Management Report

2023

cielo

DEAR SHAREHOLDERS

We present the Comments on Performance and the Financial Statements of Cielo S.A. – Instituição de Pagamento ("Cielo") and its subsidiaries (together referred to as "Consolidated", "Company", "Organization" or "Cielo Group") for the year ended December 31, 2023, accompanied by the Independent Auditor's Report and the Supervisory Board Opinion.

The 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 Central Bank of Brazil (BACEN), together referred to as "COSIF".

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

For purposes of presentation of the 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 transactions, revenues and expenses among Cielo Group companies were fully eliminated in the consolidated Financial Statements.

The amounts are presented in millions of Reais, unless otherwise stated.

In accordance with BCB Normative Instruction No. 236/22, Cielo chose to maintain the presentation of the Comments on Performance based on the Financial Statements prepared under COSIF, for consistency with the disclosures of prior years.

2023

HIGHLIGHTS

Cielo Profit for the Period

R$ 2,086.8 million | 33.0% YoY

Net Revenue

*Excluding the impacts of non-consolidation of MerchantE

R$ 10,601.1 million | 4.7%* YoY

Revenue from Purchase of Receivables

R$ 1,566.7 million | 66.9% YoY

Total Expenses

R$ 7,098.0 million | -9.6% YoY

EBITDA

R$ 4,415.8 million | 15.7% YoY

Amounts presented on a consolidated basis, unless otherwise stated.

The year 2023 reinforced the Company's commitment to its strategic pillars: (i) optimization of the core business; (ii) Innovation in Payments, (iii) Distribution of Financial Services, (iv) Value Added Services, and (v) people, technology and data. In alignment with these principles and given the current stage of the Company's transformation process, last year we launched #PraCimaCielo, a program that is changing the way we operate and organize ourselves, and aimed at consolidating important capabilities, such as further increasing focus on customers, accelerating our time to market for solutions, enhancing distribution capabilities, and seizing opportunities in revenues and cost structure.

#PraCimaCielo has more than 200 ongoing initiatives in different areas of the Company. Examples of results achieved under the program include the launch of Cielo Tap, through which users may advance receivables via Pix, and the advancement in urban mobility with the addition of sales points and modes, which allowed the creation of growth avenues for Cielo in its search for new sources of revenue.

Customer experience, a key theme for the Company, whether in relation to products and services or in relation to operations and services, has shown significant improvement in various indicators. This improvement was reflected in the perception of service quality: an increase of 20 points in the Net Promoter Score (NPS) between July 2022 and the measurement at the end of 2023.

We accelerated investments to expand our distribution capabilities. In the retail segment, we announced, throughout the year, reinforcements in the commercial team, with the hiring of 400 employees for the in-person channel and the announcement of up to 1,000 positions primarily for the banking channels.

The optimization of revenue generation, the focus on efficiency, the robust result with the purchase of receivables (ARV) and Cateno's solid performance contributed to the Company's results, which reached a profit of R$ 2.1 billion, an increase of 33% over the previous year. Profitability and cash generation allowed a distribution of R$ 764 million in earnings, the highest amount in the last 3 years.

Economic and competitive environment

Market expectations for the economy, household consumption and retail performance in 2023 changed throughout the year in significant ways. The Brazilian Association of Credit Card and Services Companies (ABECS) projected at the beginning of the year that the acquiring market would grow between 14 and 18%. This projection was changed to growth between 9% and 11%. On the other hand, other indicators improved during the year, proof of the strength and recovery capacity of the Brazilian economy. Data released by the Central Bank's FOCUS bulletin at the beginning of the year projected economic growth of 0.78%, far below the result at the end of the year, when market perspectives indicate GDP growth of around 2.9%. In the same sense, ICVA – Cielo Expanded Retail Index also showed recovery in monthly readings of consumption growth during 2023.

Although card volume growth is below forecast, there are still relevant opportunities for the industry. The processing of PIX transactions in solutions offered by acquirers, for example, has been growing at high rates. We see the industry beginning to penetrate new segments, such as urban mobility (subways, buses and toll plazas). The industry has also been exploring other alternatives, such as improvements in debit card transactions, recurring payments and payments to governments.

Results

In 2023, we maintained our focus on operational efficiency and optimizing value creation for shareholders. An important example of this positioning is the revenue yield, which showed significant improvement in the year and generated growth of net revenue. This performance allowed revenues to grow 4% in the acquiring business. At Cateno, revenues increased by 6% compared to the previous year.

Regarding the expenses, we observed a reduction in total expenses, both at Cielo and Cateno. Therefore, consolidated EBITDA reached R$ 4.1 billion, with a 38.5% EBITDA margin, an increase of 1.9 percentage points compared to the previous year.

The finance income (costs) showed significant improvement, driven mainly by receivables acquisition operations (ARV), which recorded revenues of around R$ 1.6 billion, with a record in prepaid volume, reflecting improvements in the business processes that support this product. The prepaid total volume, via ARV and Receba Rápido, also recorded historic highs, totaling R$ 129 billion in the year, showing the Company's commitment to advancing in supporting retailers in managing their cash flow.

The robust performance of the two business units boosted the consolidated recurring income. Segregating the effects considered non-recurring, profit reached R$ 1.9 billion, a 26% increase compared to 2022.

Values, Sustainability and Organizational Culture

All these achievements are established on solid foundations, demonstrating genuine commitment to the organization's sustainability.

Management engages in concrete actions to make the Company increasingly diverse and inclusive. This engagement is recognized by the market. B3, for example, selected Cielo to be part of the first portfolio of IDIVERSA B3, a pioneering Latin American index composed of companies that stand out in terms of gender and racial diversity in their workforce.

As mentioned previously, Cielo's transformation process is only possible because of people. Therefore, the Company's commitment to our team is continuous and has been recognized by several stakeholders. Great Place to Work (GPTW), for example, elected Cielo as the best company to work for in the Financial Institutions category. LinkedIn Brasil classified Cielo as one of the 25 best companies for those who want to develop professionally, being the only acquirer of the ranking.

Our customers and the market in general also recognize the recent efforts that make Cielo a reference in the payments market. For the second consecutive year, we reached first position in the Top of Mind in the “Payment Machine” category. The Company also won the Brazil Ombudsman Award for the second time, promoted by the Brazilian Association of Company-Customer Relations (Abrarec) and whose objective is to recognize companies that value this service channel. Cielo was the only acquirer among the winners. The special 50th anniversary edition of Exame magazine’s “Melhores e Maiores” highlighted the Company as the biggest winner in the financial services segment.

All these achievements and recognitions are indicators that the work developed is in the right direction and at the same time serve as motivation for Cielo to continue in its purpose of boosting business for everyone.

We appreciate the commitment and leadership of all employees and the trust placed by the different stakeholders. We reiterate the company's commitment to excellence, innovation, leadership, and to generating value for its shareholders.

ACKNOWLEDGMENTS

Empresas Mais | Estadão – The company was recognized as a highlight among companies in the sector with the best corporate governance practices.

Top Of Mind | FSP – For the 2nd consecutive year, Cielo is the most recognized brand in the Card Point of Sale category of the Top Of Mind award from Folha de S. Paulo.

Guia de Rodas – The company was recognized for the second time by Guia de Rodas, reaffirming its commitment to structures that follow good accessibility and building inclusion practices.

Época Negócios – Cielo achieved 49th position, out of 500 companies, in the Época Negócios Yearbook, a recognition that identifies and disseminates the best business practices in Brazil. Within the Financial Services category, the company reached 4th place in the ranking.

Financial Services GPTW - Cielo was recognized as the Best Company to Work for in the Financial Institutions category of the ranking.

Experience Awards - SoluCX, the organization responsible for the award, nominated Cielo as one of the companies in the sector that offer the best experience to its customers.

FILASA - Cielo was recognized by the FILASA/Leaders League Alliance Summit ranking – one of the most important events in the segment, for having the Best Legal Department in Brazil.

OPERATIONAL PERFORMANCE 2023

Financial Volume of Transactions

In 2023, Cielo's financial volume of transactions totaled R$ 816.2 billion, a decrease of 6.4% or R$ 55.9 billion compared to 2022.

Specifically with credit cards (lump sum and installment payment), the financial volume of transactions totaled R$ 498.3 billion in 2023, a decrease of 3.7% compared to 2022. In debit cards, the financial volume of transactions totaled R$ 317.8 billion in 2023, a decrease of 10.4% compared to 2022.

Additionally, Cielo captured 7.8 billion transactions in 2023, a decrease of 5.1% compared to 2022.

NET REVENUE

Net revenue totaled R$ 10,601.1 million in 2023, a decrease of 0.9% or R$ 92.0 million compared to 2022. Excluding the impacts of the non-consolidation of MerchantE resulting from the sale in April 2022, net revenue increased by R$ 477.3 million or 4.7% in 2023.

The main impact on net revenue is related to revenue yield increase, benefited from price behavior, partially offset by the decrease in captured volume, 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$ 5,609.4 million in 2023, a decrease of R$ 659.4 million or 10.5% compared to 2022. This decrease was mainly due to the following events:

(i) Decrease of R$ 514.1 million in **cost of services provided in subsidiary Cielo USA** due to the sale of MerchantE in April 2022;

(ii) Decrease of R$ 100.6 million or 7.9% in **equipment-related costs and other costs** compared to 2022, mainly due to the impact on the maintenance line related to POS terminals, in addition to the efficiency gains through the implementation of operational improvement initiatives;

(iii) Decrease of R$ 71.4 million or 3.2% in **costs related to the capture, processing and settlement of Cielo transactions**, mainly due from expenses with brand fees related to volume reduction, partially offset by the increase in the call center line; and

(iv) Increase of R$ 26.7 million or 1.2% in **costs related to management of payment accounts of the Ourocard Arrangement at Cateno**, mainly related to brand fees, linked to the growth in transaction volume, partially offset by efficiency gains in the call center, banking expenses, professional services and card management lines.

OPERATING EXPENSES

Operating expenses totaled R$ 1,488.6 million in 2023, a decrease of R$ 94.7 million or 6.0% compared to R$ 1,583.3 million in 2022. The decrease was mainly due to the following events:

Personnel expenses - Increase of R$ 211.4 million or 20.8% to R$ 1,226.3 million in 2023, compared to R$ 1,014.9 million in 2022. The increase is mainly related to higher expenses resulting from the expansion of the commercial team;

General and administrative expenses, including depreciation - Increase of R$ 25.4 million or 7.6% to R$ 361.0 million in 2023, compared to R$ 335.6 million in 2022. The increase is related to expenses with various initiatives aimed at improving the quality of services provided;

Sales and marketing expenses – Decrease of R$ 15.4 million or 9.9% to R$ 140.2 million in 2023 compared to R$ 155.6 million in 2022, related to the non-consolidation of the subsidiary MerchantE sold in April 2022, offset by the increase of R$ 28.3 million in 2023, resulting from higher expenses with marketing campaigns and commercial actions; and

Other operating income (expenses), net - variation of R$ 316.1 million to R$ 238.9 million in 2023, compared to expenses of 77.2 million in 2022. The variation is mainly due the reversal of the provision for ISS Municipality that occurred in 1H23, 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$ 153.0 million in 2023, a variation of 60.2% or R$ 231.3 million compared to 2022, when the Company recorded finance costs of R$ 384.3 million. The main variations in finance income (costs) are:

Finance income – Decrease of R$ 135.6 million or 29.0% to R$ 332.0 million in 2023, compared to R$ 467.6 million in 2022, related to the lower average cash balance, partially offset by a higher average CDI rate;

Finance costs – Increase of R$ 300.8 million or 17.5% to R$ 2,023.4 million in 2023, compared to R$ 1,722.6 million in 2022, mainly related to the effect of higher average balance raised and higher average CDI rate;

Purchase of receivables – Increase of R$ 628.2 million or 66.9% to R$ 1,566.7 million 2023, compared to R$ 938.5 million in 2022, related to the increase in the volume of purchase of receivables; and

Exchange differences, net - Decrease of R$ 39.5 million or 58.3% to R$ 28.3 million in 2023, compared to R$ 67.8 million in 2022. The variation is substantially related to the impact of the mark-to-market of financial instruments in order to hedge foreign-currency denominated liabilities, settled in November 2022.

Below we present the reconciliation between COSIF and IFRS accounting practices related to equity and consolidated result in 2023:

R$ million	Equity	Profit for the Year
COSIF - Balance	**22,308.3**	**2,468.2**
Third parties' interests in Investment Funds (a)	(7,346.0)	-
Others (b)	22.5	0.3
IFRS - Balance	**14,984.8**	**2,468.5**

(a) Third-party interests in Credit Rights Investment Funds (FIDCs) and Investment Funds in Investment Fund Shares (FICs), previously presented in current and non-current liabilities, according to BCB Normative Instruction No. 272/22, are now recognized directly in equity, specifically under the line item "noncontrolling interests" under COSIF; and

(b) Composed of: 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 06 (R2) – Leases.

Consolidated EBITDA totaled R$ 4,415.8 million in 2023, an increase of 15.7% compared to 2022, as shown below:

EBITDA (R$ million)	**2023**	**2022**
Cielo Net Profit	2,086.8	1,569.5
Non-controlling shareholders	381.4	303.2
Financial Income (Costs)	153.0	384.3
Income Tax and Social Contribution	881.9	584.0
Depreciation and Amortization	912.6	974.6
EBITDA	**4,415.7**	**3,815.6**
% EBITDA margin	*41.7%*	*35.7%*

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 noncontrolling 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 amount of interest on capital proposed and paid for 2023 is R$ 764.3 million within the tax deductibility limit, reaching a payout of 36.6%.

