096	125	(44)	(1,970)	(4,604)	(24,913)	1,690
Facilities	36,008	1,884	(3,732)	(3,380)	-	-	30,780
Furniture and fixtures	5,099	120	(1,048)	(286)	-	-	3,885
Vehicles	793	-	(116)	(135)	-	-	542
Total	971,151	258,103	(25,642)	(171,599)	(5,018)	(27,504)	999,491

11 Intangible assets

	Annual amortization rate - %	Parent Company				
		06/30/2023				12/31/2022
		Cost	Accumulated amortization	Impairment of assets	Net	Net
Software	20	1,564,272	(1,001,441)	(33,808)	529,023	516,821
Project development	20	25,044	(25,044)	-	-	-
Relationship with customers	20	113,581	(113,581)	-	-	-
Total		1,702,897	(1,140,066)	(33,808)	529,023	516,821

	Annual amortization rate - %	Consolidated				
		06/30/2023				12/31/2022
		Cost	Accumulated amortization	Impairment of assets	Net	Net
Right of use - Ourocard Payment Arrangement (a)	3.33	11,572,000	(3,214,445)	-	8,357,555	8,550,422
Software (b)	6.66 - 20	1,568,640	(1,005,261)	(33,808)	529,571	517,544
Relationship with customers	10 - 20	426,182	(426,182)	-	-	-
Project development	20	34,830	(32,676)	-	2,154	2,793
Service agreements	08 - 20	400	-	-	400	400
Trademarks	10	74	-	-	74	74
Total		13,602,126	(4,678,564)	(33,808)	8,889,754	9,071,233

- (a) **Right of Use - Ourocard Payment Arrangement** - Under the scope of the association agreement between the Company and BB Elo Cartões, a wholly-owned subsidiary of Banco do Brasil, in February 2015 Cateno was granted rights over post-paid payment accounts management activities under the Ourocard Payment Arrangement, rights over the management of the purchase functionalities under the Ourocard Payment Arrangement, and participation in the Ourocard Payment Arrangement as a Payment Institution.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

- (b) **Software** - Refers to software licenses acquired from third parties and used to provide services relating to information processing and transactions with customers.

Changes in intangible assets for the six-month periods ended June 30, 2023 and 2022 are as follows:

	Parent Company				
	12/31/2022	Additions	Reversals	Amortizations	06/30/2023
Software	516,821	95,883	7,218	(90,899)	529,023
Total	516,821	95,883	7,218	(90,899)	529,023

	Parent Company				
	12/31/2021	Additions	Disposals	Amortizations	06/30/2022
Software	502,150	113,382	(42,725)	(86,642)	486,165
Total	502,150	113,382	(42,725)	(86,642)	486,165

	Consolidated				
	12/31/2022	Additions	Reversals	Amortizations	06/30/2023
Right of use – Ourocard Payment Arrangement	8,550,422	-	-	(192,867)	8,357,555
Software	517,544	95,883	7,218	(91,074)	529,571
Project development	2,793	-	-	(639)	2,154
Service agreements	400	-	-	-	400
Trademarks	74	-	-	-	74
Total	9,071,233	95,883	7,218	(284,580)	8,889,754

	Consolidated						
	12/31/2021	Additions	Disposals	Amortizations	Exchange differences	Sale MerchantE	06/30/2022
Right of use - Ourocard Payment Arrangement	8,936,156	-	-	(192,867)	-	-	8,743,289
Software	691,523	116,179	(42,725)	(108,319)	(29,928)	(139,898)	486,832
Relationship with customers	71,565	-	-	(31,913)	(9,459)	(30,193)	-
Project development	34,268	1,461	-	(614)	(286)	(31,332)	3,497
Service agreements	971	-	(571)	-	-	-	400
Trademarks	74	-	-	-	-	-	74
Total	9,734,557	117,640	(43,296)	(333,713)	(39,673)	(201,423)	9,234,092

Expenses on depreciation of property and equipment and amortization of intangible assets were recognized in line items "General and administrative expenses" and "Cost of services provided" in the statement of profit or loss.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

12 Borrowings

	Parent Company and Consolidated	
	06/30/2023	12/31/2022
Private debentures (a)	3,498,894	3,498,894
Public debentures (b)	3,115,427	3,099,074
Working capital (c)	750,527	-
Financing of R&D	33,841	45,103
Total	7,398,689	6,643,071
Current	4,389,524	3,623,321
Noncurrent	3,009,165	3,019,750
Total	7,398,689	6,643,071

(a) Private debentures

On February 27, 2015, the Company conducted the first, second and third issuances of simple debentures, in a single series, unsecured, nonconvertible and for private distribution. The three issuances totaled R\$ 3,459,449 with maturity date on December 30, 2023. The private debentures' yield includes interest based on the cumulative percentage change between 100.00% and 111.00% of the average daily interest rate of the Interbank Deposit ("DI"), as applicable, as shown in the table below:

	Principal	Remuneration
1 st issuance	2,359,449	111% of DI
2 nd issuance	700,000	111% of DI after 3/31/2015
3 rd issuance	400,000	100% of DI

Interest is paid on a semiannual basis from the issuance date, except for the last accrual period that will be shorter as it will start on August 27, 2023 and will end with payment on the maturity date together with the principal amount. Exceptionally on March 27, 2015, the principal amount of R\$122,324 related to the 1st issuance of private debentures was partially paid, remaining a balance payable of R\$ 2,237,125. There are no covenants imposing financial restrictions related to the financial transaction of issuance of private debentures.

(b) Public debentures

In October 2022, the Company conducted the 6th issuance of simple debentures, in a single series, unsecured, nonconvertible and for public distribution. The issuance totaled R\$ 3,000,000 maturing on September 20, 2025, repayable semi-annually at interest based on the CDI + 1.20%. The agreement does not contain covenants imposing financial restrictions related to the financial transaction of issuance of public debentures.

(c) Working capital

In May 2023, the Company started to raise working capital funds through a credit facility via Bank Credit Notes (CCB) totaling R\$ 1,170,000. As at June 30,

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

2023, the outstanding balance is R\$ 750,000 with an average rate equivalent to CDI + 0.49% p.a.

Changes in borrowings for the six-month periods ended June 30, 2023 and 2022 are as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
Balance at December 31, 2021	4,034,446	6,295,104
New funding	1,620,000	1,620,000
Payment of principal	(851,278)	(851,278)
Exchange differences (principal and interest)	(33,256)	(167,530)
Accrued interest and charges	213,421	249,356
Interest paid	(159,135)	(198,224)
Amortization of debt issuance costs	233	233
Balance at June 30, 2022	4,824,431	6,947,661
Balance at December 31, 2022	6,643,071	6,643,071
New funding	1,170,000	1,170,000
Payment of principal	(431,277)	(431,277)
Accrued interest and charges	454,271	454,271
Interest paid	(438,225)	(438,225)
Amortization of debt issuance costs	849	849
Balance at June 30, 2023	7,398,689	7,398,689

Breakdown of borrowings recorded in noncurrent liabilities

Maturity	Parent Company and Consolidated	
	<u>06/30/2023</u>	<u>12/31/2022</u>
2024	11,278	22,556
2025	3,000,000	3,000,000
Total borrowings	3,011,278	3,022,556
Debt issuance costs incurred	(2,113)	(2,806)
Total	3,009,165	3,019,750

13 Payables to merchants

As at June 30, 2023, the Payables to merchants balance is R\$ 64,384,462 and R\$ 64,512,622 in the Parent Company and Consolidated, respectively (R\$ 77,709,823 and R\$ 77,835,921 as at December 31, 2022). The balance refers to transactions related to sale of products and services using credit and debit cards payable to merchants, Company customers, net of remuneration for the services rendered by Cielo and card-issuing banks.

