

DEAR SHAREHOLDERS

We present the Comments on Performance and the Interim Financial Information of Cielo S.A. – Instituição de Pagamento (“Company”, “Parent” or “Cielo”) and its subsidiaries (together referred to as “Consolidated” or “Cielo Group”) for the quarter ended September 30, 2022 (3Q22), accompanied by the Independent Auditor’s Report on the interim financial information (ITR).

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

The Interim Financial Information included the balances of the accounts of Cielo and of the direct and indirect subsidiaries: Cateno, Servinet, Stelo, Cielo USA, MerchantE (sold on April 8, 2022) and M4U (M4Produtos’ and M4U’s interests were sold on November 2, 2021). This financial information has been adjusted, as applicable, in order to conform its accounting practices to those established by the Cielo Group. All the transactions, revenues and expenses among Group companies were fully eliminated in the consolidated interim financial information. For purposes of presentation of the consolidated Interim Financial Information, 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 quarter, 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. Amounts are presented in millions of Reais (R\$), except where otherwise indicated.

As mentioned in Note 27 to the Interim Financial Information as at September 30, 2022, no non-recurring net gains were recorded in the third quarter of 2022.

BACEN has determined through Resolution 02/20 the presentation of the consolidated Interim Financial Information in accordance with the International Financial Reporting Standards (IFRS) from the first quarter of 2022. Additionally, in accordance with BCB Normative Instruction 236/22, Cielo chose to maintain the presentation of the Comments on Performance based on the financial information prepared under COSIF, for consistency with the disclosures of prior quarters.

We present below the reconciliation between COSIF and IFRS accounting practices of Cielo’s consolidated equity and profit for 3Q22:

(R\$ millions)	Equity	Net Income
COSIF Balance - 3Q22	21,090.4	499.6
Goodwill in subsidiaries abroad (a)	(7,400.2)	-
Other (b)	22.1	0.4
IFRS Balance - 3Q22	13,712.3	500.0

- (a) Third-party interests in Credit Rights Investment Funds (FIDCs) and Investment Funds in Investment Fund Quotas (FICs), previously presented in current and non-current liabilities, according to BCB Normative Instruction No. 272/22, are now directly recorded in equity, specifically under the heading of “shareholders other than Cielo” in COSIF.
- (b) Composed by: i) goodwill from subsidiaries not amortized in accordance with CPC 15 (R1) – Business Combinations; and ii) property and store lease agreements, recorded as right-of-use assets and lease liabilities in the balance sheet and amortized over the duration of the agreements, pursuant to CPC 06 (R2) – Lease.

HIGHLIGHTS 3Q22

- The financial volume of transactions captured by Cielo totaled R\$ 221.3 billion, an increase of 23.1% or R\$ 41.5 billion compared to 3Q21 and remained in line with 2Q22.
- Consolidated net revenue totaled R\$ 2,636.7 million, a decrease of 12.4% or R\$ 372.8 million compared to 3Q21 and an increase of 3.8% or R\$ 96.5 million compared to 2Q22.
- Consolidated revenues from purchase of receivables (ARV) totaled R\$ 277.6 million, an increase of 169.8% or R\$ 174.7 million compared to 3Q21 and an increase of 20.2% or R\$ 46.6 million compared to 2Q22.
- Total consolidated expenditures (costs and expenses, not considering the effects from share of profit (loss) of investees) totaled R\$ 1,863.7 million, a decrease of 28.2% or R\$ 731.5 million compared to 3Q21 and an increase of 16.7% or R\$ 266.6 million compared to 2Q22.
- Cielo's profit for the period totaled R\$ 421.7 million, an increase of 99.0% or R\$ 209.8 million compared to 3Q21 and a decrease of 33.6% or R\$ 213.6 million compared to 2Q22. Excluding non-recurring items in the previous quarter (as per Note 27), there was an increase of 10.0% or R\$ 38.3 million compared to R\$ 383.4 million in 2Q22.
- Consolidated EBITDA totaled R\$ 1,006.1 million, an increase of 45.1% or R\$ 313.3 million compared to 3Q21 and a decrease of 15.0% or R\$ 177.2 million compared to 2Q22. Excluding non-recurring items in the previous quarter (as per Note 27), it increased by 10.0% or R\$ 91.4 million compared to 2Q22.

OPERATING PERFORMANCE 3Q22

Financial Volume of Transactions

Quarterly evolution

In 3Q22, Cielo's financial volume of transactions totaled R\$ 221.3 billion, in line with the R\$ 221.0 billion in 2Q22 and an increase of 23.1% or R\$ 41.5 billion compared to R\$ 179.8 billion in 3Q21.

Specifically with credit cards (lump sum and installment payments), the financial volume of transactions totaled R\$ 131.2 billion in 3Q22, in line with 2Q22 and an increase of 27.4% compared to 3T21. With debit cards, the financial volume of transactions totaled R\$ 90.1 billion in 3Q22, in line with 2Q22 and an increase of 17.3% compared to 3Q21.

In addition, Cielo captured 2,113.8 million in transactions in 3Q22, an increase of 1.0% and of 23.0% compared to 2Q22 and 3Q21, respectively.

FINANCIAL PERFORMANCE 3Q22

COMPARISON OF THE QUARTERS ENDED SEPTEMBER 30, 2022 AND JUNE 30, 2022

Net Revenue

Quarterly evolution

Cielo's net revenue totaled R\$ 2,636.7 million in 3Q22, an increase of 3.8% or R\$ 96.5 million compared to 2Q22.

The main impact on the consolidated revenue increase is related to the repositioning of prices at Cielo, due to macroeconomic changes and the environment (which impacts revenue from capture, transmission, processing and financial settlement of transactions and revenue from the 2-day Payment product) and the expansion of volumes at Cateno (which impacts interchange revenue from the Ourocard arrangement).

Cost of Services Rendered

Quarterly evolution

Consolidated **cost of services rendered** totaled R\$ 1,467.8 million in 3Q22, an increase of R\$ 2.3 million, or 0.2% compared to 2Q22. This increase was mainly due to the following events:

- (i) Increase of R\$ 22.5 million in **costs related to equipment and other costs** compared to 2Q22, mainly due to higher expenses with equipment maintenance and an impact on the depreciation related to new acquisitions of POS terminals.
- (ii) Decrease of R\$ 11.0 million in **cost of services rendered in subsidiary Cielo USA** due to the sale of MerchantE in April 2022;
- (iii) Decrease of R\$ 6.9 million in **costs related to capture, processing and settlement of transactions of Cielo** due to the decrease in costs with brand fees partially offset by higher expenses with call centers and processing services.
- (iv) Decrease of R\$ 2.3 million in **costs related to management of payment accounts of the Ourocard Arrangement at Cateno**, related to costs with brand fees partially offset by higher costs with card embossing and mailing.

Operating Expenses

Quarterly evolution

Operating expenses totaled R\$ 395.9 million in 3Q22, an increase of R\$ 264.3 million or 200.8% compared to R\$ 131.6 million in 2Q22. The increase was mainly due to the following events:

Personnel expenses - Increase of R\$ 26.0 million or 11.1%, to R\$ 259.9 million in 3Q22, compared to R\$ 233.9 million in 2Q22. The increase in personnel expenses is substantially related to the impacts of collective agreement and higher expenses due to the expansion of the commercial team.

General and administrative expenses, including depreciation - Decrease of R\$ 2.7 million or 3.3% to R\$ 78.0 million in 3Q22, compared to R\$ 80.7 million in 2Q22. The decrease is mainly related to the operating efficiency gain which impacted the improvement of general and administrative costs.

Sales and marketing expenses - Increase of R\$ 3.3 million or 13.0% to R\$ 28.6 million in 3Q22, compared to R\$ 25.3 million in 2Q22. The increase is mainly due to higher expenses with incentives with business partners.

Other net operating income (expenses) – Variation of R\$ 237.7 million to expense of R\$ 29.4 million in 3Q22, compared to income of R\$ 208.3 million in 2Q22, mainly due to the effect of non-recurring items recognized in 2Q22 as the net gain on the sale of all shares of MerchantE in April 2022 in the amount of R\$ 282.3 million, impairment of legacy software at Cielo of R\$ 40.6 million, and restructuring of the stores channel of R\$ 5.5 million.

Financial Results

Quarterly evolution

The finance costs totaled R\$ 104.4 million in 3Q22, a variation of 4.6% or R\$ 4.6 million compared to 2Q22, when the Company obtained a finance cost of R\$ 99.8 million. The main variations in the finance income (costs) are:

Finance income – Increase of R\$ 9.0 million, or 11.1%, to R\$ 90.1 million in 3Q22, compared to R\$ 81.1 million in 2Q22, related to the higher average CDI rate in 3Q22 on financial investments, partially offset by the lower average balance invested.

Finance costs – Increase of R\$ 57.6 million, or 14.5%, to R\$ 453.7 million in 3Q22, compared to R\$ 396.1 million in 2Q22, substantially related to the remuneration of third-party shares of the FIDCs and the increase in the average balance raised, as well as the average CDI rate in the quarter.

Purchase of receivables, net (ARV) – Increase of R\$ 46.6 million or 20.2% to R\$ 277.6 million in 3Q22, compared to R\$ 231.0 million in 2Q22, related to the increase in the volume of acquisitions, as well as the increase in the average remuneration in 3Q22.

Exchange variation and mark-to-market of financial instruments, net – Totaled a loss of R\$ 18.4 million in 3Q22, a variation of R\$ 2.6 million compared to a loss of R\$ 15.8 million in 2Q22. The result is due to the effect of mark-to-market of financial instruments in order to hedge foreign currency liabilities.

FINANCIAL PERFORMANCE 3Q22

COMPARISON OF THE QUARTERS ENDED SEPTEMBER 30, 2022 AND 2021

Net Revenue

Quarterly evolution

Cielo's consolidated net revenue totaled R\$ 2,636.7 million in 3Q22, a decrease of 12.4% or R\$ 372.8 million compared to 3Q21.

The main impact on the consolidated revenue decrease is related to the sale of MerchantE in April 2022 and M4U in November 2021, both were not consolidated in 3Q22. Excluding the net impact of R\$ 589.1 million and R\$ 294.9 million due to the non-consolidation after the sale of shares of subsidiaries MerchantE and M4U, net revenue had an increase of R\$ 511.1 million or 24.0% related to the growth of the volume captured and prices at Cielo (which impacts revenue from capture, transmission, processing and financial settlement of transactions and revenue from the 2-day Payment product) and at Cateno (which impacts interchange revenue of the Ourocard arrangement).

Cost of Services Rendered

Quarterly evolution

Cost of services rendered totaled R\$ 1,467.8 million in 3Q22, a decrease of R\$ 673.8 million or 31.5% compared to R\$ 2,141.6 million in the same quarter of the prior year. This decrease was mainly due to the following events:

- (i) Decrease of R\$ 529.7 million in **cost of services rendered in subsidiary MerchantE** due to the sale in April 2022;
- (ii) Decrease of R\$ 267.2 million in **cost of services rendered in subsidiary M4U**, directly related to the sale in 4Q21;
- (iii) Increase of R\$ 78.7 million in **costs related to capture, processing and settlement of transactions of Cielo**, due to higher expenses with brand fees and processing services, partially offset by the increase in PIS/COFINS credits;
- (iv) Increase of R\$ 37.7 million in **costs related to equipment and others** compared to 3Q21, mainly due to the depreciation lines related to new acquisitions of POS terminals and equipment maintenance, as well as an increase in personnel expenses, partially offset by the decrease of amortization of subsidy generated in the sale of POS terminals to merchants.
- (v) Increase of R\$ 6.7 million in **costs related to management of payment accounts of the Ourocard Arrangement of Cateno**, substantially related to the increased costs with brand fees offset by lower expenses with cards issuing.

Operating Expenses

Quarterly evolution

Operating expenses totaled R\$ 395.9 million in 3Q22, a decrease of R\$ 57.7 million or 12.7% compared to R\$ 453.6 million in 3Q21. The decrease was mainly due to the following events:

Personnel expenses - Increase of R\$ 48.1 million, or 22.7%, to R\$ 259.9 million in 3Q22, compared to R\$ 211.8 million in 3Q21. Excluding the impacts of the non-consolidation of MerchantE and M4U in 3Q22 of R\$ 42.7 million, there was a R\$ 90.8 million increase, substantially related to higher expenses due to commercial expansion and collective agreement in 2022.

General and administrative expenses, including depreciation - Decrease of R\$ 23.7 million or 23.3% to R\$ 78.0 million in 3Q22, compared to R\$ 101.7 million in 3Q21. Excluding the impacts of the non-consolidation of MerchantE and M4U in 3Q22 of R\$ 38.9 million, the R\$ 15.2 million increase is related to higher spending on projects and initiatives aimed at improving the quality of services provided at Cielo.

Sales and marketing expenses - Decrease of R\$ 30.7 million or 51.8% to R\$ 28.6 million in 3Q22, compared to R\$ 59.3 million in 3Q21. Excluding the impacts of the non-consolidation of MerchantE and M4U in 3Q22 of R\$ 37.8 million, the R\$ 7.1 million increase is due to higher expenses with campaigns, materials and events, as well as incentives with business partners.

Other net operating expenses – Decrease of R\$ 51.4 million or 63.6% to R\$ 29.4 million in 3Q22 compared to R\$ 80.8 million in 3Q21, due to lower expenses with expectation of losses with bad debts, mainly related to the expectation of losses with the implementation of the receivables counter in 3Q21.

Financial Results

Quarterly evolution

The finance costs totaled R\$ 104.4 million in 3Q22, a variation of R\$ 72.1 million compared to 3Q21, when the Company obtained a finance cost of R\$ 32.3 million. The main variations in the finance income (costs) are:

Finance income – Decrease of R\$ 4.9 million, or 5.2%, to R\$ 90.1 million in 3Q22, compared to R\$ 95.0 million in 3Q21, related to the lower average balance invested, partially offset by the increase in the average CDI rate on financial investments in 3Q22.

Finance costs – Increase of R\$ 217.8 million, or 92.3%, to R\$ 453.7 million in 3Q22, compared to R\$ 235.9 million in 3Q21, related to the increase in the average balance raised and the average CDI rate in the quarter.

Purchase of receivables, net (ARV) – Increase of R\$ 174.7 million or 169.8% to R\$ 277.6 million in 3Q22, compared to R\$ 102.9 million in 3Q21, related to the increase in the volume of acquisitions, as well as the increase in the average remuneration of the product in 3Q22.

Exchange variation and mark-to-market of financial instruments, net – Totaled a loss of R\$ 18.4 million in 3Q22, a variation of R\$ 24.1 million, compared to a gain of R\$ 5.7 million in 3Q22. The result is due to the accounting effect of mark-to-market of financial instruments in order to hedge foreign currency liabilities.

EBITDA

EBITDA

Quarterly evolution

Consolidated EBITDA totaled R\$ 1,006.1 million in 3Q22, a decrease of 15.0% compared to 2Q22 and an increase of 45.2% compared to 3Q21, as shown below:

EBITDA (R\$ million)	3T22	3T21	2T22
Cielo Net Income	421.7	211.9	635.3
Shareholders other than not of Cielo S.A.	77.9	54.9	73.4
Financial Income (Expenses)	104.4	32.3	99.8
Tax and Social Contribution	169.0	115.2	134.6
Depreciation e Amortization	233.1	278.5	240.2
EBITDA	1,006.1	692.8	1,183.3
<i>% EBITDA margin</i>	38.2%	23.0%	46.6%

Consolidated EBITDA, excluding non-recurring items in the previous quarter (as per Note 27), increased by 10.0% or R\$91.4 million compared to 2Q22.