INVESTMENTS IN SUBSIDIARIES

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

Subsidiaries (R$ million)	Investments		Share of profit (loss) of investees	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Servinet	70.2	72.0	28.1	23.2
Cielo USA	3.6	4.4	(0.5)	80.2
Cateno	6,308.2	6,687.2	889.8	707.5
Stelo	314.1	278.6	85.0	54.0
Aliança	6.1	5.6	0.5	48.2

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 and through optimal management of the human capital involved in the Company's operations.

We follow transformations focused on the present, with an eye to the future, driving change from the inside out through our way of being and doing, engaging employees and offering our internal and external customers an excellent service. We do this through our Culture and our purpose of simplifying and boosting business for everyone, in a way that positively impacts the lives of each Cielo employee. This occurs through our competencies:

1. Assertive Empathy: We genuinely care about each other, we are interested in learning about the difficulties, contexts and daily lives of the people we interact with – whether they are colleagues, partners, customers or suppliers. We practice assertive empathy through quick, clear, direct and sincere feedback, always in a constructive way, because we know that this way we make a difference in people's lives.
2. Transformative Ambition: We, from Cielo's team, always challenge ourselves in our deliveries, with a learning perspective throughout the journey and that is how we deliver more and better. We look outward to seek excellence in industry peers, or applicable process leaders, in Brazil and around the world. We develop actions that positively transform our daily lives, those of our employees and customers. Ambition is different from greed: here we give our all, we work as a team, because we know that together we achieve the best results and gain strength to build the Cielo we want. We go beyond what we know how to do because we believe we can learn even more.
3. Ownership Mindset: At Cielo, we know that we are responsible for the company's results, because here the success of the business is our success and that of our customers. We are proactive, concerned and responsible in solving problems and committed to results. We understand that constructive conflict promotes the creative search for solutions, increasing our level of collaboration. We have a flexible stance, as we believe that this way we find the best solution for the Cielo team and our customers. As owners, we perform or ask for help long before delivery is expected.

We are restless in the search for excellence in all processes and especially in what improves customers' lives.

4. Collaboration: We are a team that understands the company's main objectives and work together to achieve them. We remove the ambiguity of demands. We seek to combine the tasks, missions and purposes of our areas of activity with those of the company. We understand the needs of our peers, partners and customers. We believe in the power of teamwork, we support each other, we welcome each other to build innovative solutions and go further. Trust is the basis of our relationship with all partners in the value chain and allows us to seek positive conflict with total commitment to the decisions made, to hold each other accountable for excellence and thus pursue the company's ultimate objectives.
5. Sense of Urgency: At Cielo we know how to establish what our priorities are. We plan all our deliveries with agility, collaboration and customer focus. We seek to carry out actions to obtain greater results for the company extremely quickly. We assume risks inherent to the business, and adopt measures to minimize or even eliminate them, considering the generation of value for customers and the company. Furthermore, we know that we will not always get it right, but we quickly adjust the course and believe that all initiatives serve as a learning experience.

Cielo cares about the quality of life and well-being of the people who make up the Cielo Team, which is why through the “De Bem com a Vida” Program we enable several initiatives to promote an integrated health management, 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, vaccinations, conversation circles, Gympass, Olympics – Sports Championship. The program is recognized by employees, with a favorability of 88.8% in the internal Employee Experience survey.

Aligned with our Diversity, Equity and Inclusion (DEI) commitments, we have a defined internal structure to ensure the existence of a formal agenda for promoting DEI in the company. We have an Executive Management of Sustainability, Diversity, and Impact reporting to the vice-presidency of People, Management and Performance, and we have the Diversity Forum that has the participation of the CEO, the Executive Board and the Executive Management of Sustainability, Diversity and Impact.

Cielo established a Diversity, Equity and Inclusion strategy with guidelines and governance for the Company to achieve such commitment, in line with the cultural attributes necessary to leverage the business, whether by increasing the representation and career development of minority social groups within the workforce, by promoting an inclusive culture, by fostering and training inclusive leadership, or by engaging the value chain, respecting people and repudiating all forms of discrimination, as provided for in Cielo's Code of Ethical Conduct. And also in accordance with DEI commitments, all employees can participate in Affinity Groups: “We Are All One”, aimed at the inclusion of people with disabilities, the “Blue To Black” focused on ethnic-racial issues; “Prism” aimed at the inclusion of the LGBTQIAPN+ community; and “Beyond Gender”, 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 business for everyone.

At the end of 2023, the organization had 6,376 employees and 185 interns.

HUMAN RESOURCES HIGHLIGHTS

GPTW National: Cielo was in the TOP 30 best companies in Brazil, in the large companies category, as one of the best companies to work for **(award held in October)**.

GPTW Technology: We are in 18th position in the Brazil ranking in the Tech category, which awards the best companies to work in the Technology area **(award held in November)**.

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

Cielo's actions focused on promoting sustainable development are guided by the Sustainability Policy, which guides the Company to implement an agenda of environmental, social and corporate governance practices (ESG - Environmental, Social and Governance, a commonly used acronym).

The purpose of implementing this agenda is to make long-term business success compatible with the construction of a fair society, economic development and environmental conservation, through the generation of shared value.

To structure the achievement of these commitments, Cielo established its Sustainability Strategic Plan. Approved by the Executive Board and in line with the Company's Strategy, the planning establishes 8 strategic sustainability objectives distributed across 4 pillars, namely:

- ESG Strategy and Engagement;
- ESG Management, Risks and Opportunities;
- Diversity, Equity, Inclusion and Impact; and
- Eco-efficiency and Climate Change.

Strategic sustainability objectives unfold in actions linked to different fronts of the organization, whether with impacts that generate changes in operations, or in opportunities to generate shared value through the business model, or even in its social actions to transform the context in which the business operates.

The execution of the planning is monitored by the Executive Vice President of People, Management and Performance, reporting to the Executive Board, and supported by an Executive Forum to monitor topics related to environmental, social and governance aspects. Furthermore, its evolution is periodically monitored by the Sustainability Committee, which reports its progress to the Board of Directors.

Within the scope of Strategic Sustainability Planning, it is worth highlighting the Diversity, Equity and Inclusion Program, structured to incorporate the practice and promotion of the topic into the Company's representation and culture. As part of the aforementioned Program, 6 commitments were established that cover aspects linked to gender identity, race and ethnicity, disability and LGBTQIA+.

In the first quarter of 2022, Cielo announced its representation goals, which aim at making the staff more diverse and representative. The goals were approved within the scope of the Board of Directors, and by 2025, the number of women in the overall workforce is expected to represent 45% of the total, while 42% of leadership positions should be occupied by women. Additionally, professionals who are Black or Indigenous are expected to make up 35% of the workforce, and 22% of the positions of leadership roles should be filled by Black or Indigenous professionals.

Cielo has a Climate Strategy, which guides the actions regarding climate governance, risk and opportunity management, accounting for Greenhouse Gases (GHG) emissions, goals and engagement with the value chain. It is worth highlighting that our taxonomy for climate risk management is aligned with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), an initiative that seeks to prepare and implement recommendations for the disclosure and analysis of risks and opportunities related to climate issues.

Furthermore, the environmental aspects and impacts of our operations are evaluated and monitored by our Environmental Management System (SGA), certified by the ISO 14001 standard. 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.

Every year, Cielo publishes its Integrated Report, an instrument through which the Company presents information on the performance and impacts of its business model, structuring financial information in synergy with environmental, social and governance aspects. The publication offers a broad strategic view of Cielo, its business model and value generation and is available at https://www.cielo.com.br/sistência/central-de-downloads/ .

MAIN ESG INITIATIVES

For the 11th consecutive year, the company is part of the **ISE B3 - Corporate Sustainability Index of the Brazilian Stock Exchange,** considered one of the most recognized indicators of the average performance of company asset prices.

Cielo was a pioneer in the acquiring market, becoming the only company in the sector to receive the **Pro-Ethics Company Seal**. This seal publicly recognizes companies committed to implementing voluntary measures to prevent, detect and remediate acts of corruption and fraud.

Cielo won the **1st position in the Financial Companies ranking of Institutional Investor**, one of the largest global finance magazines. The company not only demonstrated the best performance in Brazil, but also ranked 1st among financial companies in Latin America (excluding banks).

Estadão Empresas Mais recognized the **Governance practices** of Cielo as one of the best in Brazil.

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"); (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. The policy was reviewed in July 2021 to comply with the recommendations of the Brazilian Corporate Governance Code – Publicly-Held Companies prepared by the Interagentes 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 with 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 appraisals report 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 by the Board of Directors.

It is important to note that the Corporate Governance Committee and the 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, shall 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 members, where their independence aims to protect the interests of the Company and its noncontrolling 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 Management Committee, Sustainability Committee and Risk Committee; and the Executive Board has 9 (nine) advisory forums: Disclosure Forum, Ethics Forum, ESG Forum, Strategic Pricing Forum, Social and Cultural Investments Forum, Diversity 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) independent member appointed by noncontrolling 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 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.

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Cielo S.A. - Instituição de Pagamento

Financial Statements for the
year ended December 31, 2023 and
Independent Auditor's Report
(*COSIF*)

Contents

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Independent auditors' report on the individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Cielo S.A. – Instituição de Pagamento ("Company"), which comprise the balance sheet as of December 31, 2023, and the statements of profit or loss, of comprehensive income, changes in equity and cash flows for the six- month period and year then ended, as well as the corresponding explanatory notes, including material accounting policies and other explanatory information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Cielo S.A. – Instituição de Pagamento as of December 31, 2023, its individual and consolidated financial performance and its individual and consolidated cash flows for the six-month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil ("BACEN").

Basis for opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities, in accordance with the aforementioned standards, are described in the following section entitled "Auditor's responsibilities for the audit of the individual and consolidated financial statements”. We are independent from the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the six-month period and year ended December 31, 2023. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and presentation of Accounts receivable from card issuers, Payables to merchants and Gross Operating Revenue through the capture, processing and settlement of transactions made by credit and debit cards holders	
See Notes 2.9, 7, 13 and 17 to the individual and consolidated financial statements	
Main audit matters	**How the matter was addressed in our audit**
The Company captures, processes and settles transactions made by credit and debit cards holders, which are the basis for the recognition of operating revenues and other information presented in the individual and consolidated financial statements, particularly for accounts payable to merchants and accounts receivable from issuers. Due to the inherent high complexity of the processes for capturing, processing and settling transactions, which could have an impact on the financial statements, we consider this to be a key audit matter.	Our audit procedures included obtaining an understanding of the design of key controls related to the capture, processing and settlement of transactions made by holders of credit and debit cards. For Accounts Receivable from issuers, we performed tests related to the reconciliation of account balances to information from reports provided by legacy systems, as well as tests, based on sampling, to verify the support documentation for recognition and settlement of transactions. For Accounts payable to merchants, we carry out tests related to the reconciliation of accounting balances with information from reports provided by legacy systems, as well as tests, based on sampling, to verify the supporting documentation for the registration and settlement of transactions, as well as and the recognition of revenue, as well as subsequent settlement tests period fir outstanding balances on the base date. For Gross operating revenue account, we performed tests related to the reconciliation of accounting balances with information from reports provided by legacy systems, as well as tests, based on sampling, to verify the supporting documentation for registration, settlement of transactions and the recognition of revenue, as well as recalculations of commission income and income from prepayment of receivables. Our procedures also included the assessment of the disclosures made by the Company in the individual and consolidated financial statements described in notes 2.9, 7, 13 and 17. According to the evidence we obtained by applying the procedures described above, we considered acceptable the balances presented in the lines Accounts receivable from issuers, Accounts payable to merchants and Gross operating revenue and the disclosures in the context of the individual and consolidated financial statements taken as a whole.

Evaluation of recoverable value for intangible assets with a definite useful life (Subsidiary – Cateno Gestão de Contas e Pagamentos S.A.)	
See Notes 9 and 11 to the individual and consolidated financial statements	
Main audit matters	How the matter was addressed in our audit
As described in notes 9 and 11, the value of investments accounted using the equity method in the individual financial statement includes values of intangible assets with definite useful lives (Exploration Law – Ourocard Payment Arrangement), classified in the consolidated financial statement in specific account, which realization is supported through the "Discounted Cash Flow" based on the business plan prepared by the Management. Due to the relevance of the balance and the high degree of judgment involved in the process of determining the value in use based on the future cash flows of the cash-generating units for the purposes of assessing the recoverable value of such assets, which may have an impact on the carrying balance of the investment accounted for on the equity method in the individual financial statements and the balance of intangible assets recorded in the consolidated financial statement, we considered this to be a key audit matter.	With the technical support of our corporate finance specialists, we analyzed the reasonability and consistency of the data and assumptions used in the last valuation model used by the management of the subsidiary to test the impairment, such as growth rates, discount rates, cash flow projections and profitability estimates, as well as the reasonableness of the mathematical calculations included in this model. The current study for this assessment is the one that was carried out in July, 2023. Additionally, we compared the cash flow projections provided by the management of the subsidiary in the last assessment made with the subsidiary's economic performance for the six-month period and year ended December 31, 2023. Our procedures also included the evaluation of the disclosures made by the Company in the financial statements described in notes 9 and 11. According to the evidence we obtained by applying the procedures described above, we considered acceptable the measurement of intangible assets with definite useful lives and disclosures in the context of the individual and consolidated financial statements taken as a whole.