In addition to the services of payment of amounts transacted in credit and debit cards to merchants, the Company also guarantees accredited merchants that they will receive the amounts from credit card transactions.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

14 Provision for contingencies

Provision for tax, civil and labor risks

Cielo Group is part to lawsuits and administrative proceedings before courts and government agencies, arising in the normal course of business and involving tax, civil, labor and other matters.

Cielo Group, based on information from its legal counsel, on the analysis of pending lawsuits and past experience on the amounts claimed in tax, civil and labor lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the six-month periods ended June 30, 2023 and 2022, as follows:

Parent Company						
	<u>12/31/2022</u>	<u>Additions</u>	<u>Write-offs/ reversals</u>	<u>Monetary adjustment</u>	<u>Payments</u>	<u>06/30/2023</u>
Tax (a)	1,963,951	27,035	(1,770,196)	17,926	-	238,716
Labor (b)	50,209	9,291	(15,566)	2,747	(17,980)	28,701
Civil (c)	47,739	23,279	(10,993)	4,255	(25,425)	38,855
Total	<u>2,061,899</u>	<u>59,605</u>	<u>(1,796,755)</u>	<u>24,928</u>	<u>(43,405)</u>	<u>306,272</u>
	<u>12/31/2021</u>	<u>Additions</u>	<u>Write-offs/ reversals</u>	<u>Monetary adjustment</u>	<u>Payments</u>	<u>06/30/2022</u>
Total	<u>1,985,883</u>	<u>127,148</u>	<u>(59,698)</u>	<u>23,831</u>	<u>(17,977)</u>	<u>2,059,187</u>
Consolidated						
	<u>12/31/2022</u>	<u>Additions</u>	<u>Write-offs/ reversals</u>	<u>Monetary adjustment</u>	<u>Payments</u>	<u>06/30/2023</u>
Tax (a)	2,127,889	86,000	(1,991,042)	18,747	-	241,594
Labor (b)	63,099	14,511	(17,915)	3,833	(18,531)	44,997
Civil (c)	48,404	23,398	(11,104)	4,284	(25,549)	39,433
Total	<u>2,239,392</u>	<u>123,909</u>	<u>(2,020,061)</u>	<u>26,864</u>	<u>(44,080)</u>	<u>326,024</u>
	<u>12/31/2021</u>	<u>Additions</u>	<u>Write-offs/ reversals</u>	<u>Monetary adjustment</u>	<u>Payments</u>	<u>06/30/2022</u>
Total	<u>2,158,491</u>	<u>190,997</u>	<u>(78,582)</u>	<u>26,643</u>	<u>(19,935)</u>	<u>2,277,614</u>

The additions refer basically to the complement of the provision for tax risks in the six-month periods ended June 30, 2023 and 2022, recorded with a matching entry in line items "Taxes on revenue" and "Other operating income (expenses), net", and to the complement of the provision for civil and labor risks, represented by new lawsuits and by changes in the assessment of the

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

likelihood of loss on the lawsuits made by the legal counsel, which were recorded with a matching entry in "Other operating income (expenses), net" in the statement of profit or loss.

Escrow deposits

As at June 30, 2023 and December 31, 2022, Cielo Group has escrow deposits related to the provision for tax, labor and civil risks, and the balances are broken down as follows:

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Tax (a)	36,535	1,553,676	37,677	1,554,819
Labor (b)	9,769	13,142	13,832	15,991
Civil (c)	15,220	13,391	15,223	13,393
Total	61,524	1,580,209	66,732	1,584,203

(a) Tax lawsuits

The Company discusses in court the diverging interpretation of the tax legislation application materialized in tax assessment notices, as well as the lawfulness and constitutionality of certain taxes and contributions. Among the issues included in the Company's provision for tax risks, we highlight the following:

- **COFINS - Non-cumulative Regime** - In February 2004, the Company filed a writ of mandamus to annul the enforceability of the increase in the COFINS rate, making a judicial deposit and the related provision for the amounts under dispute. Due to the understanding consolidated by the Federal Supreme Court (STF), against the merits of the claim, and analyzing the advanced stage of this specific case, the Company decided to withdraw from the lawsuit, which resulted in the reversal of the provision for risks previously recorded in the amount of R\$ 1,517,141, and the consequent conversion into income to the Federal Government of an amount equal to that deposited in court, without cash disbursements or impacts on the Company's results. The Company may use such credits as from this date, since the amounts that were provided for may be deducted thereafter from the taxable income, pursuant to applicable tax legislation.
- **ISS Municipality (CL 175/20)** - With the completion of the judgment of the Direct Unconstitutionality Action (ADI) 5,835 by the Federal Supreme Court (STF) in June 2023, setting STF's position and maintaining the payment of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located, a provision for risks previously recorded for this purpose in the amount of R\$226.0 million in the Cielo (R\$149.2 million net of taxes) in

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

the consolidated R\$384.8 million (R\$254.0 million net of taxes) was reversed, maintaining the payment of this tax in the city of the service provider, that is, Barueri.

(b) Labor lawsuits

Refer to labor lawsuits filed by former employees of the Company, its subsidiaries and their suppliers. In general, these lawsuits discuss matters such as salary equalization, overtime, labor effects of annual bonus, differentiated union membership, recognition of employment relationship and pain and suffering.

The lawsuits filed by former employees of the Company's suppliers are borne by the companies themselves which in turn are liable for the lawyers' fees and other expenses related to the lawsuits, including any agreements or final sentences. If Cielo Group make payments in view of these lawsuits, the Company has an internal process for offset or reimbursement of these amounts with the outsourced companies.

(c) Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were not passed on to merchants in view of noncompliance with clauses of the accreditation contract, and compensation for losses caused by transactions not passed on at that time.

Based on the opinion of its legal counsel, the Management of Cielo Group estimates that the actual disbursement of the mentioned provision for civil risks will occur within 5 years and understands that the development of the lawsuits depends on external factors not under the control of Cielo Group.

Additionally, as at June 30, 2023, the Company is a party to public civil lawsuits and civil inquiries, most of them filed by the Public Prosecutor's Office or associations, whose intention is to defend collective interests (such as consumers' rights and labor rights). Court decisions may grant rights to groups of people (even without their consent). In many situations, the group's decision on availing a favorable outcome is only made after the final decision.

Contingent liabilities classified as possible losses

Additionally, as at June 30, 2023 and December 31, 2022, Cielo Group is also part to tax, civil and labor lawsuits assessed by its legal counsel as possible likelihood of losses, for which no provision was recognized, as follows:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Tax	1,298,470	1,112,970	1,307,044	1,120,780
Labor	68,983	71,665	183,417	163,422
Civil	532,638	463,559	535,815	468,854
Total	1,900,091	1,648,194	2,026,276	1,753,056

The Company is a party to administrative proceedings that, due to the nature of their discussion and the jurisprudential understanding of the matter, are not classified as probable loss risk. The main discussions are as follows:

- **Social Security Contribution** - Requirement of the payment of Social Security Contribution on amounts distributed to employees as result sharing and restricted stock units ("Restricted Stock Plan"), in the monetarily adjusted amount of R\$ 176,975.
- **IRPJ/CSLL** - Requirement of IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) on the amounts allegedly excluded improperly, as interest on capital, from the calculation of taxable profit between the years 2015/2016, 2017 and 2018 in the monetarily adjusted amounts of R\$ 370,003, R\$ 246,584 and R\$ 217,531 respectively.

15 Equity

(a) Issued capital

Capital as at June 30, 2023 is R\$ 5,700,000 (R\$ 5,700,000 as at December 31, 2022) represented by 2,716,815,061 common shares, all of them subscribed and paid in. As mentioned in Note 16, the number of shares net of treasury shares as at June 30, 2023 is 2,694,227,366 (2,694,364,620 shares as at December 31, 2022).