EBITDA corresponds to net profit, plus income tax and social contribution, depreciation and amortization expenses and finance income and costs. It is worth noting that, for such calculation, the Company's net profit includes non-controlling interests.

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

However, EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil, does not represent the cash flow for the reporting quarters and should not be considered as an alternative to net profit as an operating performance measure or as an alternative to operating cash flow or as a measurement of

liquidity. 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.

CORPORATE GOVERNANCE

Corporate Governance is a priority for the Company, which has as one of its goals its continuous improvement to support the sustainable, long-term corporate performance of Cielo S.A. – Instituição de Pagamento (Company). In this spirit, the Company 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 the Company 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 the Company 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 members and related advisory bodies 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 and minimum 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 the Company's relations and activities, in addition to reiterating the need to comply with current legislation, widely disseminated at the Company and publicly disclosed on the Company’s 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 the Company’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 the Company’s interests, always in compliance with the best Corporate Governance practices, being reviewed in July 2021 to comply with the recommendations of the Brazilian Corporate Governance Code – Publicly-Held Companies prepared by the Interagentes Working Group, which is coordinated by the Brazilian Institute of Corporate Governance.

Regarding the approval of transactions with related parties, it is the responsibility of the Corporate Governance Committee to evaluate the transaction (the business and its rationale), as well as the documentation that evidences that the transaction will be carried out under fair market conditions (such as, but not limited to, commercial proposals actually obtained from independent third parties and market researches about prices and other conditions in similar operations). Notwithstanding the submission of this documentation, in the cases in which the aforementioned Committee deems it necessary, an independent study, report or appraisal report must 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. After analysis, the Corporate Governance Committee will recommend or not the topic to be decided about to the Company’s Board of Directors, which will have access to all documents related to transactions with related parties.

It is important to note that the Corporate Governance Committee, when called to evaluate proposals of transactions with related parties carried out between the Company 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 Committee members who are not in conflict.

In addition, members of the Board of Directors 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 Key Person 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, started to be composed of at least 7 (seven) and no more than 12 (twelve) members, as per resolution of the Ordinary and Extraordinary General Meeting ("OEGM") held on April 27, 2022. The members of the Board do not hold executive positions at the Company. The Company had 3 (three) independent members until the OEGM of April, 27, and this number was increased to 4 (four). The independence aims specially at ensuring the interests of the Company and its non-controlling shareholders. The Board of Directors is responsible, among other attributions, for setting the general direction of the Company's business, electing the members of the Executive Board and overseeing its management. Currently, the Company's Executive Board is composed of at least 2 (two) and no more than 11 (eleven) members and performs the general management of the Company, respecting the guidelines defined by the Board of Directors. Moreover, as another evidence of the Company'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, Social and Cultural Investments Forum, Strategic Pricing Forum, Diversity Forum, Innovation Forum, Products and Services Forum, Information Security Management and Fraud Prevention Forum and Data Privacy and Protection Forum.

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

Sustainability Management

The Company is committed to Sustainability, Diversity and Corporate Responsibility. Cielo's actions for sustainable development are carried out through the Sustainability Policy, which establishes guidelines to adopt environmental, social and governance (ESG) practices. When carrying out its activities, Cielo seeks to ensure the success of the business in the long term, contributing to the construction of a just society, economic development and environmental conservation, through the generation of shared value.

To structure the achievement of these commitments, we have established the guidelines and strategic themes for the Company's sustainability in Cielo's Sustainability Strategic Plan, with the Purpose of 'enhancing businesses that are sustainable and inclusive of everyone' and the Vision of 'being a platform for the sustainable development of the Brazilian market'.

Approved by the Executive Board and by the Sustainability Committee and in line with the Company's Strategic Plan, the plan addresses the strategic themes for Sustainability: Diversity & Inclusion, Social Responsibility, Climate Change & Eco-efficiency, Social and Environmental Risk Management, Innovation & Impact Business and Governance & ESG Reporting.

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

Diversity & Inclusion

It is worth highlighting the Diversity & Inclusion Program, structured with the goal of promoting diversity and inclusion on representativeness and corporative culture. The topic is the object of attention of senior management through the Diversity Forum, which discusses the strategic importance of the topic and is coordinated by the Company's CEO. Its main objective is to discuss, decide and advise the Executive Board in decision making. The debates at the Diversity Forum are taken to the Sustainability Committee, which allows for a gain in visibility of the theme under the scope of the Board of Directors.

To guide our actions regarding this theme, we have a Diversity and Inclusion Policy, whose main objective is to establish guidelines and governance to increase the representation of minority groups in the workforce and promote a culture of inclusion. We have established six official commitments related to the theme, split into strategic objectives to be reached by 2030.

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

Environmental management

The environmental aspects and impacts of our operations are evaluated and monitored by our Environmental Management System (SGA), ISO14.001 certified. This environmental management system goes through annual internal and external audits aiming at the maintenance or recertification in the standard's requirements.

The Company has a Climate Strategy, which guides our actions regarding climate governance, risk and opportunity management, accounting for emissions, goals and engagement with the value chain. Also, as part of its climate strategy, the Company presents information on climate change management in the Carbon Disclosure Project (CDP) and is included in the Carbon Efficient Index (ICO2) of B3.

Governance and ESG reporting

In 2022, for the tenth consecutive year, the Company maintained its participation in B3's Corporate Sustainability Index ("ISE"). This recognition is the result of the practices implemented by Cielo in recent years, among which we highlight good corporate governance practices; the diversity and inclusion program; risk management; and the assessment of socio-environmental aspects in suppliers, products and services. Still in 2022, Cielo evolved in its transparency mechanisms on ESG performance, adopting the Integrated Report model for the 2021 period, following the IIRC framework and verification by an independent third party.

Social responsibility

Cielo's private social investment strategy seeks to adopt specific causes for the use of incentive laws, in order to connect the supported initiatives to the Company's business. In this way, Cielo invests in social projects that promote education, entrepreneurship and diversity and inclusion.

In 2021, more than R\$ 3 million was invested in private social investment (via incentive laws) and R\$ 756,000 in donations to social projects and causes.

RELATIONSHIP WITH AUDITORS

Pursuant to CVM Instruction No. 381/03, we inform that during 3Q22, the Company engaged the independent auditing services of KPMG.

The Company's policy when contracting independent auditors' services assures there is no conflict of interests, no loss of independence or objectivity. Therefore, Cielo'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 declares that the independent auditors have been engaged to provide services not related to external audit until September 30, 2022, which consist of provision of reasonable assurance about the Environmental, Social and Governance information and the 2021 Sustainability Report and reasonable assurance about compliance with the Procedure Adjustment Agreement by and between CADE (Brazilian antitrust agency) and Cielo. These engagements comply with the company's corporate governance requirement, which determines that every extraordinary engagement of independent auditors who 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\$ 365.2 thousand and represents approximately 15.7% of the total fees for auditing the Cielo Group's financial statements for the year ended December 31, 2022.

Cielo S.A. - Instituição de Pagamento

Consolidated Interim Financial Information
for the three and nine-month periods ended
September 30, 2022 and
Independent Auditors' Report of Interim
Financial Information
(IFRS)

Cielo S.A. - Instituição de Pagamento

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

Contents

Independent auditor's report	2
Statements of financial position	4
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows	8
Statements of value added	9
1 Operations.....	10
2 Significant accounting practices	10
3 Consolidated interim financial information.....	11
4 Cash and cash equivalents	12
5 Financial instruments, including derivatives	13
6 Credit rights investment fund ("FIDCs")	15
7 Operating receivables	18
8 Income tax, social contribution and other taxes	18
9 Investments	20
10 Property and equipment.....	22
11 Right of use assets and lease liabilities.....	23
12 Intangible assets.....	24
13 Payables to merchants	26
14 Borrowings	26
15 Other payables	28
16 Provision for tax, civil and labor risks and escrow deposits	28
17 Equity	31
18 Earnings per share	34
19 Net operating revenue.....	35
20 Expenses by nature	35
21 Commitments	37
22 Employee benefits	37
23 Profit sharing	38
24 Compensation of key management personnel and Supervisory Board	38
25 Restricted shares plans	39
26 Finance income (costs).....	40
27 Risk management	40
28 Related-party balances and transactions.....	46
29 Segment information	49
30 Noncash transactions	50
31 Insurance.....	51
32 Subsequent event	51
33 Approval of the consolidated interim financial statements	51



KPMG Auditores Independentes Ltda.
Rua Verbo Divino, 1400, Conjuntos 101, 201, 301 e 401,
Chácara Santo Antônio, CEP 04719-911, São Paulo - SP
Caixa Postal 79518 - CEP 04707-970 - São Paulo - SP - Brasil
Telefone 55 (11) 3940-1500
kpmg.com.br

Report on Review of Interim financial Information - ITR

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

Introduction

We have reviewed the consolidated interim financial information of Cielo S.A. – Instituição de Pagamento (“Company”), included in the Interim Financial Information Form (ITR) for the quarter ended September, which comprises the balance sheet at September 30, 2022, and the related statements of income and comprehensive income for the three and nine month periods then ended and changes in shareholders’ equity and cash flows for the nine month period then ended, including the explanatory notes.

The Company's management is responsible for the preparation of this consolidated interim financial information in accordance with the International IAS 34 – Interim Financial Reporting standards, issued by International Accounting Standards Board – (IASB), as well as for the presentation of this information in accordance with the standards issued by the Securities and Exchange Commission, applicable to the preparation of Interim Financial Information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



Conclusion on the interim consolidated financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information, included in the interim financial information referred to above, were not prepared, in all material respects, in accordance with the and the IAS 34 applicable to the preparation of the interim financial information, as well as for the presentation of this information – ITR, and presented in accordance with the rules issued by the Securities and Exchange Commission.

Other matters

Statements of value added

The interim consolidated information referred to above, include the consolidated statement of value added (DVA), related to the nine-month period ended September 30, 2022, prepared under the Company's Management responsibility and presented as supplementary information for the purposes of IAS 34. These statements were submitted to the same review procedures of the review of the Company's interim financial information – ITR. In order to form our opinion, we evaluated whether these statements are reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in the Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware, of any fact that could lead us to believe that the accompanying statements of value added were not prepared, in all material respects, consistently with the consolidated interim financial information taken as a whole.

São Paulo, October 31, 2022

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

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

Cielo S.A. - Instituição de Pagamento

Statements of financial position as at September 30, 2022 and December 31, 2021

(In thousands of Brazilian reais)

Assets	Note	09/30/2022	12/31/2021	Liabilities and equity	Note	09/30/2022	12/31/2021
Current assets				Current liabilities			
Cash and cash equivalents	4	1,014,558	5,340,203	Financial liability		76,030,807	73,210,934
Financial assets		88,215,871	80,356,598	Payables to merchants	13	71,699,254	69,530,057
Operational accounts receivable	7	84,981,210	79,142,953	Payables with related parties	28	431,894	394,383
Receivables from related parties	28	760,805	738,105	Borrowings	14	3,210,037	2,912,802
Prepaid expenses		151,663	139,560	Suppliers		66,587	332,973
Financial instruments, including derivatives	5	2,257,956	246,082	Derivative financial instruments	5	6,670	-
Other receivables	7	64,237	89,898	Obligations with senior quotas - FIDC	6	607,818	31,106
Prepaid and recoverable taxes		573,845	472,256	Leases payable	11	8,547	9,613
Total current assets		89,804,274	86,169,057	Other obligations	15	658,125	601,966
				Taxes and contributions payable	8	287,277	219,039
				Dividends payable		142,229	196,679
				Total current liabilities		77,118,438	74,228,618
Noncurrent assets				Noncurrent liabilities			
Financial assets		427,796	303,488	Financial liability		10,186,553	10,662,505
Financial instruments, including derivatives	5	277,253	274,411	Borrowings	14	3,365,320	3,382,302
Other receivables	7	150,543	29,077	Obligations with senior quotas - FIDC	6	6,765,186	7,225,968
Deferred income tax and social contribution	8	1,353,058	1,285,305	Obligations with investment fund shares		27,186	15,538
Escrow deposits	16.b)	1,581,488	1,576,643	Leases payable	11	28,861	38,697
Property and equipment	10	987,864	971,151	Other payables	9 e 15	53,624	24,819
Right of use assets	11	31,348	41,700	Provision for labor, tax and civil risks	16	2,276,730	2,158,491
Intangible assets	12	9,168,043	9,946,657	Deferred income tax and social contribution	8	6,188	25,965
Total noncurrent assets		13,549,597	14,124,944	Total noncurrent liabilities		12,523,095	12,871,780
				Equity			
				Issued capital	17	5,700,000	5,700,000
				Capital reserve	17	68,338	80,657
				Capital transactions between shareholders	17	(113,986)	(98,578)
				Comprehensive results	17	495,471	356,627
				Revenue reserves	17	4,704,859	4,059,633
				Attributable to:			
				Owners of the Company		10,854,682	10,098,339
				Non-controlling interests		2,857,656	3,095,264
				Total equity		13,712,338	13,193,603
Total assets		103,353,871	100,294,001	Total liabilities and equity		103,353,871	100,294,001

The accompanying notes are an integral part of these interim financial information

Cielo S.A. - Instituição de Pagamento

Statements of profit or loss

For the three and nine-month period ended September 30, 2022 and September 30, 2021

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

	Note	Three-month period		Nine-month period	
		09/30/2022	09/30/2021	09/30/2022	09/30/2021
Net revenue	19	2,636,715	3,009,523	7,939,107	8,543,951
Cost of services provided	20	(1,467,807)	(2,141,617)	(4,781,693)	(6,175,152)
Gross profit		1,168,908	867,906	3,157,414	2,368,799
Operating income (expenses)					
Personnel	20	(259,914)	(211,789)	(740,063)	(635,058)
General and administrative	20	(77,149)	(99,993)	(257,912)	(275,847)
Sales and marketing	20	(28,552)	(59,312)	(119,443)	(182,598)
Share of profit (loss) of investees	9	-	-	-	542
Other operating expenses, net	20	(29,407)	(80,835)	(34,228)	(220,222)
Operating profit		773,886	415,977	2,005,768	1,055,616
Finance income (costs)					
Finance income	26	90,136	94,963	293,074	217,751
Finance costs	26	(454,182)	(236,625)	(1,193,698)	(532,426)
FIDCs yield and prepayment of receivables	26	277,617	102,874	666,346	293,067
Gain / (loss) on exchange differences, net	26	(18,445)	5,698	(54,664)	5,680
		(104,874)	(33,090)	(288,942)	(15,928)
Operating profit before income tax and social contribution		669,012	382,887	1,716,826	1,039,688
Income tax and social contribution					
Current	8	(159,385)	(186,840)	(517,118)	(389,623)
Deferred	8	(9,622)	71,687	98,304	96,092
Net profit for the quarters		500,005	267,734	1,298,012	746,157
Attributable to:					
Owners of the Company		422,141	212,857	1,083,425	626,254
Non-controlling interests		77,864	54,877	214,587	119,903
Earnings (losses) per share (in R\$) - Basic	18	0.15632	0.07864	0.40057	0.23113
Earnings (losses) per share (in R\$) - Diluted	18	0.15520	0.07828	0.39771	0.23010

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

Cielo S.A. - Instituição de Pagamento

Statements of comprehensive income

(In thousands of Brazilian reais)