Provision for bad debts	
See Notes 7 and 25 to the individual and consolidated financial statements	
Main audit matters	How the matter was addressed in our audit
As described in notes 7 and 25, the main risks to which the Company is exposed are due to: (i) amounts receivable from issuers, (ii) the risk of sub acquirers not paying the amounts to the commercial establishments, (iii) the values of chargeback, reversal or cancellation when liquidating the receivables or acquisition of receivables from commercial establishments in deferred sales and (iv) non-payment of rent on the capture terminals used by commercial establishments. In order to address these risks, in addition to the credit analysis and assessment of the need for issuance of guarantees by the issuers, carried out through continuous monitoring of counterparties, the Company, according to note 7, constitutes a provision for bad debts. This provision is determined by means of a methodology that consists of assigning ratings and percentage of provision,	Our audit procedures included obtaining an understanding of the design of internal controls considered relevant and related to the credit risk analysis of issuers, sub acquirers and merchants, as well as the preparation and approval of the provision methodology for bad debts. We carried out, by sampling, tests related to the rating assignment to the issuers in accordance with the current internal standard and the analysis of guarantees by the issuers. We evaluated data elements such as the due date, days overdue and rating assignment, used in the calculation of the provision and, based on the methodology used to measure the provision for expected losses on accounts receivable, we recalculated the account provision for

according to the delinquency range of operations. Due to the relevance of the balance in the context of the individual and consolidated financial statements and the degree of judgment considered in the estimates used, we considered this to be a key audit matter.	bad debts of the financial statements. We also evaluated the disclosures made by the Company in the individual and consolidated financial statements, described in notes 7 and 25, if they are in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil ("BACEN"). According to the evidence we obtained by applying the procedures described above, we consider acceptable the provision for bad debts and their respective disclosures in the context of the individual and consolidated financial statements taken as a whole.

Other issues – Statements of value added

Statements of value added

The statements of value added (DVA) for the six-month period and year ended December 31, 2023, prepared under the responsibility of the Company's management, and presented herein as supplementary information in accordance with the accounting practices adopted in Brazil applicable to payments institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether this statement is reconciled to the Company's financial statements and accounting records, as applicable, and whether their form and content is in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Consolidated financial information

This consolidated financial information for the year ended December 31, 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. 68 of BCB Resolution 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 February 05, 2024.

Other Information that accompany the individual and consolidated financial statements and the auditor report

Company's management is responsible for this other information. The other information comprises the management's report.

Our opinion on the individual and consolidated financial statements does not cover other information, and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting policies adopted in Brazil, applicable to payments institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the individual and consolidated Financial Statements

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

As part of an audit in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

São Paulo, February 05, 2024

KPMG Auditores Independentes Ltda.

CRC 2SP-027685/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 December 31, 2023 and 2022

(In thousands of Brazilian reais)

Assets	Note	Parent Company 12/31/2023	Parent Company 12/31/2022	Consolidated 12/31/2023	Consolidated 12/31/2022
Current assets					
Cash	4	63,146	127,730	69,745	140,547
Financial instruments, including derivatives	5	336,834	959,705	1,184,419	1,742,318
Credit rights investment funds	6	13,398,720	9,927,566	-	-
Income receivable	7	128,977	130,002	2,546,047	995,533
Receivables from card-issuing banks	7	91,035,557	92,081,398	91,043,327	92,083,831
Receivables from related parties	26	112,511	13,566	921,146	826,350
Taxes and contributions for offset/recoverable		800,639	571,779	1,368,266	1,112,528
Other operating receivables	7	173,765	140,633	183,221	142,525
Expected losses on doubtful debts	7	(199,804)	(170,209)	(201,094)	(170,739)
Other receivables		151,863	80,680	162,413	91,566
Total current assets		**106,002,208**	**103,862,850**	**97,277,490**	**96,964,459**
Noncurrent assets					
Financial instruments, including derivatives	5	-	-	180,164	286,718
Escrow deposits	14	64,859	1,580,209	70,741	1,584,203
Tax credits	8	875,386	1,046,478	1,111,975	1,346,699
Other operating receivables	7	30,609	26,937	31,914	26,952
Investments in subsidiaries and joint ventures	**9**	**6,702,197**	**7,047,935**	**-**	**-**
Property and equipment	**10**	**811,165**	**936,886**	**816,739**	**950,937**
Property and equipment in use		1,922,204	2,143,564	1,953,102	2,195,211
(-) Accumulated depreciation		(1,073,633)	(1,096,718)	(1,098,957)	(1,134,314)
(-) Impairment of assets		(37,406)	(109,960)	(37,406)	(109,960)
Intangible assets	**11**	**612,010**	**516,821**	**8,783,377**	**9,071,233**
Other intangible assets		1,759,982	1,452,633	13,350,850	13,039,260
(-) Accumulated amortization		(1,114,164)	(895,244)	(4,533,665)	(3,927,459)
(-) Impairment of assets		(33,808)	(40,568)	(33,808)	(40,568)
Total noncurrent assets		**9,096,226**	**11,155,266**	**10,994,910**	**13,266,742**
Total assets		**115,098,434**	**115,018,116**	**108,272,400**	**110,231,201**

Liabilities and equity	Note	Parent Company 12/31/2023	Parent Company 12/31/2022	Consolidated 12/31/2023	Consolidated 12/31/2022
Current liabilities					
Borrowings	12	4,732,526	3,623,321	4,732,526	3,623,321
Other payables		94,748,666	95,323,119	77,841,668	80,156,435
Social and statutory		302,631	340,911	376,912	405,743
Tax and social security	8	78,669	147,767	778,611	787,165
Payables to merchants	13	75,341,285	77,709,823	75,480,752	77,835,921
Payables to related parties	26	18,356,044	16,486,795	464,250	422,596
Others		670,037	637,823	741,143	705,010
Total current liabilities		**99,481,192**	**98,946,440**	**82,574,194**	**83,779,756**
Borrowings	12	2,998,405	3,019,750	2,998,405	3,019,750
Other payables		360,034	2,123,349	391,499	2,309,281
Tax, civil and labor risks	14	303,436	2,061,899	326,229	2,239,392
Others		56,598	61,450	65,270	69,889
Total noncurrent liabilities		**3,358,439**	**5,143,099**	**3,389,904**	**5,329,031**
Equity					
Issued capital	15	5,700,000	5,700,000	5,700,000	5,700,000
Capital reserve	15	58,578	70,893	58,578	70,893
Earnings reserves	15	6,757,870	5,435,319	6,757,870	5,435,319
Other comprehensive income	15	(162,656)	(164,030)	(162,656)	(164,030)
(-) Treasury shares	15	(94,989)	(113,605)	(94,989)	(113,605)
Attributable to:					
Owners of the Company		12,258,803	10,928,577	12,258,803	10,928,577
Noncontrolling interests			-	10,049,499	10,193,837
Total equity		**12,258,803**	**10,928,577**	**22,308,302**	**21,122,414**
Total liabilities and equity		**115,098,434**	**115,018,116**	**108,272,400**	**110,231,201**

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

Cielo S.A. - Instituição de Pagamento

Statements of profit or loss

For the six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022

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

		Parent Company			Consolidated	
		2nd Six-month Period/23	Year		Year	
	Note	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
NET REVENUE	17	3,238,062	6,469,254	6,227,289	10,601,105	10,693,106
COST OF SERVICES PROVIDED	18	(1,616,926)	(3,337,045)	(3,494,863)	(5,609,449)	(6,268,754)
GROSS PROFIT		**1,621,136**	**3,132,209**	**2,732,426**	**4,991,656**	**4,424,352**
OPERATING INCOME (EXPENSES)						
Personnel	18	(324,534)	(616,692)	(471,512)	(1,226,272)	(1,014,935)
General and administrative	18	(550,053)	(976,411)	(840,459)	(360,980)	(335,601)
Sales and marketing	18	(91,341)	(139,932)	(111,548)	(140,242)	(155,560)
Share of profit (loss) of investees	9	476,963	1,002,816	913,113	-	-
Other operating income (expenses), net	18	(24,182)	166,423	(160,399)	238,948	(77,268)
OPERATING PROFIT		**1,107,989**	**2,568,413**	**2,061,621**	**3,503,110**	**2,840,988**
FINANCE INCOME (COSTS)						
Finance income	24	34,544	88,953	135,785	331,978	467,612
Finance costs	24	(1,079,262)	(2,181,558)	(1,730,272)	(2,023,400)	(1,722,556)
FIDC shares yield and purchase of receivables	24	941,590	1,805,974	1,144,878	1,566,704	938,478
Exchange differences, net	24	(13,081)	(28,331)	(67,791)	(28,333)	(67,815)
		(116,209)	(314,962)	(517,400)	(153,051)	(384,281)
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**991,780**	**2,253,451**	**1,544,221**	**3,350,059**	**2,456,707**
INCOME TAX AND SOCIAL CONTRIBUTION						
Current	8	-	4,479	(96,680)	(647,313)	(684,458)
Deferred	8	(54,273)	(171,092)	121,986	(234,583)	100,499
PROFIT FOR THE PERIOD		**937,507**	**2,086,838**	**1,569,527**	**2,468,163**	**1,872,748**
ATTRIBUTABLE TO:						
Owners of the Company					2,086,838	1,569,527
Noncontrolling interests					381,325	303,221
Earnings per share (in R$) - Basic	16	**0.34825**	**0.77514**	**0.58047**	**0.77514**	**0.58047**
Earnings per share (in R$) - Diluted	16	**0.34593**	**0.76996**	**0.57610**	**0.76996**	**0.57610**

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

Cielo S.A. - Instituição de Pagamento

Statements of comprehensive income

For the six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022

(In thousands of Brazilian reais)

	Parent Company			Consolidated	
	2nd Six-month Period/23	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Profit for the year	**937,507**	**2,086,838**	**1,569,527**	**2,468,163**	**1,872,748**
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations:					
Exchange differences on foreign investments	17	(314)	163,512	(314)	163,512
Items that cannot be reclassified to income					
Post-employment benefit	1,688	1,688	3,310	1,688	3,310
Changes for the year	**1,705**	**1,374**	**166,822**	**1,374**	**166,822**
Total comprehensive income for the year	**939,212**	**2,088,212**	**1,736,349**	**2,469,537**	**2,039,570**
Attributable to:					
Owners of the Company				2,088,212	1,736,349
Noncontrolling interests				381,325	303,221

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

Cielo S.A. - Instituição de Pagamento

Statements of changes in equity

For the six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022

(In thousands of Brazilian reais)

	Note				Earnings reserves						
		Issued capital	Capital reserve	Treasury shares	Legal	Capital budget	Earnings retention	Other comprehensive income	Attributable to owners of the Company	Noncontrolling interests	Total equity
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		-	26,261	-	-	-	-	-	26,261	-	26,261
Transfer of treasury shares due to exercise of shares		-	(32,398)	32,398	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	1,569,527	-	1,569,527	303,221	1,872,748
Allocation of profit for the year:											
Interest on capital proposed		-	-	-	-	-	(239,000)	-	(239,000)	-	(239,000)
Interest on capital paid		-	-	-	-	-	(438,197)	-	(438,197)	-	(438,197)
Capital budged reserve		-	-	-	-	892,330	(892,330)	-	-	-	-
Other comprehensive income:											
Exchange differences on net foreign investments		-	-	-	-	-	-	163,512	163,512	-	163,512
Post-employment benefit		-	-	-	-	-	-	3,310	3,310	-	3,310
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	(477,287)	(477,287)
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**
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**
Acquisition of treasury shares		-	-	-	-	-	-	-	-	-	-
Restricted stock units granted		-	15,155	-	-	-	-	-	15,155	-	15,155
Transfer of treasury shares due to exercise of shares		-	(17,136)	17,136	-	-	-	-	-	-	-
Profit for the six-month period		-	-	-	-		937,507	-	937,507	180,242	1,117,749
Allocation of profit for the period:											
Interest on capital proposed		-	-	-	-	-	(179,388)	-	(179,388)	-	(179,388)
Interest on capital paid		-	-	-	-	-	(191,719)	-	(191,719)	-	(191,719)
Capital budget reserve		-	-	-	-	1,322,551	(1,322,551)	-	-	-	-
Other comprehensive income:											
Exchange differences on net foreign investments		-	-	-	-	-	-	17	17	-	17
Post-employment benefit		-	-	-	-	-	-	1,688	1,688	-	1,688
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	(325,180)	(325,180)
Balances as at December 31, 2023		**5,700,000**	**58,578**	**(94,989)**	**1,140,000**	**5,617,870**	**-**	**(162,656)**	**12,258,803**	**10,049,499**	**22,308,302**
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	-	37,143	-	-	-	-	-	37,143	-	37,143
Transfer of treasury shares due to exercise of shares	23	-	(49,458)	49,458	-	-	-	-	-	-	-
Profit for the year		-	-	-	-		2,086,838	-	2,086,838	381,325	2,468,163
Allocation of profit for the year:											
Interest on capital proposed	15.f)	-	-	-	-	-	(179,388)	-	(179,388)	-	(179,388)
Interest on capital paid	15.f)	-	-	-	-	-	(584,899)	-	(584,899)	-	(584,899)
Capital budget reserve		-	-	-	-	1,322,551	(1,322,551)	-	-	-	-
Other comprehensive income:											
Exchange differences on net foreign investments		-	-	-	-	-	-	(314)	(314)	-	(314)
Post-employment benefit		-	-	-	-	-	-	1,688	1,688	-	1,688
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	(525,663)	(525,663)
Balances as at December 31, 2023		**5,700,000**	**58,578**	**(94,989)**	**1,140,000**	**5,617,870**	**-**	**(162,656)**	**12,258,803**	**10,049,499**	**22,308,302**

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

Cielo S.A. - Instituição de Pagamento

Statements of cash flows

For the six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022

(In thousands of Brazilian reais)