The Company's capital can be increased by up to 2,400,000,000 additional common shares, regardless of any amendments to bylaws, at the discretion of the Board of Directors, which has the power to set the share issue price, the terms and conditions for subscription and payment of shares up to the authorized capital limit.

(b) Capital reserve

This reserve comprises the balances of share-based payment and goodwill on subscription of shares related to the capital contributions made by shareholders exceeding the amount earmarked for capital formation.

The capital reserve balance as at June 30, 2023 is R\$ 60,559 (R\$ 70,893 as at December 31, 2022).

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

(c) Treasury shares

At the meeting held on March 30, 2023, the Board of Directors approved the new share buyback program ("Program"), through which the Company was authorized to acquire up to 6,569,512 common shares, without par value, of its own issuance, effective from April 3 to 11, 2023, as detailed in the Notice on Trading of Shares of Own Issuance, prepared as Annex G to CVM Resolution No. 80, published on March 30, 2023.

Changes in treasury shares are as follows:

	<u>Shares</u>	<u>Amount</u>	<u>Average cost R\$ per share</u>
Balance at December 31, 2022	(22,450,441)	(113,605)	5.06
Exercise of Restricted Stock			
March	4,071,321	20,602	5.06
May	2,287,257	11,354	4.96
June	73,680	366	4.96
Repurchase of shares – April	(6,569,512)	(30,842)	4.69
Balance at June 30, 2023	(22,587,695)	(112,125)	4.96

(d) Earnings reserve - legal

It is set up on the basis of 5% of the profit calculated at the end of the year, pursuant to article 193 of Law No. 6,404/76, up to the limit of 20% of the capital. The legal reserve balance as at June 30, 2023 is R\$ 1,140,000 (R\$ 1,140,000 as at December 31, 2022), the limit of 20% was reached in October 2020.

(e) Earnings reserve - capital budget

The capital budget reserve totals R\$ 4,295,319 as at June 30, 2023.

The financial statements for the year ended December 31, 2022 and the capital budget proposal for 2023 were approved by the Company's shareholders at the Ordinary General Meeting ("OGM") held on March 6, 2023.

(f) Dividends and interest on capital

The bylaws ensure the distribution of the mandatory minimum dividend of at least of 30% of the profits earned (after the recognition of the legal reserve) at the end of each year. In accordance with Laws No. 9,430/96 and No. 9,249/95 article 9, the interest paid or credited by the legal entity as remuneration on capital may be attributed to the amount of dividends.

The allocation of the remaining balance of the profit for the year will be decided at the ordinary general meeting. At year-end, the Company recognizes the provision for the minimum dividend that has not yet been

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

distributed during the year up to the limit of the aforementioned minimum mandatory dividend. Under the bylaws, the Company may prepare semiannual or shorter period statements of financial position and, in accordance with the limits provided for in applicable law, the Board of Directors may approve the distribution of dividends from the profit account. The Board of Directors may also propose interim dividends from the existing profit account based on the latest statement of financial position approved by the shareholders.

The Company's Board of Directors approved the distribution of interest on capital, subject to ratification at the Ordinary General Meeting.

The decision is represented as follows:

	Amount	Date of approval	Date of payment
1 st quarter	196,210	04/26/2023	05/18/2023
2 nd quarter	196,970	08/01/2023	08/22/2023
Balance at June 30, 2023	<u>393,180</u>		

The Company will distribute proceeds for the second quarter of 2023 in the form of interest on capital within the tax deductibility limit.

Reached a payout of 34.2% in the first half of 2023.

(g) Other comprehensive income

This balance refers to cumulative adjustments for translation into foreign currency of foreign investments and post-employment actuarial gains. The balances below reflect cumulative translation adjustments at the end of the reporting period, as follows:

	Parent Company and Consolidated	
	<u>06/30/2023</u>	<u>12/31/2022</u>
Exchange differences on foreign investments	(165,656)	(165,325)
Post-employment actuarial gains, net	1,295	1,295
Total	<u>(164,361)</u>	<u>(164,030)</u>

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

(h) Regulatory capital

The BACEN Circular Letter No. 3,681/13 requires accrediting Payment Institutions to permanently maintain equity adjusted by profit or loss accounts in an amount corresponding to at least the greater of 2% of the monthly average of the payment transactions processed by the institution in the last twelve months and the balance of electronic currencies issued by them, calculated daily.

As at June 30, 2023 and December 31, 2022, the Company is compliant with the minimum regulatory capital required.

16 Earnings per share

(a) Change in the number of common shares

Shares issued

Shares at December 31, 2022	2,694,364,620
Exercise of restricted shares:	
March	4,071,321
May	2,287,257
June	73,680
Repurchase of shares – April	(6,569,512)
Shares at June 30, 2023	2,694,227,366

(b) Earnings per share

The following tables reconcile the profit and the weighted average number of outstanding shares with the amounts used to calculate the basic and diluted earnings per share.

Basic earnings per share

	Parent Company and Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period available for common shares	708,489	635,260	1,149,331	819,817
Weighted average number of outstanding common shares (in thousands)	2,696,765	2,707,006	2,694,729	2,708,037
Earnings per share (in R\$) – basic	0.26272	0.23467	0.42651	0.30273

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Diluted earnings per share

	Parent Company and Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period available for common shares	708,489	635,260	1,149,331	819,817
Diluted denominator:				
Weighted average number of outstanding common shares (in thousands)	2,696,765	2,707,006	2,694,729	2,708,037
Potential increase in common shares as a result of the restricted stock plans	20,230	18,860	20,230	18,860
Total (in thousands)	2,716,995	2,725,866	2,714,959	2,726,897
Earnings per share (in R\$) – diluted	0.26076	0.23305	0.42333	0.30064

17 Net revenue

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Gross operating revenue	1,836,694	1,773,396	3,614,740	3,295,991
Taxes on revenue	(190,911)	(195,887)	(383,548)	(384,809)
Total	1,645,783	1,577,509	3,231,192	2,911,182

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Gross operating revenue	2,992,033	2,898,380	5,913,202	6,016,044
Taxes on revenue	(349,956)	(358,182)	(701,307)	(713,652)
Total	2,642,077	2,540,198	5,211,895	5,302,392

The gross operating revenue is derived from the capture, transmission, processing and financial settlement of the transactions made with credit and debit cards, management of payment accounts related to the Ourocard Payment Arrangement, rental of POS equipment, and provision of transmission services.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

18 Expenses by nature

The breakdown of cost of services provided and net operating expenses by nature is as follows:

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Acquiring costs	(704,897)	(731,117)	(1,421,832)	(1,397,622)
Personnel expenses	(204,730)	(165,375)	(388,087)	(318,835)
Depreciation and amortization	(133,293)	(130,913)	(270,421)	(253,255)
Sales, marketing and affiliation of customers	(74,812)	(62,263)	(123,368)	(114,533)
Professional services	(227,892)	(205,235)	(418,544)	(387,832)
Miscellaneous, net	304,660	(21,519)	325,631	(16,026)
Total	(1,040,964)	(1,316,422)	(2,296,621)	(2,488,103)
Classified as:				
Cost of services provided	(843,769)	(878,555)	(1,720,119)	(1,694,137)
Personnel	(159,246)	(110,389)	(292,158)	(212,368)
General and administrative	(230,167)	(211,827)	(426,358)	(406,268)
Sales and marketing	(35,989)	(25,346)	(48,591)	(47,040)
Other operating income (expenses), net	228,207	(90,305)	190,605	(128,290)
Total	(1,040,964)	(1,316,422)	(2,296,621)	(2,488,103)

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Acquiring costs	(1,193,126)	(1,245,654)	(2,382,855)	(2,828,244)
Personnel expenses	(350,943)	(293,922)	(667,543)	(606,012)
Depreciation and amortization	(231,173)	(240,153)	(466,267)	(505,312)
Sales, marketing and affiliation of customers	(74,868)	(62,248)	(123,431)	(158,384)
Professional services	(76,088)	(55,861)	(124,087)	(117,015)
Miscellaneous, net	483,461	300,705	510,956	301,913
Total	(1,442,737)	(1,597,133)	(3,253,227)	(3,913,054)
Classified as:				
Cost of services provided	(1,395,951)	(1,465,540)	(2,804,840)	(3,313,886)
Personnel	(301,374)	(233,920)	(563,308)	(480,149)
General and administrative	(93,130)	(80,668)	(158,167)	(182,008)
Sales and marketing	(36,044)	(25,331)	(48,654)	(90,891)
Other operating income (expenses), net	383,762	208,326	321,742	153,880
Total	(1,442,737)	(1,597,133)	(3,253,227)	(3,913,054)

Acquiring costs are mainly represented by expenses on capture and processing of transactions, logistics and maintenance of POS equipment, supplies to merchants, accreditation and customer service, and telecommunication services.