For the nine-month period ended September 30, 2022 and September 30, 2021

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Profit for the quarter	500,005	267,734	1,298,012	746,157
Comprehensive income				
Exchange differences on translation of foreign operations:				
Exchange differences on foreign investments	3,315	(3,593)	138,844	(189)
Changes in the period	3,315	(3,593)	138,844	(189)
Total comprehensive income for the period	503,320	264,141	1,436,856	745,968
Attributable to:				
Owners of the Company	425,456	209,264	1,222,269	626,065
Non-controlling interests	77,864	54,877	214,587	119,903

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

Cielo S.A. - Instituição de Pagamento

Statements of changes in equity
For the nine-month period ended september 30 2022 and December 31, 2021
(In thousands of Brazilian reais)

	Earnings reserves							Comprehensive income	Total owners of the company	Non-controlling interests	Total equity
	Issued capital	Capital reserve	Treasury shares	Working capital	Legal	Capital budget	Profit retention				
Balances as at December 31, 2020	5,700,000	71,156	(84,815)	(108,441)	1,140,000	3,884,096	-	341,252	10,943,248	3,114,836	14,058,084
Acquisition of treasury shares	-	-	(27,125)	-	-	-	-	-	(27,125)	-	(27,125)
Restricted stock options granted	-	17,213	-	-	-	-	-	-	17,213	-	17,213
Sale/transfer of treasury shares under the stock option plan	17c	(13,362)	13,362	-	-	-	-	-	-	-	-
Profit (loss) for the period	-	-	-	-	-	-	626,254	-	626,254	119,903	746,157
Allocation of profit for the quarter	-	-	-	-	-	-	-	-	-	-	-
Interest on capital proposed	-	-	-	-	-	-	(74,803)	-	(74,803)	-	(74,803)
Interest on capital paid	-	-	-	-	-	-	(148,826)	-	(148,826)	-	(148,826)
Comprehensive income:	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on net foreign investment	17d	-	-	-	-	-	-	(189)	(189)	-	(189)
Effect of noncontrolling interests on consolidated entities	-	-	-	-	-	-	-	-	-	(153,119)	(153,119)
Balances as at September 30, 2021	5,700,000	75,007	(98,578)	(108,441)	1,140,000	3,884,096	402,625	341,063	11,335,772	3,081,620	14,417,392
Balances as at December 31, 2021	5,700,000	80,657	(98,578)	-	1,140,000	2,919,633	-	356,627	10,098,339	3,095,264	13,193,603
Acquisition of treasury shares	-	-	(47,425)	-	-	-	-	-	(47,425)	-	(47,425)
Restricted stock options granted	25	19,698	-	-	-	-	-	-	19,698	-	19,698
Sale/transfer of treasury shares under the stock option plan	25 e 17c	(32,017)	32,017	-	-	-	-	-	-	-	-
Profit (loss) for the quarter	-	-	-	-	-	-	1,083,425	-	1,083,425	214,587	1,298,012
Allocation of profit for the period:	-	-	-	-	-	-	-	-	-	-	-
Interest on capital proposed	17g	-	-	-	-	-	(148,851)	-	(148,851)	-	(148,851)
Interest on capital paid	17g	-	-	-	-	-	(289,348)	-	(289,348)	-	(289,348)
Comprehensive income:	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on net foreign investments	-	-	-	-	-	-	-	138,844	138,844	-	138,844
Effect of noncontrolling interests on consolidated entities	17d	-	-	-	-	-	-	-	-	(452,195)	(452,195)
Balances as at September 30, 2022	5,700,000	68,338	(113,986)	-	1,140,000	2,919,633	645,226	495,471	10,854,682	2,857,656	13,712,338

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

Cielo S.A. - Instituição de Pagamento

Statements of cash flows

For the nine-month period ended September 30, 2022 and September 30, 2021

(In thousands of Brazilian reais)

	Note	09/30/2022	09/30/2021
Cash flows from operating activities			
Profit before income tax and social contribution		1,716,826	1,039,688
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:			
Depreciation and amortization	10, 11 e 12	743,880	830,886
Disposals/losses on property and equipment and intangible assets	10, 11 e 12	68,940	216,254
Share of profit (loss) of investees	9	-	(542)
Exchange differences on property and equipment and intangible assets	10 e 12	72,799	(85,416)
Restricted shares granted		19,698	17,213
Transfer of treasury shares under the stock option plan		(32,017)	(13,362)
Losses on doubtful debts and fraud	20	118,129	278,147
Provision for tax, civil and labor risks	16	157,704	237,721
Exchange differences relating to interest on foreign borrowings	14	(82,062)	161,959
Gains (losses) on derivative financial instruments		(47,778)	36,143
Interest on borrowings	14	407,258	183,019
Amortization of debt issuance costs	14	347	25,145
Finance cost on lease	11	1,445	1,697
(Increase)/decrease in operating assets:			
Operating receivables		(6,235,460)	1,291,211
Receivables from related parties		(22,700)	(15,232)
Deferred income tax and social contribution		(67,361)	(73,352)
Prepaid and recoverable taxes		(159,403)	100,073
Escrow deposits	16.b)	(4,845)	3,978
Other receivables		43,178	(182,231)
Prepaid expenses		(31,219)	(98,753)
Financial instruments, including derivatives		(2,318,185)	143,030
Increase/(decrease) in operating liabilities:			
Trade payables		(266,386)	(150,581)
Taxes and contributions payable		(371,662)	(242,204)
Payables to merchants		2,553,480	(2,723,674)
Trade payables with related parties		40,830	1,145
Dividends payable		691,413	382,520
Provision for labor, tax and civil risks	16.a)	(39,465)	(42,746)
Leases payable		(5,427)	(13,724)
Other payables		(298,348)	(126,428)
Cash (used in)/generated by operations		(3,346,391)	1,181,584
Income tax and social contribution paid		(416,506)	(287,145)
Net cash (used in)/generated by operating activities		(3,762,897)	894,439
Cash flows from investing activities			
Divestiture of shares in subsidiaries		648,184	132,600
Purchases of Right of use assets	11	(1,274)	(4,054)
Purchases of property and equipment	10	(346,319)	(334,570)
Sale of intangible assets		-	199,795
Purchases of intangible assets	12	(160,957)	(202,206)
Net cash generated by/(used in) investing activities		139,634	(208,435)
Cash flows from financing activities			
Borrowings		2,420,000	-
Payment of principal of borrowings, net of derivatives	14	(2,036,917)	(2,916,854)
Debt issuance costs incurred	14	(925)	(7,607)
Interest paid	14	(427,448)	(201,257)
Senior quotas - FIDC		664,247	7,546,355
Amortization of senior quotas - FIDC		(521,131)	(3,165,716)
Acquisition of treasury shares		(47,425)	(27,125)
Dividends and interest on capital paid		(745,863)	(454,278)
Leases paid	11	(6,920)	(8,685)
Net cash (used in)/generated by financing activities		(702,382)	764,833
(Decrease)/increase in cash and cash equivalents		(4,325,645)	1,450,837
Cash and cash equivalents			
Closing balance	4	1,014,558	4,958,078
Effect of exchange difference on foreign cash and cash equivalents		(26,109)	(42,840)
Opening balance	4	5,340,203	3,507,241
(Decrease)/increase in cash and cash equivalents		(4,325,645)	1,450,837

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

Cielo S.A. - Instituição de Pagamento

Statements of value added

For the nine-month period ended September 30, 2022 and September 30, 2021

(In thousands of Brazilian reais)

	Note	09/30/2022	09/30/2021
Revenues			
Sales of services	19	8,975,958	9,584,626
Loss on doubtful debts, chargeback and fraud	20	(118,129)	(278,146)
		<u>8,857,829</u>	<u>9,306,480</u>
Inputs purchased from third parties			
Cost of services provided		(3,832,526)	(5,086,910)
Materials, electric energy, outside services and others		(400,194)	(510,454)
Other expenses, net		147,217	117,846
(Impairment) recovery of assets	20	(63,317)	(60,933)
		<u>(4,148,820)</u>	<u>(5,540,451)</u>
Gross value added		<u>4,709,009</u>	<u>3,766,029</u>
Retentions			
Depreciation and amortization	10, 11 e 12	(743,880)	(830,886)
Wealth created, net		<u>3,965,129</u>	<u>2,935,143</u>
Wealth received in transfer			
Share of profit (loss) of investees	9	-	542
Finance income, including purchase of receivables and exchange differences, net	26	904,756	516,498
		<u>904,756</u>	<u>517,040</u>
Total wealth for distribution		<u>4,869,885</u>	<u>3,452,183</u>
Distribution of wealth			
Personnel and related taxes		(704,738)	(677,421)
Salaries and wages		(599,551)	(592,758)
Benefits		(67,829)	(56,697)
Severance pay fund (FGTS)		(37,358)	(27,966)
Profit sharing	23	(129,372)	(95,822)
Taxes and contributions		(1,548,658)	(1,401,119)
Federal		(1,330,561)	(1,114,977)
State		(19)	(265)
Municipal		(218,078)	(285,877)
Interest and rental expenses		(1,189,105)	(531,664)
Rentals		(3,981)	(6,326)
Interest		(1,127,828)	(467,380)
Other		(57,296)	(57,958)
Dividends and interest on capital paid		(510,104)	(253,423)
Dividends and interest on capital proposed		(148,851)	(74,803)
Earnings/loss retention		(424,470)	(298,028)
Non-controlling interests		(214,587)	(119,903)
Wealth distributed		<u>(4,869,885)</u>	<u>(3,452,183)</u>

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

Cielo S.A. - Instituição de Pagamento

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

1 Operations

Cielo S.A. - Instituição de Pagamento (the “Company” or “Cielo”) was established in Brazil on November 23, 1995 and is primarily engaged in providing services related to credit and debit cards and other means of payment, including signing up of merchants and service providers, rental, installation and maintenance of POS (point-of-sale) terminals, data capture and processing of electronic and manual transactions, as well as the issue 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 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 “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, maintenance services and contacts with merchants for acceptance of credit and debit cards, data transmission services to load fixed or mobile phone credits, development and licensing of computer software, processing of electronic transactions, IT services for collection and management of accounts payable and receivable using the Internet.

Significant events for the quarter

In the quarter ended September 30, 2022, we highlight the following event:

- On September 23, 2022, interest on capital was paid in the amount of R\$ 224,210, referring to the second quarter of 2022.

2 Significant accounting practices

2.1 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The financial information was approved by the Company's Board of Directors and authorized for issue on October 31, 2022.

The accounting practices applied in the preparation of this consolidated interim financial information are the same as those used in the prior year, disclosed in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2021, approved and published on February 2, 2022 and made available on the CVM website. Therefore, the corresponding interim financial information should be read in conjunction with the Consolidated Financial Statements as at December 31, 2021.

Cielo S.A. - Instituição de Pagamento

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

2.2 Significant accounting judgments, estimates and assumptions

The preparation of interim financial information requires the Company's Management to adopt estimates that affect certain assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses for the period. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property and equipment and intangible assets, allowance for doubtful debts (on receivables from rental of POS equipment and receivables from card-issuing banks, for example), deferred income tax and social contribution (tax assets), impairment of goodwill (as 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.

3 Consolidated interim financial information

The consolidated interim financial information includes the interim financial information of the Company and its subsidiaries and its investment funds. Control is obtained when the Company has the power to control the financial and operating policies of a company to benefit from its activities.

When necessary, the interim financial information of the subsidiaries is adjusted to conform their accounting practices to those established by the Group. All transactions, balances, revenues and expenses among Group companies are fully eliminated in the consolidated financial statements.

For subsidiaries and investment funds (FIDCs and FIC), the full consolidation concept was applied, intended for investments in subsidiaries and entailing the recognition of their assets, liabilities, income and expenses in the parent, thus requiring the recognition of noncontrolling interests.

The consolidated financial statements include the following direct and indirect subsidiaries, joint ventures and investment funds:

As at September 30, 2022 and December 31, 2021, the Group consisted of the following companies:

Companies	Interest in the capital (%)	
	09/30/2022	12/31/2021
Direct interest in Subsidiaries and funds:		
Servinet Serviços Ltda. ("Servinet")	99.99	99.99
Cateno Gestão de Contas de Pagamentos S.A. ("Cateno")	70.00	70.00
Cielo USA, Inc. ("Cielo USA")	100.00	100.00
Aliança Pagamentos e Participações Ltda. ("Aliança")	99.99	99.99
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC")	100.00	100.00
Fundo de Investimento em Direitos Creditórios Cielo ("FIDC Plus")	92,15	88.48
Fundo de Investimento em Direitos Creditórios Cielo Emissores I ("FIDC Emissor I")	12,69	10.63
Fundo de Investimento em Direitos Creditórios Cielo Emissores II ("FIDC Emissor II")	11,22	09.94
Fundo de Investimento em Direitos Creditórios Cielo Receba Mais ("FIDC Receba Mais")	-	56.82
Fundos de Investimento em Cotas de Fundo de Investimentos ("FICs")	100.00	100.00
Stelo S.A. ("Stelo")	100.00	100.00
Merchant E-Solutions, Inc. ("MerchantE")	-	100.00
Paggo Soluções e Meios de Pagamento S.A. ("Paggo")	50.00	50.00

Cielo S.A. - Instituição de Pagamento

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

4 Cash and cash equivalents

	<u>09/30/2022</u>	<u>12/31/2021</u>
Cash	121,064	350,104
Open market investments	9,082	190,628
Cash-equivalent financial instruments	884,412	4,799,471
Total	<u>1,014,558</u>	<u>5,340,203</u>

The details of each cash and cash equivalents group are as follows:

Cash

	<u>09/30/2022</u>	<u>12/31/2021</u>
Cash and banks:		
In local currency	14,305	174,912
In foreign currency	106,759	175,192
Total	<u>121,064</u>	<u>350,104</u>

Open market investments

As at September 30, 2022 and December 31, 2021, the Company does not have open market investment balances:

	<u>Maturity range</u>	<u>Total</u>	
	<u>0 – 30</u>	<u>09/30/2022</u>	<u>12/31/2021</u>
Foreign currency investments	-	-	176,072
Repurchase agreements	9,082	9,082	14,556
Total	<u>9,082</u>	<u>9,082</u>	<u>190,628</u>

The income from the investments described above is shown in note 26 – Finance income (costs).

Cash equivalent financial instruments

Breakdown of the asset and liability balances and classification of the portfolio by category and terms of the financial instruments classified as cash and cash equivalents are as follows:

	<u>09/30/2022</u>					<u>12/31/2021</u>	
	<u>Maturity</u>			<u>Total</u>		<u>Total</u>	
	<u>0 - 30</u>	<u>31 - 365</u>	<u>Above 365</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Held-to-maturity securities							
Private securities	873,443	685	10,304	884,412	883,573	4,799,471	4,796,653
Investment fund shares	867,732	-	-	867,732	867,117	4,690,595	4,688,276
Bank Deposit Certificate - CDB	5,691	685	416	6,792	6,568	57,059	56,562
Financial Bills - LF	-	-	9,888	9,888	9,888	10,588	10,588
Others	-	-	-	-	-	41,229	41,227
Total	<u>873,423</u>	<u>685</u>	<u>10,304</u>	<u>884,412</u>	<u>883,573</u>	<u>4,799,471</u>	<u>4,796,653</u>

The market 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

Cielo S.A. - Instituição de Pagamento

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

values are estimated based on quotations from distributors, pricing models, quotation models or quotations of prices for instruments with similar characteristics. In the case of investments in investment funds, the updated cost reflects the market value of the respective shares. Even though securities have maturities of more than 90 days, investments are highly liquid and readily convertible into a known cash amount, without any restriction as to their settlement, and are used as part of the Company's cash management.

