

Locaweb Serviços de Internet S.A.

Financial statements on December 31, 2021

*(A free translation of the original report
in Portuguese containing financial
statements prepared in accordance with accounting
practices adopted in Brazil and the International
Financial Reporting Standards (IFRS) issued by
the International Accounting Standards Board (IASB).)*

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São Paulo, March 23rd, 2022: Locaweb Serviços de Internet S.A. (B3: LWSA3) informs its shareholders and other participants of the earnings results for the 4Q21

// Summary of Indicators

// Consolidated (R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Net Revenue	245.9	140.2	75.4%	800.2	488.2	63.9%
Gross Profit	108.0	60.5	78.6%	364.5	205.3	77.5%
Gross Margin (%)	43.9%	43.2%	0.8 p.p.	45.6%	42.1%	3.5 p.p.
EBITDA	19.2	26.2	-26.7%	95.9	100.8	-4.9%
EBITDA Margin (%)	7.8%	18.7%	-10.9 p.p.	12.0%	20.6%	-8.7 p.p.
Adjusted EBITDA ¹	31.6	36.4	-13.2%	143.0	129.4	10.5%
Adjusted EBITDA Margin (%)	12.9%	26.0%	-13.1 p.p.	17.9%	26.5%	-8.6 p.p.
Net Income	(7.2)	9.0	-180.5%	(15.7)	19.7	-179.8%
Adjusted Net Income ²	27.2	15.1	79.9%	85.5	45.8	86.6%
Adjusted Net Income Margin (%)	11.1%	10.8%	0.3 p.p.	10.7%	9.4%	1.3 p.p.
Cash Generation ³	12.1	22.1	-45.2%	58.6	79.0	-25.9%
Cash Conversion (%) ³	38.2%	60.6%	-22.4 p.p.	41.0%	61.0%	-20.1 p.p.
Net Debt (Cash) ⁴	(1,565.8)	(344.2)	354.9%	(1,565.8)	(344.2)	354.9%

¹ Adjusted EBITDA refers to net income (loss) adjusted by the financial result, income tax and social contribution on profit, depreciation and amortization costs and expenses, stock option plan expenses, and extraordinary expenses related to the IPO and Follow-on. The EBITDA Margin is calculated by dividing EBITDA by Net Operating Revenue. The Adjusted EBITDA Margin is calculated by dividing the Adjusted EBITDA by Net Operating Revenue.

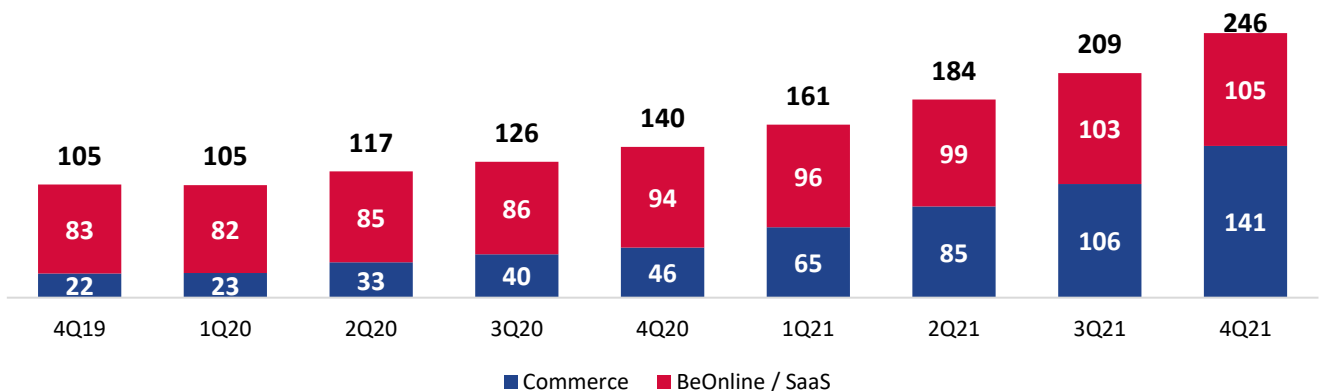
² Adjusted Net Income is calculated from net income (loss) excluding: (i) stock option plan expenses; (ii) amortization expenses of intangibles arising from business acquisitions; (iii) adjustments related to CPC 06 (refers to the sum of interest expense due to the updating of the lease liability and the depreciation expense of the right-of-use asset less the lease liability payments made); (iv) mark-to-market of derivative financial instruments; (v) deferred income tax and social contribution; (vi) extraordinary expenses related to the IPO and the Follow-on; and (vii) Present Value Adjustment related to the Earnout of the acquisitions.

³ Cash Generation is measured by "Adjusted EBITDA - Capex" and Cash Conversion is composed by dividing "Adjusted EBITDA - Capex" by "Adjusted EBITDA".

⁴ Corresponds to loans and financing less derivatives balance (currency swap), less cash and cash equivalents (does not consider lease liabilities related to IFRS 16).

// Net Operating Revenues (R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Commerce	141.0	46.5	203.5%	396.8	142.3	178.8%
<i>Segment share in the consolidated</i>	<i>57.4%</i>	<i>33.2%</i>	<i>24.2 p.p.</i>	<i>49.6%</i>	<i>29.2%</i>	<i>20.4 p.p.</i>
BeOnline / SaaS	104.8	93.7	11.9%	403.4	345.9	16.6%
<i>Segment share in the consolidated</i>	<i>42.6%</i>	<i>66.8%</i>	<i>-24.2 p.p.</i>	<i>50.4%</i>	<i>70.8%</i>	<i>-20.4 p.p.</i>
Net Revenue - Consolidated	245.9	140.2	75.4%	800.2	488.2	63.9%



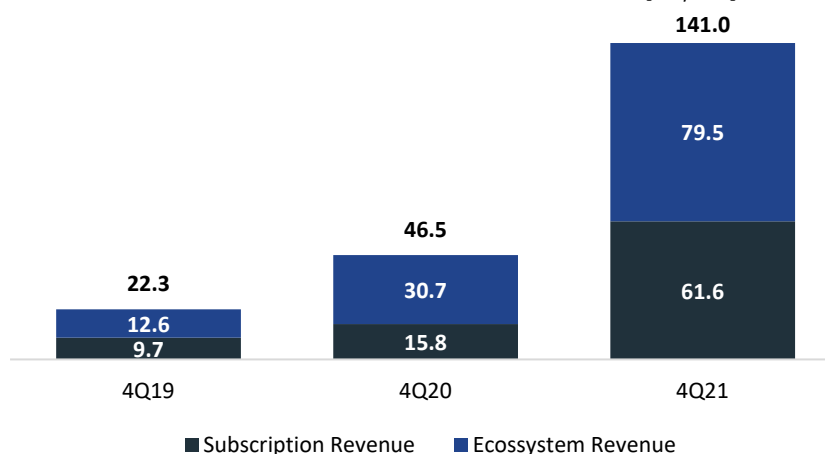
Locaweb's Net Revenue reached a total of R\$ 245.9 million in 4Q21, a 75.4% increase over 4Q20. In 2021, the growth in net revenue was 63.9%, totaling R\$800.2 million.

The share of the Commerce segment, which considers revenues from Tray, Tray Corp, Melhor Envio, Vindi, Ideris, Samurai, Dooça, Credisfera, Bling, Bagy, Octadesk and Squid increased from 33.2% in 4Q20 to 57.4% in 4Q21.

In the Commerce segment, the net operational revenue in 4Q21 grew 203.5%, from R\$46.5 million in 4Q20 to R\$141.0 million in 4Q21. In 2021, the growth was 178.8%.

The growth is the result of the increase in the two revenue sources of the Commerce segment, Platform Subscription Revenue, which grew 290.8% in 4Q21 and Ecosystem Revenue, which grew 158.7% in the quarter compared to 4Q20.

The chart below shows the evolution of the two revenue sources: in 4Q19, 4Q20 and 4Q21:



In the 4Q21 we had acceleration in organic net revenue growth in the Commerce segment, compared to 3Q21, when growth stood at around 34%. The organic growth in 4Q21 vs 4Q20 was **42%**.

Among those acquired in the Commerce segment, we highlight the strong 75% proforma growth of Bling and Melhor Envio in 4Q21 vs 4Q20. It is worth noting that these companies represent about 50% of the total net revenue of the acquired companies.

In the BeOnline/SaaS segment, the number of customers (period end), showed growth of 1.2% between the 4Q20 and 4Q21.

BeOnline / SaaS Net Operating Revenue grew 11.9%, from R\$93.7 million in 4Q20 to R\$104.8 million in 4Q21. In 2021, the growth was 16.6%, totaling R\$403.4 million.

We continue to observe the gradual change in the revenue mix within the segment, since the growth of SaaS products is faster than the growth presented in the BeOnline segment, currently the revenue from SaaS products already represents 40% of the segment's revenue.

// Operational Costs and Expenses

(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Cost of Services	137.8	79.7	73.0%	435.7	282.9	54.0%
<i>% Net Revenue</i>	<i>56.1%</i>	<i>56.8%</i>	<i>-0.8 p.p.</i>	<i>54.4%</i>	<i>57.9%</i>	<i>-3.5 p.p.</i>
Selling Expenses	55.1	24.2	128.1%	162.6	82.2	97.9%
<i>% Net Revenue</i>	<i>22.4%</i>	<i>17.2%</i>	<i>5.2 p.p.</i>	<i>20.3%</i>	<i>16.8%</i>	<i>3.5 p.p.</i>
General and Administrative Expenses	60.0	25.2	137.9%	196.0	79.9	145.3%
<i>% Net Revenue</i>	<i>24.4%</i>	<i>18.0%</i>	<i>6.4 p.p.</i>	<i>24.5%</i>	<i>16.4%</i>	<i>8.1 p.p.</i>
Other Operating (Revenues) Expenses	(1.4)	(0.1)	859.1%	(2.5)	(0.9)	180.1%
<i>% Net Revenue</i>	<i>-0.6%</i>	<i>-0.1%</i>	<i>-0.5 p.p.</i>	<i>-0.3%</i>	<i>-0.2%</i>	<i>-0.1 p.p.</i>
Total Operating Cost and Expenses	251.5	128.9	95.1%	791.7	444.0	78.3%
<i>% Net Revenue</i>	<i>102.3%</i>	<i>92.0%</i>	<i>10.3 p.p.</i>	<i>98.9%</i>	<i>90.9%</i>	<i>8.0 p.p.</i>

Locaweb's total operating costs and expenses grew 95.1% in 4Q21 when compared to the same period last year. In 2021, the growth was 78.3%.

Cost of services provided

The cost of services provided in 4Q21 was R\$ 137.8 million and R\$ 79.7 million in the same period of 2020, an increase of 73.0% upon comparison of the two periods, which represented 56.1% of net revenue in 4Q21 and 56.8% in 4Q20, a reduction of 0.8 p.p.

It is worth noting that the Cost of Services Rendered of the acquired companies totaled R\$ 50.5 million, contributing more than 63 p.p. of the total growth presented in the quarter.

Selling expenses

Sales expenses, which comprise the marketing and sales teams, as well as the services contracted of this same nature, in 4Q21 were R\$55.1 million, an increase of 128.1% when compared with 4Q20.

As presented in the previous quarters, the Company increased the marketing efforts at Tray, as mentioned at the beginning of this report, aiming to solidify the brand as the leader in the digitization segment for SMEs in Brazil and to maintain the pace of growth in the segment, which represented a large part of the growth observed in sales expenses in the Commerce segment.

The table below shows the representativeness of selling expenses over segment and consolidated revenue:

locaweb	4Q20	3Q21	4Q21	4Q21 vs 4Q20	4Q21 vs 3Q21
Commerce					
Selling Expenses	9.6	26.3	34.9	264.1%	32.8%
% Net Revenue	20.6%	24.9%	24.7%	4.1 p.p	-0.1 p.p
BeOnline / SaaS					
Selling Expenses	14.6	19.4	20.2	38.8%	4.4%
% Net Revenue	15.6%	18.7%	19.3%	3.7 p.p	0.6 p.p
Consolidated					
Selling Expenses	24.2	45.7	55.1	128.1%	20.7%
% Net Revenue	17.2%	21.8%	22.4%	5.2 p.p	0.6 p.p

It is worth emphasizing that these expenses also consolidate the expenses of the acquired companies, which have a customer acquisition structure/process that is still different from that of the Company. Organically, the selling expenses in the Commerce segment grew 22.8% (YoY), which represented 18.6% of the organic net revenue of the segment in the period, while in 3Q21 it was 19.1% and in 4Q20 it was 21.4%.

General and Administrative Expenses

General and administrative expenses, which comprise the teams of administrative areas such as finance, HR, accounting and tax, outsourced expenses and services related to these areas, as well as depreciation and amortization of IFRS 16 and PPA assets, in 4Q21 was R\$60.0 million and R\$25.2 million in the same period of 2020, representing a growth of 137.9%.

The increase is mainly due to the factors listed below, which added up to R\$ 33.2 million:

- (i) Inorganic effect related to the acquired companies, in the amount of R\$23.2 million;
- (ii) Expenses related to the amortization of PPA intangibles, totaling R\$7.2 million; and
- (iii) Expenses related to the acquisition process, totaling R\$2.8 million.

// Gross Profit (R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Commerce	70.1	29.9	134.6%	230.3	95.7	140.6%
Margin (%)	49.7%	64.3%	-14.6 p.p.	58.0%	67.3%	-9.2 p.p.
BeOnline / SaaS	37.9	30.6	23.9%	134.2	109.6	22.4%
Margin (%)	36.1%	32.7%	3.5 p.p.	33.3%	31.7%	1.6 p.p.
Gross Profit	108.0	60.5	78.6%	364.5	205.3	77.5%
Gross Margin (%)	43.9%	43.2%	0.8 p.p.	45.6%	42.1%	3.5 p.p.

Consolidated gross profit increased 78.6% in 4Q21 when compared to 4Q20, reaching R\$108.0 million. In 4Q21, there was a 0.8 p.p. increase in Gross Margin compared to 4Q20, reflecting the recovery in the BeOnline / SaaS margin, which was impacted in 2020 by the effects of the pandemic, already explained in previous results.

The 14.6 p.p. drop observed in the Commerce segment is directly related to: (i) acquisition of companies in a high growth stage and consequent structuring of processes to support growth and (ii) investment in the product and engineering teams, started in 3Q21.

As mentioned above, the Cost of Services Rendered of the acquired companies totaled R\$50.5 million in the 4Q21.

// EBITDA and Adjusted EBITDA

(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Net Income (Loss)	(7.2)	9.0	-180.5%	(15.7)	19.7	-179.8%
(+) Net Financial Income	(4.8)	5.3	-191.5%	(4.0)	14.5	-127.8%
(+) Current Income Tax and Social Contribution	6.4	(3.0)	-315.0%	28.3	10.0	184.0%
(+) Depreciation and Amortization	24.9	15.0	66.1%	87.3	56.6	54.3%
EBITDA	19.2	26.2	-26.7%	95.9	100.8	-4.9%
(+) Stock Options Plan and Restricted Shares Plan	3.8	4.4	-14.1%	13.2	15.5	-15.3%
(+) M&A Expenses	8.5	5.7	49.5%	26.3	6.6	295.2%
(+) IPO and Follow-on Extraordinary Expenses	0.0	0.0	n/a	7.7	6.4	19.2%
Adjusted EBITDA	31.6	36.4	-13.2%	143.0	129.4	10.5%
<i>Adjusted EBITDA Margin (%)</i>	<i>12.9%</i>	<i>26.0%</i>	<i>-13.1 p.p.</i>	<i>17.9%</i>	<i>26.5%</i>	<i>-8.6 p.p.</i>

As a result of the numbers presented above, Locaweb's Adjusted EBITDA in 4Q21 was R\$31.6 million, 13.2% lower than in 4Q20, with the Adjusted EBITDA Margin presenting a reduction of 13.1 p.p. in the same period due mainly to the consolidation of the results of the acquired companies, mainly Squid, which have lower EBITDA margin than the ones presented in the group.