			Parent Company		Consolidated	
	Note	2nd Six-month Period/23	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash flows from operating activities						
Profit before income tax and social contribution		991,780	2,253,451	1,544,221	3,350,059	2,456,707
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:						
Depreciation and amortization	10 and 11	251,075	521,496	526,365	912,677	974,531
Disposals and provisions/(reversals) for losses on property and equipment and intangible assets	10 and 11	9,491	9,378	131,859	14,300	135,069
Share of profit (loss) of investees	9	(476,963)	(1,002,816)	(913,113)	-	-
Exchange differences on property and equipment and intangible assets	10 and 11	-	-	-	-	44,692
Restricted stock units granted	23	15,155	37,143	26,261	37,143	26,261
Expected losses on doubtful debts, fraud and chargeback	18	35,543	94,957	48,094	164,725	141,665
Provision for tax, civil and labor risks		28,941	(166,140)	125,879	(318,941)	135,024
Exchange differences relating to interest on foreign borrowings	12	-	-	(27,076)	-	(30,469)
Gains (losses) on derivative financial instruments		-	-	(58,605)	-	(58,605)
Interest on borrowings	12	459,057	913,328	576,284	913,328	655,457
Amortization of debt issuance costs	12	702	1,551	1,125	1,551	3,778
Yield from interest in FIDC	6	(987,509)	(1,894,047)	(1,200,712)	-	-
Decrease/(increase) in operating assets:						
Income receivable		(13,425)	1,025	40,078	(1,550,514)	(782,175)
Receivables from card-issuing banks		(11,503,298)	980,479	(13,282,525)	906,134	(13,450,625)
Receivables from related parties		34,065	(98,945)	(10,773)	(94,796)	(88,245)
Taxes and contributions for offset/recoverable		(114,006)	(57,768)	(310,778)	(21,014)	(409,144)
Escrow deposits		(3,335)	(1,791)	(6,333)	(3,679)	(7,560)
Dividends receivable	9	(35,792)	103,403	-	-	-
Other receivables		(50,038)	(71,183)	30,959	(70,847)	28,912
Other assets		(13,145)	(36,804)	(155)	(45,658)	10,007
Financial instruments, including derivatives		-	-	288,262	106,554	(58,867)
Increase/(decrease) in operating liabilities:						
Social and statutory		48,170	(38,280)	50,765	(28,831)	57,993
Tax and social security		32,696	(64,221)	271,020	81,250	661,037
Payables to merchants		10,956,823	(2,368,538)	8,571,117	(2,355,169)	8,690,147
Payables to related parties		893,902	1,869,249	5,544,374	41,654	29,412
Provision for contingencies	14	(31,777)	(75,182)	(49,863)	(77,081)	(54,123)
Other liabilities		81,456	27,403	43,698	(494,149)	(532,785)
Cash generated by/(used in) operations		**609,568**	**937,148**	**1,960,428**	**1,468,696**	**(1,421,906)**
Income tax and social contribution paid		-	(22,431)	(53,455)	(518,805)	(561,272)
Net cash generated by/(used in) operating activities		**609,568**	**914,717**	**1,906,973**	**949,891**	**(1,983,178)**
Cash flows from investing activities						
Purchase of FIDC shares		(215,091)	(1,665,180)	(3,102,284)	-	-
Disposal of interest in subsidiary		-	-	-	-	489,483
Redemption of shares of subsidiaries		270,013	270,013	540,027	-	-
Capital increase in subsidiaries	9	-	-	(1,426,441)	-	-
Dividends received from subsidiaries	9	476,554	975,097	702,563	-	-
Purchases of property and equipment	10	(119,868)	(233,793)	(467,719)	(234,133)	(470,023)
Purchases of intangible assets	11	(170,666)	(266,549)	(227,306)	(270,790)	(231,842)
Net cash generated by (used in) investing activities		**240,942**	**(920,412)**	**(3,981,160)**	**(504,923)**	**(212,382)**
Cash flows from financing activities						
Proceeds from borrowings	12	10,670,000	11,840,000	5,420,000	11,840,000	5,420,000
Payment of principal of borrowings, net of derivatives	12	(10,168,404)	(10,599,681)	(2,957,474)	(10,599,681)	(5,217,254)
Debt issuance costs incurred		-	-	(4,953)	-	(4,953)
Interest paid	12	(629,113)	(1,067,338)	(399,281)	(1,067,338)	(478,592)
Increase in third parties' interest in FIDC		-	-	-	1,102,535	893,596
Amortization of senior shares - FIDC		-	-	-	(1,125,222)	(852,095)
Acquisition of treasury shares		-	(30,842)	(47,425)	(30,842)	(47,425)
Dividends and interest on capital paid		(388,689)	(823,899)	(673,957)	(1,193,121)	(975,055)
Net cash (used in) generated by financing activities		**(516,206)**	**(681,760)**	**1,336,910**	**(1,073,669)**	**(1,261,778)**
(Decrease) increase in cash and cash equivalents		**334,304**	**(687,455)**	**(737,277)**	**(628,701)**	**(3,457,338)**
Cash and cash equivalents						
Closing balance	4 and 5 a)	399,980	399,980	1,087,435	1,254,164	1,882,865
Effect of exchange differences on foreign cash and cash equivalents		-	-	-	(4,725)	(13,588)
Opening balance	4 and 5 a)	65,676	1,087,435	1,824,712	1,882,865	5,340,203
Decrease (increase) in cash and cash equivalents		**334,304**	**(687,455)**	**(737,277)**	**(628,701)**	**(3,457,338)**

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

Cielo S.A. - Instituição de Pagamento

Statements of value added

For the six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022

(In thousands of Brazilian reais)

		Parent Company			Consolidated	
	Note	2nd Six-month Period/23	12/31/2023	12/31/2022	12/31/2023	12/31/2022
REVENUES						
Sales of services	17	3,608,808	7,223,548	6,992,575	12,013,125	12,076,317
Expected losses on doubtful debts, fraud and chargeback	18	(35,543)	(94,957)	(48,094)	(164,725)	(141,665)
		3,573,265	**7,128,591**	**6,944,481**	**11,848,400**	**11,934,652**
INPUTS PURCHASED FROM THIRD PARTIES						
Cost of services provided		(1,283,580)	(2,638,262)	(2,743,233)	(4,500,683)	(5,019,450)
Materials, electric energy, outside services and others		(636,024)	(1,106,023)	(938,205)	(515,626)	(514,461)
Other expenses, net		17,133	259,722	9,468	407,114	186,531
Impairment of assets	18	(5,773)	1,658	(121,775)	(3,440)	(122,134)
		(1,908,244)	**(3,482,905)**	**(3,793,745)**	**(4,612,635)**	**(5,469,514)**
GROSS VALUE ADDED		**1,665,021**	**3,645,686**	**3,150,736**	**7,235,765**	**6,465,138**
Depreciation and amortization	10 and 11	(251,075)	(521,496)	(526,365)	(912,677)	(974,531)
WEALTH CREATED, NET		**1,413,946**	**3,124,190**	**2,624,371**	**6,323,088**	**5,490,607**
WEALTH RECEIVED IN TRANSFER						
Share of profit (loss) of investees	9	476,963	1,002,816	913,113	-	-
Finance income, including purchase of receivables and exchange differences, net		963,053	1,866,596	1,212,872	1,870,349	1,338,275
		1,440,016	**2,869,412**	**2,125,985**	**1,870,349**	**1,338,275**
TOTAL WEALTH FOR DISTRIBUTION		**2,853,962**	**5,993,602**	**4,750,356**	**8,193,437**	**6,828,882**
DISTRIBUTION OF WEALTH						
Personnel and related taxes		(365,127)	(711,918)	(627,730)	(1,258,600)	(1,135,360)
Salaries and wages		(209,451)	(438,402)	(411,151)	(767,186)	(740,726)
Benefits		(48,404)	(92,699)	(73,231)	(209,151)	(162,144)
Severance pay fund (FGTS)		(14,432)	(29,338)	(24,936)	(56,504)	(49,028)
Employees and officers result sharing	21	(92,840)	(151,479)	(118,412)	(225,759)	(183,462)
Taxes and contributions		(468,464)	(1,005,750)	(817,495)	(2,438,844)	(2,094,046)
Federal		(431,057)	(916,971)	(699,688)	(2,204,411)	(1,833,314)
State		(46)	(56)	(22)	(56)	(23)
Municipal		(37,361)	(88,723)	(117,785)	(234,377)	(260,709)
Interest and rental expenses		(1,082,864)	(2,189,096)	(1,735,604)	(2,027,830)	(1,726,728)
Rentals		(3,602)	(7,538)	(5,332)	(17,716)	(15,279)
Interest		(1,052,281)	(2,115,290)	(1,652,449)	(1,944,708)	(1,629,023)
Others		(26,981)	(66,268)	(77,823)	(65,406)	(82,426)
Dividends and interest on capital paid		(388,689)	(584,899)	(438,197)	(954,121)	(739,295)
Dividends and interest on capital proposed		17,582	(179,388)	(239,000)	(207,539)	(239,000)
Earnings retention		(566,400)	(1,322,551)	(892,330)	(925,178)	(591,232)
Noncontrolling interests		-	-	-	(381,325)	(303,221)
WEALTH DISTRIBUTED		**(2,853,962)**	**(5,993,602)**	**(4,750,356)**	**(8,193,437)**	**(6,828,882)**

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

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, technology services for collection and management of accounts payable and receivable using the Internet.

Significant event of the year

In the year ended December 31, 2023, the following event stands out:

- 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 May 18, 2023, interest on capital in the amount of R$ 196,210 was paid, referring to the first quarter of 2023.

- 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 had no 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 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.

- On August 22, 2023, interest on capital in the amount of R$ 196,970 was paid, referring to the second quarter of 2023.

- On November 23, 2023, interest on capital in the amount of R$ 191,719 was paid, referring to the third quarter of 2023.

- In December 2023, Caetano shares were partially redeemed, in the total amount of R$ 385,733, settled in cash to the shareholders Cielo (in the amount of R$ 270,013, corresponding to a 70% interest) and BB Elo Cartões Participações S.A. (in the amount of R$ 115,720, corresponding to a 30% interest). The transaction did not result in change in the subsidiary's equity interest.

- On December 21, 2023, the payment of interest on capital in the amount of R$ 179,388 was approved by the Board of Directors, referring to the fourth quarter of 2023, which will be paid on January 31, 2024.

- On December 27, 2023, the 1st, 2nd and 3rd issuances of simple debentures in the amount of R$ 3,480,224 with maturity date on December 30, 2023 were settled at interest based on the cumulative percentage change between 100% and 111% of the average daily interest rate of the Interbank Deposit ("DI").

2 Material accounting policy information

2.1 Statement of compliance and approval of the financial statements

The Company's 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 financial statements were approved by the Company's Board of Directors and authorized for issue on February 5, 2024.

2.2 Standards, amendments and interpretations applicable in future periods

BCB Resolution No. 178/22 – Provides for on accounting criteria applicable to lease transactions contracted, as lessee, by consortium administrators and payment institutions. This resolution is part of BACEN (Central Bank of Brazil) measures for convergence with the international accounting standards. It will be applied prospectively and will be effective as of January 1, 2025, with expectation of material impacts on the adoption date.

BCB Resolutions No. 92/2021, No. 255/2022, and No. 320/2023 – Provide for on the use of the Accounting Standard for Institutions Regulated by the Central Bank of Brazil (Cosif) by consortium administrators and payment institutions and on the structure of the chart of accounts of the Cosif to be observed by financial institutions and other institutions authorized to operate by the Central Bank of Brazil and will be effective as of January 1, 2025.

BCB Resolution No. 352/23 – Provides for on the accounting concepts and criteria applicable to financial instruments, as well as for designation and recognition of hedge transactions, the accounting procedures for definition of cash flows from financial assets as solely payment of principal and interest, the application of the methodology for calculation of the effective interest rate of financial instruments, and the constitution of the allowance for losses associated with credit risk. This resolution supersedeas, among other standards, CMN Resolution No. 2,682/99, BACEN Circular Letter No. 3,068/01 and BACEN Circular Letter No. 3,833/17, and revokes BCB Resolution No. 219/22 and BCB Resolution No. 309/23.

The Company prepared the implementation plan based on the standards effective at the time and did not identify material impacts on its financial statements or on internal systems and processes. It will continue assessing the impact of the new standards in order to meet all regulatory requirements prospectively. The effective date will be from January 1, 2024 to the full implementation on January 1, 2027.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of 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 year. 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 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 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 year-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 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 fair value. The fair 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 year 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.

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 fair value of the financial instruments at the end of the reporting period.

Changes in the fair 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 fair 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 fair 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.

(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.

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 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 year-end exchange 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

The 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. Expenditures with development are accounted for as intangible assets; however, when no internally generated 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 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 year. 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.

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 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 a past event generates a legal or constructive obligation, it is probable that an outflow of funds will be required to settle the obligation based on analyses of the potential loss value and considering the current stage of the process and the amount of the obligation can be reliably estimate. 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.

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 financial statements refer, but before the date of authorization for issue of the 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 caused by the revision of the initial estimates, if any, in the statement of profit or loss, as a matching entry to equity.

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

3 Consolidated financial statements

The consolidated financial statements include the information of the Company, its subsidiaries and its investment funds. The Company consolidates the FIDCs' and FICs' financial 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 financial information of subsidiaries is adjusted to conform their accounting practices to those established by Cielo Group.