The income from the investments described above is shown in note 26 – Finance income (costs).

5 Financial instruments, including derivatives

	<u>09/30/2022</u>	<u>12/31/2021</u>
Assets:		
Derivative financial instruments (a)	-	34,815
Other financial instruments (b)	2,535,209	485,678
Total	<u>2,535,209</u>	<u>520,493</u>
Total current	2,257,956	246,082
Total noncurrent	277,253	274,411
Liabilities:		
Derivative financial instruments (a)	6,670	-
Total	<u>6,670</u>	<u>-</u>

a. Derivative financial instruments

According to the internal policy, the Company's finance income (costs) must arise from the generation of cash from its activities rather than from speculative gains in the financial market. Accordingly, it considers that derivatives should only be used to hedge against potential exposures arising from the risks to which it is subject, without speculative purposes. The criterion adopted for definition of the notional value of the derivatives is linked to the amount of the liabilities and/or assets exposed to risks.

As at September 30, 2022, the Company has "Non-Deliverable Forward - NDF" instruments in the total notional amount of US\$ 65,664 thousand (US\$ 67,807 thousand as at December 31, 2021) with maturity dates according to the payment of the semiannual installments of interest and bullet principal falling due in November 2022. The fair value payable (liability) and receivable (asset) of the NDF instruments as at September 30, 2022 is R\$ 6,670 and value receivable (asset) is R\$ 34,815, respectively, as at December 31, 2021.

b. Other financial instruments

As of September 30, 2022 and December 31, 2021, the balances consist of held-to-maturity securities, as follows:

Cielo S.A. - Instituição de Pagamento

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

	09/30/2022				12/31/2021	
	Maturity		Total		Total	
	61 - 90	Above 365	Market Value	Cost	Market Value	Cost
Held-to-maturity securities						
Fixed-income securities abroad	2,257,956	-	2,257,956	2,143,348	188,492	188,492
Financial Bills - LF	-	181,046	181,046	181,046	202,508	202,508
National Treasury Bills - LTN	-	96,207	96,207	84,000	88,328	88,328
Debentures	-	-	-	-	6,350	6,350
Total	2,257,956	277,253	2,535,209	2,408,394	485,678	485,678

Fixed-income securities abroad - As part of the structure created to hedge against exchange rate fluctuation of the Bonds, the Company has financial investments in foreign currency with Banco do Brasil, from New York, and Banco Bradesco S.A. – Grand Cayman Branch in the amount of US\$ 33,630 thousand at an interest rate of 3.15% p.a. and Banco Bradesco S.A. - Grand Cayman Branch in the amount of US\$ 395,000 thousand, at an interest rate varying between 2.09% p.a. and 3,68% p.a., all with maturity for November 2022.

c. Financial assets and liabilities

The estimated realizable values of the Cielo Group's financial assets and liabilities were determined using available market inputs and appropriate valuation methodologies. However, considerable judgment was required to interpret market inputs and then develop the most appropriate realizable value estimates. Accordingly, estimates are not necessarily indicative of the amounts that could be realized in the market. The use of different market methodologies may have a material effect on the estimated realizable values.

These financial instruments are managed through operating strategies that aim at obtaining liquidity, profitability and security. The control policy consists of ongoing monitoring of the contracted rates compared to market rates. The Cielo Group does not make investments for speculative purposes, either in derivatives or in other risk assets.

As at September 30, 2022 and December 31, 2021, the estimated market values of the financial instruments are as follows:

	Measurement criterion	09/30/2022		12/31/2021	
		Fair value level 1	Fair value level 2	Total	Total
Operating receivables	Amortized cost	-	84,981,210	84,981,210	79,142,953
Financial instruments, including derivatives:		96,207	2,439,002	2,535,209	520,493
Financial instruments	Amortized cost	96,207	2,439,002	2,535,209	485,678
Financial instruments derivatives	Fair value through profit or loss	-	-	-	34,815
Other receivables	Amortized cost	-	214,780	214,780	118,975
Total financial assets		96,207	87,634,992	87,731,199	79,782,421
Payables to merchants	Amortized cost	-	71,699,254	71,699,254	69,530,057
Borrowings	Amortized cost	-	6,575,357	6,575,357	6,295,104
Financial instruments derivatives	Fair value through profit or loss	-	6,670	6,670	-
Trade payables	Amortized cost	-	66,587	66,587	332,973
Obligations with FIDC and investment fund shares	Amortized cost	-	7,400,190	7,400,190	7,272,612
Other payables	Amortized cost	-	711,749	711,749	626,785
Leases payable	Fair value through profit or loss	-	37,408	37,408	48,310
Total financial liabilities		-	86,497,215	86,497,215	84,105,841

Cielo S.A. - Instituição de Pagamento

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

The market value of financial assets and liabilities and short and long-term financing, when applicable, was determined using current interest rates available for remaining operations, with similar conditions and maturities.

The Company applies IFRS 9 - Financial Instruments and IFRS 13 – Fair Value Measurement. Financial assets were measured in the statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following hierarchy:

- Level 1 are quoted prices (not adjusted) in active markets for identical assets or liabilities to which the entity may have access on the measurement date.
- Level 2 is information that is observable for the asset or liability, whether directly or indirectly, except for quoted prices included in Level 1.
- Level 3 is unobservable data for the asset or liability.

The methodologies used to estimate fair value are described below:

- **Cash and cash equivalents:** For repurchase agreements backed by debentures, the fair value is calculated at the current quotation available in organized stock markets. For investments in CDB and in investment funds, the fair value is determined based on the updated DI interest rate made available to the market through official bodies (B3, BACEN etc.) and based on the updated values of the shares disclosed on the CVM website, respectively.
- **Borrowings:** The fair value of borrowings was calculated based on the estimated payments of principal and interest up to their maturity, with the contract rates.
- **Payables and receivables:** The fair value of Operating receivables, Payables to merchants, Other receivables, Trade Payables and Other payables are stated at the expected settlement amounts on the maturity dates.
- **Investment funds in credit rights:** Under normal conditions, the fund's share value is an adequate indicator of fair value.
- **Derivative financial instruments:** Their cash flows are discounted to present value according to market curves.

6 Credit rights investment fund (“FIDCs”)

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

Funds

Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo (“FIDC NP”) started its activities on August 5, 2016 in the form of an open-ended condominium, exclusive and for an

Cielo S.A. - Instituição de Pagamento

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

indeterminate period. From July 31, 2017 until the updating of the regulation on June 3, 2019, the fund did not operate new purchases of receivable. After update, the fund went back to operating with new purchases.

Fundo de Investimento em Direitos Creditórios Cielo (“FIDC Plus”) started its activities on July 28, 2017 in the form of a closed condominium, restricted to professional investors and with an indefinite term. The senior shares’ yields are paid semiannually and keep the minimum subordination index of 20%.

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

Fundo de Investimento em Direitos Creditórios Cielo Emissores I (“FIDC Emissor I”) started its activities on March 16, 2021 in the form of a closed condominium, restricted to professional investors and with indefinite term. The senior shares’ yields are paid semiannually and keep the minimum subordination index of 10%.

Fundo de Investimento em Direitos Creditórios Cielo Emissores II (“FIDC Emissor II”) started its activities on May 13, 2021 in the form of a closed condominium, restricted to professional investors and with indefinite term. The senior shares’ yields are paid semiannually, with minimum subordination indexes of 9.1%.

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

All funds are governed by CMN Resolution No. 2,907/01, by CVM Rulings 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 September 30, 2022 and December 31, 2021 is presented below:

	09/30/2022			
	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC NP	57,285	320,648	320,648	-
FIDC Plus	627,341,367	7,744,676	7,136,858	607,818
Senior	600,000	607,818	-	607,818
Subordinated	626,741,367	7,136,858	7,136,858	-
FIDC Emissor I	2,222,223	2,303,618	292,288	2,011,330
Senior	2,000,000	2,011,330	-	2,011,330
Subordinated	222,223	292,288	292,288	-
FIDC Emissor II	4,965,131	5,354,732	600,876	4,753,856
Senior	4,500,000	4,753,856	-	4,753,856
Subordinated	465,131	600,876	600,876	-
Total	634,586,006	15,723,674	8,350,670	7,373,004

Cielo S.A. - Instituição de Pagamento

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

	31/12/2022			
	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC NP	57,285	29,339	29,339	-
FIDC Plus	346,278,618	5,370,187	4,751,723	618,464
Senior	600,000	618,464	-	618,464
Subordinated	345,678,618	4,751,723	4,751,723	-
FIDC Receba Mais	242,294	72,043	40,937	31,106
Senior	200,000	31,106	-	31,106
Subordinated	42,294	40,937	40,937	-
FIDC Emissor I	2,222,223	2,293,737	243,926	2,049,811
Senior	2,000,000	2,049,811	-	2,049,811
Subordinated	222,223	243,926	243,926	-
FIDC Emissor II	4,965,131	5,060,505	502,812	4,557,693
Senior	4,500,000	4,557,693	-	4,557,693
Subordinated	465,131	502,812	502,812	-
Total	353,765,551	12,825,811	5,568,737	7,257,074

The statements of financial position as at September 30, 2022 and December 31, 2021 are as follows:

	09/30/2022			12/31/2021		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
FIDC NP	323,242	2,594	320,648	29,487	148	29,339
FIDC Plus	7,745,250	574	7,744,676	5,371,989	1,802	5,370,187
FIDC Receba Mais	-	-	-	72,260	217	72,043
FIDC Emissor I	2,303,662	44	2,303,618	2,293,744	7	2,293,737
FIDC Emissor II	5,354,770	38	5,354,732	5,060,528	23	5,060,505
Total	15,726,924	3,250	15,723,674	12,828,008	2,197	12,825,811

The statements of profit or loss of the funds for the three and nine-month periods ended September 30, 2022 and 2021 are as follows:

	Three-month period					
	09/30/2022					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	2,929	290,329	-	-	-	293,258
Income - Credit rights Card issuing banks	-	-	-	93,722	211,978	305,700
Finance income	2,085	15,443	-	1,581	92	19,201
Finance costs	(7,133)	(2,506)	-	(377)	(431)	(10,447)
Other operating expenses	336	(436)	-	(250)	(251)	(601)
Profit/(loss) for the quarter	(1,783)	302,830	-	94,676	211,388	607,111
Remuneration –Senior Share	-	22,552	-	75,923	172,286	270,761
Remuneration –Subordinated Share	(1,783)	280,278	-	18,753	39,102	336,350

	Three-month period					
	09/30/2021					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	1,968	107,014	422	-	-	109,404
Income - Credit rights Card issuing banks	-	-	-	31,862	78,269	110,131
Finance income	196	14,789	2,941	8,132	16,514	42,572
Finance costs	(283)	(525)	(140)	(266)	(191)	(1,405)
Other operating expenses	(6,697)	(183)	(241)	(222)	(322)	(7,665)
Profit/(loss) for the quarter	(4,816)	121,095	2,982	39,506	94,270	253,037
Remuneration –Senior Share	-	16,757	3,462	32,430	75,457	128,106
Remuneration –Subordinated Share	(4,816)	104,338	(480)	7,076	18,813	124,931

Cielo S.A. - Instituição de Pagamento

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

	Nine-month period					
	09/30/2022					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	4,549	699,916	148	-	-	704,613
Income - Credit rights Card issuing banks	-	-	-	237,666	539,655	777,321
Finance income	4,590	51,081	795	10,745	14,074	81,285
Finance costs	(13,543)	(11,691)	(82)	(1,015)	(1,086)	(27,417)
Other operating expenses	1,335	(936)	(158)	(695)	(766)	(1,220)
Profit/(loss) for the nine-month period	(3,069)	738,370	703	246,701	551,877	1,534,582
Remuneration –Senior Share	-	59,174	318	198,339	453,812	711,643
Remuneration –Subordinated Share	(3,069)	679,196	385	48,362	98,065	822,939

	Nine-month period					
	09/30/2021					
	FIDC NP	FIDC Plus	FIDC Receba Mais	FIDC Emissor I	FIDC Emissor II	Total
Income - Credit rights	5,176	301,678	578	-	-	307,432
Income - Credit rights Card issuing banks	-	-	-	53,460	81,241	134,701
Finance income	542	32,607	4,361	17,042	38,820	93,372
Finance costs	(312)	(1,451)	(251)	(565)	(320)	(2,899)
Other operating expenses	(12,007)	(697)	(351)	(482)	(441)	(13,978)
Profit/(loss) for the nine-month period	(6,601)	332,137	4,337	69,455	119,300	518,628
Remuneration –Senior Share	-	73,281	5,326	58,884	106,364	243,855
Remuneration –Subordinated Share	(6,601)	258,856	(989)	10,571	12,936	274,773

7 Operating receivables

	09/30/2022	12/31/2021
Receivables from card-issuing banks	84,981,210	79,142,953
Receivables from card-issuing banks	84,981,210	78,921,086
Receivables from processed transactions and interchange	-	221,867
Other receivables	214,780	118,975
Total	85,195,990	79,261,928
Current	85,045,447	79,232,851
Noncurrent	150,543	29,077

Receivables from card-issuing banks corresponds to the flow of receivables from credit and debit card transactions made by cardholders, net of prepayment and assignment with issuing banks.

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 nine-month periods ended September 30, 2022 and 2021 is as follows:

Cielo S.A. - Instituição de Pagamento

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

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Profit before income tax and social contribution	669,012	382,887	1,716,826	1,039,688
Statutory rates - %	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(227,464)	(130,182)	(583,721)	(353,494)
Tax benefit of interest on capital	50,609	25,433	148,987	76,034
Tax benefit of R&D	-	-	3,724	1,003
Share of profit (loss) of investees	-	-	-	184
Difference of income tax rate - USA	(1,914)	(7,560)	5,420	(21,972)
Effect on permanent differences, net	9,762	(2,844)	6,776	4,714
Income tax and social contribution	(169,007)	(115,153)	(418,814)	(293,531)
Current	(159,385)	(186,840)	(517,118)	(389,623)
Deferred	(9,622)	71,687	98,304	96,092

b. Deferred income tax and social contribution

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

Deferred income tax and social contribution 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

	09/30/2022	12/31/2021
Provision for risks	768,243	727,848
Accrual for sundry expenses	362,559	388,309
Provision for variable compensation	62,164	-
Income tax and social contribution tax losses	65,908	76,662
Allowance for losses	94,184	92,486
Total	1,353,058	1,285,305

	09/30/2021	12/31/2020
Provision for risks	696,874	610,917
Accrual for sundry expenses	345,575	335,084
Income tax and social contribution tax losses	79,051	93,678
Allowance for losses	113,765	122,719
Total	1,235,265	1,162,398

According to Management's best estimate, part of the tax credits recognized on the accrual for sundry expenses, allowance for losses on POS equipment, allowance for doubtful debts and fraud in the amount of R\$ 518,906 will be realized mainly in the next twelve months. The remaining portion in the amount of R\$ 834,151 be realized in a period longer than 12 months and includes the credits on the provision for risks, which depend on the final outcome of each lawsuit, partially estimated in up to 5 years, except for the provisions for labor risks which are estimated to be realized in up to 10 years, according to the development of the lawsuit described in note 16.