// EBITDA and Adjusted EBITDA per segment

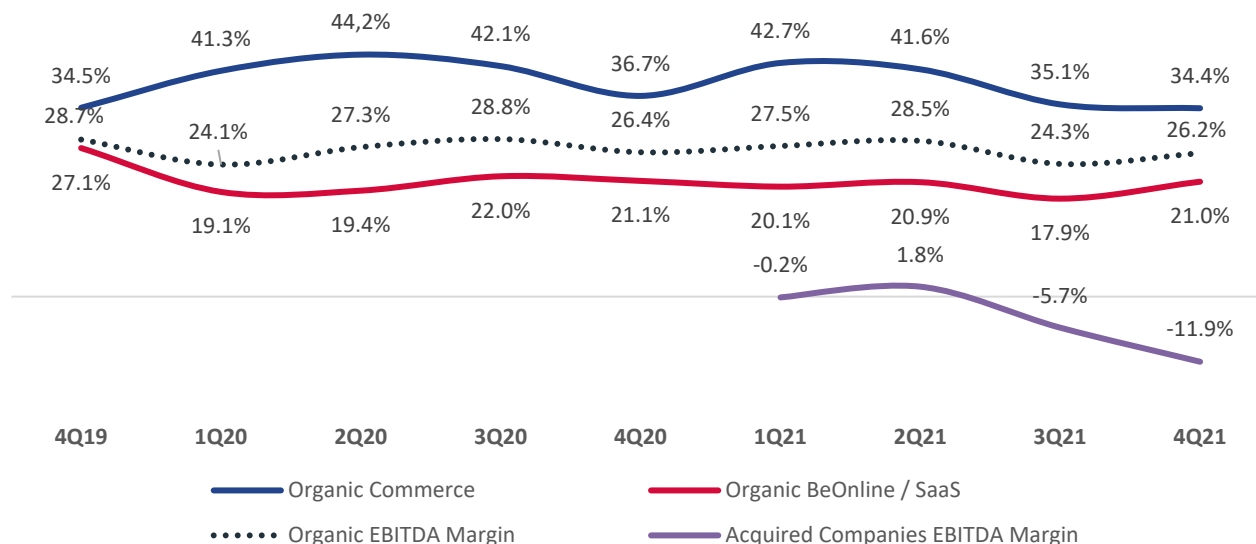
(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Commerce						
Adjusted EBITDA	12.5	15.7	-20.4%	69.6	56.6	23.1%
<i>Adjusted EBITDA Margin (%)</i>	<i>8.9%</i>	<i>33.8%</i>	<i>-25.0 p.p.</i>	<i>17.6%</i>	<i>39.8%</i>	<i>-22.2 p.p.</i>
BeOnline / SaaS						
Adjusted EBITDA	19.1	20.7	-7.7%	73.3	72.8	0.7%
<i>Adjusted EBITDA Margin (%)</i>	<i>18.2%</i>	<i>22.1%</i>	<i>-3.9 p.p.</i>	<i>18.2%</i>	<i>21.1%</i>	<i>-2.9 p.p.</i>
Consolidated						
Adjusted EBITDA	31.6	36.4	-13.2%	143.0	129.4	10.5%
<i>Adjusted EBITDA Margin (%)</i>	<i>12.9%</i>	<i>26.0%</i>	<i>-13.1 p.p.</i>	<i>17.9%</i>	<i>26.5%</i>	<i>-8.6 p.p.</i>

Commerce's Adjusted EBITDA fell 20.4% in 4Q21, reaching R\$12.5 million with a 25.0 p.p. reduction in EBITDA margin, which was 8.9% in the quarter, exclusively related to the consolidation of the results of the acquired companies in the segment results, especially Squid which brought negative EBITDA in 4Q21, as already explained in this report.

Organically, we noticed an expansion in the Company's consolidated Adjusted EBITDA margin between 3Q21 and 4Q21, due to a 3 p.p. growth in the BeOnline / SaaS organic Adjusted EBITDA margin and a stability of the organic Adjusted EBITDA margin in the Commerce segment.

The chart below shows the inorganic impact brought by the acquired companies on the segments' margins:



As already presented in the report, the companies we have chosen for acquisition have products that complement our ecosystem, have high cross-sell potential and are in an accelerated growth stage. When the acquisition is carried out, a Business Plan ("BP") is built together with the seller, so that we can guide the management of the acquiree after the M&A is completed. Given the stage of these companies, this BP includes investments to accelerate growth and R&D for integration into the Locaweb ecosystem. Thus, in the first years, the acquisition strategy does not prioritize profitability. With the growth of operations and consequent operational gains due to scale, these operations tend to operate with positive EBITDA margins within their segments. On average, the business plans consider that this level of profitability occurs between 3 and 4 years.

As a result, in 4Q21 we observed a negative impact of the consolidated margin of the group brought by the acquired companies, especially the most recent acquisition Squid.

// Financial Results

(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Financial revenues	32.9	29.7	10.7%	82.7	39.7	108.3%
Financial expenses	(28.1)	(35.0)	-19.7%	(78.7)	(54.2)	45.2%
Net financial income (expenses)	4.8	(5.3)	191.5%	4.0	(14.5)	127.8%

The net financial result in 4Q21 was a net revenue of R\$4.8 million, which represented an improvement of 191.5% in comparison with 4Q20. This increase is directly related to (i) the financial revenue related to the cash raised in the Follow-on in mid-February, which, with the increase in interest rates, is generating higher financial revenue and (ii) lower interest expenses due to the decrease in bank indebtedness.

It is important to highlight that, despite the improvement in the financial result, the financial expense was highly impacted by the effect of the Adjustment to Present Value of the Earnouts of the recent acquisitions, which in the quarter totaled R\$15.9 million compared to R\$2.3 million in 4Q20.

// Income Tax and Social Contribution

(R\$ million)

locaweb	2021	2020	2019
Income (loss) before income taxes	12.6	29.7	24.3
Combined statutory rate of 34%	34%	34%	34%
Income taxes at a combined statutory rate of 34%	(4.3)	(10.1)	(8.3)
Adjustments to the effective rate			
Interest on shareholders' equity	0.0	5.4	1.2
Effect of presumed profit method	(10.4)	(1.4)	(0.4)
Effect of stock options plan expenses	(4.0)	(5.3)	(0.7)
Tax losses carryforward not recognized (tax loss)	(12.1)	(1.1)	(1.0)
Tax benefit from Lei do Bem	2.7	2.5	2.6
Goodwill	0.8	0.0	0.0
Others	(0.9)	(0.1)	0.4
Income taxes in the statements of operations	(28.3)	(10.0)	(6.2)
Effective rate	225.4%	33.6%	25.6%

The effective tax rate of 2021 was impacted mainly by the effect of the calculation by the assumed profit and by the deferred tax not recorded in tax losses. These impacts are directly related to the acquired companies, which, as explained in this report, are in a stage of revenue growth and commercial investments and products.

// Net Income and Adjusted Net Income

(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Net income	(7.2)	9.0	-180.5%	(15.7)	19.7	-179.8%
(+) Stock Options Plan and Restricted Shares Plan	3.8	4.4	-14.1%	13.2	15.5	-15.3%
(+) Intangible amortization	10.1	2.8	254.3%	29.4	6.3	366.8%
(+) Adjustment to present value of Acquisition Earnout	15.9	2.3	582.6%	48.2	4.2	1051.5%
(+) Deferred income tax and social contribution	3.9	(3.9)	-199.4%	5.3	(4.8)	-209.2%
(+) CPC 06 adjustment	0.6	1.0	-47.1%	1.7	2.0	-18.4%
(+) MtM	0.1	(0.6)	-119.2%	(1.5)	(1.4)	5.3%
(+) IPO and Follow-on Expenses	0.0	0.0	n/a	5.1	4.3	19.2%
Adjusted net income	27.2	15.1	79.9%	85.5	45.8	86.6%
<i>Adjusted net income margin (%)</i>	<i>11.1%</i>	<i>10.8%</i>	<i>0.3 p.p.</i>	<i>10.7%</i>	<i>9.4%</i>	<i>1.3 p.p.</i>

Based on the numbers presented above, Locaweb's Adjusted Net Income in 4Q21 was R\$27.2 million, 79.9% higher than the 4Q20.

// Indebtedness / Cash Position

(R\$ million)

locaweb	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20
(+) Loan and financing	29.0	33.1	48.6	64.1	84.6	98.4
(-) Derivatives Result (FX swap) ¹	(8.7)	(9.7)	(10.2)	(17.7)	(19.4)	(27.3)
Bank Gross Debt	20.3	23.3	38.4	46.4	65.2	71.1
(-) Cash and cash equivalents ²	(1,586.1)	(1,803.6)	(1,896.0)	(2,412.9)	(409.4)	(520.4)
Net debt (cash) (ex lease liability)	(1,565.8)	(1,780.3)	(1,857.6)	(2,366.5)	(344.2)	(449.3)
(+) Lease liability ³	76.8	74.7	76.7	74.5	69.5	71.1
Net debt (cash)	(1,488.9)	(1,705.6)	(1,780.9)	(2,292.0)	(274.7)	(378.2)

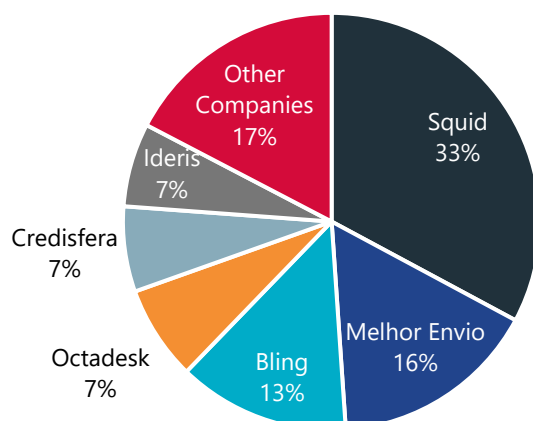
¹ Balance of Derivative Financial Instruments in the Balance Sheet

² Considers the restricted cash of the short and long term arising from guarantees provided in financial funding

³ Lease liabilities refer to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019 - Lease liabilities refer to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019
Lease liabilities refer to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019

With the funds raised in February in the follow-on offering, and the outflows from the payment of part of the price of the acquisitions in the period, the Company had a net cash balance of R\$1,565.8 million in the 4Q21. Excluding the effects of IFRS 16 adoption, the net cash balance is R\$1,488.9 million.

Also noteworthy are the potential earnouts payable arising from acquisitions, which totaled R\$904.3 million. The chart below shows the distribution of earnouts by acquired company:

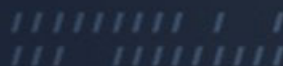


// Cash Flow
(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Income (loss) before income taxes	(0.8)	6.0	-113.8%	12.6	29.7	-57.7%
Items that do not affect cash	47.8	20.2	137.0%	156.0	85.8	81.9%
Variations in working capital	(7.9)	(14.5)	45.4%	(16.8)	(47.3)	64.4%
Net cash provided by operating activities (A)	39.0	11.7	234.5%	151.8	68.2	122.4%
Capex for permanent assets	(5.9)	(8.9)	-33.3%	(42.3)	(31.4)	34.6%
Capex for development	(13.6)	(5.4)	149.7%	(42.1)	(19.0)	121.6%
Free Cash Flow - After Capex	19.5	(2.7)	-833.2%	67.4	17.8	278.1%
Acquisition	(189.7)	(90.7)	109.1%	(1,057.1)	(116.3)	808.8%
Net cash provided by investment activities (B)	(209.2)	(105.0)	99.2%	(1,141.5)	(166.7)	584.6%
Subscription of capital stock	2.6	7.3	-63.7%	2,285.2	554.1	312.4%
Loan and financing	(5.0)	(3.3)	54.2%	(55.4)	(48.9)	13.3%
Commercial lease	(4.4)	(2.9)	51.5%	(14.5)	(11.2)	29.9%
Dividends and interest on equity	0.0	(16.0)	-100.0%	0.0	(16.0)	-100.0%
Others	(39.0)	(0.0)	86078.2%	(45.8)	(0.2)	23581.1%
Net cash provided by financing activities (C)	(45.8)	(14.9)	206.4%	2,169.5	477.8	354.0%
Net increase (decrease) in cash and cash equivalents (A + B + C)	(215.9)	(108.3)	99.4%	1,179.8	379.4	211.0%

Net cash from operating activities totaled R\$39.0 million in 4Q21 compared to R\$11.7 million in the 4Q20.

The cash outflow related to acquisitions refers to the disbursement for the purchase of Squid in 4Q21.



// Cash Generation (Adjusted EBITDA – Capex)
(R\$ million)

locaweb	4Q21	4Q20	vs 4Q20	2021	2020	vs 2020
Adjusted EBITDA	31.6	36.4	-13.2%	143.0	129.4	10.5%
Capex	19.5	14.3	36.2%	84.4	50.4	67.4%
Cash Generation (R\$ M)	12.1	22.1	-45.2%	58.6	79.0	-25.9%
Cash conversion (%)	38.2%	60.6%	-22 p.p.	41.0%	61.0%	-20 p.p.

The Company's cash generation, as measured by Adjusted EBITDA minus Capex, was impacted by lower cash conversion (Adjusted EBITDA) as explained in this report and the maintenance of the pace of the Company's investments in the development of its products.

It is also worth noting that in the year 2021, the Company made greater investments in its headquarters to adapt to a hybrid working dynamics (i.e. notebooks) and absorption of the teams of some of the acquired companies, thus generating rental savings.



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To the Shareholders and Administrators of
Locaweb Serviços de Internet S.A.
São Paulo – SP

Opinion

We have examined the individual and consolidated financial statements of Locaweb Serviços de Internet S.A. (“Company”), respectively to as Company and Consolidated, which comprise the statement of financial position as at December 31, 2021, the statements of result and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Individual financial statements opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual financial position of Locaweb Serviços de Internet S.A. as at December 31, 2021, the individual performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Consolidated financial statements opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Locaweb Serviços de Internet S.A. as at December 31, 2021, the consolidated performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities, under those standards, are further described in the “Auditor’s responsibilities for the audit of the individual and consolidated financial statements”. We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant’s Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment of intangible assets

See Note 12 (c) to the individual and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>Individual and consolidated financial statements for the year ended December 31, 2021 include values of intangible assets, including goodwill, whose realization is supported by estimated future earnings based on business plan prepared by the Company. Due to uncertainties inherent to the process of determining estimates of future earnings of cash generating units for evaluation of these assets' impairment, which involve assumptions as revenue growth, discount rate, and growth in perpetuity, and to complexity of process, which required significant judgment by the Company, we consider this a significant matter in our audit engagement.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> (i) Obtainment the understanding of the process for preparation and review of business plan, budgets of cash generating units and analysis of impairment of cash generating units where intangible assets, including goodwill, were recognized; (ii) Evaluation of reasonability for the determination of Cash Generating Units (CGU) for impairment test; (iii) With the help of our specialists in corporate finance and based on audit samples, we evaluated the CGUs with higher risk assumptions, such as revenue growth, discount rate, and growth in perpetuity, which we compared it with data obtained from external sources when available or with historical datas. (iv) assessment of whether the disclosures in the individual and consolidated financial statements include all relevant information. <p>Based on the audit procedures performed to test the recoverable amount of intangible assets prepared by the Company and on the results obtained, we consider that they are acceptable in the context of the individual and consolidated financial statements as a whole.</p>

Business combination

See Note 10.2 o the individual and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>During 2021 the Locaweb Serviços de Internet S.A.. acquired the control of the companies: Connectplug Desenvolvimento de Software da informação Ltda., Credisfera Serviços Financeiras S.A., Dooça Tecnologia da Informação Ltda., Samurai Experts Holding</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> (i) Obtaining an understanding of the process and related relevant controls to support the recording of transactions;

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KPMG Auditores Independentes Ltda., a Brazilian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

<p>Ltda., Social Miner Tecnologia da Informação Ltda., Vindi Tecnologia e Marketing S.A., Bling Organisations Software Ltda., Pagcerto Soluções em Pagamento S.A., Octadesk Ltda., Bagy Soluções de Comércio Digital Ltda. – ME, Squid Digital Media Channel Ltda, e Polli & Santos – Gestão de Tecnologia Ltda. (Netzee).</p> <p>Due to the complexity, judgment and relevance of the amounts involved in the acquisition accounting process, we considered this matter as significant for our audit. Which considered the requirements of CPC 15 (R1) – Combinação de negócios (IFRS 3 – Business combination) such as determining the fair value of the consideration transferred, in exchange for control of the acquired companies, including contingent consideration, which involves significant assumptions, the harmonization of the accounting practices of the acquired companies and the determination of fair values of identifiable assets acquired, which involve.</p>	<ul style="list-style-type: none"> (ii) Obtaining and analyzing the signed contracts and inspection of the financial settlement of the installments related to the acquisitions; (iii) With the assistance of our corporate finance specialists, we evaluated the criteria and assumptions adopted in determining the fair values of assets acquired, comparing them with data obtained from external sources when available or with historical data; (iv) With the assistance of our financial instruments specialists, we evaluated the significant assumptions associated with the measurement of the fair value of the contingent consideration transferred, comparing them with data obtained from external sources, when available, and with historical data; (v) Assessment of whether the accounting practices of the acquired companies were harmonized with the Company's accounting practices; and (vi) Assessment of whether the disclosures in the individual and consolidated financial statements include all relevant information. <p>Based on the audit procedures performed to test (i) the measurement of the consideration transferred in exchange for the control of the acquired companies, (ii) the harmonization of accounting practices, (iii) the determination of the fair value of the identifiable assets acquired in the business combinations carried out in 2021 and (iv) the related disclosures, and the results obtained, we consider them to be acceptable, in the context of the individual and consolidated financial statements as a whole ended December 31, 2021.</p>
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Other matters

Statements of added value

Individual and consolidated statements of added value (DVA) for the year ended December 31, 2021, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Financial statements for prior periods audited by other independent auditors

The individual and consolidated statement of financial position as of December 31, 2020 and the individual and consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes for the year then ended, presented as corresponding figures in the individual and consolidated financial statements for the current year, were previously audited by other independent auditors, who issued an unqualified opinion dated March 22, 2021. The related amounts for the individual and consolidated statements of value added for the year ended December 31, 2020 were submitted to the same audit procedures by those independent auditors and, based on their audit, they issued an unqualified opinion.

Other information accompanying individual and consolidated financial statements and the auditors' report

Management is responsible for the other information comprising the Management Report.

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

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

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

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

- Identified and assess the risks of material misstatement in the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

São Paulo, March 23, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

Original report in Portuguese signed by
João Paulo A. Pacheco Neves
Accountant CRC 1SP222303/O-4

Locaweb Serviços de Internet S.A.