We present below the other operating income (expenses), net:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Allowance for doubtful debts, fraud and chargeback	(26,250)	(20,546)	(59,414)	(35,974)
Expenses on contingencies, net	(3,301)	(620)	(12,878)	(14,133)
Reversal (provision) for property and equipment losses	4,651	(47,050)	7,431	(59,841)
Others (a)	253,107	(22,089)	255,466	(18,342)
Total	228,207	(90,305)	190,605	(128,290)

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Allowance for doubtful debts, chargeback and fraud	(43,630)	(45,368)	(94,270)	(82,853)
Expenses on contingencies, net	3,975	(2,881)	(9,862)	(18,880)
Reversal (provision) for property and equipment losses	4,651	(46,590)	7,431	(60,194)
Others (a)	418,766	303,165	418,443	315,807
Total	383,762	208,326	321,742	153,880

The doubtful debts refer mainly to losses on receivables from rental of POS equipment, losses with fraud arising from sales amounts contested by card users and which have already been settled to merchants, and chargeback of customers.

- (a) As at June 30, 2023, the main variation arises from the reversal of the provision for ISS Municipality due to the completion of the judgment by the Federal Supreme Court (STF) in June 2023, which maintained the payment of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located, in the amount of R\$226.0 million in Cielo (R\$149.2 million net of taxes) and R\$ 384.8 million in the consolidated (R\$254.0 million net of taxes), recorded as a non-recurring item.

19 Commitments

The Cielo Group is primarily engaged in providing services of capture, transmission, processing and financial settlement of transactions made using credit and debit cards. In order to conduct said activities, Cielo Group entered into the following agreements:

(a) Lease agreements

As at June 30, 2023, estimated future annual payments under lease agreements in effect are as follows:

Up to 1 year	8,585
1 year to 5 years	25,014
Above 5 years	2,979
Total	36,578

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Most agreements specify a penalty for termination equivalent to three-month rent, and a partial return can be negotiated for each case.

(b) Suppliers of telecommunications, technology (processing of transactions), logistics, call center and back office services

As at June 30, 2023, based on contracts in effect, the minimum commitments with suppliers of technology, telecommunications, logistics, call center, back office and telesales services are as follows:

Up to 1 year	415,591
1 year to 5 years	339,005
Total	<u>754,596</u>

The call center and transaction capture and processing contracts, as well as the telecom and back-office contracts, are renewed according to the terms and amounts agreed.

20 Employee benefits

	Parent Company			
	Three-month period		Six-month period	
	<u>06/30/2023</u>	<u>06/30/2022</u>	<u>06/30/2023</u>	<u>06/30/2022</u>
Supplementary pension plan (a)	2,425	1,527	4,906	3,420
Employee benefits (b)	21,049	15,650	39,389	30,552
Total	<u>23,474</u>	<u>17,177</u>	<u>44,295</u>	<u>33,972</u>

	Consolidated			
	Three-month period		Six-month period	
	<u>06/30/2023</u>	<u>06/30/2022</u>	<u>06/30/2023</u>	<u>06/30/2022</u>
Supplementary pension plan (a)	3,576	2,409	7,201	5,217
Employee benefits (b)	47,195	35,458	91,571	70,348
Total	<u>50,771</u>	<u>37,867</u>	<u>98,772</u>	<u>75,565</u>

(a) Monthly contribution to the defined contribution pension plan - PGBL (defined contribution plan) for the employees, recognized in personnel expenses.

(b) These refer to health insurance, dental assistance, meal allowance and life and personal accident insurance. Furthermore, the Company has a Corporate Education Program that includes development actions for its employees. The actions described are recognized in personnel expenses.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Post-employment benefits

Cielo Group has an actuarial liability arising from post-employment benefits, relating to estimated expenses on healthcare plan, the amount provisioned for these expenses as at June 30, 2023 is R\$ 13,614 (R\$12,949 as at December 31, 2022).

The rates used in the year were: nominal discount rate of 5.78% p.a., with inflation index of 4.0% p.a., generating an expected turnover of 19% p.a. and retirement at 60 years old. In equity, the balance recorded in other comprehensive income is R\$ 1,295 (R\$ 1,295 as at December 31, 2022).

21 Employee and officers result sharing

Cielo Group pays result sharing to its employees and officers, subject to the achievement of operational goals and specific objectives established and approved at the beginning of each fiscal year.

The shares of employees and officers in result for the three-month and six-month periods ended June 30, 2023, and 2022 were as follows:

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Employees	25,684	28,486	51,620	48,485
Statutory directors	5,254	2,603	7,020	3,950
Total	30,938	31,089	58,640	52,435

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Employees	39,583	41,290	79,014	72,583
Statutory directors	6,121	3,617	9,223	6,338
Total	45,704	44,907	88,237	78,921

22 Compensation of Key Management Personnel and Supervisory Board

Key management personnel include the members of the Board of Directors, the Supervisory Board and the statutory directors.

Expenses recognized in the Company's profit or loss for the three-month and six-month periods ended June 30, 2023, and 2022 are as follows:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Three-month period					
	06/30/2023			06/30/2022		
	Fixed	Others	Total	Fixed	Others	Total
Statutory directors	3,634	6,864	10,498	1,280	4,136	5,416
Board of directors and supervisory board	1,502	-	1,502	975	-	975
Total	5,136	6,864	12,000	2,255	4,136	6,391

	Six-month period					
	06/30/2023			06/30/2022		
	Fixed	Others	Total	Fixed	Others	Total
Statutory directors	6,147	7,256	13,403	2,773	10,172	12,945
Board of directors and supervisory board	3,028	-	3,028	1,851	-	1,851
Total	9,175	7,256	16,431	4,624	10,172	14,796

The “others” balance refers to variable compensation and termination of executives, net of taxes, and does not include (i) the long-term incentive plan presented in Note 23 and (ii) other benefits already presented in Note 20.

The overall annual compensation of the Officers and the Supervisory Board, approved at the meeting held on March 6, 2023, is R\$ 80,512, net of charges, as follows: (i) R\$ 806, for the Supervisory Board and (ii) R\$ 79,706, for the Officers.

23 Restricted stock plans

These are Company restricted stock plans implemented with the objective of fostering the expansion, success, and achievement of the Company's objectives; aligning the interests of the shareholders to those of the officers and employees; and allowing the Company to attract and retain officers and employees.

All the other statutory officers and employees eligible to the plans are subject to the Board of Directors' approval.

The programs are recognized in the statements of profit or loss for the period, matched against the capital reserve, in accordance with the defined terms and conditions of each plan. In case statute barring /cancellation of shares events take place, a reversal is made in the period in which they occur for the total amount recognized along the corresponding period during which the plan was effective.