We present below the expected tax credit per year:

Cielo S.A. - Instituição de Pagamento

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

	<u>09/30/2022</u>
2022	62,487
2023	273,019
2024	193,200
2025	90,296
2026	261,687
2027 to 2031	472,369
Total	<u>1,353,058</u>

c. Taxes payable

	<u>09/30/2022</u>	<u>12/31/2021</u>
Income tax and social contribution, net of prepayments	194,926	125,828
Contribution for Social Security Funding - COFINS	42,257	45,985
Tax on Services – ISS	16,012	14,856
Social Integration Program – PIS	8,887	9,762
Other taxes payable	25,195	22,608
Total	<u>287,277</u>	<u>219,039</u>

9 Investments

The main information on joint ventures relating to investment amounts and share of profit (loss) of investees recorded in the consolidated financial information is presented in the table below:

Cielo S.A. - Instituição de Pagamento

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

09/30/2022									09/30/2022		
% Equity interest	Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss)		Share of profit (loss) of investees for the three-month period	Share of profit (loss) of investees for the nine-month period	Investments
Joint ventures:											
Paggo (a)	50.00	-	340	(340)	-	-	-	-	-	-	-
Total									<u>-</u>	<u>-</u>	<u>-</u>
12/31/2021				09/30/2021				09/30/2021		12/31/2021	
% Equity interest	Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss)		Share of profit (loss) of investees for the three-month period	Share of profit (loss) of investees for the nine-month period	Investments
Joint ventures:											
Orizon	40.95	-	-	-	13,146	3,868	217	1,482	-	607	-
Paggo (a)	50.00	-	340	(340)	-	-	(130)	(130)	-	(65)	-
Total									<u>-</u>	<u>542</u>	<u>-</u>

- (a) As at September 30, 2022 and 2021, Paggo had negative equity, for this reason the investment amount was reclassified as Other Payables – Others.

Cielo S.A. - Instituição de Pagamento

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

Changes in investments for the nine-month ended September 30, 2022 and 2021 are as follows:

Balance as at December 31, 2020	132,058
Sale of interest – Orizon	(132,600)
Share of profit (loss) of investees	542
Balance as at September 30, 2021	<u>-</u>
Balance as at December 31, 2021	<u>-</u>
Balance as at September 30, 2022	-

10 Property and equipment

	Annual depreciation rate - %	09/30/2022			12/31/2021
		Cost	Accumulated depreciation	Net	Net
POS equipment	20	1,830,613	(964,890)	865,723	791,375
Data processing equipment	20	246,861	(159,822)	87,039	104,780
Machinery and equipment	10 - 20	25,020	(23,680)	1,340	33,096
Facilities	10	68,722	(39,159)	29,563	36,008
Furniture and fixtures	10	8,027	(4,215)	3,812	5,099
Vehicles	20	954	(567)	387	793
Total		2,180,197	(1,192,333)	987,864	971,151

Changes in property and equipment for the nine-month ended September 30, 2022 and 2021 are as follows:

	12/31/2021	Additions	Disposals/ Estimated losses	Depreciation	Exchange differences	Sale of MerchantE	09/30/2022
POS equipment	791,375	333,055	(27,916)	(230,490)	(29)	(272)	865,723
Data processing equipment	104,780	10,646	(231)	(25,452)	(385)	(2,319)	87,039
Machinery and equipment	33,096	65	(48)	(2,256)	(4,604)	(24,913)	1,340
Facilities	36,008	2,292	(3,805)	(4,932)	-	-	29,563
Furniture and fixtures	5,099	261	(1,151)	(397)	-	-	3,812
Vehicles	793	0	(215)	(191)	-	-	387
Total	971,151	346,319	(33,366)	(263,718)	(5,018)	(27,504)	987,864

	12/31/2020	Additions	Transfers	Disposals/ Estimated losses	Depreciation	Exchange differences	09/30/2021
POS equipment	793,371	290,722	-	(72,227)	(202,867)	5	809,004
Data processing equipment	115,266	21,786	220	(6,401)	(25,882)	233	105,222
Machinery and equipment	19,652	17,261	(220)	-	(4,976)	1,411	33,128
Facilities	48,323	4,722	-	(11,628)	(5,618)	-	35,799
Furniture and fixtures	8,846	79	-	(2,947)	(838)	-	5,140
Vehicles	1,298	-	-	(170)	(236)	-	892
Total	986,756	334,570	-	(93,373)	(240,417)	1,649	989,185

As at September 30, 2022 and December 31, 2021, the property and equipment balance includes estimated losses on POS equipment of R\$ 60,885 and R\$ 60,847, respectively.

Cielo S.A. - Instituição de Pagamento

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

11 Right of use assets and lease liabilities

The changes in right of use asset made up of rentals from property used in the agreement period, for the nine-month ended September 30, 2022 and 2021 are as follows:

Closing balance at December 31, 2020	68,891
Additions	4,054
Amortization	(6,967)
Disposals	(17,791)
Closing balance at September 30, 2021	48,187
Closing balance at December 31, 2021	41,700
Additions	1,274
Amortization	(5,444)
Disposals	(6,182)
Closing balance at September 30, 2022	31,348

The changes in lease liability, made up of the obligations owed to the lessor during the term of property use in lease liability for the nine-month ended September 30, 2022 and 2021 are as follows:

Closing balance at December 31, 2020	78,085
Register of lease agreements payable	4,811
Financial charges on leases payable	(493)
Derecognition of lease agreements payable	(18,042)
Lease payment	(8,685)
Finance cost	1,697
Closing balance at September 30, 2021	57,373
Closing balance at December 31, 2021	48,310
Register of lease agreements payable	1,430
Financial charges on lease payable	(156)
Derecognition of lease agreements payable	(6,701)
Lease payment	(6,920)
Finance cost	1,445
Closing balance at September 30, 2022	37,408
Current	8,547
Noncurrent	28,861

Lease maturities:

Year	
2022	2,438
2023	9,536
2024	7,369
2025	6,627
2026	5,708
Above 5 years	10,794
Total	42,472
Interest and present value adjustment	(5,064)
Leases payable	37,408

Cielo S.A. - Instituição de Pagamento

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

12 Intangible assets

	<u>09/30/2022</u>	<u>12/31/2021</u>
Goodwill on acquisition of investments	25,966	212,100
Other intangible assets	9,142,077	9,734,557
Total	<u>9,168,043</u>	<u>9,946,657</u>

a. Goodwill on acquisition of investments

As at September 30, 2022, the goodwill on acquisition of investments in subsidiaries is recognized in line item “Intangible assets” in the consolidated statements of financial position, broken down as follows:

	<u>09/30/2022</u>	<u>12/31/2021</u>
Braspag	25,966	25,966
MerchantE	-	186,134
Total	<u>25,966</u>	<u>212,100</u>

Changes in goodwill in the years ended September 30, 2022 and 2021 are as follows:

Balance at December 31, 2020	1,477,388
Foreign exchange variation	66,627
Realization of tax benefit on goodwill	(1,456)
Balance at September 30, 2021	<u>1,542,559</u>
Balance at December 31, 2021	212,100
Foreign exchange variation	(28,108)
MerchantE’s goodwill write-off	(158,026)
Balance at September 30, 2022	<u>25,966</u>

b. Other intangible assets

The breakdown of other intangible assets is as shown below:

	Annual amortization rate - %	<u>09/30/2022</u>			<u>12/31/2021</u>
		Cost	Accumulated amortization	Net	Net
Right to use Ourocard Payment Arrangement (a)	3,33	11,572,000	(2,925,144)	8,646,856	8,936,156
Software (b)	6,66 - 20	1,386,115	(894,503)	491,612	691,523
Relationship with customers	4 - 20	426,182	(426,182)	-	71,565
Project development	20	9,785	(6,650)	3,135	34,268
Service agreements	8 - 20	400	-	400	971
Trademarks	10	74	-	74	74
Total		<u>13,394,556</u>	<u>(4,252,479)</u>	<u>9,142,077</u>	<u>9,734,557</u>

- (a) **Right to 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

Cielo S.A. - Instituição de Pagamento

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

management activities under the Ourocard Payment Arrangement, rights over the management of the purchase functionalities through debit under the Ourocard Payment Arrangement, and participation in the Ourocard Payment Arrangement as a Payment Institution.

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

In the second quarter of 2022, the assessment of the impacts on technology in the project to update the service and logistics channels, aimed at improving customer relationship processes, was completed. In this sense, software was identified that will be discontinued/replaced by new technological solutions. Pursuant to CPC 01 (R1) - Reduction in the recoverable value of assets, the Company reassessed the expectation of recovery of these software, based on the projections of future financial flows considering the early termination of use and determined an impairment balance of R\$ 40,6 million, fully recorded in the result for the quarter under the heading of other operating income/expenses.

Changes in intangible assets for the years ended September 30, 2022 and 2021 are as follows:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Exchange differences</u>	<u>Sale of MerchantE</u>	<u>09/30/2022</u>
Right to use Ourocard Payment Arrangement	8,936,156	-	-	(289,300)	-	-	8,646,856
Software	691,523	159,496	(37,052)	(152,529)	(29,928)	(139,898)	491,612
Relationship with customers	71,565	-	-	(31,913)	(9,459)	(30,193)	-
Project development	34,268	1,461	-	(976)	(286)	(31,332)	3,135
Service agreements	971	-	(571)	-	-	-	400
Trademarks	74	-	-	-	-	-	74
Total	<u>9,734,557</u>	<u>160,957</u>	<u>(37,623)</u>	<u>(474,718)</u>	<u>(39,673)</u>	<u>(201,423)</u>	<u>9,142,077</u>
	<u>12/31/2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Exchange differences</u>	<u>09/30/2021</u>
Right to use Ourocard Payment Arrangement	9,321,889	-	-	-	(289,300)	-	9,032,589
Software	828,629	177,027	23,838	(92,107)	(194,018)	10,287	753,656
Relationship with customers	194,327	842	-	-	(97,821)	6,872	104,220
Project development	66,880	24,337	(23,838)	(11,527)	(2,363)	(10)	53,479
Service agreements	996	-	-	-	-	(9)	987
Trademarks	74	-	-	-	-	-	74
Total	<u>10,412,795</u>	<u>202,206</u>	<u>-</u>	<u>(103,634)</u>	<u>(583,502)</u>	<u>17,140</u>	<u>9,945,005</u>

Expenses on depreciation and amortization of property and equipment and amortization of intangible assets were recognized in “General and administrative expenses” and “Cost of services provided” in the statements of profit or loss.

Cielo S.A. - Instituição de Pagamento

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

13 Payables to merchants

As at September 30, 2022, the balance of Payables to merchants is R\$ 71,699,254 (R\$ 69,530,057 as at December 31, 2021). The balance refers to amounts for transactions related to sale of products and services using credit and debit cards payable to merchants, Company customers, net of compensation for the services rendered by Cielo and card-issuing banks.

In addition to the services of payments of the amounts transacted in credit and debit cards to merchants, the Company also guarantees accredited merchants that they will receive the amounts from credit card transactions. Based on the Company's history of losses due to default from card-issuing banks and the current credit risks of these institutions, the Company estimates that the fair value of the guarantees provided to merchants is not material and, therefore, is not recognized as a liability.

14 Borrowings

	<u>09/30/2022</u>	<u>12/31/2021</u>
Private debentures (a)	3,379,219	3,422,466
Long-term financing - "ten-year bonds" (b)	2,745,048	2,805,052
Working capital (c)	400,367	-
Financing of R&D	50,723	67,586
Total	<u>6,575,357</u>	<u>6,295,104</u>
Current	3,210,037	2,912,802
Noncurrent	3,365,320	3,382,302
Total	<u>6,575,357</u>	<u>6,295,104</u>

(a) Private debentures

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

		Remuneration
1 st issuance	2,359,449	111% of DI
2 nd issuance	700,000	100% of DI until 3/31/2015 and 111% of DI after 3/31/2015
3 rd issuance	400,000	100% of DI from the payment date to the day of removal from office of the "Transition Committee", or until the end of the nine-year period counted from the base date to be defined in the amendment to the Debenture Indenture. In case of any of the events, interest will be based on 111% of DI.

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

Cielo S.A. - Instituição de Pagamento

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

(b) Long-term financing - Ten-year bonds

In November 2012, the Company and its subsidiary Cielo USA completed a financial transaction whereby bonds were issued in the total amount of US\$ 875 million, of which US\$ 470 million were issued by the Company and US\$ 405 million were issued by subsidiary Cielo USA. The amount raised by Cielo USA was used to pay the acquisition of control of MerchantE. The financing obtained is subject to an interest rate of 3.75% per year. Interest is paid on a semiannual basis and principal will be paid in November 2022. The costs directly associated with the issuance of these bonds (banks, auditors and lawyers' fees) were recognized in liabilities and are allocated to profit or loss over the term of the agreement, using the amortized cost method. There are no covenants imposing financial restrictions related to the financial transaction of issuance of bonds.

In June 2019, there was the partial repurchase of the Bonds, related to the portion issued by the Company in the amount of US\$ 372.9 million, with the remaining debt balance of US\$ 97.1 million in the Parent Company and US\$ 405 million in Cielo USA.

(c) Working capital

In May 2022, the Company started a fundraising for working capital purposes through a credit line CCB (Bank Credit Note). As at September 30, 2022, the outstanding balance is R\$ 400 million with an average yield equivalent to CDI + 0.40%.

Changes in borrowings for the nine-month ended September 30, 2022 and 2021 are as follows:

Balance at December 31, 2020	8,944,612
Payment of principal	(2,916,854)
Exchange differences (principal and interest)	161,959
Accrued interest and charges	183,019
Interest paid	(201,257)
Debt issuance costs incurred	(7,607)
Amortization of debt issuance costs	25,145
Balance at September 30, 2021	6,189,017
Balance at December 31, 2021	6,295,104
New raisings	2,420,000
Payment of principal	(2,036,917)
Exchange differences (principal and interest)	(82,062)
Accrued interest and charges	407,258
Interest paid	(427,448)
Debt issuance costs incurred	(925)
Amortization of debt issuance costs	347
Balance at September 30, 2022	6,575,357

Cielo S.A. - Instituição de Pagamento

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

Breakdown of borrowings recorded in noncurrent liabilities

Borrowings classified as noncurrent as at September 30, 2022 and December 31, 2021 by maturity date are broken down as follows:

	09/30/2022	12/31/2021
Year of maturity		
2023	3,342,764	3,359,678
2024	22,556	22,556
Total borrowings	3,365,320	3,382,234
Debt issuance costs	-	68
Total	3,365,320	3,382,302

15 Other payables

	09/30/2022	12/31/2021
Current liabilities:		
Accrual for sundry expenses	257,515	221,370
Profit-sharing	120,706	140,446
Accrual for payroll and related charges	112,253	66,557
Other payables	167,651	173,593
Total	658,125	601,966
Noncurrent liabilities:		
Provision for payroll costs	47,000	16,164
Provision for sundry expenses	6,624	8,655
Total	53,624	24,819

Balance basically relating to expenses of subsidiaries: (i) Cateno on embossing and mailing of cards, and (ii) MerchantE on processing of transactions and fees paid to trading partners and banks (until April 2022).

16 Provision for tax, civil and labor risks and escrow deposits

a. Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before courts and government agencies, arising in the normal course of business and involving tax, labor, civil and other matters.