Statements of financial position in December 31, 2021 and 2020

(In thousands of reais)

		<u>Parent company</u>		<u>Consolidated</u>	
	Note:	2021	2020	2021	2020
Assets					
Cash and cash equivalents	6.1	1,465,014	358,700	1,584,399	404,628
Restricted financial investment	6.2	1,685	1,601	1,685	1,601
Accounts receivable	7.1	16,129	18,578	503,555	358,578
Taxes recoverable		4,563	5,794	6,225	9,412
Income tax and social contribution recoverable		16,358	-	25,303	-
Derivative financial instruments	26	8,745	19,367	8,745	19,367
Other assets	8	10,952	9,145	22,003	13,909
Total current assets		<u>1,523,446</u>	<u>413,185</u>	<u>2,151,915</u>	<u>807,495</u>
Restricted financial investment	6.2	-	3,202	-	3,202
Court deposits	17	435	434	504	538
Other assets	8	7,479	772	4,285	1,160
Related parties:		-	789	-	-
Deferred income tax and social contribution	24	38,162	20,193	42,048	20,713
Total long-term assets		<u>46,076</u>	<u>25,390</u>	<u>46,837</u>	<u>25,613</u>
Investments	10	1,927,824	320,781	-	-
Property, plant, and equipment	11	58,937	60,063	88,734	76,263
Intangible assets	12	72,819	60,348	2,218,796	477,889
Right-of-use asset	13	59,724	62,770	69,577	65,104
Total non-current assets		<u>2,165,380</u>	<u>529,352</u>	<u>2,423,944</u>	<u>644,869</u>
Total assets		<u>3,688,826</u>	<u>942,537</u>	<u>4,575,859</u>	<u>1,452,364</u>

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Statements of financial position in December 31, 2021 and 2020

(In thousands of reais)

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Liabilities					
Suppliers		10,548	11,208	42,083	20,540
Loans and financing	15.1	27,952	55,660	28,720	56,876
Lease liabilities	15.2	5,552	5,100	9,274	5,811
Salaries, charges, and social benefits	16	28,323	22,441	71,732	35,970
Income tax and social contribution payable		-	-	1,011	1,230
Other taxes payable		2,908	2,684	9,431	4,591
Services payable	7.2	37,801	35,031	58,240	43,588
Receipts to be passed on	7.3	-	-	414,818	271,665
Interest on equity and dividends payable		5	19	5	19
Taxes in installments	14	-	-	2,878	2,847
Obligation with investment acquisitions	10.1	36,145	3,442	36,145	3,442
Other liabilities		53	1	2,650	4,053
Total current liabilities		149,287	135,586	676,987	450,632
Loans and financing	15.1	-	27,515	321	27,682
Lease liabilities	15.2	60,120	61,896	67,575	63,734
Services to provide	7.2	1,127	-	1,127	-
Taxes in installments	14	-	-	17,264	19,571
Obligation with investment acquisitions	10.1	534,216	39,153	868,109	211,610
Provision for contingencies	17	1,959	592	2,726	1,116
Related parties:		-	31	-	-
Provision for investment losses	10	4,699	2,198	-	-
Deferred income tax and social contribution	24	-	-	1,446	-
Other liabilities		2,352	1,593	5,238	4,046
Total non-current liabilities		604,473	132,978	963,806	327,759
Net equity					
Capital stock	18	2,926,775	643,651	2,926,775	643,651
Treasury shares	18	(45,769)	-	(45,769)	-
Capital reserves	18	49,635	10,148	49,635	10,148
Profit reserves		4,425	20,174	4,425	20,174
Total net equity		2,935,066	673,973	2,935,066	673,973
Total liabilities and net equity		3,688,826	942,537	4,575,859	1,452,364

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Statements of result

Years ended December 31, 2021 and 2020

(In thousands of reais)

		Parent company		Consolidated	
	Note:	2021	2020	2021	2020
Net operating revenue	21	291,115	275,027	800,208	488,210
Cost of services provided	22	(193,992)	(186,379)	(435,676)	(282,885)
Gross profit		97,123	88,648	364,532	205,325
Sales expenses	22	(50,362)	(47,762)	(152,457)	(82,155)
General and Administrative Expenses	22	(57,116)	(47,080)	(195,974)	(79,893)
Loss due to impairment	22	(1,568)	-	(10,118)	-
Equity income	10	(40,120)	25,791	-	-
Other operating revenues (expenses)	22	632	744	2,546	909
Income before net financial revenues (expenses)		(51,411)	20,341	8,529	44,186
Financial revenues	23	79,149	38,964	82,694	39,704
Financial expenses	23	(36,253)	(44,865)	(78,664)	(54,181)
Net financial revenues (expenses)		42,896	(5,901)	4,030	(14,477)
Income before income tax and social contribution		(8,515)	14,440	12,559	29,709
Current income tax and social contribution	24	-	-	(23,021)	(14,812)
Deferred income tax and social contribution	24	(7,234)	5,300	(5,287)	4,843
		(7,234)	5,300	(28,308)	(9,969)
Net profit (loss) for the year		(15,749)	19,740	(15,749)	19,740
Earnings per share (expressed in BRL per share)					
Basic earnings (loss) per share	20			(0.03)	0.04
Diluted earnings (loss) per share	20			(0.03)	0.04

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Othe comprehensive income

Years ended December 31, 2021 and 2020

(In thousands of reais)

	<u>Parent company</u>		<u>Consolidated</u>	
	2021	2020	2021	2020
Net profit (loss) for the year	<u>(15,749)</u>	<u>19,740</u>	<u>(15,749)</u>	<u>19,740</u>
Comprehensive income for the year	<u>(15,749)</u>	<u>19,740</u>	<u>(15,749)</u>	<u>19,740</u>

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Capital stock		Treasury shares	Capital Reserves					Profit Reserves		Accumulated profits (losses)	Total net equity
	Paid up capital stock	Capital stock yet to be paid in	Treasury shares	Expenses with the issuance of shares	Treasury shares	Goodwill on capital transactions	Stock option plan reserve	Goodwill on the issuance of shares	Legal reserve	Profit retention reserve		
Balances on December 31, 2019	53,629	-	-	(3,645)	(9)	(22,344)	32,313	11,955	1,390	15,044	-	88,333
Net income for the year	-	-	-	-	-	-	-	-	-	-	19,740	19,740
Capital increase (Note 18.a)	582,548	7,474	-	-	-	-	-	-	-	-	-	590,022
Share-based payments	-	-	-	-	2	-	15,547	41	-	-	-	15,590
Initial public offering	-	-	-	(23,712)	-	-	-	-	-	-	-	(23,712)
Profit destination:												
Legal reserve	-	-	-	-	-	-	-	-	987	-	(987)	-
Interest on equity distributed	-	-	-	-	-	-	-	-	-	-	(16,000)	(16,000)
Profit retention reserve	-	-	-	-	-	-	-	-	-	2,753	(2,753)	-
Balances on December 31, 2020	636,177	7,474	-	(27,357)	(7)	(22,344)	47,860	11,996	2,377	17,797	-	673,973
Loss for the year	-	-	-	-	-	-	-	-	-	-	(15,749)	(15,749)
Capital increase (Note 18.a)	2,363,977	(7,474)	(48,844)	-	-	-	-	-	-	-	-	2,307,659
Repurchase of own shares	-	-	(45,921)	-	-	-	-	-	-	-	-	(45,921)
Exercised stock options	-	2,822	152	-	-	-	-	(101)	-	-	-	2,873
Share-based payments	-	-	-	-	-	-	12,224	-	-	-	-	12,224
Reclassification	-	-	(27,357)	(7)	27,357	7	-	-	-	-	-	-
Loss absorption	-	-	-	-	-	-	-	-	-	(15,749)	15,749	-
Balances on December 31, 2021	3,000,154	2,822	(76,201)	(45,769)	-	(22,344)	60,084	11,895	2,377	2,048	-	2,935,066

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Statements of cash flow

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Note:	Parent company		Consolidated	
		2021	2020	2021	2020
Cash flows from operating activities					
Profit (loss) before income tax and social contribution		(8,515)	14,440	12,559	29,709
Adjustments to reconcile profit (loss) before income tax and social contribution with net cash flow from operating activities:					
Depreciation and amortization	11;12;13	40,803	43,905	87,336	56,594
Equity income	10	40,120	(25,791)	-	-
Passive lease interest, derivatives, exchange and monetary variations		29,618	15,321	57,524	16,781
Mark-to-Market of Derivatives	26.f	(1,458)	(1,385)	(1,458)	(1,385)
Share-based payments	19	12,224	15,590	12,224	15,590
Provisions and other adjustments		707	(2,699)	397	(1,808)
Changes in assets and liabilities					
Accounts receivable from customers	7.1	2,984	5,726	(124,325)	(198,108)
Taxes recoverable		(14,836)	(2,649)	(18,923)	(986)
Other assets		(6,005)	(1,094)	(418)	(688)
Court deposits		(1)	275	34	227
Transactions with related parties, net		-	749	-	-
Suppliers		(1,309)	1,770	4,038	1,962
Salaries, charges, and social benefits		5,068	2,661	25,255	6,223
Other taxes payable		584	774	5,519	969
Services to provide		4,897	2,733	11,388	(15,098)
Receipts to be passed on		-	-	143,167	189,492
Other liabilities		714	428	(33,540)	(13,534)
Income tax and social contribution paid		(400)	(705)	(29,008)	(17,710)
Net cash from operating activities		105,195	70,049	151,769	68,230
Cash flows from investing activities					
Acquisitions of property, plant and equipment		(27,437)	(22,315)	(42,274)	(31,395)
Accounts payable for acquisition of equity interest		(9,198)	(15,035)	(9,198)	(15,035)
Advance for future capital increase	10	(141,525)	(143,560)	-	-
Cash received in mergers		1,493	-	-	-
Restricted financial investment		3,262	-	5,319	-
Subsidiary acquisition, net of cash acquired	10	(990,056)	(16,700)	(1,053,181)	(101,275)
Acquisition and development of intangible assets		(18,297)	(9,752)	(42,139)	(19,019)
Net cash used in investing activities		(1,181,758)	(207,362)	(1,141,473)	(166,724)
Cash flows from financing activities					
Capital payment, net of share issuance expenses	18	2,285,177	554,095	2,285,177	554,095
Payment of lease liabilities	15.2	(10,488)	(9,871)	(14,508)	(11,166)
Loans and financing paid		(42,436)	(45,491)	(51,086)	(45,967)
Restricted financial investment		-	5,426	-	5,426
Interest and exchange variation paid		(17,119)	(20,069)	(17,851)	(20,388)
Derivatives paid and received		13,551	12,040	13,551	12,040
Bank guarantees paid		(46)	(193)	(46)	(193)
Dividends and interest on equity paid		-	(16,000)	-	(16,000)
Repurchase of own shares		(45,762)	-	(45,762)	-
Cash generated by financing activities		2,182,877	479,937	2,169,475	477,847
Net increase in cash and cash equivalents		1,106,314	342,624	1,179,771	379,353
Cash and cash equivalents at the start of the year		358,700	16,076	404,628	25,275
Cash and cash equivalents at the end of the year		1,465,014	358,700	1,584,399	404,628
Net increase in cash and cash equivalents		1,106,314	342,624	1,179,771	379,353

Notes are an integral part of the financial statements.

Locaweb Serviços de Internet S.A.

Statement of added value

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Notes	Parent company		Consolidated	
		2021	2020	2021	2020
Revenue		319,138	304,736	887,533	543,115
Service provision revenue	21	338,473	326,140	905,838	565,899
Discounts and rebates	21	(20,091)	(25,178)	(21,112)	(26,291)
Other operating revenues		756	3,774	2,807	3,507
Inputs purchased from third parties (includes ICMS, PIS and Cofins)		(119,141)	(114,473)	(373,545)	(203,096)
Cost of services provided		(77,798)	(76,120)	(210,792)	(126,684)
Materials, energy, third-party services and other services		(41,343)	(38,353)	(162,753)	(76,412)
Gross added value		199,997	190,263	513,988	340,019
Retention		(40,803)	(43,905)	(87,336)	(56,594)
Depreciation and amortization	11;12;13	(40,803)	(43,905)	(87,336)	(56,594)
Net added value generated		159,194	146,358	426,652	283,425
Added value received in transfers		39,029	63,519	82,694	38,563
Equity income	10	(40,120)	25,791	-	-
Financial revenues	23	79,149	37,728	82,694	38,563
Total added value to be distributed		198,223	209,877	509,346	321,988
Added value distribution		198,223	209,877	509,346	321,988
Personnel and charges		123,314	94,572	292,639	150,851
Direct remuneration		105,264	79,882	247,198	126,243
Benefits		11,332	8,883	28,653	15,253
Severance Pay Indemnity Fund (FGTS)		6,718	5,807	16,788	9,355
Taxes, fees and contributions		54,407	37,593	153,028	83,388
Federal		43,752	27,308	126,395	66,770
State		-	-	175	214
Municipal		10,655	10,285	26,458	16,404
Interest and rent		36,251	57,972	79,428	68,009
Equity remuneration		(15,749)	19,740	(15,749)	19,740
Interest on equity distributed		-	16,000	-	16,000
Retained earnings (losses)		(15,749)	3,740	(15,749)	3,740

Notes are an integral part of the financial statements.

Notes to Individual and Consolidated Financial Statements

(In thousands of Reais, unless otherwise stated)

1 Operational context

(a) Operations

Locaweb Serviços de Internet S.A. (hereinafter referred to as “Company”, also referred to as “Group” or “Locaweb”), headquartered at Rua Itapaiúna, 2434 - São Paulo/SP, with operations starting in 1998, is one of the pioneer companies in Business to Business (B2B) solutions for digital business transformation in Brazil. The Company offers a varied portfolio of integrated solutions, with the purpose of helping its clients' businesses to grow and prosper through the use of technology.

The Company has two operating segments: (i) Be Online and Software as a Service (SaaS) & Solutions (“Be Online & SaaS”), which are offered to its customers through the brands: Locaweb, Locaweb Corp, Allin, Cluster2Go, Kinghost, Delivery Direto, Etus, Social Miner and Connectplug; and (ii) Commerce, offered to its customers through the brands: Tray, Tray Corp, Yapay, Melhor Envio, Ideris, Samurai, Credisfera, Vindi, Dooca, Bling, PagCerto, Bagy, Octadesk, and Squid. These business segments are extremely complementary, generate great operational synergies for the Company and its customers and together form an ecosystem that allows for strong cross-selling and up-selling within its extensive and diversified customer base of approximately 600,000 active customers, from multiple sectors of the economy, with greater concentration in small and medium-sized companies.

(b) Impacts caused by the Covid-19 pandemic

The Company and its subsidiaries continue to monitor the unfolding of the COVID-19 pandemic in line with the guidelines established by the health authorities with regard to the safety of its employees and mapping the effects of the pandemic on its affairs.

The Company and its subsidiaries have adopted all measures to ensure maximum safety and prevention for each employee.

The Company and its subsidiaries adopted contingency plans that were designed to properly maintain their operations without harming their customers and employees. On the date of the financial statements, no material risks were identified in relation to the activity of the Company and its subsidiaries, no changes were found in accounting estimates and other provisions, and it is noteworthy that the Company and its subsidiaries do not perceive there to be any risk in the continuity of their affairs.

2 Preparation basis

2.1 Declaration of Conformity (Regarding IFRS and CPC Standards)

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Account Standards Board (IASB) and accounting practices adopted in Brazil (“BR GAAP”), which comprise the practices included in Brazilian corporate law and technical pronouncements, guidelines and technical interpretations issued by the Accounting Pronouncements Committee (“CPC”), approved by the Federal Accounting Council (“CFC”) and by the Brazilian Securities and Exchange Commission (“CVM”).

The parent company's individual financial statements were prepared in accordance with BR GAAP.

The financial statements for the year ended December 31, 2021 were approved by the Board of Directors on March 23, 2022 .

2.2 Measurement basis

The individual and consolidated financial statements were prepared based on the historical cost, except for the valuation of certain assets and liabilities such as those arising from business combinations and measured financial instruments, which are measured at their fair values.

2.3 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The Company's management controls an entity when it is exposed to, or is entitled to, the variable returns arising from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control until the date on which control ceases to exist.

In the parent company's individual financial statements, the financial information of subsidiaries is recognized using the equity method.

The income of subsidiaries acquired or disposed of during the year is included in the consolidated income statements from the effective acquisition date until the effective disposal date, as applicable.

The income of subsidiaries acquired during the years ended December 31, 2021 and 2020 are included in the income statements as of the date of their acquisition.

The fiscal years of the subsidiaries included in the consolidation coincide with those of the parent company and the accounting practices and policies were applied uniformly in the

consolidated companies. All intercompany balances and transactions were eliminated on consolidation.

The consolidated financial statements include the operations of the Company and its subsidiaries, presented below:

Subsidiaries	Interest	Interest %	
		2021	2020
Locaweb Telecom	Direct	100%	100%
Yapay	Direct	100%	100%
Tray Tecnologia	Direct	100%	100%
Fbits	Indirect	100%	100%
Ananke Participações	Direct	100%	100%
Ananke Tecnologia	Indirect	100%	100%
Primehost	Indirect (b)	-	100%
Ion	Indirect (b)	-	100%
Novaion	Indirect (b)	-	100%
Kinghost	Direct	100%	100%
Delivery Direto	Direct	100%	100%
Locaweb E-Commerce	Direct	100%	100%
Etus	Direct	100%	100%
Ideris	Indirect	100%	100%
Melhor Envio	Indirect	100%	100%
Vindi Tecnologia	Direct (a)	100%	-
Smart Tecnologia	Indirect (a)	100%	-
Vindi Eventos	Indirect (a)	100%	-
Fast Notas	Indirect (a)	100%	-
Vindi Pagamentos	Indirect (a)	100%	-
Social Miner	Direct (a) (b)	100%	-
Connectplug	Direct (a)	100%	-
Dooca	Indirect (a)	100%	-
Credisfera	Indirect (a)	100%	-
Samurai Holding	Indirect (a)	100%	-
Samurai Desenvolvimento	Indirect (a)	100%	-
V.O Desenvolvimento	Indirect (a)	100%	-
Bling	Direct (a)	100%	-
Pagcerto	Indirect (a)	100%	-
Bagy	Indirect (a)	100%	-
Octadesk	Direct (a)	100%	-
Squid	Direct (a)	100%	-
Duopana	Indirect (a)	100%	-
Netzee	Indirect (a) (b)	-	-

(a) Companies acquired during the year ended December 31, 2021 (Note 10.2).