In addition to the provisions in the Accounting Chart for Financial Institutions (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 December 31, 2023 and 2022, Cielo Group comprised the following companies:

	Interest in the capital (%)	
Companies	**12/31/2023**	**12/31/2022**
Interests in subsidiaries and funds:		
Aliança Pagamentos e Participações Ltda. ("Aliança")	99.99	99.99
BB Coral Fundo de Investimento em Cotas de Fundos de Investimento Renda Fixa LP Crédito Privado ("Coral")	100.00	100.00
Bradesco Fundo de Investimento em Cotas de Fundo de Investimento Renda Fixa Crédito Privado Pegasus ("Pegasus")	86.24	95.30
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")	94.18	92.80
Fundo de Investimento em Direitos Creditórios Cielo Emissores I ("FIDC Emissor I")	11.62	13.00
Fundo de Investimento em Direitos Creditórios Cielo Emissores II ("FIDC Emissor II")	10.00	12.27
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC")	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	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
In local currency	35,328	100,560	38,306	108,934
In foreign currency	27,818	27,170	31,439	31,613
Total	**63,146**	**127,730**	**69,745**	**140,547**

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

5 Financial instruments, including derivatives

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Assets:				
Cash equivalent financial instruments	336,834	959,705	1,184,419	1,742,318
Other financial instruments	-	-	180,164	286,718
Total	**336,834**	**959,705**	**1,364,583**	**2,029,036**
Total current	**336,834**	**959,705**	**1,184,419**	**1,742,318**
Total noncurrent	**-**	**-**	**180,164**	**286,718**

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

(a) Cash equivalent financial instruments

As at December 31, 2023 and 2022, the balances of cash equivalent financial instruments comprise open market investments and marketable securities as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Open market investments	28,559	7,473	28,559	7,473
Marketable securities	308,275	952,232	1,155,860	1,734,845
Total	**336,834**	**959,705**	**1,184,419**	**1,742,318**

Open market investments

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

	Parent Company and Consolidated		
	Maturity	Total	
	0 – 30	12/31/2023	12/31/2022
Open market investments			
Repurchase agreements	28,559	28,559	7,473
Total	**28,559**	**28,559**	**7,473**

Marketable securities

The 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				
	12/31/2023			12/31/2022	
	Maturity	Total		Total	
	0 – 30	Fair Value	Cost	Fair Value	Cost
Trading securities					
Private securities:	**308,275**	**308,275**	**307,798**	**952,232**	**812,274**
Investment fund shares	113,720	113,720	113,413	783,879	649,319
Bank Deposit Certificate – CDB	194,555	194,555	194,385	168,353	162,955
Total	**308,275**	**308,275**	**307,798**	**952,232**	**812,274**

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

	Consolidated				
	12/31/2023			12/31/2022	
	Maturity	Total		Total	
	0 – 30	Fair Value	Cost	Fair Value	Cost
Trading securities					
Private securities	**1,137,702**	**1,137,702**	**1,134,970**	**1,734,845**	**1,581,467**
Investment fund shares	936,096	936,096	933,534	1,556,283	1,408,421
Financial Bills – LF	194,902	194,902	194,732	168,353	162,955
Government securities	6,704	6,704	6,704	10,209	10,091
National Treasury Bills – LFT	**18,158**	**18,158**	**16,124**	**-**	**-**
Investment fund shares	18,158	18,158	16,124	-	-
Total	**1,155,860**	**1,155,860**	**1,151,094**	**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. Although the financial investments 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.

(b) Other financial instruments

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

	Consolidated		
	12/31/2023	12/31/2023	12/31/2022
	Above 365	Total	Total
	Amortized cost	Amortized cost	Amortized cost
Held-to-maturity securities			
Government securities	**-**	**-**	**99,237**
National Treasury Bills – LFT	-	-	99,237
Private securities	**180,164**	**180,164**	**187,481**
Financial Bills – LF	180,164	180,164	187,481
Total	**180,164**	**180,164**	**286,718**

6 Credit rights investment funds ("FIDCs")

The objective of all FIDCs is to provide shareholders with the appreciation of their shares through the investment of their amounts 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 partner financial institutions, complying with the other applicable rules and standards.

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

Funds

Fund	Start of activities	Condominium (a)	Term	Income (b)	Minimum subordination index	Situation
FIDC NP	8/05/2016	Open and exclusive	Indeterminate	-	-	Active
FIDC Plus	7/28/2017	Closed and restricted	Indeterminate	Semiannual	20.0%	Active
FIDC Receba Mais (c)	4/29/2021	Closed and restricted	6 years	Monthly	15.0%	Closed
FIDC Emissor I	3/16/2021	Closed and restricted	Indeterminate	Semiannual	10.0%	Active
FIDC Emissor II	5/13/2021	Closed and restricted	Indeterminate	Semiannual	9.1%	Active

(a) Restricted to professional investors.

(b) Frequency of payment of income from senior shares.

(c) At the General Meeting held on January 31, 2022, the shareholders decided to liquidate the Fund. Therefore, the amortization and full early redemption of senior shares occurred on February 4, 2022.

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 of return 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 December 31, 2023 and 2022 is presented below:

	12/31/2023			
	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC NP	**9,290,106**	**2,472,904**	**2,472,904**	**-**
FIDC Plus	**1,226,846,392**	**10,771,899**	**10,144,896**	**627,003**
Senior	600,000	627,003	-	627,003
Subordinated	1,226,246,392	10,144,896	10,144,896	-
FIDC Emissor I	**2,222,223**	**2,346,629**	**272,714**	**2,073,915**
Senior	2,000,000	2,073,915	-	2,073,915
Subordinated	222,223	272,714	272,714	-
FIDC Emissor II	**4,984,950**	**5,083,176**	**508,206**	**4,574,970**
Senior	4,500,000	4,574,970	-	4,574,970
Subordinated	484,950	508,206	508,206	-
Total	**1,243,343,671**	**20,674,608**	**13,398,720**	**7,275,888**

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

	12/31/2022			
	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 December 31, 2023 and 2022 are as follows:

	12/31/2023			12/31/2022		
	Assets	**Liabilities**	**Equity**	**Assets**	**Liabilities**	**Equity**
FIDC NP	2,473,543	639	2,472,904	865,297	224	865,073
FIDC Plus	10,772,619	720	10,771,899	8,739,706	418	8,739,288
FIDC Emissor I	2,346,629	-	2,346,629	2,394,175	-	2,394,175
FIDC Emissor II	5,083,183	7	5,083,176	5,227,618	13	5,227,605
Total	**20,675,974**	**1,366**	**20,674,608**	**17,226,796**	**655**	**17,226,141**

The statements of profit or loss of the FIDCs for the years and six-month periods ended December 31, 2023 and 2022, are as follows:

	2nd six-month period 12/31/2023				
	FIDC NP	**FIDC Plus**	**FIDC Emissor I**	**FIDC Emissor II**	**Total**
Income - Credit rights	146,240	726,307	-	-	872,547
Income - Credit rights Card issuing banks	-	-	179,001	407,661	586,662
Finance income	14,076	21,510	546	3,701	39,833
Finance costs	(2,453)	(3,340)	(765)	(778)	(7,336)
Other operating expenses	(4,780)	(946)	(536)	(527)	(6,789)
Profit for the six-month period	**153,083**	**743,531**	**178,246**	**410,057**	**1,484,917**
Remuneration – Senior Share	**-**	**41,517**	**138,482**	**317,410**	**497,409**
Remuneration – Subordinated Share	**153,083**	**702,014**	**39,764**	**92,647**	**987,508**

	2nd six-month period 12/31/2022				
	FIDC NP	**FIDC Plus**	**FIDC Emissor I**	**FIDC Emissor II**	**Total**
Income - Credit rights	14,289	568,667	-	-	582,956
Income - Credit rights Card issuing banks	-	-	184,956	415,679	600,635
Finance income	4,207	67,457	1,618	3,780	77,062
Finance costs	(7,911)	(4,208)	(788)	(965)	(13,872)
Other operating expenses	(853)	(689)	(552)	(491)	(2,585)
Profit for the six-month period	**9,732**	**631,227**	**185,234**	**418,003**	**1,244,196**
Remuneration – Senior Share	**-**	**44,140**	**147,613**	**338,321**	**530,074**
Remuneration – Subordinated Share	**9,732**	**587,087**	**37,621**	**79,682**	**714,122**

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

	Year 12/31/2023					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	240,300	1,414,476	-	-	-	1,654,776
Income - Credit rights Card issuing banks	-	-	-	363,569	826,100	1,189,669
Finance income	19,751	64,175	-	2,107	6,894	92,927
Finance costs	(4,956)	(7,515)	-	(1,458)	(1,563)	(15,492)
Other operating expenses	(5,517)	(1,587)	-	(1,245)	(1,223)	(9,572)
Profit for the year	**249,578**	**1,469,549**	**-**	**362,973**	**830,208**	**2,912,308**
Remuneration – Senior Share	**-**	**84,903**	**-**	**283,596**	**649,762**	**1,018,261**
Remuneration – Subordinated Share	**249,578**	**1,384,646**	**-**	**79,377**	**180,446**	**1,894,047**

	Year 12/31/2022					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	15,909	978,254	148	-	-	994,311
Income - Credit rights Card issuing banks	-	-	-	328,900	743,356	1,072,256
Finance income	6,712	103,095	795	10,782	17,762	139,146
Finance costs	(14,321)	(13,393)	(82)	(1,426)	(1,620)	(30,842)
Other operating expenses	146	(1,189)	(158)	(997)	(1,006)	(3,204)
Profit for the year	**8,446**	**1,066,767**	**703**	**337,259**	**758,492**	**2,171,667**
Remuneration – Senior Share	**-**	**80,762**	**318**	**270,029**	**619,847**	**970,956**
Remuneration – Subordinated Share	**8,446**	**986,005**	**385**	**67,230**	**138,645**	**1,200,711**

7 Operating receivables

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Receivables from card-issuing banks (a)	91,035,557	92,081,398	91,043,327	92,083,831
Income receivable for payment transactions	128,977	130,002	2,546,047	995,533
Other operating receivables	204,374	167,570	215,135	169,477
Expected losses on doubtful debts (b)	(199,804)	(170,209)	(201,094)	(170,739)
Total	**91,169,104**	**92,208,761**	**93,603,415**	**93,078,102**
Current	91,138,495	92,181,824	93,571,501	93,051,150
Non-current	30,609	26,937	31,914	26,952
Total	**91,169,104**	**92,208,761**	**93,603,415**	**93,078,102**

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

(b) Refers to the expected losses on doubtful debts and 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. The methodology consists of attributing ratings and allowance percentages, according to the range of late payment in operations.

(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 six-month period ended December 31, 2023 and years ended December 31, 2023 and 2022 is as follows:

	Parent company			Consolidated	
	2nd six-month period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Profit before income tax and social contribution	991,780	2,253,451	1,544,221	3,350,059	2,456,707
Statutory rates - %	34%	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(337,205)	(766,173)	(525,035)	(1,139,020)	(835,280)
Interest on capital	126,176	259,858	230,247	259,858	230,247
Tax benefit of R&D	-	7,693	3,256	7,693	3,724
Share of profit (loss) of investees	162,167	340,957	310,458	-	-
Other permanent differences, net	(5,411)	(8,948)	6,380	(10,427)	17,350
Income tax and social contribution	**(54,273)**	**(166,613)**	**25,306**	**(881,896)**	**(583,959)**
Current	**-**	**4,479**	**(96,680)**	**(647,313)**	**(684,458)**
Deferred	**(54,273)**	**(171,092)**	**121,986**	**(234,583)**	**100,499**

(b) Deferred income tax and social contribution

Deferred income tax and social contribution arise from temporary differences caused mainly by temporarily non-deductible provisions. The credits 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.

Breakdown of deferred income tax and social contribution – assets

	Parent Company			
	12/31/2022	Additions	(Write-offs)	12/31/2023
Provision for tax, labor and civil risks	696,623	-	(597,166)	99,457
Accrual for sundry expenses	181,598	17,950	(53,798)	145,750
Provision for variable compensation	63,154	20,514	(15,660)	68,008
Income tax and social contribution losses	-	469,033	-	469,033
Expected loss on doubtful debts relating to POS equipment and fraud	105,103	12,882	(24,847)	93,138
Total	**1,046,478**	**520,379**	**(691,471)**	**875,386**

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

	Parent Company			
	12/31/2021	Additions	(Write-offs)	12/31/2022
Provision for tax, labor and civil risks	669,089	32,796	(5,262)	696,623
Accrual for sundry expenses	123,906	112,959	(55,267)	181,598
Provision for variable compensation	49,380	27,650	(13,876)	63,154
Expected losses on doubtful debts relating to POS equipment and fraud	82,148	27,063	(4,108)	105,103
Total	**924,523**	**200,468**	**(78,513)**	**1,046,478**

	Consolidated			
	12/31/2022	Additions	(Write-offs)	12/31/2023
Provision for tax, labor and civil risks	757,549	2,627	(652,076)	108,100
Accrual for sundry expenses	327,044	30,182	(64,935)	292,291
Provision for variable compensation	85,962	27,019	(16,232)	96,749
Income tax and social contribution tax losses in subsidiary	61,834	469,033	(11,232)	519,635
Expected losses on doubtful debts relating to POS equipment and fraud	114,310	12,882	(31,992)	95,200
Total	**1,346,699**	**541,743**	**(776,467)**	**1,111,975**

	Consolidated			
	12/31/2021	Additions	(Write-offs)	12/31/2022
Provision for tax, labor and civil risks	727,848	35,046	(5,345)	757,549
Accrual for sundry expenses	316,283	132,407	(121,646)	327,044
Provision for variable compensation	69,767	30,613	(14,418)	85,962
Income tax and social contribution tax losses in subsidiary	76,662	-	(14,828)	61,834
Expected losses on doubtful debts relating to POS equipment and fraud	92,486	27,063	(5,239)	114,310
Total	**1,283,046**	**225,129**	**(161,476)**	**1,346,699**

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 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 expected losses on doubtful debts and fraud will be realized mainly during the next 12 months. The credits on tax losses with subsidiaries will be realized according to the profitability of each company, not exceeding 10 years, and the credits on the provision for risks, which depend on the final outcome of each claim, partially estimated in up to 5 years, except for the provision for labor risks, estimated to be realized in up to 10 years, according to the development of the lawsuit as described in note 14.