The Company and its subsidiaries, based on information from their legal counsel, on the analysis of pending lawsuits and past experience on the amounts claimed in labor, civil and tax lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the nine-months ended September 30, 2022 and 2021, as follows:

Cielo S.A. - Instituição de Pagamento

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

	12/31/2021	Additions	Write-offs/ reversals	Monetary adjustment	Payments	09/30/2022
Tax (a)	2,033,488	170,379	(69,411)	28,638	-	2,163,094
Labor (b)	69,439	17,212	(15,615)	6,411	(12,787)	64,660
Civil (c)	55,564	43,040	(30,143)	7,193	(26,678)	48,976
Total	2,158,491	230,631	(115,169)	42,242	(39,465)	2,276,730

	12/31/2020	Additions	Write-offs/ reversals	Monetary adjustment	Payments	09/30/2021
Total	1,838,719	255,833	(37,690)	19,578	(42,746)	2,033,694

The additions refer basically to the complement of the provision for tax risks in the nine-month periods ended September 30, 2022 and 2021, recorded with a matching entry in line items “Tax on services” and “Other operating 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 expenses, net” in the statements of profit or loss.

b. Deposits

In the nine-months ended September 30, 2022 and 2021, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows:

	12/31/2021	Additions	Write-offs	09/30/2022
Tax (a)	1,554,819	-	-	1,554,819
Labor (b)	12,824	2,793	(342)	15,275
Civil (c)	9,000	4,268	(1,874)	11,394
Total	1,576,643	7,061	(2,216)	1,581,488

	12/31/2020	Additions	Write-offs	09/30/2021
Total	1,578,987	5,040	(9,018)	1,575,009

(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 seeking to eliminate the demand for COFINS under the Law at a rate of 7.6%, making an escrow deposit for the monthly calculated amounts and recording the difference between the cumulative and non-cumulative regimes as provision for risks. As of September 30, 2022 and December 31, 2021, the amount of the provision for risks recognized and the amount of the escrow deposit is R\$ 1,517,141.
- **ISS Municipality (LC 157/16 and LC 175/20)** – As a result of the changes promoted by the Complementary Law 157/16 regarding the place of payment of the ISS, and later suspended by an injunction granted by the Supremo Tribunal Federal ("STF"), as well as the amendment to Complementary Law n° 175/20, the Company constituted a provision for risks in relation to the alleged amount due to the other municipalities of the Federation.

Cielo S.A. - Instituição de Pagamento

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

As at September 30, 2022, the amount of the provision for risks constituted is R\$ 404,641 (R\$ 316,971 as at December 31, 2021).

The Company and its subsidiaries estimate that the actual disbursement of provisions for tax risks will occur in up to 5 years and understands that the development of the lawsuits will depend on external factors not under the control of the Company and its subsidiaries.

(b) Labor lawsuits

Refer to labor lawsuits filed by former employees of the Company and its subsidiaries and also by former employees of their suppliers. In general, these lawsuits discuss matters such as salary equalization, overtime, labor effects from 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 the Company and its subsidiaries make payments in view of these lawsuits, the Company has an internal process for offset or reimbursement of these amounts with outsourced companies.

Based on the opinion of their legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of 58.33% of the mentioned provision for labor risks will occur within 5 years, and 41.67% within 10 years, and understands that the development of the lawsuits will depend on external factors not under the control of the Company and its subsidiaries.

(c) Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were 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 their legal counsel, the Management of the Company and its subsidiaries 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 will depend on external factors not under the control of the Company and its subsidiaries.

Additionally, as at September 30, 2022, the Company is a party to public civil lawsuits and civil inquiries, most of them filed by the Public Prosecutor's Office or associations, whose intention is to defend collective interests (such as consumers' rights and labor rights). Court decisions may grant rights to groups of people (even without their consent). In many situations, the group's decision on availing a favorable outcome will only be made after the final decision.

c. Contingent liabilities classified as possible losses

Additionally, as at September 30, 2022, the Company and its subsidiaries are also parties to tax, civil and labor lawsuits assessed by their legal counsel as possible likelihood of losses, for which no provision was recognized, as follows:

Cielo S.A. - Instituição de Pagamento

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

	<u>09/30/2022</u>	<u>12/31/2021</u>
Tax	1,081,863	714,971
Labor	144,560	103,919
Civil	464,048	365,908
Total	<u>1,690,471</u>	<u>1,184,798</u>

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

- **Social Security Contribution** – Requirement of the payment of Social Security Contribution on amounts distributed to employees in 2015, 2017 and 2018 as employee profit sharing and stock options, in the monetarily adjusted amounts of R\$ 70,131, R\$ 57,496 and R\$ 37,145, 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 profit between the years 2015 and 2016, in the monetarily adjusted amounts of R\$ 344,947 and R\$ 228,168, respectively.
- **PIS/COFINS** – Requirement of PIS and COFINS (taxes on revenue) at the rate of 9.25% on revenues from the purchase of receivables (“ARV”), related to the calendar years 2014 and 2015, in the monetarily adjusted amount of R\$ 767,782.

17 Equity

a. Issued capital

Capital as at September 30, 2022 is R\$ 5,700,000 (R\$ 5,700,000 as at December 31, 2021) represented by 2,716,815,061 common shares, all of them subscribed and paid in. As mentioned in note 18, the number of shares net of treasury shares as at September 30, 2022 is 2.694,289,252 (2,701,857,763 shares as at December 31, 2021).

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 establish 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 September 30, 2022 is R\$ 68,338 (R\$ 80,657 as at December 31, 2021).

Cielo S.A. - Instituição de Pagamento

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

c. Treasury shares

At the meeting held on April 08, 2022, the Board of Directors approved the new share repurchase program (“Program”), through which the Company was authorized to acquire up to R\$ 13,339,245 (thirteen million, three hundred and thirty-nine thousand, two hundred and forty-five) common shares, with no par value, of its issue, effective from April 11, 2022 to April 14, 2022, as detailed in the Communication on Trading of Shares of Own Issue, prepared as Attachment 30-XXXVI of CVM Ruling No. 480 disclosed on this date.

Changes in treasury shares are as follows:

	Shares	Amount	Average cost R\$ per share
Balance as at December 31, 2021	(14,957,298)	(98,578)	6.59
Exercise of Restricted Shares:			
January	324,868	2,141	6.59
February	18,478	122	6.59
March	1,496,525	9,863	6.59
May	2,286,070	11,568	5.06
July	1,544,529	7,815	5.06
August	21,459	109	5.06
September	78,805	399	5.06
Repurchase of shares - April	(13,339,245)	(47,425)	3.56
Balance as at September 30, 2022	<u>(22,525,809)</u>	<u>(113,986)</u>	5.06

d. Other comprehensive income

This balance refers to cumulative adjustments for translation into foreign currency of foreign investments and post-employment benefits, which are reclassified to profit or loss upon the actual realization of the balances. The balances below reflect cumulative translation adjustments at the end of the reporting period, as follows:

	09/30/2022	12/31/2021
Exchange differences on foreign investments	1,054,393	915,549
Gain (loss) on hedge instruments (“bonds”) related to foreign operations	(546,262)	(546,262)
Gain (loss) on hedge instruments” (“NDF”) related to foreign operations	(10,645)	(10,645)
Post-employment benefits, net	(2,015)	(2,015)
Total	<u>495,471</u>	<u>356,627</u>

e. Earnings reserve – legal

It is set up on the basis of 5% of the profit calculated at the end of the period, pursuant to article 193 of Law No. 6,404/76, up to the limit of 20% of the issued capital. The profit to calculate the legal reserve corresponds to that presented in accordance with BACEN accounting standards. The balance of the legal reserve as at September 30, 2022 is R\$ 1,140,000 (R\$ 1,140,000 as at December 31, 2021), and the setup limit of 20% was reached in October 2020.

f. Earnings reserve – capital budget

The capital budget will be used to strengthen the Company’s working capital, allowing more robustness and financial stability with a view to (a) enabling the growth projected for the fiscal year 2022 of the volume paid in advance, in up to two business days, to Cielo’s merchant

Cielo S.A. - Instituição de Pagamento

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

customers, arising from cash and installment credit card transactions captured by the Company; and (b) repurchase of shares issued by the Company, under the terms and up to the limit permitted by CVM Ruling 567.

The Financial Statements for the year ended December 31, 2021 and the capital budget proposal for the 2022 appraiser were approved by the Company's shareholders at the Ordinary General Meeting ("OGM") held on April 27, 2022. The capital budget reserve totals R\$ 2,919,633 as at September 30, 2022 and December 31, 2021.

g. Dividends and interest on capital

Under the Company's bylaws, shareholders are entitled to a mandatory minimum dividend of 30% of the profits earned (after the recognition of the legal reserve) at the end of each financial year, in accordance with Laws No 9.430/96 and 9.249/95, article 9, the amount of interest paid or credited by the legal entity, as remuneration of own capital, can be attributed to the amount of dividends.

The allocation of the remaining balance of the profit for the year will be decided at the ordinary general meeting. At year-end, the Company recognizes the provision for the minimum dividend that has not yet been distributed during the year up to the limit of the mandatory minimum 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 statements of financial position approved by the shareholders.

At the meeting held on May 3, 2022, the Company's Board of Directors approved the payment of interest on capital for the first quarter of 2022 subject to ratification at the Ordinary General Meeting, in the amount of R\$ 65,138, which was made on May 24, 2022.

At the meeting held on August 2, 2022, the Company's Board of Directors approved the payment of interest on capital for the second quarter of 2022 subject to ratification at the Ordinary General Meeting, in the amount of R\$ 224,210, which was made on September 23, 2022.

At the meeting held on October 31, 2022, the Company's Board of Directors approved the payment of interest on capital for the third quarter of 2022 subject to ratification at the Ordinary General Meeting, in the amount of R\$ 148,851, which will be made on November 23, 2022.

h. Regulatory capital

The BACEN Circular Letter 3,681/13 requires accrediting Payment Institutions to permanently maintain equity adjusted by profit or loss accounts in an amount corresponding to at least 2% of the largest amount of the average monthly amount of the payment transactions processed by the institution in the last twelve months or the balance of electronic currencies issued by them, calculated daily.

As at September 30, 2022 and December 31, 2021, the Company maintains the required minimum regulatory capital.

Cielo S.A. - Instituição de Pagamento

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

i. Reconciliation between Equity and Profit under IFRS and COSIF accounting practices

In accordance with the BACEN rules, for corporate purposes, the Company's official financial information reflects the accounting rules defined in the COSIF (Accounting Plan for National Financial System Institutions). The equity and profit under COSIF differ from the equity and profit under IFRS, as shown below:

	Equity		Profit - Three month		Profit - Nine-month	
	09/30/2022	12/31/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Balances under COSIF	21,090,370	20,258,492	499,608	266,827	1,456,165	753,506
Goodwill on foreign subsidiaries (a)	-	186,134	-	-	(158,698)	-
Third-party interests in Investment Funds (b)	(7,400,189)	(7,272,635)	-	-	-	-
Other (c)	22,157	21,612	397	907	545	(7,349)
Balances under IFRS	13,712,338	13,193,603	500,005	267,734	1,298,012	746,157

- (a) Difference in accounting practice in recording goodwill. Under IFRS, goodwill is maintained at historical value and under COSIF amortized over the estimated term of the benefit. For the second quarter of 2022, the impact on net income is related to the realization of goodwill after the sale of MerchantE.
- (b) Third-party interests in Credit Rights Investment Funds (FIDCs) and Investment Funds in Investment Fund Quotas (FICs), previously presented in current and non-current liabilities, according to BCB Normative Instruction No. 206/21, started to be recorded directly in equity, specifically under the heading "shareholders other than Cielo" in COSIF.
- (c) Made up of: i) unamortized goodwill in subsidiaries in accordance with CPC 15 (R1) – Business Combination; and ii) buildings and stores rental agreements, recorded as right of use assets and lease liabilities in the statement of financial position and amortized according to the term of the agreements, in accordance with CPC 06 (R2) – Leasing.

18 Earnings per share

a. Change in the number of common shares

Shares issued

Shares as at December 31, 2021	2,701,857,763
Exercise of restricted shares:	
January	324,868
February	18,478
March	1,496,525
May	2,286,070
July	1,544,529
August	21,459
September	78,805
Repurchase – April	(13,339,245)
Shares at September 30, 2022	2,694,289,252

Cielo S.A. - Instituição de Pagamento

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

b. Earnings per share

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

Basic earnings per share

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Profit for the period available for common shares	422,141	212,857	1,083,425	626,254
Weighted average number of outstanding common shares (in thousands)	2,700,559	2,706,872	2,704,678	2,709,510
Earnings per share (in R\$) - basic	0.15632	0.07864	0.40057	0.23113

Diluted earnings per share

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Profit for the period available for common shares	422,141	212,857	1,083,425	626,254
Diluted denominator:				
Weighted average number of outstanding common shares (in thousands)	2,700,559	2,706,872	2,704,678	2,709,510
Potential increase in common shares as a result of the stock option plan	19,490	12,142	19,490	12,142
Total (in thousands)	2,720,049	2,719,014	2,724,168	2,721,652
Earnings per share (in R\$) - diluted	0.15520	0.07828	0.39771	0.23010

19 Net operating revenue

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Gross operating revenue	2,959,914	3,386,333	8,975,958	9,584,626
Taxes on services	(323,199)	(376,810)	(1,036,851)	(1,040,675)
Total	2,636,715	3,009,523	7,939,107	8,543,951

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

20 Costs by nature

The Company elected to present the consolidated statements of profit or loss classified by function.

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

Cielo S.A. - Instituição de Pagamento

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

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Personnel expenses	(327,150)	(283,076)	(933,162)	(852,624)
Depreciation and amortization	(234,749)	(279,489)	(743,880)	(830,886)
Professional services	(55,712)	(59,663)	(172,726)	(153,975)
Acquiring costs (a)	(1,246,440)	(1,606,690)	(4,074,684)	(4,541,616)
Sales, marketing and affiliation of customers (b)	(64,477)	(89,607)	(222,861)	(288,575)
Cost of mobile phone credits in subsidiary	-	(256,873)	-	(806,254)
Others, net	65,699	(18,148)	213,974	(14,947)
Total	(1,862,829)	(2,593,546)	(5,933,339)	(7,488,877)
Classified as:				
Cost of services provided	(1,467,807)	(2,141,617)	(4,781,693)	(6,175,152)
Personnel expenses	(259,914)	(211,789)	(740,063)	(635,058)
General and administrative expenses	(77,149)	(99,993)	(257,912)	(275,847)
Sales and marketing	(28,552)	(59,312)	(119,443)	(182,598)
Other operating expenses, net	(29,407)	(80,835)	(34,228)	(220,222)
Total	(1,862,829)	(2,593,546)	(5,933,339)	(7,488,877)

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

(b) Sales and marketing expenses include campaigns for trademark development, advertising and publicity, internal marketing, sales incentives to partners and issuing banks and commercial actions for new accreditations of customers.

We present below other operating expenses, net:

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Allowance for doubtful debts, chargeback and fraud (a)	(35,276)	(98,510)	(118,129)	(278,146)
Provision for risks	(17,750)	(19,486)	(36,630)	(52,267)
Write-offs/provision (reversals) for losses on property and equipment	(3,123)	(10,697)	(63,317)	(60,933)
Others (b)	26,742	47,858	183,848	171,124
Total	(29,407)	(80,835)	(34,228)	(220,222)

(a) The balances correspond to losses on collection portfolio mainly represented by receivables from rental of POS equipment, losses on fraud arising from sales amounts questioned by card users and which have already been settled to merchants, and customers chargeback. In 2021, the balance of the provision for loss on doubtful debts increased as a result of the impacts of the implementation of the new Register of Receivables system.

(b) The nine-month period of 2021 recorded non-recurring net gains generated by the assignment of Processing platforms and transactions Authorizer for the Elo Brand in the amount of R\$ 101.1 million, reversal of the residual balance of legacy provisions referring to the NewELO project in the amount of R\$ 70.0 million, offset by the provision for organizational restructuring, started in March 2021, in the amount of R\$ 31.6 million.