(b) Merged companies.

1 - Locaweb Telecom Telecomunicações Ltda (“Locaweb Telecom”)

Locaweb Telecom is a provider of data, voice, image and sound transmission services via Internet protocol, duly authorized by Anatel to act as a SCM (Multimedia Communication Service) and STFC (Switched Landline Telephone Service) operator. The subsidiary became a wholly-owned subsidiary of the Company on September 28, 2007.

2 - Yapay Pagamentos OnLine Ltda. (“Yapay”)

Company located in Marília, acquired on November 26, 2012, when the Company acquired Tray. Through Yapay, we offer the services of: (i) Electronic payment gateway (independent electronic commerce system that allows the contracting and integration of various means of payment in any type of virtual store); and (ii) Sub Acquirer that provides solutions for receiving online payments for small and large companies, with solutions for e-commerce, startups, SaaS companies and other sectors.

3 - Fbits Desenvolvimento de Software S.A. (“Fbits”)

On September 1, 2016, Tray Tecnologia acquired 100% of the shares of the company Fbits Desenvolvimento de Software S.A. (“Fbits”). Founded in 1999 and headquartered in the city of Curitiba/PR, Fbits' main activity is to offer solutions based on the SaaS model (Software as a Service) for virtual stores. Among the main features of the solution platform offered, highlights include: Custom layout, B2C, B2B, marketplace module, smart search, responsive layout, email, gateway, and reports.

4 - Ananke Participações S.A. (“Cluster2GO”)

On March 2, 2018, Locaweb acquired 100% of the shares of the company Ananke Participações S.A. (“Cluster2GO”) and its subsidiaries Ananke Tecnologia Ltda (“Ananke Tecnologia”), Primehost do Brasil Serviços de Internet Ltda (“Primehost”), Ion Tecnologia da Informação Ltda (“Ion”), and Novaion Tecnologia Ltda (“Novaion”). Founded in 2000 and headquartered in the city of São Paulo, Cluster2GO' main activity is to offer data center solutions focused on high availability and managed services.

Among the main features of the offered solutions platform, highlights include: customized outsourcing for technical management inside and outside the data center with proactive monitoring, backup, information security, management of network assets such as firewall, routers and intensive support at levels 1, 2, and 3. The acquisition strengthens Grupo Locaweb's presence in the multicloud service management market.

On December 31, 2020, the merger of Primehost do Brasil Serviços de Internet Ltda (“Primehost”), Ion Tecnologia da Informação Ltda (“Ion”) and Novaion Tecnologia Ltda (“Novaion”) into Ananke Tecnologia Ltda (Ananke Tecnologia”) was approved.

5 - Lwk Hosting Participações Ltda. (“Kinghost”)

On May 3, 2019, Locaweb acquired 100% of the capital stock of the company LwK Hosting Participações Ltda. and its subsidiaries Cyberweb Networks Ltda, Kinghost Hospedagem de Sites Ltda, IPV6 Internet Ltda, and Unipago Soluções de Cobrança Ltda. (“Kinghost”). Founded in 2002 and headquartered in the city of Porto Alegre, it has the following main social activities: internet service provision and website hosting for the general public (retail profile).

Among the main services offered, highlights include: website hosting, corporate email solutions, domain registration, among others. The acquisition of Kinghost strengthens Locaweb's presence in the hosting provider market.

6 - IT Capital Serviços de Tecnologia Ltda (“Delivery Direto”)

On September 9, 2019, Locaweb acquired 100% of the share capital of ITCapital Serviços de Tecnologia Ltda (“Delivery Direto”). Founded in 2009 and headquartered in the city of São Paulo, Delivery Direto's main activity is to offer a technological platform and other services aimed at bars and restaurants that make deliveries.

Delivery Direto offers a complete SaaS delivery and management solution for restaurants that already have more than 1,200 customers. The platform works as a cost-effective alternative to marketplace applications, offering full control of customer relationships. This acquisition marks Locaweb's entry into the delivery market for bars and restaurants, with the possibility of expanding to other sectors such as pharmacies, butcher shops, and other establishments.

7 - Etus Social Network Brasil Ltda. (“Etus”)

On September 29, 2020, Locaweb acquired 100% of the share capital of the company Etus Social Network Brasil Ltda. (“Etus”). Founded in 2015, headquartered in the city of Ribeirão Preto in the São Paulo state countryside, it is a company that offers the most complete and robust solution for management and digital marketing in social media channels, such as Facebook, Instagram, LinkedIn, Pinterest, and Twitter, among others, and already serves over 100,000 brands.

8 - Ideris Tecnologia da Informação Ltda. (“Ideris”)

On December 10, 2020, Locaweb acquired 100% of the share capital of the company Ideris Tecnologia da Informação Ltda. (“Ideris”). Founded in 2017 in Curitiba, it offers a complete multi-channel integration platform for retail operations, allowing retailers to operate in several channels in the direct integration model in marketplaces or through the Store in Store.

9 - Melhor Envio Ltda. (“Melhor Envio”)

On December 14, 2020, Locaweb acquired 100% of the share capital of the company Melhor Envio Ltda. (“Melhor Envio”). Founded in 2015 in the city of Pelotas, it offers a logistics platform that connects small and medium-sized sellers to the main carriers and logistics companies in Brazil.

10 - Vindi Tecnologia e Marketing S.A (“Vindi Tecnologia”)

On January 12, 2021, the Company concluded the definitive acquisition of one hundred percent (100%) of the total share capital (on fully diluted bases) of Vindi Tecnologia e Marketing S.A. (“Vindi”), which includes its 4 wholly-owned subsidiaries Smart Tecnologia S.A., Vindi Eventos e Conteúdo Ltda., Fast Notas Softwares de Gestão Ltda., and Vindi Pagamentos Ltda. Vindi offers subscription solutions (plans and monthly fees)

and combines a recurring billing software with a payment platform. Among the more than 6,000 customers that Vindi serves today, there are important brands and the largest subscription cases in Brazil. The acquisition plans include integrating Vindi's recurring payment APIs into Tray (e-commerce platform) and exploring the full potential of cross selling with the Company's other business segments (BeOnline, SaaS and Commerce) with the acquired company.

11 - Social Miner Internet Ltda (“Social Miner”)

On January 20, 2021, the Company performed the definitive acquisition of one hundred percent (100%) of the total capital stock of Social Miner Internet Ltda. (“Social Miner” and “Agreement”, respectively). Social Miner is a company that offers a SaaS platform for e-commerce and retailers to increase sales, consumer engagement, convert visitor flows to registrations and/or purchases and reduce the cost of customer acquisition, using big data and artificial intelligence. With the integration of solutions from Social Miner, which has a consolidated product in the market, and from All In, a company acquired by Locaweb in 2013, we now offer a complete suite of services that follows the entire consumer journey for e-commerce and retailers of all segments and sizes, which will be very important to boost sales for our Tray e-commerce platform customers.

On October 29, 2021, the merger of Social Miner Internet Ltda. with Locaweb Serviços de Internet S.A, was approved.

12 - Connectplug Desenvolvimento de Softwares Ltda. (“Connectplug”)

On January 26, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between the Company and the shareholders of Connectplug Desenvolvimento de Softwares Ltda. (“ConnectPlug”), a company that offers a SaaS platform with a point of sale (POS) system and a complete management system, with ample presence in the food services segment. With this acquisition, we strengthened our portfolio, entered the relevant market of technology solutions for physical commerce and continued to consolidate our position in the segment of digitalization of companies in Brazil, expanding our ability to offer omnichannel solutions and cross-sell possibilities with Tray's shop owner base.

13 - Dooça Tecnologia da Informação Ltda. (“Dooça”)

On February 18, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between the Company's wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Dooça Tecnologia da Informação Ltda. (“Dooça”), a virtual store platform focused on SMEs, which helps retailers create, set up and manage their virtual store and sell online. With the acquisition, the Company, which already has a prominent role and leadership in the segment with Tray, consolidates itself in this market, which showed intense acceleration in 2020. The plans for the acquisition and capture of synergies include Dooça in the Company's robust Commerce ecosystem, offering the Yapay payment solution to Dooça's entire customer base, integrations with more than 30 marketplaces and Store-in-Store offered by Ideris, Melhor Envio's logistics solutions, Vindi's recurring payment APIs and the entire digital marketing portfolio with Social Miner and All In.

14 - Credisfera Serviços Financeiros S.A. (“Credisfera”)

On February 26, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Credisfera Serviços Financeiros S.A. (“Credisfera”). Credisfera is a Fintech that offers credit solutions for SMEs and will allow Locaweb to offer this service to its customer base in an integrated manner.

15 - Samurai Experts Holding Ltda. (“Samurai”)

On March 2, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Samurai Experts Holding Ltda. (“Samurai”) which includes its 2 wholly-owned subsidiaries Samurai Experts Desenvolvimento de Software Ltda. and V.O Desenvolvimento de Software Ltda. Samurai is a technology company that offers an application ecosystem compatible with different platforms in the market to optimize the results of virtual stores. Samurai reinforces the group's strategy to serve medium and large e-commerce operations, joining forces with Tray Corp and improving the ability to serve complex and customized projects. In parallel, Samurai will be able to offer the Yappy payment solution, integrations with more than 30 marketplaces and the Store-in-Store offered by Ideris, Melhor Envio’s logistics solutions, Vindi's recurring payment APIs and the entire digital marketing portfolio with Social Miner and All In for its entire customer base. With the acquisition, the goal is to absorb the Samurai staff, which currently has 40 engineering, software and agile methodology professionals, who must work together in the development of products in the Locaweb e-commerce ecosystem.

16 - Organisys Software Ltda. (“Bling”)

On April 21, 2021, the Share Purchase and Sale Agreement and Other Covenants was signed between the Company and the shareholders of Organisys Software S.A. (“Bling” and “Bling Agreement”, respectively), to regulate the acquisition of the entirety of its share capital by the Company (“Operation”). Launched in 2009, Bling is an online management system for the e-commerce segment and small and micro enterprises - SMEs, with more than 200 integrations, which offers SaaS solutions for physical, virtual or hybrid businesses.

17 - Pagcerto Soluções em Pagamento S.A. (“Pagcerto”)

On April 21, 2021, simultaneously with the signature of the purchase and sale agreement of its subsidiary Organisys Software S.A. “Bling”, the Company also entered into the purchase and sale agreement for the acquisition of all the shares issued by Pagcerto Soluções em Pagamento S.A. (“Pagcerto” and “Pagcerto Agreement”, respectively), a company that operates through a white label sub-acquiring platform and BaaS (banking as a service), with these services being integrated and used by Bling.

18 - Bagy Soluções de Comércio Digital Ltda. (“Bagy”)

On July 12, 2021, the Share Purchase and Sale Agreement and Other Covenants was entered into between the wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Bagy Soluções de Comércio Digital Ltda. (“Bagy”) in order to regulate the acquisition of the entire share capital of Bagy by Tray (“Transaction”). Founded in 2017, Bagy is an e-commerce platform focused on social commerce, with more than 13,500 active customers and 127,000 followers on social media. Its goal is to help small and medium-sized companies, individuals and influencers to set up a virtual store quickly and simply.

19 - Octadesk Desenvolvimento de Software Ltda. (“Octadesk”)

On August 2, 2021, the Purchase and Sale Agreement of Shares and Other Covenants was signed between the Company and the members of Octadesk Ltda. (“Octadesk” and “Agreement”, respectively), to regulate the acquisition of the entire capital stock of Octadesk by the Company (“Transaction”). Founded in 2015, Octadesk is a platform aimed at small and medium-sized companies to better relate to their customers at all stages of their journey (marketing, sales and service), in real time and on multiple channels such as WhatsApp, chat, Instagram, email and more, organizing their interactions in one sole place.

20 - Squid Digital Media Channel Ltda. (“Squid”)

On October 5, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was signed between the Company and the members of Squid Digital Media Channel Ltda. (“Squid”), to regulate the acquisition of the entire capital stock of Squid by the Company (“Transaction”), which includes its wholly-owned subsidiary Duopana Tecnologia e Informatica Ltda. Founded in 2014, Squid is the most relevant company in the Creators Economy segment in Brazil and has the best solutions and platforms to connect influencers and content creators to brands.

21 - Polli & Santos - Gestão e Tecnologia Ltda. (“Netzee”)

On December 1, 2021, the Share Purchase Agreement and Other Covenants was entered into between the wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Polli & Santos - Gestão e Tecnologia Ltda. (“Netzee”), to regulate the acquisition of the entire share capital of Netzee by Tray (“Transaction”).

On December 1, 2021, the merger of Polli & Santos - Gestão e Tecnologia Ltda. with Tray Tecnologia em Ecommerce Ltda. Was approved.

2.3.1 Merger of subsidiaries

a. Merger of Social Miner

At the Extraordinary General Meeting held on October 29, 2021, the Company's shareholders approved the merger with Social Miner. The merger was carried out considering that the companies are part of the same economic group and that the transfer of activities will enable greater financial, operational and administrative efficiency, in

addition to better control by the shareholders of the different areas of activity of the companies.

The merged amounts are summarized below:

Assets	
Cash and cash equivalents	1,333
Accounts receivable	534
Taxes recoverable	30
Other assets	22
Deferred taxes	41
Property, plant, and equipment	20
Intangible assets	900
<hr/>	
Liabilities	
Suppliers	60
Social obligations	856
Tax obligations	39
Other accounts payable	51
<hr/>	
Net merged amounts	1,874
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b. Merger of Netzee

At the Extraordinary General Meeting held on Wednesday, December 1, 2021, the Company's shareholders approved the merger of Netzee with Tray Tecnologia em Ecommerce Ltda.. The merger was carried out considering that the companies are part of the same economic group and that the transfer of activities will enable greater financial, operational and administrative efficiency, in addition to better control by the shareholders of the different areas of activity of the companies.

The merged amounts are summarized below:

Assets	
Cash and cash equivalents	107.973
Property, plant, and equipment	1.935
<hr/>	
Liabilities	
Loans and financing	48.966
Labor and social obligations	41.138
Tax obligations	14.904
Other accounts payable	1.900
<hr/>	
Net merged amounts	3.000
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3 Functional currency and presentation currency

These financial statements are presented in Reais, which is the Company's and its subsidiaries' functional currency. All balances have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of estimates and judgments

In preparing these financial statements, Management used judgments and estimates that affect the application of the Company's and its subsidiaries' accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and assumptions are continually reviewed. Revisions to estimates are recognized prospectively.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances. Based on assumptions, the Company and its subsidiaries make estimates regarding the future. By definition, the resulting accounting estimates will seldom be the same as the actual income. The estimates and assumptions that present a significant risk, likely to cause a material adjustment in the carrying amounts of assets and liabilities for the next fiscal year, are contemplated below:

a) Impairment test of non-financial assets - Note 12

Management annually reviews the net book value of assets in order to assess events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value. Once such evidence is identified and the net book value exceeds the recoverable value, an estimated impairment loss is established, adjusting the net book value to the recoverable value.

The recoverable value of an asset or a specific cash-generating unit (CGU) is defined as the higher between its value in use and its net sales value. Management considers each of its segments to be a cash-generating unit (CGU).

In estimating the asset's value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates.

The net sale value is determined, whenever possible, on the basis of a concrete sale agreement in an arm's length transaction between knowledgeable and interested parties, adjusted for expenses attributable to the sale of the asset, or, when there is no firm sale agreement and, based on the market price of an active market, the price of the most recent transaction with similar assets.

i) Impairment test of fixed assets and intangible assets with a finite useful life

Fixed assets and intangible assets with a finite useful life are tested whenever signs of devaluation are identified.

ii) Impairment test of goodwill paid for expected future profitability

The test for goodwill impairment is performed annually (on December 31) or when circumstances indicate impairment of the bookkeeping amount.

iii) Impairment test of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually (on December 31) or when circumstances indicate impairment of the bookkeeping amount. The test is performed individually or at the cash-generating unit level, as appropriate.

b) Provision for contingencies – Note 17

The Company and its subsidiaries are parties to several tax, labor and civil legal and administrative proceedings, and provisions for legal claims are recorded for all proceedings with a probable probability of loss. This probability analysis is performed by the Company with the help of external legal advisors and duly corroborated by the Legal Department. The assessment of the probability of loss includes the assessment of available evidence, the hierarchy of laws, existing case law, the most recent decisions in the courts and their legal relevance, the history of occurrences and the amounts involved.

c) Transactions with share-based payments – Note 19

The Company measures the cost of share-settled transactions with employees based on the fair value of equity instruments on the grant date. Estimating the fair value of share-based payments requires determining the most appropriate valuation model for the grant of equity instruments, which depends on the terms and conditions of the concession. This also requires the determination of certain variables such as the option's expected useful life, share volatility, dividend yield, among others.

d) Fair value of financial instruments - Note 26

When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained from active markets, it is determined using valuation techniques. Whenever possible, data for these methods are based on market practices. The judgment includes considerations about the data used, such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the presented fair value of financial instruments.

e) Fair value measurement of transferred consideration (including contingent consideration) – Note 10

The consideration transferred, the assets acquired, the liabilities assumed and the contingent consideration arising from a business arrangement are measured at fair value on the acquisition date as part of the business arrangement.