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

We present below the expected realization of the tax credit per year:

	Parent Company	Consolidated
	12/31/2023	12/31/2023
2024	(53,000)	122,734
2025	148,743	160,433
2026	199,642	211,521
2027	286,186	295,064
2028	236,887	245,416
2029 to 2032	56,928	76,807
Total	**875,386**	**1,111,975**
Interest on present value adjustment	**(95,949)**	**(121,881)**
Total present value of tax credits	**779,437**	**990,094**

Taxes payable

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Income tax and social contribution, net of prepayments	14,240	78,765	654,523	668,082
Contribution for Social Security Funding – Cofins	25,956	34,144	54,186	57,802
Tax on Services – ISS	7,200	7,232	20,389	18,993
Social Integration Program – PIS	5,287	7,060	11,389	12,171
Other taxes payable	25,986	20,566	38,124	30,117
Total	**78,669**	**147,767**	**778,611**	**787,165**

9 Investments

	Parent Company	
	12/31/2023	12/31/2022
In subsidiaries	6,702,197	7,047,935
Total	**6,702,197**	**7,047,935**

The activities of the subsidiaries are described below:

- Servinet Serviços Ltda. ("Servinet") - Provision of maintenance and customer prospecting services.
- 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 subsidiaries referring to the investment value and share of profit (loss) of investees recorded in the individual and consolidated financial statements is shown in the table below:

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

	12/31/2023										
	Equity interest %	Assets	Liabilities	Equity	Revenues	Gross profit	Operating profit (loss) before finance income (costs)	Profit (loss)	Share of profit (loss) of investees for the six-month period	Share of profit (loss) of investees for the year	Investments
Subsidiaries											
Servinet	99.99	232,513	162,355	70,158	605,595	600,824	38,199	28,073	17,293	28,073	70,158
Cielo USA	100.00	3,620	-	3,620	-	-	(508)	(508)	(1)	(508)	3,620
Cateno	70.00	10,225,566	1,213,895	9,011,671	4,182,399	1,875,289	1,823,739	1,271,083	420,562	889,758	6,308,170
Stelo	99.99	529,243	215,098	314,145	192,637	136,009	102,249	84,999	38,856	84,996	314,133
Aliança	99.99	6,329	213	6,116	581	581	34	497	253	497	6,116
Total Parent Company									**476,963**	**1,002,816**	**6,702,197**

	12/31/2022									
	Equity interest %	Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit before finance income (costs)	Profit	Share of profit of investees for the year	Investments
Subsidiaries:										
Servinet	99.99	210,236	138,191	72,045	490,834	486,996	30,167	23,245	23,245	72,045
Cielo USA	100.00	4,443	-	4,443	-	(47,540)	154,140	80,154	80,154	4,443
Cateno	70.00	10,728,321	1,175,150	9,553,171	3,934,281	1,653,876	1,422,668	1,010,735	707,515	6,687,219
Stelo	99.99	476,693	198,073	278,620	196,384	139,839	120,717	101,493	54,023	278,609
Aliança	99.99	12,308	6,689	5,619	11,831	11,963	48,255	48,176	48,176	5,619
Total Parent Company									**913,113**	**7,047,935**

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

Below are the changes in investments for the years ended December 31, 2023, and 2022:

	Parent Company
Balance at December 31, 2021	**7,596,638**
Dividends received:	
Cateno	(702,563)
Accrued dividends:	
Stelo	(9,768)
Redemption of shares – Cateno	(540,027)
Share of profit (loss) of investees	913,113
Exchange difference on foreign investments	163,512
Provision for obligations with investees	(1,665,513)
Capital contribution - Cielo USA	1,426,441
Change in shareholding – subsidiary Stelo	(133,898)
Balance at December 31, 2022	**7,047,935**
Balance at December 31, 2022	**7,047,935**
Dividends received:	
Cateno	(861,518)
Servinet	(30,233)
Stelo	(29,280)
Additional dividends – Cateno	(54,066)
Accrued dividends:	
Cateno	(83,211)
Stelo	(20,192)
Redemption of shares – Cateno	(270,013)
Share of profit (loss) of investees	1,002,816
Exchange difference on foreign investments	(314)
Post-employment benefit	273
Balance at December 31, 2023	**6,702,197**

10 Property and equipment

		Parent Company				
		12/31/2023				**12/31/2022**
	Annual depreciation rate -%	**Cost**	**Accumulated depreciation**	**Impairment of assets**	**Net**	**Net**
POS equipment	20	1,651,607	(891,103)	(37,406)	723,098	834,578
Data processing equipment	20	218,365	(153,782)	-	64,583	79,818
Machinery and equipment	10 - 20	9,529	(7,584)	-	1,945	722
Facilities	10	35,254	(18,889)	-	16,365	19,030
Furniture and fixtures	10	3,836	(1,671)	-	2,165	2,485
Vehicles	20	3,613	(604)	-	3,009	253
Total		**1,922,204**	**(1,073,633)**	**(37,406)**	**811,165**	**936,886**

		Consolidated				
		12/31/2023				**12/31/2022**
	Annual depreciation rate-%	**Cost**	**Accumulated depreciation**	**Impairment of assets**	**Net**	**Net**
POS equipment	20	1,651,607	(891,102)	(37,406)	723,099	834,578
Data processing equipment	20	226,096	(160,177)	-	65,919	81,792
Machinery and equipment	10 - 20	14,162	(11,949)	-	2,213	1,068
Facilities	10	49,595	(30,550)	-	19,045	29,280
Furniture and fixtures	10	8,029	(4,575)	-	3,454	3,965
Vehicles	20	3,613	(604)		3,009	254
Total		**1,953,102**	**(1,098,957)**	**(37,406)**	**816,739**	**950,937**

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

Below are the changes in property and equipment for the years ended December 31, 2023, and 2022:

	Parent Company				
	12/31/2022	Additions	Disposals/ Estimated losses	Depreciation	12/31/2023
POS equipment	834,578	212,413	(16,285)	(307,608)	723,098
Data processing equipment	79,818	15,792	(16)	(31,011)	64,583
Machinery and equipment	722	1,898	(83)	(592)	1,945
Facilities	19,030	309	-	(2,974)	16,365
Furniture and fixtures	2,485	2	(86)	(236)	2,165
Vehicles	253	3,379	(126)	(497)	3,009
Total	**936,886**	**233,793**	**(16,596)**	**(342,918)**	**811,165**

	Parent Company				
	12/31/2021	Additions	Disposals/ Estimated losses	Depreciation	12/31/2022
POS equipment	791,128	452,050	(94,059)	(314,541)	834,578
Data processing equipment	98,576	13,346	(15)	(32,089)	79,818
Machinery and equipment	1,680	-	(16)	(942)	722
Facilities	19,646	2,051	148	(2,815)	19,030
Furniture and fixtures	2,933	272	(560)	(160)	2,485
Vehicles	793	-	(305)	(235)	253
Total	**914,756**	**467,719**	**(94,807)**	**(350,782)**	**936,886**

	Consolidated				
	12/31/2022	Additions	Disposals/ Estimated Losses	Depreciation	12/31/2023
POS equipment	834,578	212,413	(16,285)	(307,607)	723,099
Data processing equipment	81,792	15,931	(25)	(31,779)	65,919
Machinery and equipment	1,068	1,935	(83)	(707)	2,213
Facilities	29,280	360	(4,913)	(5,682)	19,045
Furniture and fixtures	3,965	116	(86)	(541)	3,454
Vehicles	254	3,378	(126)	(497)	3,009
Total	**950,937**	**234,133**	**(21,518)**	**(346,813)**	**816,739**

	Consolidated						
	12/31/2021	Additions	Disposals/ Estimated losses	Depreciation	Exchange differences	Sale MerchantE	12/31/2022
POS equipment	791,375	452,169	(94,090)	(314,575)	(29)	(272)	834,578
Data processing equipment	104,780	13,694	(231)	(33,744)	(388)	(2,319)	81,792
Machinery and equipment	33,096	66	(49)	(2,529)	(4,603)	(24,913)	1,068
Facilities	36,008	3,566	(3,805)	(6,489)	-	-	29,280
Furniture and fixtures	5,099	528	(1,151)	(511)	-	-	3,965
Vehicles	793	-	(304)	(235)	-	-	254
Total	**971,151**	**470,023**	**(99,630)**	**(358,083)**	**(5,020)**	**(27,504)**	**950,937**

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

11 Intangible assets

		Parent Company				
		12/31/2023				12/31/2022
	Annual amortization rate - %	Cost	Accumulated amortization	Impairment of assets	Net	Net
Software	20	1,734,938	(1,089,120)	(33,808)	612,010	516,821
Project development	20	25,044	(25,044)	-	-	-
Total		**1,759,982**	**(1,114,164)**	**(33,808)**	**612,010**	**516,821**

		Consolidated				
		12/31/2023				12/31/2022
	Annual amortization rate - %	Cost	Accumulated amortization	Impairment of assets	Net	Net
Right of use - Ourocard Payment Arrangement (a)	3.33	11,572,000	(3,407,312)	-	8,164,688	8,550,422
Software (b)	6.66 - 20	1,739,306	(1,093,101)	(33,808)	612,397	517,544
Project development	20	39,070	(33,252)	-	5,818	2,793
Others	08 - 20	474	-	-	474	474
Total		**13,350,850**	**(4,533,665)**	**(33,808)**	**8,783,377**	**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.

(b) **Software –** Refer to software acquired from third parties and developed internally, used in the provision of information processing services and customer transactions.

Below are the changes in intangible assets for the years ended December 31, 2023 and 2022:

	Parent Company				
	12/31/2022	Additions	Reversals	Amortizations	12/31/2023
Software	516,821	266,549	7,218	(178,578)	612,010
Total	**516,821**	**266,549**	**7,218**	**(178,578)**	**612,010**

	Parent Company				
	12/31/2021	Additions	Disposals/ Estimated losses	Amortizations	12/31/2022
Software	502,150	227,306	(37,052)	(175,583)	516,821
Total	**502,150**	**227,306**	**(37,052)**	**(175,583)**	**516,821**

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

	Consolidated				
	12/31/2022	Additions	Reversals	Amortizations	12/31/2023
Right of use – Ourocard Payment Arrangement	8,550,422	-	-	(385,734)	8,164,688
Software	517,544	266,549	7,218	(178,914)	612,397
Project development	2,793	4,241	-	(1,216)	5,818
Others	474	-	-	-	474
Total	**9,071,233**	**270,790**	**7,218**	**(565,864)**	**8,783,377**

	Consolidated						
	12/31/2021	Additions	Disposals/ Estimated losses	Amortizations	Exchange differences	Sale MerchantE	12/31/2022
Right of use - Ourocard Payment Arrangement	8,936,156	-	-	(385,734)	-	-	8,550,422
Software	691,523	230,381	(37,052)	(197,483)	(29,927)	(139,898)	517,544
Relationship with customers	71,565	-	-	(31,913)	(9,459)	(30,193)	-
Project development	34,268	1,461	-	(1,318)	(286)	(31,332)	2,793
Others	1,045	-	(571)	-	-	-	474
Total	**9,734,557**	**231,842**	**(37,623)**	**(616,448)**	**(39,672)**	**(201,423)**	**9,071,233**

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

12 Borrowings

	Parent Company and Consolidated	
	12/31/2023	12/31/2022
Private debentures (a)	-	3,498,894
Public debentures (b)	3,102,639	3,099,074
Working capital (c)	4,605,717	-
Financing of R&D	22,575	45,103
Total	**7,730,931**	**6,643,071**
Current	4,732,526	3,623,321
Noncurrent	2,998,405	3,019,750
Total	**7,730,931**	**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% and 111% of the average daily interest rate of the Interbank Deposit ("DI"), as applicable, as shown in the table below:

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

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

Interest was paid on a semiannual basis from the issuance date, except for the last accrual period that was shorter as it was start on August 27, 2023 and was 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. On December 27, 2023, the transaction was fully settled.

(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

The Company raised funds for working capital through credit lines via CCB (Bank Credit Note) and other short-term credit lines in the total amount R$ 11,840,000. As at December 31, 2023, the outstanding balance is R$ 4,605,717.

The changes in borrowings for the years ended December 31, 2023 and 2022 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2021	**4,034,446**	**6,295,104**
New funding	5,420,000	5,420,000
Payment of principal	(2,957,474)	(5,217,254)
Exchange differences (principal and interest)	(27,076)	(30,469)
Accrued interest and charges	576,284	655,457
Interest paid	(399,281)	(478,592)
Debt issuance costs incurred	(4,953)	(4,953)
Amortization of debt issuance costs	1,125	3,778
Balance at December 31, 2022	**6,643,071**	**6,643,071**
Balance at December 31, 2022	**6,643,071**	**6,643,071**
New funding	11,840,000	11,840,000
Payment of principal	(10,599,681)	(10,599,681)
Accrued interest and charges	913,328	913,328
Interest paid	(1,067,338)	(1,067,338)
Amortization of debt issuance costs	1,551	1,551
Balance at December 31, 2023	**7,730,931**	**7,730,931**

Breakdown of borrowings recorded in noncurrent liabilities

Maturity	**Parent Company and Consolidated**	
	12/31/2023	**12/31/2022**
2024	-	22,556
2025	3,000,000	3,000,000
Total borrowings	**3,000,000**	**3,022,556**
Debt issuance costs incurred	(1,595)	(2,806)
Total	**2,998,405**	**3,019,750**

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

13 Payables to merchants

As at December 31, 2023, the Payables to merchants balance is R$ 75,341,285 and R$ 75,480,752 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 with cards that are payable to merchants, Company customers, net of remuneration for the services rendered by Cielo and card-issuing banks.