As at June 30, 2023, the position of the restricted stock plans is as follows:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Program	Status	Number of restricted stock units				To be exercised	Grant date	Value per share on grant date - R\$	Fair value per share - R\$
		Granted	Cancelled	Exercised					
Restricted Stock 2019	Active	2,419,297	(916,684)	(1,211,552)	291,061	July 2019	6.73	6.73	
Restricted Stock 2020	Active	5,042,968	(1,513,635)	(2,658,134)	871,199	July 2020	3.94	3.94	
Restricted Stock 2021	Active	1,945,031	(194,032)	(542,930)	1,208,069	July 2021	3.59	3.59	
Restricted Stock 2022	Active	2,313,572	(55,309)	(246,260)	2,012,003	July 2022	3.81	3.81	
Restricted Stock 2022 Special Vesting	Active	1,071,876	-	-	1,071,876	November 2022	5.11	5.11	
Sócio Cielo 2020	Active	2,898,458	(1,067,534)	(1,539,545)	291,379	March 2020	7.12	7.12	
Sócio Cielo 2021	Active	5,440,433	(683,311)	(2,961,808)	1,795,314	March 2021	3.89	3.89	
Sócio Cielo 2022	Active	11,253,702	(165,155)	(3,660,934)	7,427,613	March 2022	2.47	2.47	
Sócio Cielo 2023	Active	6,297,073	-	(1,035,558)	5,261,515	March 2023	4.93	4.93	
Total Stock Units		38,682,410	(4,595,660)	(13,856,721)	20,230,029				

In the six-month period ended June 30, 2023, the amount referring to the long-term incentives, net of charges of R\$ 21,988, was recognized in profit or loss (R\$ 13,397 as at June 30, 2022). The balance presented in the line item "Capital reserve" in equity totaled R\$ 21,988 related to restricted stock units granted and R\$ 32,322 related to transfer of treasury shares due to exercise of shares (R\$ 13,397 and R\$ 23,694, respectively, as at June 30, 2022).

In addition to the share-based incentive plans, long-term incentives were recorded in the amounts of R\$ 16,303 and R\$ 8,148 as at June 30, 2023 and 2022, respectively.

24 Finance income (costs)

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Finance income:								
Interest on financial investments	18,593	17,082	53,831	46,929	80,442	82,358	179,810	205,907
Other finance income	2,220	430	3,231	633	4,621	1,956	7,940	3,490
PIS and COFINS	(967)	(869)	(2,653)	(2,265)	(2,701)	(3,171)	(6,101)	(6,459)
Total	19,846	16,643	54,409	45,297	82,362	81,143	181,649	202,938
Finance costs:								
Interest and charges on borrowings	(518,108)	(384,734)	(1,057,278)	(686,773)	(222,671)	(138,158)	(454,271)	(253,699)
Third parties' interest in FIDCs	-	-	-	-	(255,066)	(237,159)	(520,850)	(440,882)
Monetary adjustment of contingencies	(8,515)	(12,329)	(24,928)	(23,831)	(9,592)	(13,827)	(26,864)	(26,643)
Other finance costs	(13,484)	(5,524)	(20,090)	(13,856)	(15,301)	(6,998)	(24,455)	(17,182)
Total	(540,107)	(402,587)	(1,102,296)	(724,460)	(502,630)	(396,142)	(1,026,440)	(738,406)
Yield:								
Purchase of receivables (a)	-	-	-	-	377,905	230,993	740,075	388,729
FIDC shares yield (b)	437,676	255,607	864,384	463,962	-	-	-	-
Total	437,676	255,607	864,384	463,962	377,905	230,993	740,075	388,729
Foreign exchange variation	(7,000)	(15,762)	(15,250)	(36,193)	(7,005)	(15,781)	(15,270)	(36,219)
Total	(89,585)	(146,099)	(198,753)	(251,394)	(49,368)	(99,787)	(119,986)	(182,958)

- (a) As described in Note 6, the income from receivables acquired by FIDC Plus, FIDC NP and FIDC Receba Mais is R\$ 782,229, of which R\$ 740,075 net of taxes as at June 30, 2023, and R\$ 399,249, of which R\$ 377,905 net is related to the

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

second quarter (R\$ 411,355 as at June 30, 2022, of which R\$ 388,729 net of taxes and R\$ 243,457, of which R\$ 230,993 net for the second quarter).

- (b) According to Note 6, this refers to the portion of the remuneration of subordinated shares of the net income of the FIDCs.

25 Risk Management

Cielo has a structure designed for risk management, based on management practices under the terms of BACEN Circular Letter No. 3,681/13.

(a) Risk Management Structure and Governance

Cielo maintains an independent risk management structure and governance, thus preserving and respecting the collective decision-making environment, developing and implementing methodologies, models and processes of risk identification, assessment, monitoring, and reporting.

Cielo has a Code of Ethical Conduct, revised on an annual basis, which sets the standards of conduct expected from senior management (members of the Board of Directors and the Executive Board), Supervisory Board members, employees, interns and apprentices, for subsidiaries, shareholders, investors, suppliers, and other stakeholders.

The key guidelines on this theme are provided in the Corporate Risk Management and Internal Control Policy, Compliance Policy, Anti-money Laundering/Counter Financing of Terrorism Policy, and Corporate Business Continuity Management Policy, all of them publicly available on the Cielo website (<https://ri.cielo.com.br/>).

Cielo Group adopts the concept of three (3) lines of defense to operate its risk management structure to ensure that all contribute to provide reasonable assurance that its objectives are achieved:

- 1st line of defense: represented by all the business and support area personnel, which shall ensure the effective management of risks within the scope of their direct organizational responsibilities, including the improvement or implementation of new controls to mitigate risks identified and timely and appropriate communication with those charged with governance of: (i) operation issues, (ii) events of non-compliance with defined conduct standards and (iii) violations of the institution's policies or legal and regulatory provisions;
- 2nd line of defense: represented by the Risk, Compliance, Prevention and Security Vice-President, who acts in an advisory and independent role with the business and support areas, reporting directly to the Chief Executive Officer. The assessment of the risk management, compliance, business continuity management, crises management,

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

information security, money laundering, fraud and terrorism financing prevention, as well as the quality of the control environment are reported to the CEO and the Risk Committee, which, in turn, reports to the Board of Directors. The operation of the 2nd line of defense is segregated from and independent of the activities and management of the business and support areas and the Internal Audit.

- 3rd line of defense: represented by the Internal Audit and its purpose is to provide independent opinions to the Board of Directors, through the Audit Committee, on the risk management process, the effectiveness of internal controls and corporate governance.

The risk management structure maintains processes for the following: recording of risk events, which requires that such events, whether materialized or not, have action plans, with due dates and responsible individuals; corporate risk inventory maintenance, and periodic assessment of such risks; mapping of risk and tests of controls, performed by the Internal Control function; monitoring of transactions for suspected fraud, among others.

More information on Cielo Group's risk management methodology, governance and structure, as well as on risk factors and preventive and mitigating actions and controls can be found in the abovementioned Corporate Risk Management and Internal Controls Policy and in items 4.1 and 5.1 of the Reference Form, which are available on the Cielo website (<https://ri.cielo.com.br/>).

(b) Credit Risk Management

Cielo has rights subject to credit risks with financial institutions, customers, and business partners recorded in line items cash and cash equivalents, financial instruments, including derivatives, income receivable and receivables from card-issuing banks, as follows:

	Note	Parent Company		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash	4	11,454	127,730	37,123	140,547
Financial instruments, including derivatives	5	54,222	959,705	1,206,898	2,029,036
Credit Rights Investment Fund	6	12,242,039	9,927,566	-	-
Income receivable		217,377	210,682	2,526,104	1,087,099
Receivables from card issuing banks	7	79,568,180	92,081,398	79,568,659	92,083,831
Total		92,093,272	103,307,081	83,338,784	95,340,513

(b.1) Counterparty Credit Risk - Issuer Risk

In acquiring operations, card-issuing banks are required to make payment to Cielo for the amounts related to transactions carried out by holders of cards issued by them, and Cielo is required to make payment of such amounts to accredited merchants. In the event card-issuing banks default on their

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

financial obligations with Cielo for varying reasons, Cielo continues to be required to make payments to the accredited merchants.