Contingent consideration must be subsequently measured at fair value with changes recognized in the profit or loss statement.

f) Income and social contribution taxes – Note 24

The recognition of tax credits arising from deferred social contribution income tax is subject to the availability of future taxable income against which deductible temporary differences and tax losses can be used. Significant judgment on the part of management is required to determine the amount of deferred tax assets that can be recognized, based on the probable timing and level of future taxable income, together with future tax planning strategies.

5 Significant accounting policies

The significant accounting policies adopted by the Company are described in the respective explanatory notes. These accounting policies have been applied consistently in all the years presented, unless otherwise stated. It should be noted that accounting policies for intangible transactions were not included in the financial statements.

5.1 Revised standard with adoption as of January 1, 2021

Changes in CPC 06 (R2): COVID-19 Related Benefits Granted to Lessees in Lease Agreements that go beyond June 30, 2021: The amendments provide for concessions to lessees regarding the modification of the lease agreement, when accounting for related benefits as a direct consequence of the COVID-19 pandemic.

For practical purposes, a lessee may choose not to assess whether a COVID-19-related benefit provided by the lessor is a modification of the lease. The Company and its Subsidiaries did not negotiate the postponement of payments that would impact the lease liability.

5.2 New standards and interpretations that are not yet effective

A series of new standards or amendments to standards and interpretations will be effective for years beginning on or after January 1, 2022. The Company and its subsidiaries did not early adopt these amendments in the preparation of these financial statements.

The amended standards and interpretations mentioned below should not have a significant impact on the financial statements of the Company and its Subsidiaries.

(a) Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32/IAS 12)

The amendments limit the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - for example, leases and dismantling cost liabilities. The changes apply to annual periods beginning on or after January 1, 2023. For leases, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any

cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the changes apply to transactions that occur after the start of the earliest period presented.

(b) Other rules

The following new and amended rules are not expected to have a significant impact on the Group's consolidated financial statements:

- Reference to the Conceptual Structure (Amendments to CPC 15/IFRS 3).
- Classification of Current or Non-Current Liabilities (Amendments to CPC 26/IAS 1).66
- IFRS 17 Insurance Agreements.
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8).

6 Cash and cash equivalents and restricted financial investment

6.1 Cash and cash equivalents

Accounting policy

Amounts held for the purpose of meeting short-term cash commitments and not for investment or other purposes are classified under cash and cash equivalents. They include cash, positive balances in current accounts, financial investments redeemable within 90 days of the transaction dates and with an insignificant risk of change in their market value. Most financial investments included in cash equivalents are classified under the “financial assets at fair value through profit or loss” category. Cash equivalents are highly liquid and readily convertible.

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash and banks	876	554	28,504	11,898
CDB (a)	26,525	358,146	109,790	392,730
Funds (a)	1,437,613	-	1,446,105	-
	1,465,014	358,700	1,584,399	404,628

- (a) On December 31, 2021, the consolidated financial investments, Bank Deposit Certificates (CDB) and Fundo Exclusivo, were remunerated at an average rate of 106.6% of the CDI (92.4% of the CDI on December 31, 2020), with daily liquidity redeemable with the issuer, subject to an insignificant risk of change in value.

6.2 Restricted financial investment

Accounting policy

Restricted financial investments refer to the guarantee of certain loans of the Company whose balance is released according to their amortization.

	Parent company		Consolidated	
	2021	2020	2021	2020
CDB (a)	1,685	4,803	1,685	4,803
	1,685	4,803	1,685	4,803
Current	1,685	1,601	1,685	1,601
Non-current	-	3,202	-	3,202

- (a) On December 31, 2021, the consolidated financial investments, Bank Deposit Certificates (CDB) and “Fundo”, were remunerated at an average rate of 101.5% of the CDI (97.7% of the CDI on December 31, 2020), with daily liquidity redeemable with the issuer, subject to a negligible risk of change in value.

7 Accounts receivable, services to be provided and receivables to be transferred

7.1 Accounts receivable

Accounting policy

Accounts receivable include receivables from credit card companies and end customers.

The Company estimates the expected losses for credits based on the simplified model, as required by CPC 48/IFRS 9, considering the aging of its receivables and the expectation of future losses. The Company does not have a significant history of losses on accounts receivable.

The balance of accounts receivable is composed of:

	Parent company		Consolidated	
	2021	2020	2021	2020
Credit card administrators	5,729	4,320	468,185	319,736
Accounts receivable from customers	11,542	15,283	37,612	40,891
Total accounts receivable	17,271	19,603	505,797	360,627
Expected credit loss	(1,142)	(1,025)	(2,242)	(2,049)
Total net accounts receivable	16,129	18,578	503,555	358,578

The balance of accounts receivable by maturity is shown below:

	Parent company	Consolidated
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	2021	2020	2021	2020
Amounts to become due	<u>14,593</u>	<u>15,004</u>	<u>497,534</u>	<u>350,695</u>
Overdue amounts				
Up to 30 days	1,087	1,984	4,169	5,245
From 31 to 180 days	925	1,711	2,411	2,814
Over 180 days	<u>666</u>	<u>904</u>	<u>1,682</u>	<u>1,873</u>
Total accounts receivable	<u>17,271</u>	<u>19,603</u>	<u>505,796</u>	<u>360,627</u>

	<u>Parent company</u>		<u>Consolidated</u>	
	2021	2020	2021	2020
Opening balance	(1,025)	-	(2,049)	-
Additions	(1,449)	(7,183)	(9,973)	(12,840)
Reversals	1,332	6,158	9,780	10,791
Final balance	<u>(1,142)</u>	<u>(1,025)</u>	<u>(2,242)</u>	<u>(2,049)</u>

Expected losses are calculated based on historical analysis and on amounts considered sufficient by Management to cover possible losses in the realization of trade accounts receivable.

Management believes that the risk related to accounts receivable is minimized by the fact that the composition of the Company's end customers is highly dispersed and the majority have paid in advance. The Company has more than 600 thousand active end customers in the portfolio and no customer represents 5% or more of revenue as of December 31, 2021.

7.2 Services payable

Accounting policy

The services payable account is characterized as a customer advance account. Therefore, it refers to amounts received in advance, at the time of entering into the contract with the customer, for the provision of services by the Company.

The amounts recorded in this account are recognized in profit or loss for the period according to the provision of services and compliance with the performance obligations provided for in the contracts, in accordance with the Company's revenue accounting policy.

	<u>Parent company</u>		<u>Consolidated</u>	
	2021	2020	2021	2020
Services payable	38,928	35,031	59,367	43,588
Current	37,801	35,031	58,240	43,588
Non-current	1,127	-	1,127	-

7.3 Receivables transferable

Accounting policy

In the receivables transferable account, classified under current liabilities since the debt will be settled within the next 12 months, the amounts received are recorded as a result of the intermediation of payments, in which the Company considers itself as an agent, which will be transferred to the Company's customers.

As of December 31, 2021, BRL 414,818 (BRL 271,665 as of December 31, 2020) of receivables transferable are recorded.

8 Other assets

	Parent company		Consolidated	
	2021	2020	2021	2020
Advance to suppliers	629	555	6,780	3,430
Advances to employees	582	671	1,476	1,106
Software license to be appropriated	8,986	6,925	11,846	8,219
Shared services receivable from related parties (note 9a.)	4,181	-	-	-
PHENOM 100 program membership	2,709	-	2,709	-
Other assets	1,344	1,766	3,477	2,314
	18,431	9,917	26,288	15,069
Current	10,952	9,145	22,003	13,909
Non-current	7,479	772	4,285	1,160

9 Transactions with related parties

Transactions with related parties basically refer to transactions with subsidiaries and companies whose quotaholders are the individuals that make up the controlling group or the Board of Directors of the Company's subsidiaries.

a. Transactions and balances

The Company and its subsidiaries operate and are managed on an integrated basis, thus having common expenses (back office), which are apportioned based on technical criteria periodically reviewed by Management.

The Company entered into a private instrument for sharing expenses, reimbursements, transfers, retentions and apportionments within the same economic group. The purpose of this agreement is to objectively adjust the conditions and characteristics of the sharing of these expenses.

The main balances and transactions with related parties are as follows:

Parent company				
	Non-current assets		Current liabilities	
	2021	2020	2021	2020
Cyberweb (a)	406	212	-	-
Fbits (a)	118	-	-	-
Yapay (a)	1,195	-	-	-
Locaweb Telecom (a)	467	577	-	-
Ananke Tecnologia (a)	463	-	-	24
Ion Tecnologia (a)	-	-	-	1
Tray Tecnologia (a)	1,532	-	-	6
	4,181	789	-	31

(a) The balances recorded refer to the apportionment of shared back office services.

The Company and its subsidiaries operate and are managed on an integrated basis, thus having transactions in common, based on technical criteria periodically reviewed by Management. Transactions are carried out under conditions agreed between the parties.

Parent company						
	Revenue		Costs		Expenses	
	2021	2020	2021	2020	2021	2020
Tray Tecnologia (a)	1,860	1,366	-	-	-	-
Yapay (a) (b)	17	10	-	-	(42)	(25)
Locaweb Telecom (c)	-	-	(145)	(186)	(62)	(78)
MG4 (e)	-	-	(7,867)	(7,403)	(2,622)	(2,467)
Ananke Tecnologia (a) (b)	929	929	-	-	(75)	(58)
Fbits (a)	1	1	-	-	-	-
Cyberweb (a)	290	62	-	-	-	-
Delivery Direto (a)	56	35	-	-	-	-
Connectplug (a)	33	-	-	-	-	-
Etus (a) (d)	24	-	-	-	(1)	-
Bling	99	-	-	-	-	-
	3,309	2,403	(8,012)	(7,589)	(2,802)	(2,628)

(a) Provision of services with hosting, software licensing and technical support.

(b) Software licensing expense.

(c) Telephone costs and expenses.

(d) Expenses with advertising and media placement.

(e) Costs and expenses with property rentals.

Consolidated						
	Revenue		Costs		Expenses	
	2021	2020	2021	2020	2021	2020

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MG4	-	-	(7,867)	(7,403)	(2,622)	(2,467)
WW Marques	-	-	-	-	(635)	(510)
Tech and Soul	-	-	-	-	(1,160)	(1,555)
	<u>-</u>	<u>-</u>	<u>(7,867)</u>	<u>(7,403)</u>	<u>(4,417)</u>	<u>(4,532)</u>

MG4 and WW Marques own real estate occupied by the Company and its Subsidiaries and Tech and Soul provides communication and advertising services. In all these companies, the owners are related parties.

The Company has a lease agreement for its head office with MG4, a company whose shareholders are the individuals that make up the Company's controlling group, for a monthly amount of approximately BRL 887. The total amount of rent paid in the year ended December 31, 2021 was BRL 10,489 (BRL 9,870 in the same period in 2020). The contract is effective for 120 months and is adjusted by the IGP-M index every 12 months. Exceptionally in this period, the index used for the adjustment was the IPCA. Due to the expense-sharing agreement, expenses are shared between the Parent Company and the subsidiaries that use the same headquarters. This agreement was recorded as a lease agreement included in note 13.

Subsidiary Tray Tecnologia e Yapay has a lease agreement for its head office with WW Marques, a company that has one of the Company's shareholders among its quotaholders, for the monthly amount of approximately BRL 53. The total amount of rent paid for the year ended December 31, 2021 was BRL 515 (BRL 510 in the same period in 2020). The contract is effective for 60 months and is adjusted by the IGP-M index every 12 months.

The Tech and Soul agency, in which one of its shareholders is also a shareholder and manager of the Company, is a provider of institutional communication and advertising services pursuant to an agreement signed on September 6, 2017. The total amount paid in the year ended December 31, 2021 was BRL 1,160 (BRL 1,555 in the same period in 2020).

The Company's management believes that there are no present or future effects on the equity and financial situation of the companies due to the discontinuation of operations carried out with the aforementioned related party, in view of the preemptive rights agreed on both the property and MG4.

b. Management remuneration

Management remuneration expenses for the years ended December 31, 2021 and 2020 are shown below:

	2021	2020
Remuneration	13,098	10,541
Charges and Benefits	3,644	2,847
Expenses with stock purchase plan	<u>6,311</u>	<u>9,194</u>
Total	<u>23,053</u>	<u>22,582</u>

10 Investments

Accounting policy

The Company's investments in its subsidiaries are valued based on the equity method, in accordance with CPC 18/IAS 28, for the purposes of the Parent Company's financial statements.

The investments are made up as follows on December 31, 2021 and 2020.

	Parent company	
	2021	2020
Investments in subsidiaries	1,927,824	320,781
Provision for investment losses	(4,699)	(2,198)
Total permanent investments	1,923,125	318,583
Investment reconciliation		
Investments in subsidiaries and affiliates	315,981	205,779
Goodwill on the acquisition of investments	1,607,144	112,804
Total net investments	1,923,125	318,583

The composition and transactions with goodwill on investments made by the Company is shown below:

	Parent company		
	Balance on 12/31/2020	Acquisition of equity interest	Balance on 12/31/2021
Investee			
Direct			
Cluster2Go	21,435	-	21,435
Kingghost	38,905	-	38,905
Delivery Direto	26,685	-	26,685
Etus	25,779	177	25,956
Vindi Tecnologia	-	181,606	181,606
Connectplug	-	26,301	26,301
Social Miner	-	29,853	29,853
Bling	-	626,692	626,692
Octadesk	-	162,996	162,996
Squid	-	466,715	466,715
Total goodwill on the acquisition of investments	112,804	1,494,340	1,607,144

We shall now show the main financial information of the subsidiaries:

Balance on 12/31/2021						
Name	% Interest	Assets	Liabilities	Equity Net	Revenue Net	Income year
Direct interest						
Locaweb Telecom	100%	72	544	(472)	476	(302)
Yapay	100%	496,287	388,771	107,516	115,589	22,926
Tray Tecnologia	100%	252,338	136,650	115,688	83,204	(2,927)
Cluster2Go	100%	12	2,148	(2,136)	741	(2,169)
Kinghost	100%	27,348	13,744	13,604	6,367	6,021
Delivery Direto	100%	2,408	1,646	762	14,666	53
Locaweb E-Commerce	100%	295,379	204,806	90,573	5,572	(26,546)
Etus	100%	1,860	1,390	470	8,877	(2,751)
Vindi Tecnologia	100%	16,900	10,167	6,733	31,102	564
Connectplug	100%	803	1,285	(482)	4,183	(3,504)
Social Miner	100%	-	-	-	5,599	(2,066)
Bling	100%	35,322	19,864	15,458	40,123	89
Octadesk	100%	5,500	5,631	(131)	11,156	(2,019)
Squid	100%	17,648	19,127	(1,479)	16,442	(5,775)
Indirect interest						
Fbits	100%	18,286	3,790	14,496	14,876	3,948
Cyberweb	100%	22,454	36,165	(13,711)	44,796	6,013
Kinghost	100%	1,256	307	949	-	(94)
Unipago	100%	888	623	264	192	104
IPV6	100%	-	33	(33)	-	(1)
Melhor Envio	100%	41,771	36,992	4,779	53,364	796
Ideris	100%	8,368	9,222	(854)	15,969	(4,667)
Smart Tecnologia	100%	24	312	(288)	-	(62)
Fast Notas	100%	5	119	(114)	-	(35)
Vindi Pagamentos	100%	4,172	3,080	1,092	2,979	683
Dooca	100%	631	1,083	(452)	5,618	(1,703)
Credisfera	100%	7,706	2,067	5,639	5,418	(4,860)
Samurai Holding	100%	595	736	(141)	-	(1,441)
Samurai Desenvolvimento	100%	2,177	2,391	(214)	7,306	(1,501)
V.O Desenvolvimento	100%	833	90	743	93	62
PagCerto	100%	8,758	8,992	(234)	451	(1,528)
Bagy	100%	653	1,258	(605)	3,611	(3,911)
Duopana	100%	590	486	104	93	53

Balance on 12/31/2020						
Name	% Interest	Assets	Liabilities	Equity Net	Revenue Net	Income year
Direct interest						
Locaweb Telecom	100%	263	805	(542)	602	(365)
Yapay	100%	345,896	261,306	84,590	73,159	19,078
Tray Tecnologia	100%	45,238	11,723	33,515	53,176	13,950
Cluster2Go	100%	1,292	2,948	(1,656)	2,000	(3,340)
Kinghost	100%	27,339	19,756	7,583	3,695	2,934
Delivery Direto	100%	1,977	1,268	709	11,114	334

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Locaweb E-Commerce	100%	264,016	175,503	88,513	-	(2,287)
Etus	100%	1,991	515	1,476	2,232	743
Indirect interest						
Fbits	100%	13,067	2,519	10,548	11,290	2,959
Melhor Envio	100%	29,904	25,921	3,983	3,735	(765)
Ideris	100%	6,277	9,323	(3,047)	957	84

The transactions with investments in subsidiaries are shown below:

Investee	<u>Equity</u>							Balance on 12/31/2021
	Balance on 12/31/2020	Acquisition of equity interest	Capital advance/increase	Equity	Amortization Added Value	Total	Merger	
Locaweb Telecom	(542)	-	372	(302)	-	(302)	-	(472)
Yapay	84,590	-	-	22,926	-	22,926	-	107,516
Tray Tecnologia	33,515	-	85,100	(2,927)	-	(2,927)	-	115,688
Cluster2Go	(2,481)	-	1,689	(2,169)	(291)	(2,460)	-	(3,252)
Kinghost	2,164	-	-	6,021	(3,251)	2,770	-	4,934
Delivery Direto	(1,096)	-	-	53	(1,355)	(1,302)	-	(2,398)
Locaweb E-Commerce	88,511	-	28,608	(26,546)	-	(26,546)	-	90,573
Etus	1,118	-	1,745	(2,751)	(1,431)	(4,182)	-	(1,319)
					(5,120)	(4,556)	-	
Vindi Tecnologia	-	273	5,894	564	(858)	(4,362)	-	1,611
Connectplug	-	(1,423)	4,445	(3,504)	(1,126)	(3,192)	(1,874)	(1,340)
Social Miner	-	387	3,553	(2,066)				(1,126)
Bling	-	8,594	6,775	89	(6,404)	(6,315)	-	9,054
Octadesk	-	1,888	-	(2,019)	(598)	(2,617)	-	(729)
Squid	-	952	3,344	(5,775)	(1,280)	(7,055)	-	(2,759)
	<u>205,779</u>	<u>10,671</u>	<u>141,525</u>	<u>(18,406)</u>	<u>(21,714)</u>	<u>(40,120)</u>	<u>(1,874)</u>	<u>315,981</u>

10.1 Obligation with investment acquisitions

Accounting policy

The Company has an obligation to purchase investments referring to the balance payable on the acquisition of investees or subsidiaries, which substantially represent contingent consideration, to be paid as a result of the growth of the company's net revenues conditioned to the dynamics of investments and expenses established in the business agreed between the parties. It should be noted that, on the base date of December 31, 2021, the income of the acquired companies did not present substantial variations compared to the forecasts considered for recording contingent considerations.