In addition, the Company also guarantees accredited merchants that they will receive the amounts from cards transactions.

14 Tax, civil and labor risks

Provision for tax, civil and labor risks

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

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 years ended December 31, 2023 and 2022, as follows:

	Parent Company					
	12/31/2022	Additions	Write-offs/ reversals	Monetary adjustment	Payments	12/31/2023
Tax (a)	1,963,951	46,259	(1,788,708)	25,007	-	246,509
Labor (b)	50,209	12,333	(18,335)	4,660	(20,645)	28,222
Civil (c)	47,739	52,330	(24,670)	7,843	(54,537)	28,705
Total	**2,061,899**	**110,922**	**(1,831,713)**	**37,510**	**(75,182)**	**303,436**

	12/31/2021	Additions	Write-offs/ reversals	Monetary adjustment	Payments	12/31/2022
Total	**1,985,883**	**184,453**	**(109,909)**	**51,335**	**(49,863)**	**2,061,899**

	Consolidated					
	12/31/2022	Additions	Write-offs/ reversals	Monetary adjustment	Payments	12/31/2023
Tax (a)	2,127,889	105,413	(2,010,035)	25,956	-	249,223
Labor (b)	63,099	22,328	(22,129)	6,702	(22,284)	47,716
Civil (c)	48,404	52,669	(24,873)	7,887	(54,797)	29,290
Total	**2,239,392**	**180,410**	**(2,057,037)**	**40,545**	**(77,081)**	**326,229**

	12/31/2021	Additions	Write-offs/ reversals	Monetary adjustment	Payments	12/31/2022
Total	**2,158,491**	**271,572**	**(198,483)**	**61,935**	**(54,123)**	**2,239,392**

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

The additions refer basically to the complement of the provision for tax risks in the years ended December 31, 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 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 December 31, 2023 and 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	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Tax (a)	36,535	1,553,676	37,202	1,554,819
Labor (b)	9,900	13,142	15,103	15,991
Civil (c)	18,424	13,391	18,436	13,393
Total	**64,859**	**1,580,209**	**70,741**	**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 into court, without cash disbursements or impact on the Company’s result. The Company can use these credits from then on, since the amounts that were accrued may from now on be deducted from taxable income, in accordance with relevant 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$226.0 million in Cielo (R$ 149.2 million net of taxes) and R$ 384.8 million in the consolidated (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 claims filed by Cielo Group's former employees and its 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 December 31, 2023, the Company is a party to public civil lawsuits and civil inquiries, generally 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 December 31, 2023 and 2022, Cielo Group is also party to tax, civil and labor lawsuits assessed by its legal counsel as risk of possible losses, for which no provision was recognized, as follows:

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

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Tax	1,839,870	1,112,970	1,849,330	1,120,780
Labor	78,005	71,665	249,652	163,422
Civil	515,412	463,559	518,476	468,854
Total	**2,433,287**	**1,648,194**	**2,617,458**	**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 risk of probable losses. The main discussions are as follows:

- **Social Security Contribution** - Requirement of social security contribution on amounts distributed to employees as Company's results sharing and stock options ("Restricted stock option plan"), referring to the years 2015, 2017, 2018 and 2019 in the monetarily adjusted amounts of R$ 77,985, R$ 64,847, R$ 42,057 and R$ 56,793, respectively.

- **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 income in the years 2015/2016, 2017 and 2018, in the monetarily adjusted amounts of R$ 386,310, R$ 258,571 and R$ 228,766, respectively.

15 Equity

(a) Issued capital

Capital as at December 31, 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 December 31, 2023 is 2,697,679,603 (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 December 31, 2023 is R$ 58,578 (R$ 70,893 as at December 31, 2022).

(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.

The changes in treasury shares are as follows:

	Shares	Amount	Average cost R$ per share
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
July	1,035,842	5,142	4.96
August	1,895,810	9,411	4.96
September	42,891	212	4.96
November	412,595	2,048	4.96
December	65,099	323	4.96
Repurchase of shares – April	(6,569,512)	(30,842)	4.69
Balance at December 31, 2023	**(19,135,458)**	**(94,989)**	**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 December 31, 2023 is R$ 1,140,000 (R$ 1,140,000 as at December 31, 2022), and the limit of 20% was reached in October 2020.

(e) Earnings reserve - capital budget

The capital budget reserve totals R$ 5,617,870 as at December 31, 2023 (R$ 4,295,319 as at December 31, 2022).

The financial statements for the year ended December 31, 2022 and the capital budget proposal for 2023 will be assessed by the Company's shareholders at the Ordinary General Meeting ("OGM") to be held on April 18, 2024.

(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.

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

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 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 decisions are represented as follows:

	Amount	Date of approval	Date of payment
1st quarter	196,210	04/26/2023	05/18/2023
2nd quarter	196,970	08/01/2023	08/22/2023
3rd quarter	191,719	10/31/2023	11/23/2023
4th quarter	179,388	12/21/2023	01/31/2024
Balance at December 31, 2023	**764,287**		

The Company will distribute proceeds for the four quarter of 2023 in the form of interest on capital within the tax deductibility limit, reaching a payout of 36.6% for the year.

(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	
	12/31/2023	**12/31/2022**
Exchange differences on foreign investments	(165,639)	(165,325)
Post-employment actuarial gains, net	2,983	1,295
Total	**(162,656)**	**(164,030)**

(h) Regulatory capital

The Company's capital management structure is compatible with its framework, the nature of its operations, the complexity of the products and services offered with the adequate measurement of its exposure to risks.

Capital management is defined as the continuous process of monitoring and controlling the capital held by the Company, assessing the need for capital to face the risks to which the institution is exposed, and planning goals and capital needs, considering the Company's strategy.

BCB Resolution No. 198/22 requires payment institutions to permanently maintain an amount of (PRip) – Reference Equity of Payment Institution, in an amount higher than the minimum requirement of 8% in 2023, 10% in 2024 and 12% in 2025, intended to cover the risks associated with:

I - Payment services provided; and

II - Other activities carried out.

As at December 31, 2023, the reference equity is R$ 11,982,573 (R$ 10,663,405 as at December 31, 2022). This amount exceeds the required equity of R$ 1,801,418 (R$ 1,838,419 as at December 31, 2022).

16 Earnings per share

(a) Changes in the number of common shares

Shares issued	
Shares at December 31, 2022	**2,694,364,620**
Exercise of restricted stock option:	
March	4,071,321
May	2,287,257
June	73,680
July	1,035,842
August	1,895,810
September	42,891
November	412,595
December	65,099
Repurchase of shares – April	(6,569,512)
Shares at December 31, 2023	**2,697,679,603**

(b) Earnings per share

The following tables reconcile the profit and the weighted average number of outstanding shares (disregarding those held in treasury) with the amounts used to calculate the basic and diluted earnings per share.

Basic earnings per share

	Parent Company and Consolidated		
	2nd six-month period	**Year**	
	12/31/2023	**12/31/2023**	**12/31/2022**
Profit for the period available for common shares	937,507	2,086,838	1,569,527
Weighted average number of outstanding common shares (in thousands)	2,692,021	2,692,203	2,703,908
Earnings per share (in R$) – basic	**0.34825**	**0.77514**	**0.58047**

Diluted earnings per share

	Parent Company and Consolidated		
	2nd six-month period	Year	
	12/31/2023	12/31/2023	12/31/2022
Profit for the period available for common shares	937,507	2,086,838	1,569,527
Diluted denominator:			
Weighted average number of outstanding common shares (in thousands)	2,692,021	2,692,203	2,703,908
Potential increment in common shares as a result of the restricted stock plan	18,100	18,100	20,475
Total (in thousands)	**2,710,121**	**2,710,303**	**2,724,383**
Earnings per share (in R$) – diluted	**0.34593**	**0.76996**	**0.57610**

17 Net revenue

	Parent Company			Consolidated	
	2nd six-month Period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Gross operating revenue	3,608,808	7,223,548	6,992,575	12,013,125	12,076,317
Taxes on revenue	(370,746)	(754,294)	(765,286)	(1,412,020)	(1,383,211)
Total	**3,238,062**	**6,469,254**	**6,227,289**	**10,601,105**	**10,693,106**

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

18 Expenses by nature

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

	Parent Company			Consolidated	
	2nd six-month period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Acquiring costs	(1,359,436)	(2,781,268)	(2,879,677)	(4,828,795)	(5,337,703)
Personnel expenses	(408,493)	(796,580)	(699,726)	(1,419,058)	(1,271,803)
Depreciation and amortization	(251,075)	(521,496)	(526,365)	(912,677)	(974,531)
Sales, marketing and affiliation of customers	(173,067)	(296,435)	(252,733)	(296,744)	(296,746)
Professional services	(527,263)	(945,807)	(810,302)	(271,186)	(242,355)
Miscellaneous, net	112,298	437,929	90,022	630,465	271,020
Total	**(2,607,036)**	**(4,903,657)**	**(5,078,781)**	**(7,097,995)**	**(7,852,118)**
Classified as:					
Cost of services provided	(1,616,926)	(3,337,045)	(3,494,863)	(5,609,449)	(6,268,754)
Personnel	(324,534)	(616,692)	(471,512)	(1,226,272)	(1,014,935)
General and administrative	(550,053)	(976,411)	(840,459)	(360,980)	(335,601)
Sales and marketing	(91,341)	(139,932)	(111,548)	(140,242)	(155,560)
Other operating income (expenses), net	(24,182)	166,423	(160,399)	238,948	(77,268)
Total	**(2,607,036)**	**(4,903,657)**	**(5,078,781)**	**(7,097,995)**	**(7,852,118)**

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

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 other operating income (expenses), net:

	Parent Company			Consolidated	
	2nd six-month Period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Expected losses on doubtful debts, fraud and chargeback	(35,543)	(94,957)	(48,094)	(164,725)	(141,665)
Expenses on contingencies, net	(13,919)	(26,797)	(17,890)	(33,299)	(30,381)
Reversal (provision) for property and equipment losses	(5,773)	1,658	(121,775)	(3,440)	(122,134)
Others (a)	31,053	286,519	27,360	440,412	216,912
Total	**(24,182)**	**166,423**	**(160,399)**	**238,948**	**(77,268)**

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

(a) In 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 non-recurring item.

19 Commitments

Cielo Group is primarily engaged in providing services of capture, transmission, processing and financial settlement of transactions made using cards. To make these activities viable, Cielo Group entered into the following agreements:

(a) Lease agreements

As at December 31, 2023, estimated future annual payments under lease agreements in effect are as follows:

	12/31/2023	12/31/2022
Up to 1 year	6,781	8,009
From 1 year to 5 years	22,236	24,333
Above 5 years	425	5,278
Total	**29,442**	**37,620**

(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 December 31, 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:

	12/31/2023	12/31/2022
Up to 1 year	520,248	445,896
From 1 year to 5 years	208,275	204,572
Total	**728,523**	**650,468**

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

20 Employee benefits

	Parent Company			Consolidated	
	2nd six-month Period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Supplementary Pension Plan (a)	4,530	9,436	7,261	14,020	11,326
Employee benefits (b)	43,874	83,263	65,970	195,131	150,818
Total	**48,404**	**92,699**	**73,231**	**209,151**	**162,144**

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

(b) These refer to health insurance, dental care, meal voucher 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.

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 December 31, 2023 is R$ 12,399 (R$12,949 as at December 31, 2022).

The rates used in the year were: nominal discount rate of 6.00% p.a., with inflation index of 4.0% p.a., generating an expected turnover of 15.0% p.a. and retirement at 60 years old. In equity, the balance recorded in other comprehensive income is R$ 2,983 (R$ 1,295 as at December 31, 2022).

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

21 Employees 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 the result for the years ended December 31, 2023, and 2022 were as follows:

	Parent Company			Consolidated	
	2nd six-month Period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
	82,041	133,661	108,138	206,409	167,928
Employees	10,799	17,818	10,274	19,350	15,534
Statutory officers	**92,840**	**151,479**	**118,412**	**225,759**	**183,462**

22 Compensation of Key Management Personnel and Supervisory Board

Cielo's key management personnel include the members of the Board of Directors and Supervisory Board and statutory officers.

Expenses recognized in the Company's result for the years ended December 31, 2023, and 2022 are as follows:

	2nd six-month Period			Year					
	12/31/2023			12/31/2023			12/32/2022		
	Fixed	Others	Total	Fixed	Others	Total	Fixed	Others	Total
Statutory officers	6,958	9,547	16,505	13,105	16,803	29,908	6,542	22,070	28,612
Board of directors and supervisory board members	3,054	-	3,054	6,082	-	6,082	4,605	-	4,605
Total	**10,012**	**9,547**	**19,559**	**19,187**	**16,803**	**35,990**	**11,147**	**22,070**	**33,217**

The "others" balance refers to variable compensation and termination of officers, net of taxes, and does not include (i) restricted stock plans presented in Note 23 and (ii) other benefits already presented in Note 20.

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

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

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 social 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 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 year, matched against the capital reserve, in accordance with the defined terms and conditions of each plan. In the event of statute barring /cancellation of shares, a reversal is made in the year in which the event occurs for the total amount recognized along the year the plan was effective.