The first nine-month period of 2022 recorded net gains generated by the sale of subsidiary MerchantE in the amount of R\$ 123.6 million.

Cielo S.A. - Instituição de Pagamento

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

21 Commitments

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

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

As at September 30, 2022, based on prevailing contracts, the minimum commitments with suppliers of technology, telecommunications, logistics services, call center, back office and telesales are as follows:

Up to 1 year	383,227
1 year to 5 years	247,848
Above 5 years	1,028
Total	632,103

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

22 Employee benefits

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Supplementary Pension Plan (a)	1,873	659	6,173	4,712
Other benefits (b)	38,894	12,900	109,242	57,970
Total	40,767	13,559	115,415	62,682

- (a) Monthly contribution to the defined contribution pension plan (“PGBL”) for the employees, recognized in expenses with employees.
- (b) They relate to health insurance, dental assistance, meal allowance, life and personal accident insurance and professional training. Furthermore, the Company has a Corporate Education Program that includes development actions for its employees. The actions described are recognized in expenses with employees.

Post-employment benefits

The Company and its subsidiary Servinet have an actuarial liability arising from post-employment benefits, relating to estimated expenses on healthcare plan, the amount provisioned for these expenses as at September 30, 2022 is R\$ 16,068 (R\$ 15,041 as at December 31, 2021).

The rates used in the year were: nominal discount rate of 5.35% p.a., with inflation index of 3.4% p.a., generating an expected turnover of 18% p.a. and retirement at 60 years old.

Cielo S.A. - Instituição de Pagamento

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

23 Profit sharing

The Company and its Subsidiaries pay profit sharing to their 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 profit for the nine-month ended September 30, 2022 and 2021 were as follows:

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Employees	48,123	27,935	120,706	88,532
Statutory directors	2,328	1,846	8,666	7,290
Total	50,451	29,781	129,372	95,822

24 Compensation of key management personnel and Supervisory Board

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

Expenses recognized in Company's profit for the years are as follows:

	Three-month period					
	09/30/2022			09/30/2021		
	Fixed	Others	Total	Fixed	Others	Total
Statutory directors	1,935	7,080	9,015	1,404	4,399	5,803
Board of directors and supervisory board	1,143	-	1,143	684	-	684
Total	3,078	7,080	10,158	2,088	4,399	6,487

	Nine-month period					
	09/30/2022			09/30/2021		
	Fixed	Others	Total	Fixed	Others	Total
Statutory directors	4,708	17,252	21,960	5,709	9,248	14,957
Board of directors and supervisory board	2,994	-	2,994	2,085	-	2,085
Total	7,702	17,252	24,954	7,794	9,248	17,042

The balance of others corresponds to variable compensation and termination of executives, net of taxes, and does not include the Stock option plan (see note 25), in addition to other benefits already presented in note 22.

The overall annual compensation proposed by Management and the Supervisory Board for 2022, approved at the Ordinary General Meeting held on April 27, 2022, is R\$ 66,064 net of charges, as follows: (i) R\$ 750 net of charges for the Supervisory Board and (ii) R\$ 65,314 net of charges for the Key Management Personnel.

Cielo S.A. - Instituição de Pagamento

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

25 Restricted shares plans

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

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

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

As at September 30, 2022, the position of the restricted stock option plans is as follows:

Program	Status	Quantity of shares				Grant Date	Value per granted share - R\$	Fair value per share - R\$
		Granted	Cancelled	Exercised	To be exercised			
Restricted Shares 2019	Active	2,419,297	(913,080)	(1,172,335)	333,882	July 2019	6.73	6.73
Restricted Shares 2020	Active	5,042,968	(1,488,358)	(2,543,538)	1,011,072	July 2020	3.94	3.94
Restricted Shares 2021	Active	1,945,031	(156,893)	(322,087)	1,466,051	July 2021	3.59	3.59
Restricted Shares 2022	Active	2,313,572	-	(48,706)	2,264,866	July 2022	3.81	3.81
Sócio Cielo 2019	Closed	995,372	(360,891)	(634,481)	-	March 2019	10.89	10.89
Sócio Cielo 2020	Active	2,898,458	(1,067,534)	(1,300,164)	530,760	March 2020	7.12	7.12
Sócio Cielo 2021	Active	5,440,433	(683,311)	(1,962,267)	2,794,855	March 2021	3.89	3.89
Sócio Cielo 2022	Active	11,253,702	(165,155)	-	11,088,547	March 2022	2.47	2.47
Total shares		<u>32,308,833</u>	<u>(4,835,222)</u>	<u>(7,983,578)</u>	<u>19,490,033</u>			

In the nine-months ended September 30, 2022, the net value of the charges, in the amount of R\$ 19,698 was appropriated to profit or loss (R\$ 17,213 as at September 30, 2021). The balance presented under "Capital reserve" in equity totaled R\$ 19,698 related to restricted shares granted and R\$ 32,017 related to sale/transfer of treasury shares for the exercise of shares (R\$ 17,213 and R\$ 13,362, respectively, as at September 30, 2021).

In addition to the share-based incentive plans, long-term incentives were recorded in the amounts of R\$ 16,039 and R\$ 8,405, as at September 30, 2022 and 2021, respectively.

Cielo S.A. - Instituição de Pagamento

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

26 Finance income (costs)

	Three-month period		Nine-month period	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Finance income:				
Interest on financial investments	90,676	95,437	296,583	205,461
Other finance income (a)	2,325	2,016	5,815	18,240
PIS and COFINS	(2,865)	(2,490)	(9,324)	(5,950)
Total	90,136	94,963	293,074	217,751
Finance costs:				
Interest and charges on borrowings	(158,719)	(84,025)	(413,690)	(224,004)
Third party interest in FIDCs	(270,761)	(128,106)	(711,643)	(243,855)
Monetary adjustment of contingencies	(15,599)	(6,098)	(42,242)	(19,449)
Other finance costs	(9,103)	(18,396)	(26,123)	(45,118)
Total	(454,182)	(236,625)	(1,193,698)	(532,426)
FIDC yield:				
Purchase of receivables (b)	277,617	102,874	666,346	293,067
Total	277,617	102,874	666,346	293,067
Exchange variation and mark-to-market of financial instruments, net	(18,445)	5,698	(54,664)	5,680
Total	(104,874)	(33,090)	(288,942)	(15,928)

- (a) In 2021, the amount is substantially arising from the recognition of R\$ 14.0 million of monetary adjustment on the amount receivable from Elo Brand, referring to the assignment of the processing and authorizer platform, accumulated up to its assignment date.
- (b) As mentioned in note 6, the revenue from receivables purchased related to cash and installment credit transactions under FIDC Plus, FIDC NP and FIDC Receba Mais is R\$ 293,258, of which R\$ 277,617 net of taxes and consolidation effect in the third quarter and R\$ 704,613, of which R\$ 666,346 net at the end of the nine-month period ended September 30, 2022 (R\$ 109,404, of which R\$ 102,874 net of taxes and consolidation effect in the third quarter of 2021 and R\$ 307,432, of which R\$ 293,067 net for the nine-month period ended September 30, 2021).

27 Risk management

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

a. Risk Management Structure and Governance

The Group adopts the concept of 3 (three) lines of defense for its risk management structure, the first represented by the performance of managers in the business and support areas, who ensure that risk management is within the scope of their direct organizational responsibilities; the 2nd line is represented by the Risk, Compliance and Prevention Vice-Presidency, which acts in an advisory and independent manner in risk management, compliance, fraud prevention, money laundering prevention, business continuity management, information security, data privacy and protection, crisis management and control environment, reporting to the CEO and the Board of Directors, through the Risk Committee; and, finally, the 3rd line of defense, represented by the Internal Audit,

Cielo S.A. - Instituição de Pagamento

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

which provides 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 Company maintains updated and robust policies, processes, procedures and controls to reduce, control and monitor its exposure to risks, in order to manage risks and keep them within acceptable limits to achieve its business and operational objectives. More information on the Group's risk management methodology, governance and structure, as well as risk factors and preventive and mitigating actions and controls, can be found in the Corporate Risk Management and Internal Controls Policy and in item 4.1 of the Reference Form, both documents are available on the Company's website (<https://ri.cielo.com.br/>).

b. Credit risk management

The Company has rights subject to credit risk with financial institutions, customers and business partners recorded under cash, financial instruments, including derivatives, income receivable and receivables from card-issuing banks, as follows:

	Note	09/30/2022	12/31/2021
Cash	4	1,014,558	5,340,203
Financial instruments, including derivatives	5	2,528,539	520,493
Operating receivables	7	84,981,210	79,142,953
Total		88,524,307	85,003,649

Counterparty Credit Risk - Issuer Risk

In acquiring operations, card-issuing banks are required to make payment to Cielo for the amounts related to transactions carried out by holders of cards issued by those banks, so that, thereafter, payment of such amounts can be made to accredited merchants. Card-issuing banks may default on their financial obligations due to lack of liquidity, operational failure, cardholder default, types of bankruptcy or other reasons. In these circumstances, Cielo may be liable to pay receivables to merchants without receiving the amounts from the issuing bank. Such risks may or may not exist for Cielo, depending on the risk/guarantee model adopted by the card's brands in its operation with card issuers and accreditors, and the Company assesses and manages these risks, requiring or dispensing with, the pledge of guarantees from card issuers according to the model.

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

As at September 30, 2022, Cielo's exposure to issuers is as follows:

Internal rating of issuers	Guarantee requirement	Total exposure at September 30, 2022	% Guarantee in relation to exposure	Total exposure at 12.31.2021	% Guarantee in relation to exposure
Group 1	No	95.3%	-	95.5%	-
Group 2	Yes	4.7%	56.7%	4.5%	48.0%
Total receivables from card-issuing banks		100.0%		100.0%	

Cielo S.A. - Instituição de Pagamento

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

The 5 largest issuing banks, classified in Group 1, concentrate 74.4% of the balance of receivables from card-issuing banks and are represented by the main financial institutions in the country, which have strict monitoring and control processes and a solid economic and financial position. For issuers classified in Group 1, which do not require guarantee, there is intense monitoring of the transactions and risks posed, with the possibility of revising the internal rating and requesting guarantees if indications of increased credit risk are identified. Guarantees may be required or waived depending on the volume transacted, the size and regulation of the brands or issuers.

Law No. 14,031/20 establishes that amounts received by payment arrangement participants must be earmarked for the compliance with the obligation of settlement of transactions to which they relate, among other aspects. These changes introduced by Law No. 12,865/13 are not yet reflected in the payment arrangement regulations at the time of disclosure of these financial information so that, depending on the arrangement regulations, accreditors could, in thesis, be held liable for the default on obligations of third parties.

Credit Risk with Payment Arrangement Participants

In its operation, the Company may also be at risk with sub-accreditors with whom it maintains a commercial relationship, depending on the rule established by each brand in relation to the responsibilities applicable to sub-accreditors, as well as any judicial decisions, in the event the sub-accreditors do not carry out the settlement of the amounts transacted by the merchants associated with them. The Company adopts risk and control analysis procedures that prevent sub-accreditors from prepaying all the amounts available in their financial schedule with the Company. In addition, the Company may, pursuant to the risk analysis carried out, request guarantees for them.

It should be noted that Law No. 14,031/20 is also applicable to sub-accreditors, as payment arrangement participants, who must comply, in addition to other obligations, with the segregation of the payment flow.

The proportion of sub-accreditors on the volume traded in the Cielo system in the nine-month ended September 30, 2022 and 2021 corresponds to 5.3% and 5.1%, respectively.

Credit Risk when 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 stop transacting in the Cielo system, eventually, there will be no balance in their schedules for the collection of contracted products or services. If Cielo is unable to make collection by any other means (such as a bank payment slip), there may be losses for Cielo related to the non-payment of products and services.

As at September 30, 2022, the allowance for doubtful debts and fraud totaled R\$ 118,129 (R\$ 278,146 as at September 30, 2021), as mentioned in note 20.

Customer Credit Risk – Chargeback and Deferred Sales

The Company's customers must comply with their obligations to deliver the products and provide the services contracted with their end customers, who pay for the transactions by credit or debit card. In situations of default on the part of the Company's customers in the delivery of the goods

Cielo S.A. - Instituição de Pagamento

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

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 creditor, directly to the merchant's financial schedule. In the case of cancellation, if the financial schedule of the merchant does not have enough balance, this, as a rule, is not accepted.

If the Company is unable to offset the amounts of chargebacks directly on the financial schedule of a merchant (regardless of the reason), or by means of any other form of collection (example bank payment slip), the financial burden of such chargebacks falls to Cielo. Historically, cancellations and chargebacks occur more frequently in transactions in merchants that carry out deferred sales, when the service or product is not consumed instantly, but after its purchase. This type of transaction typically takes place in sectors such as tourism and entertainment, or even in sales through electronic channels (e-commerce), and the exposure to these potential losses arising from chargebacks increases as the Company provides solutions for the acquisition of receivables or payment in a reduced cycle to these establishments.

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

	09/30/2022		09/30/2021	
	Volume	Chargeback ratio (c)	Volume	Chargeback ratio (c)
Tourism and Entertainment, including airlines (typically with deferred sales)	7.6%	0.82%	6.5%	0.58%
E-commerce (without Tourism and Entertainment)	11.4%	1.04%	11.9%	0.92%
Durable and semi-durable goods (a)	21.2%	0.03%	22.9%	0.03%
Non-durable goods (b)	35.0%	0.00%	33.3%	0.00%
Services and others	24.8%	0.04%	25.4%	0.06%
Total	100.0%	0.20%	100.0%	0.17%

- 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) Value of chargebacks in relation to transacted volume.

c. Management of Operating Risks

The Company faces risks arising from its operation, such as: 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 frauds, unfavorable decisions in judicial or administrative proceedings, among others. For these risks, the Company 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 Controls Policy, as well as in the applicable regulation, including, but not limited to, BACEN Circular Letter No. 3,681/13 and CMN Resolution No. 4,968/21.

Given the significance of the sector where the Company operates, during the last years the BACEN enacted several rules related to the payment market. If the Company does not meet the legal and regulatory requirements in effect, after the due legal process, it may suffer penalties,

Cielo S.A. - Instituição de Pagamento

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

which include (i) fines, (ii) warnings, (iii) annulment of the license granted by BACEN and (iv) disqualification of its managers.

Regarding the risk of fraud in transactions with credit and debit cards, the Company uses an anti-fraud system that flags and identifies suspicious fraud transactions at the time of authorization and sends an alert to the card-issuing bank to contact the cardholder.

The implementation of the new receivables registration system, pursuant to regulations issued by the BACEN and the National Monetary Council, has been a challenge for all market participants and has generated impacts on our business processes, as the new structure is complex and substantially changes the current market model. Cielo has been taking important measures, strengthening its service structures and mobilizing resources to address all issues, mitigate risks and collaborate for the proper functioning of the system as a whole.

d. Capital risk management

The Group manages its capital to ensure that its companies can continue as going concerns, and at the same time maximize the return to all their stakeholders by optimizing the debt and equity balance.

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

Cielo maintains equity in accordance with the regulation issued by BACEN, corresponding to the higher between 2% of the monthly average of the payment transactions made by the institution over the last 12 month and the balance of the digital currencies issued by it, estimated on a daily basis (see note 17). There is no requirement of minimum equity for the other Group companies.

e. Liquidity risk management

The Group manages the liquidity risk by maintaining appropriate reserves, bank and other credit facilities to raise borrowings that it considers appropriate, based on an ongoing monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and liabilities.