Contingent consideration is subsequently measured at fair value with changes recognized in the profit or loss statement.

The balance of obligation with acquisition of investments is composed of:

	Parent company		Consolidated	
	2021	2020	2021	2020
Cluster2Go	2,372	3,442	2,372	3,442
Kinghost	20,433	19,281	20,433	19,281
Delivery Direto	2,511	9,564	2,511	9,564
Etus	11,938	10,309	11,938	10,309
Ideris	-	-	58,608	37,285
Melhor Envio	-	-	145,344	135,171
ConnectPlug	8,834	-	8,834	-
Social Miner	10,087	-	10,087	-
Vindi Tecnologia	30,438	-	30,438	-
Dooca	-	-	16,571	-
Credisfera	-	-	59,736	-
Samurai	-	-	11,809	-
Bling	120,516	-	120,516	-
Pagcerto	-	-	7,829	-
Bagy	-	-	33,997	-
Octadesk	66,303	-	66,303	-
Squid	296,929	-	296,928	-
Total investment obligations	570,361	42,596	904,254	215,052
Current	36,145	3,442	36,145	3,442
Non-current	534,216	39,153	868,109	211,610

10.2 Business arrangements

Accounting policy

Business arrangements are accounted for using the acquisition method based on CPC 15(R1)/IFRS 3. The acquisition cost considers the purchase price and includes the fair value of assets and liabilities assumed, including any cost related to the contingent or deferred additional payment. Transaction-related costs are recognized under profit or loss when incurred.

The purchase price is allocated to the assets acquired, liabilities and contingent liabilities assumed based on their respective fair values, including assets and liabilities that were not previously recognized in the balance sheet of the acquired entity. Goodwill is generated when the acquisition cost exceeds the value of identifiable net assets measured at fair value.

10.2.1 Acquisitions in 2021

a. Acquisition of Vindi Tecnologia

On January 12, 2021, the Company concluded the definitive acquisition of one hundred percent (100%) of the total share capital (on a fully diluted basis) of Vindi Tecnologia e Marketing S.A. (“Vindi”), which includes its 4 wholly-owned subsidiaries Smart Tecnologia S.A., Vindi Eventos e Conteúdo Ltda., Fast Notas Softwares de Gestão Ltda.

and Vindi Pagamentos Ltda. Vindi offers subscription solutions (plans and monthly fees) and combines a recurring billing software with a payment platform. Among the more than 6,000 customers that Vindi serves today, there are important brands and the largest subscription cases in Brazil. The acquisition plans include integrating Vindi's recurring payment APIs into Tray (e-commerce platform) and exploring the full potential of cross selling with the Company's other business segments (BeOnline, SaaS and Commerce) with the acquired company.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	49,228
Cash and cash equivalents	5,084
Restricted financial investment	1,280
Accounts receivable	3,400
Advances	163
Prepaid expenses	7
Taxes recoverable	141
Related parties:	205
Bonds and Deposits	624
Property, plant, and equipment	6,066
Intangible assets	32,258
Liabilities	18,418
Loans and financing	3,350
Suppliers	291
Labor obligations	2,312
Tax obligations	378
Other accounts payable	11,785
Advance from customers	269
LP installments	33
Total net identifiable assets	30,810
Goodwill generated in the acquisition	151,240
Total consideration	182,050
Cash flow on acquisition	
Cash paid, net of cash acquired	145,391
Purchase cost	2,313
Cash paid on acquisition	147,704

The total consideration can be presented as follows:

Cash payment on closing date	150,475
Obligation with investment acquisition (a)	31,575
Total consideration	182,050

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 30,548. The Company recorded BRL 27,165 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price adjustment of BRL 1,863 and a price retained as collateral for obligations assumed in an agreement of BRL 2,548. As of December 31, 2021, the fair value of the contingent consideration was BRL 30,438.

The goodwill calculated on the acquisition date was BRL 151,240 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 2,313 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Vindi contributed with total net revenue of BRL 34,081 and profit of BRL 564 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Vindi would have contributed to the Company with net revenue of BRL 37,424 and profit of BRL 1,521.

b. Acquisition of Social Miner

On January 20, 2021, the Company performed the definitive acquisition of one hundred percent (100%) of the total capital stock of Social Miner Internet Ltda. (“Social Miner” and “Agreement”, respectively). Social Miner is a company that offers a SaaS platform for e-commerces and retailers to increase sales, consumer engagement, convert visitor flows to registrations and/or purchases and reduce the cost of customer acquisition, using big data and artificial intelligence. With the integration of solutions from Social Miner, which has a consolidated product in the market, and from All In, a company acquired by Locaweb in 2013, we now offer a complete suite of services that follows the entire consumer journey for e-commerce and retailers of all segments and sizes, which will be very important to boost sales for our Tray e-commerce platform customers.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	11,608
Cash and cash equivalents	637
Restricted financial investment	1,103
Customers	1,178
Taxes recoverable	119
Other assets	377
Property, plant, and equipment	27
Intangible assets	8,167
Liabilities	4,018
Taxes payable	123
Accounts payable	484
Labor obligations	882
Loans and financing	2,529

Total net identifiable assets	7,590
Goodwill generated in the acquisition	22,650
Total consideration	30,240
Cash flow on acquisition	
Cash paid, net of cash acquired	19,613
Purchase cost	997
Cash paid on acquisition	20,610

The total consideration can be presented as follows:

Cash payment on closing date	20,250
Obligation with investment acquisition (a)	9,990
Total consideration	30,240

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 9,621. The Company recorded BRL 7,711 as a contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price adjustment of BRL 470 and a price retained as collateral for obligations assumed in an agreement of BRL 1,820. As of December 31, 2021, the fair value of the contingent consideration was BRL 10,087.

The goodwill calculated on the acquisition date was BRL 22,650 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Be Online & SaaS segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 997 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Social Miner contributed with total net revenue of BRL 5,599 and loss of BRL 2,066 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Social Miner would have contributed to the Company with net revenue of BRL 6,146 and loss of BRL 2,465.

On October 29, 2021, the Company's shareholders approved the merger with Social Miner (Note 2.3.1 a.).

c. Acquisition of Connectplug

On January 26, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between the Company and the shareholders of Connectplug Desenvolvimento de Softwares Ltda. (“ConnectPlug”), a company that offers a SaaS platform with a point of sale (POS) system and a complete management system, with ample presence in the food services segment. With this acquisition, we strengthened our portfolio, entered the relevant market of technology solutions for physical commerce and continued to consolidate our position in the segment of digitalization of companies in Brazil, expanding our ability to offer omnichannel solutions and cross-sell possibilities with Tray's shop owner base.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	<u>5,787</u>
Cash and cash equivalents	372
Advances to employees	1
Property, plant, and equipment	145
Intangible assets	5,269
Liabilities	<u>1,946</u>
Suppliers	3
Accounts payable	70
Labor obligations	222
Tax obligations	193
Loans and financing	47
Other obligations	1,400
Loans and financing LP	<u>11</u>
Total net identifiable assets	<u><u>3,841</u></u>
Goodwill generated in the acquisition	<u>21,036</u>
Total consideration	<u>24,877</u>
Cash flow on acquisition	
Cash paid, net of cash acquired	16,228
Purchase cost	<u>1,001</u>
Cash paid on acquisition	<u><u>17,229</u></u>

The total consideration can be presented as follows:

Cash payment on closing date	16,600
Obligation with investment acquisition (a)	<u>8,277</u>
Total consideration	<u>24,877</u>

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 10,100. The Company recorded BRL 8,277 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. As of December 31, 2021, the fair value of the contingent consideration was BRL 8,834.

The goodwill calculated on the acquisition date was BRL 21,036 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Be Online & SaaS segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 1,001 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Connectplug contributed with total net revenue of BRL 4,183 and loss of BRL 3,504 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Connectplug would have contributed to the Company with net revenue of BRL 4,447 and loss of BRL 4,568.

d. Acquisition of Dooça

On February 18, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between the Company’s wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Dooça Tecnologia da Informação Ltda. (“Dooça”), a virtual store platform focused on SMEs, which helps retailers create, set up and manage their virtual store and sell online. With the acquisition, the Company, which already has a prominent role and leadership in the segment with Tray, consolidates itself in this market, which showed intense acceleration in 2020. The plans for the acquisition and capture of synergies include Dooça in the Company's robust Commerce ecosystem, offering the Yapay payment solution to Dooça's entire customer base, integrations with more than 30 marketplaces and Store-in-Store offered by Ideris, Melhor Envio’s logistics solutions, Vindi's recurring payment APIs and the entire digital marketing portfolio with Social Miner and All In.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	8,000
Cash and cash equivalents	272
Other credits	34
Property, plant, and equipment	3
Intangible assets	7,691
Current Liabilities	232
Labor obligations	29
Tax obligations	203
Total net identifiable assets	7,768
Goodwill generated in the acquisition	33,363
Total consideration	41,131
Cash flow on acquisition	
Cash paid, net of cash acquired	25,228
Purchase cost	1,003
Cash paid on acquisition	26,231

The total consideration can be presented as follows:

Cash payment on closing date	25,500
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Obligation with investment acquisition (a)	15,631
Total consideration	41,131

(a) The Company agreed to pay the selling shareholders an additional amount of BRL 7,881. The Company recorded BRL 14,734 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price retained as collateral for obligations assumed in an agreement of BRL 896. As of December 31, 2021, the fair value of the contingent consideration was BRL 16,571.

The goodwill calculated on the acquisition date was BRL 33,363 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 1,003 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Dooca contributed with total net revenue of BRL 5,618 and loss of BRL 1,703 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Dooca would have contributed to the Company with net revenue of BRL 6,439 and loss of BRL 1,527.

e. Acquisition of Credisfera

On February 26, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Credisfera Serviços Financeiros S.A. (“Credisfera”). Credisfera is a Fintech that offers credit solutions for SMEs and will allow Locaweb to offer this service to its customer base in an integrated manner.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	13,719
Cash and cash equivalents	1,990
Accounts receivable	677
Taxes recoverable	294
Advances	5
Property, plant, and equipment	152
Intangible assets	10,601
Liabilities	4,310
Accounts payable	3,886
Labor obligations	138
Tax obligations	113
Provisions	173
Total net identifiable assets	9,409

	Fair value recognized in the acquisition
Goodwill generated in the acquisition	70,899
Total consideration	80,308
Cash flow on acquisition	
Cash paid, net of cash acquired	22,139
Purchase cost	1,022
Cash paid on acquisition	23,161

The total consideration can be presented as follows:

Cash payment on closing date	24,129
Obligation with investment acquisition (a)	56,179
Total consideration	80,308

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 67,981. The Company recorded BRL 53,903 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price retained as collateral for obligations assumed in an agreement of BRL 2,276. As of December 31, 2021, the fair value of the contingent consideration was BRL 59,736.

The goodwill calculated on the acquisition date was BRL 70,899 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 1,022 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Credisfera contributed with total net revenue of BRL 5,618 and loss of BRL 4,860 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Credisfera would have contributed to the Company with net revenue of BRL 6,231 and loss of BRL 5,342.

f. Acquisition of Samurai

On March 2, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was entered into between Tray Tecnologia em Ecommerce Ltda. ("Tray") and the shareholders of Samurai Experts Holding Ltda. ("Samurai"). Samurai is a technology company that offers an application ecosystem compatible with different platforms in the market to optimize the results of virtual stores. Samurai reinforces the group's strategy to serve medium and large e-commerce operations, joining forces with Tray Corp and improving the ability to serve complex and customized projects. In parallel, Samurai will be able to offer the Yapay payment solution, integrations with more than 30 marketplaces and the Store-in-Store offered by Ideris, Melhor Envio's logistics solutions, Vindi's recurring payment APIs and the entire digital marketing portfolio with Social Miner and All In for its entire customer base. With the acquisition, the goal is to absorb the Samurai staff, which currently has 40 engineering, software and agile methodology professionals,

who must work together in the development of products in the Locaweb e-commerce ecosystem.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	3,912
Cash and cash equivalents	5
Accounts receivable	396
Taxes recoverable	95
Other assets	2
Property, plant, and equipment	31
Intangible assets	3,383
Liabilities	715
Suppliers	28
Labor obligations	560
Tax obligations	22
Advances	86
Taxes in installments	19
Total net identifiable assets	3,197
Goodwill generated in the acquisition	16,580
Total consideration	19,777
Cash flow on acquisition	
Cash paid, net of cash acquired	8,394
Purchase cost	994
Cash paid on acquisition	9,388

The total consideration can be presented as follows:

Cash payment on closing date	8,399
Obligation with investment acquisition (a)	11,378
Total consideration	19,777

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 12,770. The Company recorded BRL 9,749 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price adjustment of BRL 347 and a price retained as collateral for obligations assumed in an agreement of BRL 1,282. As of December 31, 2021, the fair value of the contingent consideration was BRL 11,809.

The goodwill calculated on the acquisition date was BRL 16,580 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes. Expenses related to the acquisition of BRL 994 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Samurai contributed with total net revenue of BRL 7,399 and loss of BRL 1,441 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Samurai would have contributed to the Company with net revenue of BRL 8,401 and loss of BRL 1,596.

g. Bling acquisition

On April 21, 2021, the Share Purchase and Sale Agreement and Other Covenants was signed between the Company and the shareholders of Organisys Software S.A. (“Bling” and “Bling Agreement”, respectively), to regulate the acquisition of the entirety of its share capital by the Company (“Operation”). Launched in 2009, Bling is an online management system for the e-commerce segment and small and micro enterprises - SMEs, with more than 200 integrations, which offers SaaS solutions for physical, virtual or hybrid businesses. The closing price for the acquisition of all Bling shares is approximately BRL 524.3 million and is also subject to certain net debt and working capital adjustments, which are usual in this type of transaction. Additionally, the sellers will be entitled to receive an earnout, depending on the achievement of certain financial targets determined based on the net operating revenue of Bling and its subsidiaries.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	164,110
Cash and cash equivalents	26,838
Accounts receivable	558
Advances	2,764
Other assets	1,798
Property, plant, and equipment	2,249
Intangible assets	129,903
Liabilities	31,984
Suppliers	2,585
Loans and Financing	698
Labor obligations	1,449
Tax obligations	583
Advances	1,970
Dividends payable	17,000
Provisions	7,699
Total net identifiable assets	132,126
Goodwill generated in the acquisition	503,160
Total consideration	635,286
Cash flow on acquisition	
Cash paid, net of cash acquired	493,317
Purchase cost	3,786

	Fair value recognized in the acquisition
Cash paid on acquisition	497,103

The total consideration can be presented as follows:

Cash payment on closing date	520,155
Obligation with investment acquisition (a)	115,131
Total consideration	635,286

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 151,401. The Company recorded BRL 106,690 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The Investment Acquisition Obligation also includes a price adjustment of BRL 4,320 and a price retained as collateral for obligations assumed in an agreement of BRL 4,121. As of December 31, 2021, the fair value of the contingent consideration was BRL 120,516.