The level of risk Cielo is exposed to depends on the volumes transacted by the issuer and the risk/guarantee model adopted by the card brand in its operation with card issuers and accreditors, either requiring or waiving the provision of guarantees by card issuers according to the internal model.

For payment arrangements that are not guaranteed by the payment arrangement settlor, Cielo requests guarantees from card issuers, when permitted by the payment arrangement settlor, at amounts it deems necessary to cover its credit risk exposure. In order to assess the risk and, consequently, define the required guarantees, issuers are assigned an internal rating.

As at June 30, 2023, Cielo's exposure to issuers is as follows:

Internal rating of issuers	Guarantee requirement	Total exposure at 06/30/2023	% Guarantee in relation to exposure	Total exposure at 12/31/2022	% Guarantee in relation to exposure
Group 1	No	97.2%	-	95.2%	-
Group 2	Yes	2.8%	71.3%	4.8%	57.4%
Total receivables from card-issuing banks		100.0%		100.0%	

The 5 largest issuing banks, classified into Group 1, concentrate 71.5% of the volume receivable and are represented by Brazil's major financial institutions, which have strict monitoring and control processes and a solid economic and financial position.

For issuers classified into Group 1, which do not require guarantees, there is intensive monitoring of transactions and transacted amounts, credit quality and financial soundness, which may include the review of their internal rating and request of guarantees if any indication of increase in credit risk is identified. Guarantees may be required or waived depending on the volume transacted, the size and regulation of the brands and issuers.

(b.2) Credit Risk with Payment Arrangement Participants or Sub-acquirers

Cielo adopts risk and control analysis procedures that prevent Sub-acquirers from prepaying all the amounts included in their financial schedule with Cielo. In addition, Cielo may, based on a risk assessment, require collaterals for the transactions.

Depending on the rule established by the payment arrangements in relation to the responsibilities of the Sub-acquirers, as well as any judicial decisions,

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Cielo may assume the responsibility in the event the Sub-acquirers do not perform the financial settlement of the amounts transacted by the merchants linked to them.

The proportion of Sub-acquirers to the volume transacted in Cielo system in the six-month periods ended June 30, 2023 and 2022 corresponds to 3.21% and 6.1%, respectively.

(b.3) Credit Risk in Receiving Products and Services Provided to Customers

The products and services provided by Cielo are charged to its customers through compensation in their financial schedules. If these customers cease to transact in Cielo system, eventually, there will be no balance in their schedules for collection of products or services contracted. If Cielo is unable to collect by any other means (such as, for example, bank payment slips), there may be losses for Cielo related to the non-payment of products and services.

As at June 30, 2023, the allowance for doubtful debts was R\$ 200,182 in the Parent Company and R\$ 200,838 in the Consolidated (as at December 31, 2022, the balance was R\$ 170,209 in the Parent Company and R\$ 170,739 in the Consolidated).

(b.4) Customer Credit Risk - Chargeback and Deferred Sales

Cielo customers are required to comply with their obligations to deliver the products and provide the services contracted with their end customers. In situations of default on the part of Cielo customers in the delivery of the goods or provision of services, or cancellation by the end customer, it is possible to demand the reversal of the payment made to merchants through (i) cancellation, which is requested by the merchant or (ii) chargeback, which is a request from the holder directly to the card issuer. In both cases, the amounts returned to the final bearer are debited, by the acquirer, directly to the merchant's financial schedule. In the case of cancellation, if the merchant's financial schedule does not have sufficient balance, this generally is not accepted.

If Cielo is unable to offset the amounts of chargebacks directly on the financial schedule of a merchant (irrespective of the reason), or by means of any other form of collection (for example, bank slips), the financial charges on these chargebacks will be borne by Cielo. To manage the exposure to this risk, Cielo periodically monitors the transactions and financial soundness of these customers, prepares credit assessments, limits the volume of prepayments of receivables and pays the receivables in a shorter period, seeking to maintain the schedule for as long as possible.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

The proportion of customers in relation to the total volume of transactions and the chargeback ratio are as follows:

	06/30/2023		06/30/2022	
	Six-month period		Six-month period	
	Transacted volume	Chargeback ratio (c)	Transacted volume	Chargeback ratio (c)
Tourism and Entertainment, including airlines (typically with deferred sales)	8.6%	0.55%	7.3%	0.83%
E-commerce (without Tourism and Entertainment)	10.0%	0.81%	11.7%	1.04%
Durable and semi-durable goods (a)	21.1%	0.02%	21.8%	0.03%
Non-durable goods (b)	36.4%	0.00%	34.2%	0.01%
Services and others	23.9%	0.03%	25.0%	0.04%
Total	100%	0.14%	100%	0.20%

- (a) Durable and semi-durable goods: Cielo's customer segment of clothing, furniture, appliances, department stores, construction materials, among others.
- (b) Non-durable goods: supermarkets and hypermarkets, drugstores and pharmacies, gas stations, among others.
- (c) Chargebacks to transacted volume.

(c) Management of Operational Risks

The risks arising from Cielo operation include the following: risks arising from failures, interruptions or breach of information technology systems, processes or infrastructure, unauthorized data disclosures, failures in the authorization of payment transactions, processing failures, internal and external fraud, unfavorable decisions in judicial or administrative proceedings, among others. For such risks, Cielo adopts methodology for identification, assessment, monitoring, management and reporting of risks and action plans for risk mitigation, according to guidelines defined in the Corporate Risk Management and Internal Control Policy, as well as in the applicable regulation, including, but not limited to, BACEN Circular Letter No. 3,681/13 and BCB Resolution No. 260/22.

More information on Cielo Group's internal control management methodology, governance and structure can be found in the Corporate Risk Management and Internal Control Policy and in item 5.2 of the Reference Form, documents available on the Cielo website (<https://ri.cielo.com.br/>).

(d) Capital Risk Management

Cielo Group manages its capital to ensure that the companies can continue as going concerns while maximizing the return of all their stakeholders by optimizing the debt and equity balance.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Cielo Group's capital structure consists of its equity and net debt (borrowings less cash and cash equivalents and financial instruments, including derivatives).

Cielo maintains equity in accordance with BACEN regulation, corresponding to the higher of 2% of the monthly average of the payment transactions made by the institution over the last 12 months and the balance of the digital currencies issued by it, daily determined (see Note 15). There is no minimum equity requirement for the other Group companies.

(e) Liquidity Risk Management

Liquidity risks arises from the possibility that Cielo will not be able to efficiently discharge its expected and unexpected, current and future liabilities without affecting its daily transactions and without incurring significant losses and that it will not be able to remeasure digital into physical when requested by the user. Cielo Group manages liquidity risk by maintaining appropriate reserves, bank lines of credit, and credit facilities to raise borrowings it deems necessary by continuously monitoring the budgeted and actual cash flows and the combination of the maturity profiles of financial assets and financial liabilities.

Cielo periodically discloses a liquidity risk management report which describes the prevailing corporate liquidity risk management structure, as required by BACEN Circular Letter No. 3,681/13, and subsequent amendments. Such report is available on the Cielo website (<https://ri.cielo.com.br/>).

The debt-to-equity ratio is as follows:

	Parent Company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash	11,454	127,730	37,123	140,547
Financial instruments, including derivatives	54,222	959,705	1,206,898	2,029,036
Debt (a)	(7,398,689)	(6,643,071)	(7,398,689)	(6,643,071)
Net debt	(7,333,013)	(5,555,636)	(6,154,668)	(4,473,488)
Equity	11,675,543	10,928,577	21,869,980	21,122,414
Net debt ratio	62.81%	50.84%	28.14%	21.18%

(a) Debt is defined as short- and long-term borrowings, as detailed in Note 12.