The Company has a liquidity risk management report aimed at evidencing this structure, as determined in Circular Letter No. 3,681/13 of the BACEN and its subsequent amendments. This report represents the governance structure and the effective liquidity risk management, and is available on the Company's website (<https://ri.cielo.com.br/>).

The indebtedness ratio is as follows:

	<u>09/30/2022</u>	<u>12/31/2021</u>
Cash and cash equivalents	1,014,558	5,340,203
Financial instruments, including derivatives (a)	2,528,539	520,493
Debt (b)	<u>(6,575,357)</u>	<u>(6,295,104)</u>
Net debt	<u>(3,032,260)</u>	<u>(434,408)</u>
Equity	<u>13,712,338</u>	<u>13,193,603</u>
Net debt ratio	<u>22.11%</u>	<u>3.29%</u>

Cielo S.A. - Instituição de Pagamento

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

- (a) Derivative financial instruments comprise the NDF contracts positions, mentioned in note 5.
- (b) Debt is defined as short- and long-term borrowings, as mentioned in note 14.

f. Market risk management

Foreign exchange rate risk

The exposures to foreign exchange rate risks are managed according to parameters established by the policies approved by the Group.

The Company carries certain 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, but the issuer settles it to the Company in foreign currency) and foreign-currency denominated borrowings. The Company has hedging transactions against currency fluctuations, which consist in pre-sale of US dollars in hedge structures, which significantly reduces any risks of exposure to currency fluctuation.

Also, after the conclusion of the sale of MerchantE in April 2022, the Company maintained its investments in subsidiary Cielo USA, whose current exposure is US\$ 19,0 million. The impact of exchange variation on foreign investments is recognized in comprehensive income and the accumulated gain on exchange variation on the investments in Cielo USA (including MerchantE) as at September 30, 2022 and loss as at September 30, 2021 amounted to R\$ 138,844 and R\$ 189, respectively, both recognized in comprehensive income, directly in equity.

Foreign currency sensitivity analysis

The Company is mainly exposed to US dollar fluctuations.

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

As at September 30, 2022 and 2021, estimating an increase or a decrease of 10%, 25% and 50% in exchange rates would increase or decrease profit or loss and equity, as follows:

	09/30/2022			09/30/2021		
	10%	25%	50%	10%	25%	50%
Profit or loss	207	518	1,037	681	1,703	3,405
Equity	10,274	25,684	51,368	(9,071)	(22,677)	(45,354)

Interest risk on financial investments

The Group's profit or loss is subject to fluctuations resulting from financial investments with floating interest rates.

Pursuant to its financial policies, the Group has invested its resources in first-tier banks. The Group operates with financial instruments within the limits of approval established by Management.

Cielo S.A. - Instituição de Pagamento

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

Interest rate sensitivity analysis - Financial investments and borrowings

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

	09/30/2022			09/30/2021		
	10%	25%	50%	10%	25%	50%
Profit or loss	(3,865)	(9,661)	(19,323)	6,373	15,932	31,865

28 Related-party balances and transactions

In the normal course of their activities and under market conditions, the Company and its subsidiaries conduct transactions with related parties, such as receivables from card-issuing banks (related to operations of purchase of receivables), which are part of financial groups in which the controlling shareholders, Bradesco and Banco do Brasil, hold interests, as well as expenses and income from services provided by Direct and Indirect Subsidiaries and investment funds.

In conducting their business and engaging services, the Company and its subsidiaries make market quotations and research to find the best technical and pricing terms. Also, the type of business conducted by the Company requires it to enter into agreements with several card issuers, some of which are its direct or indirect shareholders. The Company and its subsidiaries believe that all agreements entered into with related parties are carried out on an arm's-length basis.

The tables below include the balances as at September 30, 2022 and December 31, 2021, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company and its subsidiaries, as well as the movements, related to the nine-month ended September 30, 2022 and 2021:

	09/30/2022	12/31/2021
Assets		
Cash and financial instruments (a)	2,379,317	204,519
Operating receivables (b)	25,460,175	23,328,707
Receivables from related parties (c)	760,805	738,105
(Liabilities)		
Private debentures (d)	(3,680,459)	(3,422,466)
Payables referring to intermediation, customer prospecting and maintenance services (e)	(23,348)	(23,095)
Financial instruments and derivatives (f)	(6,670)	-
Payables to related parties (c)	(431,894)	(394,383)
	09/30/2022	09/30/2021
Income		
Income from financial investments (a)	25,975	6,519
Income from risk prevention services rendered (g)	4,989	6,635
Income from rental of POS equipment (h)	33,411	41,209
Other finance income	1,755	20,816
(Expenses)		
Finance costs (d)	(380,246)	(91,368)
Expenses with benefits (i)	(67,829)	(23,454)
Payment management services (c)	(29,522)	(25,012)
Intermediation, customer prospecting and maintenance services (e)	(103,417)	(89,967)
Other operating expenses	(15,234)	(1,096)

Cielo S.A. - Instituição de Pagamento

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

The related parties are composed by: Banco Bradesco and Banco do Brasil:

- a) Balances related to the amounts held in current account and financial investments.
- b) The amounts receivable refer substantially to the amounts to be paid by the issuers Banco do Brasil and Bradesco arising from credit and debit card transactions.
- c) The balances refer to the provision of services by Banco do Brasil to Catenio to act as Payment Institution managing postpaid accounts and purchases using debit cards under the Ourocard Payment Arrangement, while activities involving granted rights to Catenio are not performed by it. The contract has a remuneration clause of 0.01% on the total financial volume of transactions carried out under the management of the Contracting Party.
- d) Refer to the balances related to the issuance of private debentures and the “CCB” bank credit note.
- e) Correspond to intermediation, customer prospecting and maintenance services with the objective of increasing the volume of sales made up of transactions carried out with credit and debit cards captured and processed by Cielo. In return for providing services, banks are entitled to a remuneration of 10 basis points on the eligible volume. The eligible volume, including the amount captured only in domestic transactions, does not include transactions in which Cielo provides VAN services and takes into account minimum profitability criteria for each establishment.
- f) Financial instruments and derivatives are the amounts recognized as mark-to-market of the derivative contracts (NDFs) contracted for protection against the foreign exchange variation risk on Bonds (as described in note 5b).
- g) Corresponds to the granting of access to the anti-fraud system, so that Bradesco and Banco do Brasil can monitor transactions made with cards issued by them.
- h) Corresponding to the lease of equipment for capturing transactions with Banco do Brasil and Bradesco, which sublease the equipment to their customers.
- i) Benefits contracted with Banco do Brasil and Bradesco (corporate collective life insurance, hospital and dental insurance and complementary 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").

Cielo S.A. - Instituição de Pagamento

Notes to the consolidated interim financial information **(Amounts in thousands of Brazilian reais, unless otherwise stated)**

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 Companhia Brasileira de Soluções e Serviços – CBSS. 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 the electronic transactions resulting from these transactions.

Representation services with CIP

Agreement entered into with Banco do Brasil S.A. for the bank's representation with CIP (Interbank Payment Clearing House) aiming at the provision of services relating to settlement of transactions carried out with credit and/or debit cards and provision of STR (Reserve Transfer System) issuance services.

Share bookkeeping services

A share bookkeeping service agreement entered into between the Company and Banco Bradesco S.A. whereby the latter provides share bookkeeping and share certificate issuance services to the Company.

Operating services - Stock option program

Agreement for rendering operating services for the stock option program and the related grants entered into with Bradesco S.A. Corretora de Títulos e Valores Mobiliários.

Securities bookkeeping and management services

The agreement signed with Banco Bradesco S.A. consists of the provision of bookkeeping services for debentures and the agent bank, together with Banco Bradesco BBI S.A., the agreement also consists of the provision of coordination and distribution services for promissory notes and debentures, the latter being pursuant to CVM Instruction No. 400.

Public and private securities operating management services

The agreement entered into with Banco do Brasil S.A. is aimed at regulating the provision of services relating to movement, custody and financial settlement of transactions carried out with public securities registered with SELIC and with private securities registered with B3.

Other widespread agreements

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

Cielo S.A. - Instituição de Pagamento

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

- Cash management services;
- Insurance;
- Corporate credit card;
- Payment to suppliers;
- Granting of Lívolo incentive points.
- Representation services with CIP
- Share bookkeeping services
- Operating services - Stock option program
- Securities bookkeeping and management services
- Public and private securities operating management services

29 Segment information

Information by operating segments is presented consistently with the internal reports provided to the Chief Operating Decision-Maker – CODM.

A business segment is an identifiable component of the Group, which is intended to provide an individual product or service or a group of related products or services, and that is subject to risks and benefits that are differentiable from the other business segments.

Accordingly, the Group has two types of businesses: (i) provision of services related to capture and processing of transactions with credit and debit cards, other means of payment, accreditation of merchants and related services; and (ii) management of transactions arising from credit and debit cards, among them, the issuance of cards, management of payment accounts, support to the management and control of transactions security, payment of fees to banners and payment arrangements, and other services related to payment account management.

Management monitors the operating results of the business units separately, in order to be able to make decisions about allocation of resources and to assess performance. Segment performance is assessed on the basis of various metrics such as Net Revenue, Profit Before Taxes and Net Profit, among others, which in some cases is measured differently from the operating profit or loss in the consolidated interim financial information.

Regarding the information about geographic area, the Company has operations in Brazil and the United States of America, through its subsidiaries Cielo USA (MerchantE until March 2022).

The table below reflects the breakdowns of the statements of profit or loss in: Cielo Brazil (subsidiaries, directly related to Cielo operations), which consolidate the operations of the Cielo companies, Servinet, Aliança, FIDCs and Stelo and compute the share of profit (loss) of the companies Orizon (until January 021) and Paggo. “Management of payment accounts” refers to operations of the subsidiary Cateno and “other companies” refers to the results of the subsidiaries Cielo USA, M4U e MerchatE (until November 2021 and April 2022, respectively).

Cielo S.A. - Instituição de Pagamento

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

	Three-month period							
	09/30/2022				09/30/2021			
	Cielo Brazil	Management of Payment Accounts	Other Companies	Consolidated	Cielo Brazil	Management of Payment Accounts	Other Companies	Consolidated
Domestic market	1,618,730	1,017,985	-	2,636,715	1,262,473	864,543	225,196	2,352,212
Foreign market	-	-	-	-	-	-	657,311	657,311
Net operating revenue	1,618,730	1,017,985	-	2,636,715	1,262,473	864,543	882,507	3,009,523
Cost of services provided	(756,504)	(480,450)	-	(1,236,954)	(646,535)	(473,409)	(754,385)	(1,874,329)
Depreciation and amortization	(134,270)	(96,583)	-	(230,853)	(127,757)	(96,986)	(42,545)	(267,288)
Gross profit	727,956	440,952	-	1,168,908	488,181	294,148	85,577	867,906
Operating expenses	(320,135)	(74,289)	3,298	(391,126)	(294,356)	(29,874)	(115,499)	(439,729)
Depreciation and amortization	(3,352)	(544)	-	(3,896)	(3,255)	(558)	(8,387)	(12,200)
Operating profit	404,469	366,119	3,298	773,886	190,570	263,716	(38,309)	415,977
Finance income (costs)	(123,248)	27,302	(8,928)	(104,874)	(28,101)	14,535	(19,524)	(33,090)
Profit (loss) before taxes	281,221	393,421	(5,630)	669,012	162,469	278,251	(57,833)	382,887
Income tax and social contribution	(35,134)	(133,873)	-	(169,007)	(32,392)	(95,328)	12,567	(115,153)
Profit (loss) for the period	246,087	259,548	(5,630)	500,005	130,077	182,923	(45,266)	267,734
Attributable to:								
Owners of the Company	246,087	181,684	(5,630)	422,141	130,077	128,046	(45,266)	212,857
Noncontrolling interests	-	77,864	-	77,864	-	54,877	-	54,877

	Nine-month period							
	09/30/2022				09/30/2021			
	Cielo Brazil	Management of Payment Accounts	Other Companies	Consolidated	Cielo Brazil	Management of Payment Accounts	Other Companies	Consolidated
Domestic market	4,512,567	2,857,569	-	7,370,136	3,592,611	2,276,090	917,646	6,786,347
Foreign market	-	-	568,971	568,971	-	-	1,757,604	1,757,604
Net operating revenue	4,512,567	2,857,569	568,971	7,939,107	3,592,611	2,276,090	2,675,250	8,543,951
Cost of services provided	(2,189,258)	(1,402,774)	(460,554)	(4,052,586)	(1,865,661)	(1,236,067)	(2,277,531)	(5,379,259)
Depreciation and amortization	(385,919)	(289,737)	(53,451)	(729,107)	(378,306)	(290,979)	(126,608)	(795,893)
Gross profit	1,937,390	1,165,058	54,966	3,157,414	1,348,644	749,044	271,111	2,368,799
Operating expenses	(1,015,804)	(173,774)	52,706	(1,136,872)	(767,868)	(168,927)	(341,397)	(1,278,192)
Depreciation and amortization	(10,848)	(1,694)	(2,232)	(14,774)	(11,820)	(1,328)	(21,843)	(34,991)
Operating profit	910,738	989,590	105,440	2,005,768	568,956	578,789	(92,129)	1,055,616
Finance income (costs)	(343,597)	95,075	(40,420)	(288,942)	17,440	28,106	(61,474)	(15,928)
Profit (loss) before taxes	567,141	1,084,665	65,020	1,716,826	586,396	606,895	(153,603)	1,039,688
Income tax and social contribution	(25,708)	(369,373)	(23,733)	(418,814)	(124,398)	(207,217)	38,084	(293,531)
Profit (loss) for the period	541,433	715,292	41,287	1,298,012	461,998	399,678	(115,519)	746,157
Attributable to:								
Owners of the Company	541,433	500,705	41,287	1,083,425	461,998	279,775	(115,519)	626,254
Noncontrolling interests	-	214,587	-	214,587	-	119,903	-	119,903

The balances of the statement of financial position by segment as at September 30, 2022 and December 31, 2021 are as follows:

	Statement of financial position			
	Cielo Brazil	Management of Payment Accounts	Other Companies	Consolidated
Total assets at 09/30/2022	90,808,753	10,229,868	2,315,251	103,353,872
Total assets at 12/31/2021	84,685,127	10,982,429	4,626,445	100,294,001

30 Noncash transactions

In preparing the Company's statements of cash flows, only the transactions involving cash were included in net cash provided by financing and investing activities. The table below sets out all the remaining changes in the balances of the nine-month period ended September 30, 2022 and 2021 of investments and financing not involving cash and/or cash equivalents:

Cielo S.A. - Instituição de Pagamento

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

	<u>09/30/2022</u>	<u>09/30/2021</u>
Exchange differences on net foreign investment	138,844	(189)
Exchange differences on borrowings	(82,062)	161,959
Minimum dividends and interest on capital proposed	148,851	74,802

31 Insurance

As at September 30, 2022, the Company has the following insurance coverage:

Type	Insured amount
Civil liability of Directors and Officers	270,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood and cyberattacks)	213,277
POS equipment warehousing	193,653
POS equipment transportation per travel/event (limited to 1,700,000)	2,500
Fleet of vehicles	1,005

32 Subsequent event

On October 3, 2022, after the approval of the Board of Directors, there was the settlement of the 6th issuance of simple debentures, in the amount of R\$ 3,000,000, with maturity for September 20, 2025, and interest corresponding to the accumulated variation of 100% of the DI Rate, plus a spread or surcharge of 1.20% p.a.

33 Approval of the consolidated interim financial statements

The consolidated financial information were approved by the Company's Board of Directors and authorized for issue on October 31, 2022.