The goodwill calculated on the acquisition date was BRL 503,160 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 3,786 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Bling contributed with total net revenue of BRL 40,123 and profit of BRL 89 in the period ended December 31, 2021. If the acquisition had taken place at the beginning of 2021, Bling would have contributed to the Company with net revenue of BRL 64,654 and net profit of BRL 6,729.

h. Acquisition of Pagcerto

On April 21, 2021, simultaneously with the signature of the purchase and sale agreement of its subsidiary Organisys Software S.A. “Bling”, the Company also entered into the purchase and sale agreement for the acquisition of all the shares issued by Pagcerto Soluções em Pagamento S.A. (“Pagcerto” and “Pagcerto Agreement”, respectively), a company that operates through a white label sub-acquiring platform and BaaS (banking as a service), with these services being integrated and used by Bling.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	8,480
Accounts receivable	455
Other assets	87
Property, plant, and equipment	93
Intangible assets	7,845

Liabilities	2,494
Suppliers	30
Labor obligations	172
Tax obligations	52
Loans and Financing	729
Advances	1,127
Other Liabilities	384
Total net identifiable assets	5,986
Goodwill generated in the acquisition	7,787
Total consideration	13,773
Cash flow on acquisition	
Cash paid, net of cash acquired	6,775
Purchase cost	93
Cash paid on acquisition	6,868

The total consideration can be presented as follows:

Cash payment on closing date	6,775
Obligation with investment acquisition (a)	6,998
Total consideration	13,773

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 9,200. The Company recorded BRL 6,945 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The investment acquisition obligation also includes a price adjustment of BRL 53. As of December 31, 2021, the fair value of the contingent consideration was BRL 7,829.

The goodwill calculated on the acquisition date was BRL 7,787 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 93 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Pagcerto contributed with total net revenue of BRL 451 and loss of BRL 1,528 in the period ended September 30, 2021. If the acquisition had taken place at the beginning of 2021, Pagcerto would have contributed to the Company with net revenue of BRL 612 and loss of BRL 2,153.

i. Acquisition of Bagy

On July 12, 2021, the Share Purchase and Sale Agreement and Other Covenants was entered into between the wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Bagy Soluções de Comércio Digital Ltda. (“Bagy”) in order to regulate the acquisition of the entire share capital of Bagy by Tray

(“Transaction”). Founded in 2017, Bagy is an e-commerce platform focused on social commerce, with more than 13,500 active customers and 127,000 followers on social media. Its goal is to help small and medium-sized companies, individuals and influencers to set up a virtual store quickly and simply. The price for the acquisition of all Bagy shares is approximately BRL 10,100, subject to any adjustment under the Agreement. Additionally, the Agreement approved herein provides that the Sellers will have the right to receive an eventual earnout, depending on the achievement of certain financial goals determined based on Bagy's net operating revenue, under the terms contemplated in the Agreement and strictly related to the Transaction.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	<u>2,031</u>
Cash and cash equivalents	302
Other assets	29
Property, plant, and equipment	4
Intangible assets	<u>1,696</u>
Liabilities	<u>1,455</u>
Suppliers	4
Labor obligations	8
Tax obligations	256
Services to be billed	478
Other Liabilities	<u>709</u>
Total net identifiable assets	<u>576</u>
Goodwill generated in the acquisition	<u>42,143</u>
Total consideration	<u>42,719</u>
Cash flow on acquisition	
Cash paid, net of cash acquired	9,798
Purchase cost	<u>1,327</u>
Cash paid on acquisition	<u><u>11,125</u></u>

The total consideration can be presented as follows:

Cash payment on closing date	10,100
Obligation with investment acquisition (a)	<u>32,619</u>
Total consideration	<u><u>42,719</u></u>

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 43,140. The Company recorded BRL 32,576 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The investment acquisition obligation also includes a price adjustment of BRL 43. As of December 31, 2021, the fair value of the contingent consideration was BRL 33,997.

The goodwill calculated on the acquisition date was BRL 42,143 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 1,327 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Bagy contributed with total net revenue of BRL 3,611 and net loss of BRL 3,911 in the period ended December 31, 2021. If the acquisition had taken place in early 2021, Bagy would have contributed to the Company with net revenue of BRL 6,630 and a net loss of BRL 153.

j. Acquisition of Octadesk

On August 2, 2021, the Purchase and Sale Agreement of Shares and Other Covenants was signed between the Company and the members of Octadesk Ltda. (“Octadesk” and “Agreement”, respectively), to regulate the acquisition of the entire capital stock of Octadesk by the Company (“Transaction”). Founded in 2015, Octadesk is a platform aimed at small and medium-sized companies to better relate to their customers at all stages of their journey (marketing, sales and service), in real time and on multiple channels such as WhatsApp, chat, Instagram, email and more, organizing their interactions in one sole place. The closing price for the acquisition of all Octadesk quotas is approximately BRL 102 million and is also subject to certain net debt and working capital adjustments, which are common in this type of transaction. Additionally, the sellers will be entitled to receive an earnout, depending on the achievement of certain financial targets determined based on the net operating revenue of Octadesk.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	40,413
Cash and cash equivalents	3,801
Accounts receivable	982
Advances	108
Taxes recoverable	351
Other assets	22
Property, plant, and equipment	382
Intangible assets	34,767
Liabilities	3,758
Suppliers	847
Labor obligations	575
Tax obligations	182
Advance from customers	2,154
Total net identifiable assets	36,655
Goodwill generated in the acquisition	128,229

	Fair value recognized in the acquisition
Total consideration	<u>164,884</u>
Cash flow on acquisition	
Cash paid, net of cash acquired	98,684
Purchase cost	<u>2,590</u>
Cash paid on acquisition	<u>101,274</u>

The total consideration can be presented as follows:

Cash payment on closing date	102,485
Obligation with investment acquisition (a)	<u>62,399</u>
Total consideration	<u>164,884</u>

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 59,956. The Company recorded BRL 36,712 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. The investment acquisition obligation also includes a price adjustment of BRL 25,687. As of December 31, 2021, the fair value of the contingent consideration was BRL 66,303.

The goodwill calculated on the acquisition date was BRL 128,229 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 2,590 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Octadesk contributed with total net revenue of BRL 11,156 and net loss of BRL 2,019 in the period ended December 31, 2021. If the acquisition had taken place in early 2021, Octadesk would have contributed to the Company with net revenue of BRL 22,935 and a net loss of BRL 2,264.

k. Acquisition of Squid

On October 5, 2021, the Agreement for the Purchase and Sale of Shares and Other Covenants was signed between the Company and the members of Squid Digital Media Channel Ltda. (“Squid”), to regulate the acquisition of the entire capital stock of Squid by the Company (“Transaction”), which includes its wholly-owned subsidiary Duopana Tecnologia e Informática Ltda. Founded in 2014, Squid is the most relevant company in the Creators Economy segment in Brazil and has the best solutions and platforms to connect influencers and content creators to brands. The closing price for the acquisition of all Octadesk quotas, in fully diluted bases, is approximately BRL 176.5 million and is also subject to certain net debt and working capital adjustments, which are common in this type of transaction.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	58,620
Cash and cash equivalents	1,876
Accounts receivable	12,208
Advances	865
Taxes recoverable	1,811
Property, plant, and equipment	968
Intangible assets	40,892
Liabilities	16,848
Suppliers	8,256
Labor obligations	3,975
Tax obligations	840
Advance from customers	721
Other liabilities	3,056
Total net identifiable assets	41,772
Goodwill generated in the acquisition	425,895
Total consideration	467,667
Cash flow on acquisition	
Cash paid, net of cash acquired	174,624
Purchase cost	6,249
Cash paid on acquisition	180,873

The total consideration can be presented as follows:

Cash payment on closing date	176,500
Obligation with investment acquisition (a)	291,167
Total consideration	467,667

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 336,851. The Company recorded BRL 291,167 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. As of December 31, 2021, the fair value of the contingent consideration was BRL 296,928.

The goodwill calculated on the acquisition date was BRL 425,895 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 6,249 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

In 2021, since its acquisition date, Squid contributed with total net revenue of BRL 16,535 and net loss of BRL 5,775 in the period ended December 31, 2021. If the acquisition had

taken place in early 2021, Squid would have contributed to the Company with net revenue of BRL 66,257 and a net loss of BRL 6,869.

l. Acquisition of Netzee

On December 1, 2021, the Share Purchase Agreement and Other Covenants was entered into between the wholly-owned subsidiary Tray Tecnologia em Ecommerce Ltda. (“Tray”) and the shareholders of Polli & Santos - Gestão e Tecnologia Ltda. (“Netzee”), to regulate the acquisition of the entire share capital of Netzee by Tray (“Transaction”).

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	1,003
Cash and cash equivalents	108
Property, plant, and equipment	2
Intangible assets	893
Liabilities	107
Labor obligations	41
Tax obligations	15
Loans and financing	49
Other liabilities	2
Total net identifiable assets	896
Goodwill generated in the acquisition	6,514
Total consideration	7,410
Cash flow on acquisition	
Cash paid, net of cash acquired	7,302
Purchase cost	1,043
Cash paid on acquisition	8,345

The total consideration can be presented as follows:

Cash payment on closing date	7,410
Total consideration	7,410

The goodwill calculated on the acquisition date was BRL 6,514 and comprises the value of future economic benefits arising from the synergies arising from the acquisition. The goodwill was allocated to the Commerce segment. The Company understands that the goodwill will be deductible for tax purposes.

Expenses related to the acquisition of BRL 1,043 were recognized in the income statement in administrative expenses, and in operating activities in the cash flow statements.

On December 1, 2021, the Company's shareholders approved the merger with Netzee (Note 2.3.1.b.).

Acquisitions in 2020

a. Acquisition of Etus

The accounting for net assets acquired in the year ended December 31, 2020 was based on a fair value assessment.

In relation to the amounts disclosed in the 2020 financial statements, there was an adjustment of BRL 177 in the value added to intangible assets related to the issuance of a report on the fair value of the assets acquired.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	8,588
Cash and cash equivalents	460
Accounts receivable	459
Property, plant, and equipment	425
Intangible assets	7,244
Liabilities	611
Labor obligations	65
Tax obligations	38
Other liabilities	508
Total net identifiable assets	7,977
Goodwill generated in the acquisition	18,712
Total consideration	26,689

The total consideration can be presented as follows:

Cash payment on closing date	16,700
Obligation with investment acquisition (a)	9,989
Total consideration	26,989

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 14,423. The Company recorded BRL 7,700 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. As of December 31, 2021, the fair value of the contingent consideration was BRL 11,938 (see note 10.1).

b. Acquisition of Ideris

The accounting for net assets acquired in the year ended December 31, 2020 was based on a fair value assessment.

In relation to the amounts disclosed in the 2020 financial statements, there was an adjustment of BRL 30,756 in the value added to intangible assets related to the issuance of a report on the fair value of the assets acquired, which was retrospectively registered at the acquisition date in accordance with CPC 15 - Business Arrangements.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	10,620
Cash and cash equivalents	178
Accounts receivable	25
Other assets	985
Property, plant, and equipment	424
Intangible assets	9,008
Liabilities	9,509
Suppliers	91
Loans and financing	1,422
Labor obligations	891
Tax obligations	120
Other liabilities	6,985
Total net identifiable assets	1,111
Goodwill generated in the acquisition	82,829
Total consideration	83,940

The total consideration can be presented as follows:

Cash payment on closing date	16,300
Obligation with investment acquisition (a)	67,640
Total consideration	83,940

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 55,707. The Company recorded BRL 48,279 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. As of December 31, 2021, the fair value of the contingent consideration was BRL 58,608.

c. *Acquisition of Melhor Envio*

The accounting for net assets acquired in the year ended December 31, 2020 was based on a fair value assessment.

In relation to the amounts disclosed in the 2020 financial statements, there was an adjustment of BRL 3,735 in the value added to intangible assets related to the issuance of a

report on the fair value of the assets acquired, which was retrospectively registered at the acquisition date in accordance with CPC 15 - Business Arrangements.

The assessed balances are shown below:

	Fair value recognized in the acquisition
Assets	46,888
Cash and cash equivalents	5,588
Accounts receivable	23,396
Other assets	4,926
Property, plant, and equipment	850
Intangible assets	8,733
Liabilities	33,407
Suppliers	34
Loans and financing	468
Labor obligations	3
Tax obligations	1,108
Other liabilities	31,794
Total net identifiable assets	13,481
Goodwill generated in the acquisition	199,044
Total consideration	212,525

The total consideration can be presented as follows:

Cash payment on closing date	74,500
Obligation with investment acquisition (a)	138,025
Total consideration	212,525

- (a) The Company agreed to pay the selling shareholders an additional amount of BRL 175,350. The Company recorded BRL 126,527 as contingent consideration related to the additional payment, which represents its fair value on the acquisition date. As of December 31, 2021, the fair value of the contingent consideration was BRL 145,344.

11 Property, plant, and equipment

Accounting policy

(i) Recognition and measurement

Fixed assets are recorded at acquisition, formation or construction cost, minus accumulated depreciation and any accumulated impairment losses. Fixed assets are written off when sold or when no future economic benefit is expected from their use or sale. Any gain or loss

resulting from the derecognition of the asset (calculated as the difference between the net sale value and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognized.

Expenses incurred with maintenance and repair of fixed assets are capitalized only if the economic benefits associated with these items are probable and the amounts are reliably measured, while other expenses are recorded directly under profit or loss when incurred.

When significant parts of a fixed asset have different useful lives, they are recorded as separate items (main components) of the fixed assets.

(ii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will accrue to the Group.

(iii) Depreciation

Depreciation is calculated to amortize the cost of fixed asset items, net of their estimated residual values, using the straight-line method based on the estimated useful lives of the items. Depreciation is recognized under profit or loss. Land is not depreciated.

The estimated useful lives of fixed assets are as follows:

	<u>Estimated useful life</u>
Computers and Peripherals	Between 2.5 and 5 years
Improvements	20 years
Furniture and utensils	10 years
Machines and equipment	Between 2.5 and 10 years
Other fixed assets	5 years

The transactions in the parent company are shown below:

	Parent company						
	Computers and Peripherals	Improvements	Furniture and utensils	Machines and equipment	Components for assembly	Other fixed assets	Total fixed assets
Cost							
Balances on December 31, 2019	<u>5,071</u>	<u>30,949</u>	<u>2,281</u>	<u>260,701</u>	<u>123</u>	<u>956</u>	<u>300,081</u>
Year Additions	521	1,264	103	22,789	373	147	25,196
Write-offs	(31)	-	(17)	(956)	1	(133)	(1,135)
Transfers	-	(35)	35	-	-	-	-
Balances on December 31, 2020	<u>5,561</u>	<u>32,178</u>	<u>2,402</u>	<u>282,534</u>	<u>497</u>	<u>970</u>	<u>324,142</u>
Additions by merger	38	-	17	-	-	-	55
Year Additions	3,019	1,377	1,254	17,980	1,336	969	25,935
Write-offs	(8)	-	(970)	(14,668)	(15)	(343)	(16,004)
Transfers	(80)	-	-	1,433	(1,353)	-	-
Balances on December 31, 2021	<u>8,530</u>	<u>33,555</u>	<u>2,703</u>	<u>287,279</u>	<u>465</u>	<u>1,596</u>	<u>334,128</u>
Depreciation							
Balances on December 31, 2019	<u>(3,717)</u>	<u>(12,924)</u>	<u>(1,694)</u>	<u>(216,341)</u>	<u>-</u>	<u>(511)</u>	<u>(235,187)</u>
Depreciation for the year	(528)	(1,782)	(191)	(27,329)	-	(180)	(30,010)
Write-offs	27	-	8	953	-	130	1,118
Transfers	(1)	2	(1)	-	-	-	-
Balances on December 31, 2020	<u>(4,219)</u>	<u>(14,704)</u>	<u>(1,878)</u>	<u>(242,717)</u>	<u>-</u>	<u>(561)</u>	<u>(264,079)</u>
Additions by merger	(28)	-	(7)	-	-	-	(35)
Depreciation for the year	(747)	(2,016)	(208)	(23,793)	-	(257)	(27,021)
Write-offs	8	-	953	14,668	-	315	15,944
Transfers	4	-	-	(4)	-	-	-
Balances on December 31, 2021	<u>(4,982)</u>	<u>(16,720)</u>	<u>(1,140)</u>	<u>(251,846)</u>	<u>-</u>	<u>(503)</u>	<u>(275,191)</u>
Residual value							
Balances on December 31, 2020	<u>1,342</u>	<u>17,474</u>	<u>524</u>	<u>39,817</u>	<u>497</u>	<u>409</u>	<u>60,063</u>
Balances on December 31, 2021	<u>3,548</u>	<u>16,835</u>	<u>1,563</u>	<u>35,433</u>	<u>465</u>	<u>1,093</u>	<u>58,937</u>

The transactions in the consolidated report are presented below:

	Consolidated						
	Computers and Peripherals	Improvements	Furniture and utensils	Machines and equipment	Components for assembly	Other fixed assets	Total fixed assets
Cost							
Balances on December 31, 2019	13,941	31,830	3,808	265,787	365	1,188	316,919
Additions by company acquisitions	292	-	518	812	-	285	1,907
Year Additions	4,872	1,897	316	24,035	2,812	147	34,079
Write-offs	(429)	-	(17)	(959)	-	(133)	(1,538)
Transfers	845	(35)	(16)	1,469	(2,263)	-	-
Balances on December 31, 2020	19,521	33,692	4,609	291,144	914	1,487	351,367
Additions by company acquisitions	3,896	1,719	1,040	595	-	26	7,276
Year Additions	12,908	1,723	1,925	20,208	3,804	1,111	41,679
Write-offs	(793)	(5)	(1,446)	(14,494)	(86)	(240)	(17,064)
Transfers	356	-	(11)	2,072	(2,429)	12	-
Balances on December 31, 2021	35,888	37,129	6,117	299,525	2,203	2,396	383,258
Depreciation							
Balances on December 31, 2019	(6,675)	(13,550)	(2,006)	(219,543)	-	(575)	(242,349)
Additions by company acquisitions	(36)	-	(70)	(93)	-	(9)	(208)
Depreciation for the year	(2,915)	(2,056)	(326)	(28,725)	-	(225)	(34,247)
Write-offs	570	1	7	992	-	129	1,700
Transfers	42	523	(631)	(4)	-	70	-
Balances on December 31, 2020	(9,013)	(15,082)	(3,026)	(247,373)	-	(610)	(275,104)
Additions by company acquisitions	(1,114)	(488)	(220)	(228)	-	(4)	(2,054)
Depreciation for the year	(5,068)	(2,642)	(474)	(25,720)	-	(312)	(34,216)
Write-offs	800	8	1,374	14,447	-	221	16,850
Transfers	(59)	-	(21)	80	-	-	-
Balances on December 31, 2021	(14,454)	(18,204)	(2,367)	(258,794)	-	(705)	(294,524)
Residual value							
Balances on December 31, 2020	10,508	18,610	1,583	43,771	914	877	76,263
Balances on December 31, 2021	21,434	18,925	3,750	40,731	2,203	1,691	88,734

(*) There were no impairment indicators in the years ended December 31, 2021 and 2020.