(f) Market Risk Management

Market risk arises from the possibility of the occurrence of losses resulting from fluctuations in the market value of instruments held by Cielo as well as revenues and expenses that may be impacted as a result of fluctuations in interest rates, share prices and exchange rates.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

(f.1) Foreign exchange rate risk

Exposures to foreign exchange rate risks are managed according to the parameters set by the policies approved by Cielo Group.

Cielo carries out transactions in foreign currency, which comprise transactions carried out by foreign credit card holders in merchants based in Brazil (the transaction between card holder and merchant is made in local currency; however, settlement by the issuer to Cielo is made in foreign currency). Cielo contracts transactions to hedge against currency fluctuations, which significantly reduces any risks of exposure to currency fluctuations.

The impact of exchange rate changes on the foreign investment is recognized in comprehensive income, and the accumulated exchange loss on the investment in Cielo USA in the six-month ended June 30, 2023 and gain as at June 30, 2022 amounted to R\$ 331 and R\$ 162,963, respectively, both recognized in comprehensive income, directly in equity.

(f.2) Foreign currency sensitivity analysis

Cielo is mainly exposed to the US dollar.

The sensitivity analysis only includes monetary items that are outstanding and in foreign currency and adjusts their translation at the end of each reporting period considering a change of 10%, 25% and 50% in exchange rates.

As at June 30, 2023 and 2022, in estimating an increase or a decrease of 10%, 25% and 50% in exchange rates, there would be an increase or a decrease in profit or loss and equity, as follows:

	Parent Company and Consolidated					
	06/30/2023			06/30/2022		
	10%	25%	50%	10%	25%	50%
Profit or loss	209	522	1,045	236	590	1,179
Equity	360	901	1,802	10,505	26,263	52,527

(f.3) Interest rate risk on financial investments

Cielo Group's results are subject to changes resulting from financial investments contracted at floating interest rates.

Pursuant to its financial policies, Cielo Group makes financial investments with prime financial institutions. Cielo Group operates financial instruments within the limits of approval established by Management.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

(f.4) Interest rate sensitivity analysis – financial investments and borrowings

Income from financial investments and interest from Cielo Group's borrowings are mainly affected by variations in DI rate (source: B3). In estimating an increase or a decrease of 10%, 25% or 50% in interest rates, there would be an increase or a decrease in profit or loss as follows:

	Parent Company					
	06/30/2023			06/30/2022		
	10%	25%	50%	10%	25%	50%
Profit or loss	(100,267)	(250,667)	(501,335)	(62,775)	(156,938)	(313,876)

	Consolidated					
	06/30/2023			06/30/2022		
	10%	25%	50%	10%	25%	50%
Profit or loss	(27,368)	(68,421)	(136,842)	285	712	1,423

(g) Anti-money Laundering/Counter Financing of Terrorism Risk Management

This risk arises from the possibility that the products and services offered by Cielo will become a means for performing commercial or financial operations that seek the incorporation of illicit resources, goods and amounts as well as for collection of funds for terrorist acts, including the support to the development, acquisition, production, possession, transportation, transfer or use of nuclear, biological and chemical weapons and their delivery means.

In assessing such risk, Cielo adopts internal assessment procedures to identify and measure the risk of using its products and services and doing business to practice money laundering and terrorism financing, in conformity with Brazilian laws and the rules under payment arrangements to which Cielo is a party, according to responsibilities set in internal standards.

More information on the governance and structure for managing activities relating to this risk can be found in the Anti-money Laundering/Counter Financing of Terrorism Policy available on the Cielo website (<https://ri.cielo.com.br/>).

(h) Compliance Risk Management

Compliance Risk Management represents the possibility that the institution will be imposed legal or administrative sanctions, financial losses, reputation damage, and other damages arising from failure to comply with laws, infra-legal regulation, recommendations provided by regulatory bodies and self-regulatory codes applicable, internal standards, Code of Ethical Conduct and other guidelines set for the Cielo Group business and activities.

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Compliance risk is assessed by using an internal methodology whereby impact and likelihood are assessed.

More information on the methodology, governance and structure of Cielo Group's integrity program can be found in the Compliance Program and in item 5.3 of the Reference Form, which are available on the Cielo website (<https://ri.cielo.com.br/>).

(i) Social, Environmental and Climate Risk Management

Cielo maps and manages the social, environmental and climate aspects and impacts of its processes, operations, processes and services, including employees, customers, suppliers and partners, with a view to achieve the objectives set in its sustainability policy and code of ethical conduct. These risks are assessed by using an internal methodology whereby impact and likelihood are assessed.

More information on Cielo Group's social and environmental policies can be found in the Sustainability Policy and in item 2.1 of the Reference Form, which are available on the Cielo website (<https://ri.cielo.com.br/>).

(j) Reputation Risk Management

Reputation risk arises from a negative perception of Cielo by customers, partners, suppliers, shareholders, subsidiaries, media, social influencers, investors, regulators, etc. This risk, as shown in item 5.1 of the Reference Form, may materialize due to the materialization of other risk events.

Reputational risk is assessed by applying an internal methodology whereby impact and likelihood are assessed.

(k) Strategic Risk Management

Strategic risk arises from adverse changes in the business environment or the use of inappropriate assumptions in the decision making process.

Strategic risk is assessed by using an internal methodology whereby impact and likelihood are assessed. More information on Cielo Group's strategy can be found in item 1.2 of the Reference Form, which is available on the Cielo website (<https://ri.cielo.com.br/>).

(l) Management of Emerging Risks and Opportunities

Emerging risks and opportunities arise from uncertain and unexpected events that may expose the organization to a completely new range of

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

circumstances; there is no sufficient information available for assessing and measuring their impact on future business.

The main emerging risks identified by Cielo are those that lead to a possible non-intermediation of acquiring products in the long term, or that significantly affect the continuity and security of its business.

Cielo has a process in place to identify, monitor and report emerging risks based on benchmarking and good industry practices. The main emerging risks to which the Company is exposed are detailed in item 1.2 of the Reference Form, available on the Cielo website (<https://ri.cielo.com.br/>)

26 Related-party balances and transactions

In the usual course of business, market conditions are maintained by Cielo Group in transactions with related parties, such as: (i) receivables from card-issuing banks, which are part of financial conglomerates in which the controlling shareholders (Bradesco and Banco do Brasil) hold interests, (ii) as well as financial services contracted from shareholder banks and (iii) expenses and revenues from services provided by direct and indirect subsidiaries and investment funds.

Cielo Group, in carrying out its business and contracting services, conducts quotations and market research based on the search for the best technical and price conditions. Additionally, the nature of the Company's activities means that it enters into contracts with several card-issuing banks, some of which are its shareholders. Cielo Group believes that fair market conditions are observed in all contracts entered into with its related parties.