As at December 31, 2023, the position of the restricted stock plans is as follows:

		Number of restricted stock units						
Program	**Status**	**Granted**	**Cancelled**	**Exercised**	**To be exercised**	**Grant date**	**Value per share on grant date R$**	**Fair value per share R$**
Restricted Stock 2019	Closed	2,419,297	(916,684)	(1,502,613)	-	July 2019	6.73	6.73
Restricted Stock 2020	Closed	5,042,968	(1,513,635)	(3,529,333)	-	July 2020	3.94	3.94
Restricted Stock 2021	Active	1,945,031	(255,751)	(672,595)	1,016,685	July 2021	3.59	3.59
Restricted Stock 2022	Active	2,313,572	(137,136)	(434,934)	1,741,502	July 2022	3.81	3.81
Restricted Stock 2022 Special Vesting	Active	1,071,876	-	(357,292)	714,584	November 2022	5.11	5.11
Restricted Stock 2023	Active	2,244,720	(51,362)	(121,182)	2,072,176	July 2023	4.43	4.43
Sócio Cielo 2020	Active	2,898,458	(1,067,534)	(1,661,169)	169,755	March 2020	7.12	7.12
Sócio Cielo 2021	Active	5,440,433	(757,589)	(3,306,304)	1,376,540	March 2021	3.89	3.89
Sócio Cielo 2022	Active	11,253,702	(566,832)	(4,635,284)	6,051,586	March 2022	2.47	2.47
Sócio Cielo 2023	Active	6,297,073	(251,675)	(1,088,252)	4,957,146	March 2023	4.93	4.93
Total Stock Units		**40,927,130**	**(5,518,198)**	**(17,308,958)**	**18,099,974**			

In the year ended December 31, 2023, the amount related to long-term incentive plans in the amount of R$ 37,143 (R$ 26,261 as at December 31, 2022) was recognized in profit or loss. The balance presented in the line item "Capital reserve" in equity totaled R$ 37,143 related to restricted stock units granted and R$ 49,458 related to transfer of treasury shares due to exercise of shares (R$ 26,261 and R$ 32,398, respectively, as at December 31, 2022).

In addition to the share-based incentive plans, long-term incentives were recorded in the amounts of R$ 34,138 and R$ 24,907 as at December 31, 2023 and 2022, respectively.

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

24 Finance income (costs)

	Parent Company			Consolidated	
	2nd six-month Period	Year		Year	
	12/31/2023	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Finance income:					
Interest on financial investments	33,292	87,123	140,727	328,564	474,211
Other finance income	2,931	6,162	1,734	14,628	7,894
PIS and COFINS	(1,679)	(4,332)	(6,676)	(11,214)	(14,493)
Total	**34,544**	**88,953**	**135,785**	**331,978**	**467,612**
Finance costs:					
Interest and charges on borrowings	(1,045,747)	(2,103,025)	(1,651,478)	(913,328)	(579,298)
Third parties' interest in FIDCs	-	-	-	(1,018,261)	(970,956)
Monetary adjustment of contingencies	(12,582)	(37,510)	(51,335)	(40,545)	(61,935)
Other finance costs	(20,933)	(41,023)	(27,459)	(51,266)	(110,367)
Total	**(1,079,262)**	**(2,181,558)**	**(1,730,272)**	**(2,023,400)**	**(1,722,556)**
Yield:					
Purchase of receivables (a)	-	-	-	1,566,704	938,478
FIDC shares yield (b)	941,590	1,805,974	1,144,878	-	-
Total	**941,590**	**1,805,974**	**1,144,878**	**1,566,704**	**938,478**
Exchange differences	(13,081)	(28,331)	(67,791)	(28,333)	(67,815)
Finance costs	**(116,209)**	**(314,962)**	**(517,400)**	**(153,051)**	**(384,281)**

(a) As mentioned in note 6, the income from receivables acquired by FIDC Plus, FIDC NP and FIDC Receba Mais is R$ 1,654,776, of which R$ 1,566,704 net of taxes as at December 31, 2023 (R$ 994,311 as at December 31, 2022, of which R$ 938,478 net of taxes).

According to Note 6, this refers to the portion of the remuneration of subordinated shares from the net result of the FIDCs.

25 Risk Management

Cielo has a structure designed for risk management, based on management practices under the terms of BCB Resolution No. 198/2022.

(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, 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 risks and tests of controls, performed by the Internal Control function; monitoring of transactions for suspected fraud, among others.

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

Further 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:

		Parent Company		Consolidated	
	Note	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Cash	4	63,146	127,730	69,745	140,547
Financial instruments, including derivatives	5	336,834	959,705	1,364,583	2,029,036
Credit Rights Investment Fund	6	13,398,720	9,927,566	-	-
Income receivable and other receivables		280,840	210,682	2,708,460	1,087,099
Receivables from card issuing banks	7	91,035,557	92,081,398	91,043,327	92,083,831
Total		**105,115,097**	**103,307,081**	**95,186,115**	**95,340,513**

(b.1) Counterparty Credit Risk - Issuer Risk

In acquiring operations, card-issuing banks are required to make payment to Cielo of 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 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 December 31, 2023, Cielo's exposure to issuers is as follows:

Internal rating of issuers	Required guarantee	Total exposure at 12/31/2023	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%	69.0%	4.8%	57.4%
Total receivables from card-issuing banks		**100.0%**		**100.0%**	

The five largest issuing banks, classified into Group 1, concentrate 73.1% 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 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 years ended December 31, 2023 and 2022 corresponds to 3.7% and 5.3%, 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 December 31, 2023, the expected losses on doubtful debts, fraud and chargeback was R$ 199,804 in the Parent Company and R$ 201,094 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).

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

(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.

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

	12/31/2023 Year		12/31/2022 Year	
	Transacted volume	**Chargeback ratio (c)**	**Transacted volume**	**Chargeback ratio (c)**
Tourism and Entertainment, including airlines (typically with deferred sales)	9.5%	0.48%	7.8%	0.78%
E-commerce (without Tourism and Entertainment)	10.0%	0.66%	10.9%	0.99%
Durable and semi-durable goods (a)	20.5%	0.02%	21.10%	0.03%
Non-durable goods (b)	37.1%	0.00%	35.8%	0.00%
Services and others	22.9%	0.02%	24.4%	0.03%
Total	**100.0%**	**0.12%**	**100.0%**	**0.18%**

(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 in relation 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, BCB Resolution No. 198/22 and BCB Resolution No. 260/22.

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

Cielo maintains the minimum equity required, in accordance with the regulations issued by BACEN, in an amount higher than the minimum requirement of 8%, intended to cover the risks associated with the payment services provided and other activities carried out, calculated daily (see note 15). There is no requirement of minimum equity for the other companies of Cielo Group.

(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 BCB Resolution No. 198/22 and subsequent amendments. Such report is available on the Cielo website (https://ri.cielo.com.br/).

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

The debt-to-equity ratio is as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash	63,146	127,730	69,745	140,547
Financial instruments, including derivatives	336,834	959,705	1,364,583	2,029,036
Debt (a)	(7,730,931)	(6,643,071)	(7,730,931)	(6,643,071)
Net debt	**(7,330,951)**	**(5,555,636)**	**(6,296,603)**	**(4,473,488)**
Equity	12,258,803	10,928,577	22,308,302	21,122,414
Net debt ratio	**59.80%**	**50.84%**	**28.23%**	**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.

(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, directly in equity. A loss of R$ 314 was incurred on exchange rate changes on the investment in Cielo USA in the year ended December 31, 2023. There was a gain in the amount of R$ 163,512 in the year ended December 31, 2022.

(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.

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

As at December 31, 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					
	12/31/2023			12/31/2022		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss	2,920	7,299	14,599	2,793	6,983	13,966
Equity	362	905	1,811	444	1,110	2,220

(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.

(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					
	12/31/2023			12/31/2022		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss	(201,456)	(503,640)	(1,007,280)	(148,917)	(372,292)	(744,583)

	Consolidated					
	12/31/2023			12/31/2022		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss	(58,345)	(145,862)	(291,725)	(8,350)	(20,876)	(41,751)

(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.

Further 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.

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

Further 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.

Further 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. Further information on Cielo Group's risks can be found in item 1.2 of the Reference Form, which is available on the Cielo website (https://ri.cielo.com.br/).

(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. Further 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 Cielo Group to a completely new range of 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) 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. In addition, the nature of Cielo Group's activities makes it to enter into agreements with different issuers, and its shareholders are some of these issuers. 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 December 31, 2023 and 2022, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by Cielo Group, as well as the changes in balances related to the years ended December 31, 2023 and 2022:

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

	Parent Company					Consolidated	
	12/31/2023				12/31/2022	12/31/2023	12/31/2022
	Controlling shareholders	Subsidiaries	Investment funds	Total	Total	Total	Total
Assets:							
Cash and financial instruments (a)	261,891	-	-	261,891	190,796	380,268	307,284
Operating receivables (b)	25,124,705	-	-	25,124,705	26,533,121	25,124,705	26,533,121
Receivables from related parties (c)	-	112,436	75	112,511	13,566	921,146	826,350
(Liabilities):							
Private debentures and CCB (d)	(3,194,012)	-	-	(3,194,012)	(3,498,894)	(3,194,012)	(3,498,894)
Payables referring to intermediation, customer prospecting and maintenance services (e)	(27,902)	-	-	(27,902)	(25,503)	(27,902)	(25,503)
Payables to related parties (c)	-	(287,791)	-	(287,791)	(251,979)	(464,250)	(422,596)
Balances received to transfer to FIDC	-	-	(18,068,253)	(18,068,253)	(16,234,816)	-	-

	Parent Company					Consolidated	
	12/31/2023				12/31/2022	12/31/2023	12/31/2022
	Controlling shareholders	Subsidiaries	Investment funds	Total	Total	Total	Total
Income:							
Income from financial investments (a)	61,252	-	-	61,252	8,991	84,059	36,805
Income from other services provided (f)	12,493	-	894	13,387	7,014	12,493	5,965
Income from rental of POS equipment (g)	32,516	-	-	32,516	42,860	32,516	42,860
Other income	-	5,066	-	5,066	1,443	-	1,755
(Expenses)							
Finance costs (d)	(489,846)	-	-	(489,846)	(507,215)	(490,344)	(507,775)
Expenses with purchase of receivables	-	-	(1,189,669)	(1,189,669)	(1,072,180)	-	-
Expenses with benefits (h)	(61,534)	-	-	(61,534)	(44,466)	(131,469)	(94,794)
Contracts for customer prospecting services	-	(848,468)	-	(848,468)	(735,813)	-	-
Payment management services provided (c)	-	-	-	-	-	(42,557)	(40,404)
Intermediation, customer prospecting and maintenance services (e)	(156,503)	-	-	(156,503)	(141,185)	(156,503)	(141,185)
Other operating expenses	(590)	-	-	(590)	(1,020)	(590)	(15,462)

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 card transactions.

c) The amounts receivable mainly refers to amounts to be settled by the issuer Banco do Brasil to Cateno, arising from transactions carried out using 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 balances related to the issuance of private debentures, settled in December 2023, and the raising of funds for working capital through a credit line via CCB (Bank Credit Note).

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 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 merchant.

f) Refer to granting of access to an antifraud system for monitoring by Bradesco of transactions made with cards issued by the bank as well as the collection of the QR Code display service and receipt through Pix (instant payment) and the respective status of the transaction, in Cielo capture means.

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 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 Cielo Group engages other services from the main shareholders, namely:

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

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

27 Non-recurring results

As defined by BCB Resolution No. 2/20, non-recurring results are those that are not related to or are incidentally related to Cielo Group's typical activities and are not expected to occur frequently in future years. The non-recurring results below are presented net of tax effects for the changes in the years ended December 31, 2023 and 2022. For the second six-month period of 2023, there were no non-recurring events.

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Profit for the year	**2,086,838**	**1,569,527**	**2,468,163**	**1,872,748**
Non-recurring items				
Sale of stake in MerchantE	-	(150,447)	-	(150,447)
Impairment of legacy systems software	-	26,775	-	26,775
Restructuring of Cielo stores channel	-	3,600	-	3,600
Reversal of provision for ISS Municipality	(222,522)	-	(253,964)	-
Discontinuance of POS (LIO V2)	-	30,228	-	30,228
Total	**(222,522)**	**(89,844)**	**(253,964)**	**(89,844)**
Recurring result	**1,864,316**	**1,479,683**	**2,214,199**	**1,782,904**

In the year ended December 31, 2023, as mentioned in Note 14, 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 subsidiary Cateno (R$ 254.0 million in the consolidated).

28 Non-cash 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 years ended December 31, 2023 and 2022 that did not involve the use of cash and/or cash equivalents:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Exchange differences on net foreign investment	(314)	163,512	(314)	163,512
Exchange differences on borrowings	-	(27,076)	-	(30,469)
Interest on capital proposed	179,388	239,000	179,388	239,000
Post-employment benefit	1,688	3,310	1,688	3,310
Dividends receivable from direct subsidiary	103,403	9,768	-	-

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

29 Insurance

As at December 31, 2023, the Company has the following insurance coverage:

Type	Insured amount
General civil liability	20,000
Civil liability D&O	250,000
Goods and assets	50,818
Cyberattacks	25,000
Storage of machinery, furniture and fixtures	180,286
Transport of machinery and equipment	2,500
Fleet of vehicles	1,795

30 Events after the reporting period

On February 5, 2024, the Board of Directors approved the payment of additional interest on capital in the amount of R$ 410,000, to be paid on April 30, 2024.

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

Yvan Calil Zanetti
Chief Accounting, Tax, Revenue Assurance and Subsidiaries Officer
Technical Accounting Officer

Vagner Akihiro Tatebe
Accountant CRC 1SP292671/O-6