The tables below include the balances as at June 30, 2023 and December 31, 2022, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by Cielo Group, as well as the movements related to the six-month periods ended June 30, 2023 and 2022:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Parent Company				Consolidated			
	06/30/2023				12/31/2022	06/30/2023		12/31/2022
	Controlling shareholders	Subsidiaries	Investment funds	Total	Total	Total	Total	
Assets:								
Cash and financial instruments (a)	55,817	-	-	55,817	190,796	265,695	307,284	
Operating receivables (b)	22,783,024	-	-	22,783,024	26,533,121	22,783,024	26,533,121	
Receivables from related parties (c)	-	146,502	74	146,576	13,566	812,499	826,350	
(Liabilities):								
Private debentures and CCB (d)	(3,999,159)	-	-	(3,999,159)	(3,498,894)	(3,999,159)	(3,498,894)	
Payables referring to intermediation, customer prospecting and maintenance services (e)	(25,155)	-	-	(25,155)	(25,503)	(25,155)	(25,503)	
Payables to related parties (c)	-	(276,508)	-	(276,508)	(251,979)	(521,563)	(422,596)	
Balances received to transfer to FIDC	-	-	(17,185,634)	(17,185,634)	(16,234,816)	-	-	

	Parent Company				Consolidated			
	06/30/2023				06/30/2022	06/30/2023		06/30/2022
	Controlling shareholders	Subsidiaries	Investment funds	Total	Total	Total	Total	
Income:								
Income from financial investments (a)	44,111	-	-	44,111	5,839	56,476	13,683	
Income from other services provided (f)	1,794	-	443	2,237	4,319	1,794	3,941	
Income from rental of POS equipment (g)	17,339	-	-	17,339	23,068	17,339	23,068	
Other income	-	3,525	-	3,525	737	-	1,755	
Costs								
Finance costs (d)	(242,693)	-	-	(242,693)	(246,860)	(242,948)	(246,860)	
Expenses with prepayment of receivables	-	-	(603,007)	(603,007)	(471,621)	-	-	
Expenses with benefits (h)	(30,024)	-	-	(30,024)	(21,235)	(62,346)	(44,107)	
Contracts for customer prospecting services	-	(378,901)	-	(378,901)	(351,275)	-	-	
Payment management services provided (c)	-	-	-	-	-	(20,482)	(19,380)	
Intermediation, customer prospecting and maintenance services (e)	(74,777)	-	-	(74,777)	(67,493)	(74,777)	(67,493)	
Other operating expenses	(210)	-	-	(210)	(481)	(210)	(481)	

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

- a) Balances related to the amounts held in current account and financial investments in related banks.
- b) The amounts receivable refers mainly to the amounts to be paid by issuers Banco do Brasil and Bradesco arising from credit and debit card transactions.
- c) The amounts receivable mainly refer to amounts to be settled by the issuer Banco do Brasil to Cateno, arising from transactions carried out using credit and debit cards. The balances of accounts payable refer to the provision of services by Banco do Brasil to Cateno for the operation as a Payment Institution in the management of payment accounts in the Ourocard Payment Arrangement, as well as to the balances of dividends payable.
- d) Refer to the balances related to the issuance of private debentures and CCB.
- e) Refer to intermediation, customer prospecting and maintenance services with the objective of increasing the volume of sales made up of transactions carried out with credit and debit cards captured and processed by Cielo. In return for providing services, banks are entitled to a remuneration of 10 basis points on the eligible volume. The eligible volume, including the amount captured only in domestic transactions, does not include transactions in which Cielo provides VAN (Value Added Network) services and takes into account minimum profitability criteria for each establishment.
- f) Refer to the granting of access to the anti-fraud system, so that Bradesco and Banco do Brasil can monitor transactions made with cards issued by them.
- g) Refer to the lease of equipment for capturing transactions with Banco do Brasil and Bradesco, which sublease the equipment to their customers.
- h) Benefits contracted with Banco do Brasil and Bradesco (corporate collective life insurance, hospital and dental insurance and supplementary pension agreement).

Main related-party transactions

Participation of Accrediting Institutions in Elo Payment Arrangements

The Company participates in Elo Payment Arrangements, established by Elo Serviços S.A. The Company participates in Elo Arrangements as Accrediting

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

Institution, which includes the provision of services relating to accreditation and maintenance of merchants, the participation in the processing and settlement of transactions made with payment instruments of Elo Arrangements and license for the use of Elo brands, in conformity with the technical specifications contained in its manuals. The Company pays Elo for its participation as accrediting institution in Elo Arrangements, and the conditions and prices of such participation are similar to those practiced with the other accrediting institutions and other arrangement settlors ("Brands").

Due to the participation in Elo Payment Arrangements, Cielo has agreements to carry out marketing campaigns, similar to the commercial relations maintained with other payment arrangements settlors.

Use of Cielo authorized network ("Value Added Network - VAN" and network service provider "PSR")

The Company has service agreements with Alelo Instituição de Pagamento S.A. These services include the capture, transmission, authorization and processing of transactions with ALELO cards, as well as services provided to merchants, operational and financial back-office services, fraud prevention, issuance of statements and financial control over electronic transactions resulting from these transactions.

Other widespread agreements

In addition to the recorded balances, the Company engages other services from the main shareholders, namely:

- Cash management services
- Insurance
- Corporate credit card
- Payment to suppliers
- Granting of Livelio incentive points
- Representation services with CIP
- Share bookkeeping services
- Operating services - restricted stock plans
- Securities bookkeeping and management services
- Government and private securities operating management services

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

27 Non-recurring Result

As defined by BCB Resolution No. 2/20, non-recurring results are those that are not related to or are incidentally related to the Company and its subsidiaries' regular activities and are not expected to occur frequently in future years. Non-recurring results are presented below, net of tax effects:

	Parent Company			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period	708,489	635,260	1,149,331	819,817
Non-recurring items				
Sale of the stake in MerchantE	-	(282,313)	-	(282,313)
Impairment of legacy systems software	-	26,775	-	26,775
Restructuring of Cielo stores channel	-	3,600	-	3,600
Reversal of provision for ISS Municipality (a)	(222,522)	-	(222,522)	-
Total	(222,522)	(251,938)	(222,522)	(251,938)
Recurring result	485,967	383,322	926,809	567,879

	Consolidated			
	Three-month period		Six-month period	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period	825,000	708,687	1,350,414	956,557
Non-recurring items				
Sale of the stake in MerchantE	-	(282,313)	-	(282,313)
Impairment of legacy systems software	-	26,775	-	26,775
Restructuring of Cielo stores channel	-	3,600	-	3,600
Reversal of provision for ISS Municipality (a)	(253,964)	-	(253,964)	-
Total	(253,964)	(251,938)	(253,964)	(251,938)
Recurring result	571,036	456,749	1,096,450	704,619

- a) As mentioned in Note 14, as at June 30, 2023, the provision for ISS Municipality was reversed due to the completion of the judgment by the Federal Supreme Court (STF) in June 2023, which maintained the payment of the Service Tax (ISS) in the city of the service provider and not in the cities where the service takers are located, in the amount of R\$ 222.5 million net of taxes in the parent company, considering the proportional non-recurring event of the subsidiary Cateno (R\$ 254.0 million in the consolidated).

28 Noncash transactions

In preparing the Company's statements of cash flows, only the transactions involving cash were included in net cash generated by financing and investing activities. The table below shows all the other changes in the investment and borrowing balances for the six-month periods ended June 30, 2023 and 2022 that did not involve the use of cash and/or cash equivalents:

Cielo S.A. - Instituição de Pagamento

Notes to the individual and consolidated interim financial statements (Amounts in thousands of Brazilian reais, unless otherwise stated)

	Parent Company		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Exchange differences on net foreign investment	(331)	162,963	(331)	162,963
Exchange differences on borrowings	-	(33,256)	-	(167,530)
Interest on capital proposed	196,970	224,210	196,970	224,210
Dividends receivable from direct subsidiary	139,195	-	-	-

29 Insurance

As at June 30, 2023, the Company has the following insurance coverage:

Type	Insured amount
General civil liability	20,000
Directors & Officers liability insurance	250,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft, flood and cyber-attacks)	110,818
POS equipment warehousing	180,286
POS equipment transportation per travel/event (limited to R\$ 1,366,586)	2,500
Fleet of vehicles	2,955

Filipe Augusto dos Santos Oliveira
Chief Financial and Investor Relations Officer (Officer responsible for accounting)

Vagner Akihiro Tatebe
Accountant CRC 1SP292671/O-6