12 Intangible assets

Accounting policy

Intangible assets acquired separately are measured at cost at the time of their initial recognition, in line with the provisions of CPC 04/IAS 38. After initial recognition, intangible assets are stated at cost, minus accumulated amortization (for assets with a finite useful life) and accumulated impairment losses, when applicable.

Intangible assets with a finite useful life are amortized over the economic useful life and evaluated in relation to the impairment loss whenever there is an indication of loss of economic value of the asset. The amortization of intangible assets with a finite useful life is recognized in the income statement in the expense category consistent with the use of the intangible asset. The amortization of intangible assets can be presented as follows:

	Software	Brands and patents	Internal development	Goodwill	Customer portfolio
Useful life	Defined	Defined	Defined	Undefined	Defined
Weighted average amortization exercise	5 years or as per report	5 years or as per report	5 years	-	5 years or as per report
Amortization method used	Linear amortization	Linear amortization	Linear amortization	Not amortized	Linear amortization
Internally generated or acquired	Internally generated and acquired (Business arrangement)	Internally generated and acquired (Business arrangement)	Internally generated	Acquired (Business arrangement)	Acquired (Business arrangement)

The Company estimates the useful life of intangible assets based on the period for generating future economic benefits from these assets.

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment, individually or at the cash-generating unit level. The indefinite useful life assessment is reviewed annually to determine whether this assessment continues to be justified. Otherwise, the change in useful life, from indefinite to defined, is made prospectively.

Gains and losses resulting from the derecognition of an intangible asset are measured as the difference between the net amount obtained from the sale and the carrying amount of the asset, being recognized in the income statement at the time of derecognition of the asset.

a) Research and development cost

Research expenses are recorded as expenses when incurred. The costs of developing a specific project, more specifically software, are recognized as an intangible asset whenever it is probable that future economic benefits will be generated and the Company demonstrates the requirements set out in CPC 04/IAS 38: (i) the technical feasibility of completing the intangible asset as it will be available for use or sale; (ii) the intention to complete the asset

and the ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of funds to complete the asset; (v) the ability to reliably assess expenditures incurred during the development phase.

After initial recognition, the asset is stated at cost minus accumulated amortization and impairment losses. Amortization begins when the development is completed and the asset is available for use, through the exercise of future economic benefits. During the development period, the asset's recoverable amount is tested annually. Once the project is completed, the asset is tested whenever signs of impairment are identified.

b) Goodwill for expected future profitability

Goodwill derived from a business combination is recorded in accordance with the requirements set out in CPC 15/IFRS 3, resulting from the difference between the consideration paid and the fair value of the acquiree's net assets. Goodwill is not amortized, but is tested for impairment at least annually.

For the purposes of the Parent Company's financial statements, goodwill is presented as an investment and for the purposes of the Consolidated report, goodwill is presented as an intangible asset.

c) Recoverability test

There were no impairment losses recorded in the years ended December 31, 2021 and 2020 in the Parent Company and Consolidated.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections, based on financial budgets approved by Management.

The goodwill acquired through a business combination is allocated to each of the cash generating units (CGU) for impairment testing, as follows:

<u>CGU</u>	<u>Be online & SaaS</u>		<u>Commerce</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<i>Book value of goodwill</i>	163,794	119,930	1,686,122	264,108	1,849,916	384,038

The Company performed the impairment test on December 31, 2021, 2020 and considers, among other factors, the country's economic moment and the historical results of the CGUs, the Company performed a calculation to determine the recoverable value of intangible assets without a defined useful life. The cash flow forecast for each of the CGUs considered a discount rate adequate to their capital cost. Cash flows were forecast for a 9-year horizon, which the Company believes is adequate for stabilizing its current growth rate. As for the cash flows that exceeded the 9-year period, these were extrapolated using a growth rate for perpetuity. As a result of this analysis, there was no impairment loss.

Assumptions with relevant impact used in the calculation of value in use

The value-in-use calculation for both Be Online & SaaS and Commerce CGUs is more sensitive to the following assumptions:

- Discount rate
- Growth in perpetuity
- Revenue growth

Discount rate

The discount rate represents the risk assessment in the current market. The calculation of the discount rate is based on the specific circumstances of the Company, being derived from the weighted average of capital costs.

Growth in perpetuity

The estimate was mainly based on: i) historical results obtained by the Company; ii) expectation of organic growth; and iii) expectations of inflation and economic growth (GDP) based on projections published by the Central Bank (Boletim Focus).

Revenue growth

Revenue forecasts are based on the number of customers and average ticket. The number of clients is forecast based on market research related to the Company and its sector of activity and the average ticket is forecast based on the expectation of inflation.

The changes in the parent company are shown below:

Parent company							Total intangible assets
	Software	Brands and patents	Internal development (a)	Others	Goodwill	Client portfolio	.
Cost							
Balances on December 31, 2019	4,541	2,131	31,738	872	33,087	2,586	74,955
Year Additions	299	1	9,452	-	-	-	9,752
Transfers	-	-	-	-	-	-	-
Balances on December 31, 2020	4,840	2,132	41,190	872	33,087	2,586	84,707
Additions by merger	-	-	964	-	-	-	964
Year Additions	2,507	-	15,790	-	-	-	18,297
Write-offs for the year	(574)	-	(7,192)	-	-	-	(7,766)
Balances on December 31, 2021	6,773	2,132	50,752	872	33,087	2,586	96,202
Amortization							
Balances on December 31, 2019	(4,173)	(239)	(10,267)	(370)	-	(2,401)	(17,450)
Amortization for the year	(323)	(36)	(6,490)	(88)	-	(345)	(7,282)
Write-offs in the year	213	-	-	-	-	160	373
Balances on December 31, 2020	(4,283)	(275)	(16,757)	(458)	-	(2,586)	(24,359)
Additions by merger	-	-	(64)	-	-	-	(64)
Amortization for the year	(360)	(37)	(6,242)	(86)	-	-	(6,725)
Write-offs in the year	573	-	7,192	-	-	-	7,765
Balances on December 31, 2021	(4,070)	(312)	(15,871)	(544)	-	(2,586)	(23,383)
Residual value							
Balances on December 31, 2020	557	1,857	24,433	414	33,087	-	60,348
Balances on December 31, 2021	2,703	1,820	34,881	328	33,087	-	72,819

- (a) Refers to expenses with internal development linked to technological innovations of existing products, which were recorded as intangible assets as they meet the criteria specified in CPC 04 (R1)/IAS 38, with an average amortization period of 5 years.

The changes in the consolidated are presented below:

	Consolidated						Total assets
	Software	Brands and patents	Internal development (a)	Others	Goodwill	Client portfolio	.
Cost							
Balances on December 31, 2019	26,408	11,037	44,789	872	117,947	11,150	212,203
Additions by company acquisitions	17,260	6,269	-	-	266,091	1,690	291,310
Year Additions	455	6	18,558	-	-	-	19,019
Transfers	-	-	-	-	-	-	-
Balances on December 31, 2020	44,123	17,312	63,347	872	384,038	12,840	522,532
Additions by company acquisitions	98,490	139,603	1,457	5	1,431,384	37,171	1,708,110
Year Additions	4,294	175	37,844	-	34,494	-	76,807
Write-offs for the year	(1,129)	-	(7,192)	-	-	-	(8,321)
Transfers in the period	(435)	-	435	-	-	-	-
Balances on December 31, 2021	145,343	157,090	95,891	877	1,849,916	50,011	2,299,128
Amortization							
Balances on December 31, 2019	(11,754)	(664)	(13,260)	(370)	-	(3,836)	(29,884)
Additions by company acquisitions	(439)	-	-	-	-	-	(439)
Amortization for the year	(4,022)	(953)	(7,742)	(87)	-	(1,788)	(14,592)
Write-offs for the year	192	-	79	-	-	1	272
Balances on December 31, 2020	(16,023)	(1,617)	(20,923)	(457)	-	(5,623)	(44,643)
Additions by company acquisitions	(1,218)	-	(39)	-	-	-	(1,257)
Amortization for the year	(19,951)	(5,827)	(11,071)	(87)	-	(5,806)	(42,742)
Write-offs for the year	1,118	-	7,192	-	-	-	8,310
Transfers in the fiscal year	(19)	-	19	-	-	-	-
Balances on December 31, 2021	(36,093)	(7,444)	(24,822)	(544)	-	(11,429)	(80,332)
Residual value							
Balances on December 31, 2020	28,100	15,695	42,424	415	384,038	7,217	477,889
Balances on December 31, 2021	109,250	149,646	71,069	333	1,849,916	38,582	2,218,796

- (a) Refers to expenses with internal development linked to technological innovations of existing products, which were recorded as intangible assets as they meet the criteria specified in CPC 04 (R1)/IAS 38.
- (b) There were no impairment indicators in the years ended December 31, 2021 and 2020.

13 Right-of-use asset

At the inception of an agreement, the Group assesses whether an agreement constitutes or contains a lease.

A agreement constitutes or contains a lease if the agreement transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The right-of-use asset is measured initially at cost and subsequently at cost minus any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation is calculated using the straight-line method over the remaining term of the agreements. The Company used fixed lease payments as a cost component. Specifically variable payment amounts are recognized on a monthly basis as operating expenses.

Right-of-use assets mainly represent real estate and are depreciated on a straight-line basis over a period of 10 years, the shorter period between the lease term and the estimated useful life of the assets.

The changes are shown below:

	Parent company	Consolidated
Right-of-use asset on 12/31/2019	64,879	67,808
Addition	4,505	5,051
Depreciation	(6,614)	(7,755)
Right-of-use asset on 12/31/2020	62,770	65,104
Additions by company acquisitions	-	7,710
Addition	4,011	7,141
Depreciation	(7,057)	(10,378)
Right-of-use asset on 12/31/2021	59,724	69,577

14 Taxes in installments

Refers to taxes paid in installments upon adhesion to the special tax regularization program (PERT):

	Consolidated	
	2021	2020
Social Integration Program - PIS and Contribution to Social Security Financing - COFINS	2,146	2,392
Social Security Contribution on Gross Revenue - CPRB	1,064	1,170
Corporate Income Tax - IRPJ and Social Contribution on Net Income - CSLL	14,930	16,415
National Institute of Social Security contribution - INSS	754	969
Others	1,248	1,472
Total tax installments	20,142	22,418
Current	2,878	2,847
Non-current	17,264	19,571

15 Loans, financing and lease liabilities

15.1 Loans and financing

Accounting policy

The Company raises funds both in reais and in US dollars. To mitigate the risk of exchange variation, the Company contracts derivative financial instruments (swaps). Further details on the company's risk management policy and on the use of derivatives for hedging purposes are described in Note 26 – Financial Instruments.

Composition of Loans and Financing

	Charges	Due date	Parent company		Consolidated	
			2021	2020	2021	2020
Bradesco (USD 7,694)	USD + 4.31% p.a.	Feb/21	-	8,121	-	8,121
FINEP Refundable Financing	TJLP + 0.5% pa	Aug/21	-	7,589	-	7,589
Bradesco (USD 8,091)	USD + 5.44% p.a.	Feb/22	4,140	19,264	4,140	19,264
Bradesco (USD 2,697)	USD + 4.77% p.a.	Feb/22	1,381	6,415	1,381	6,415
Citibank (USD 10,000)	USD + (3M Libor + 1.56%)*1.71 pa	Jul/22	22,431	41,786	22,431	41,786
Others			-	-	1,089	1,383
			27,952	83,175	29,041	84,558
Current		-	27,952	55,660	28,720	56,876
Non-current		-	-	27,515	321	27,682
Financial instruments – active fair value hedge			(8,745)	(19,367)	(8,745)	(19,367)
Total loans and financing net of active swap			19,207	63,808	20,296	65,191

The amounts recorded in non-current liabilities as of December 31, 2021 have the following maturity schedule:

	Parent company	Consolidated
2023	-	321
	-	321

The BNDES (Prosoft Empresa) and Finep subsidized lines have bank guarantees that represent 100% of the updated value of these debts and are renewed annually following the best market quotations.

On August 8, 2014, the Company obtained approval for a credit line in the amount of BRL 44,895 with FINEP for investment in technology projects. This line of credit has an interest rate of TJLP +0.5% pa and is due between August 15, 2017 (first installment) and August 15, 2021 (last installment). The first installment of these funds, in the amount of BRL 17,958, was released to the Company on September 3, 2014, the second installment, in the amount of BRL 13,469, was released on November 27, 2015 and the third installment, in the amount of BRL 13,469, was released on December 23, 2016.

As of December 31, 2021, all covenants related to the Company's loans and financing were fulfilled.

15.2 Lease liabilities

Accounting policy

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including fixed payments in substance) minus any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of fines for terminating the lease, if the lease term reflects the Group exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition giving rise to those payments occurs.

When calculating the present value of lease payments, the Group uses its incremental borrowing rate at the commencement date because the interest rate implicit in the lease is not easily determinable. After the commencement date, the amount of the lease liability is increased to reflect accrued interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the valuation of an option to purchase the underlying asset.

	Parent company	Consolidated
Liabilities for the right to use on 12/31/2019	67,141	70,218
Additions by company acquisitions	-	-
Addition	4,505	5,051
Interest incurred	5,221	5,442
Payments	(9,871)	(11,166)
Liabilities for the right to use on 12/31/2020	66,996	69,545
Additions by company acquisitions	-	8,885
Addition	4,011	7,140
Interest incurred	5,153	5,787
Payments	(10,488)	(14,508)
Liabilities for the right to use on 12/31/2021	65,672	76,849
Current	5,552	9,274
Non-current	60,120	67,575

A) Short-term and low-value asset leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. leases with a lease term equal to or inferior than 12 months from the commencement date and which do not contain a purchase option).

It also applies the low-value asset recognition exemption grant to leases of office equipment deemed to be low-value. Short-term lease payments and lease payments for low-value assets are recognized as an expense on a straight-line basis over the lease term.

The non-current installments due have the following lease maturity schedule:

	Parent company	Consolidated
2023	6,311	9,790
2024	6,816	9,876

2025	7,361	8,194
2026	7,950	7,950
After 2026	31,682	31,765
	60,120	67,575

16 Salaries, charges, and social benefits

Accounting policy

Salaries and benefits granted to the Company's employees and managers include, in addition to fixed compensation (salaries and social security contributions (INSS), vacation, 13th salary bonus), variable compensation such as profit sharing and share-based compensation. These benefits are recorded in income for the year as they are incurred.

	Parent company		Consolidated	
	2021	2020	2021	2020
Salaries and charges	9,466	6,871	28,050	10,980
Provision of vacations and charges	11,497	9,279	31,763	15,231
Profit Sharing Plan (PPR)	7,360	6,291	11,919	9,759
	28,323	22,441	71,732	35,970

17 Provision for contingencies

Accounting policy

Provisions are recognized, in accordance with the requirements of CPC 25/IAS 37, when the Company has a present obligation as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be done. The assessment of the probability of loss includes the assessment of available evidence, the hierarchy of laws, existing case law, the most recent decisions in the courts and their relevance in the legal system, as well as the assessment of external lawyers.

The composition and changes of the provision for lawsuits, constituted for cases classified as “Probable” risk, is shown below:

	Parent company		
	Civil claims	Labor claims	Total
Balances on December 31, 2019	474	464	938
Reversals / Additions	(39)	(308)	(346)
Balances on December 31, 2020	435	157	592

Reversals / Additions	4	1,363	1,367
Balances on December 31, 2021	439	1,520	1,959

Consolidated

	Civil claims	Labor claims	Total
Balances on December 31, 2019	542	464	1,006
Reversals / Additions	371	(261)	110
Balances on December 31, 2020	913	203	1,116
Reversals / Additions	293	1,317	1,610
Balances on December 31, 2021	1,206	1,520	2,726

Civil lawsuits are mainly represented by requests for damages for possible problems caused in the provision of services, while labor claims refer to requests of different characteristics and in different stages of the proceedings, with no relevant case that deserves to be highlighted.

Possible losses

The Company and its subsidiaries are party to civil and tax lawsuits, involving risks of loss classified by Management as possible, based on the assessment of its legal advisors, for which there is no provision constituted, according to the composition and estimate below:

	Parent company		Consolidated	
	2021	2020	2021	2020
Civil	2,167	1,700	4,955	1,715
Labor	9,291	-	9,824	-
Tax	12,773	12,069	12,773	12,069
	24,231	13,769	27,552	13,784

Civil lawsuits are mainly represented by requests for damages for possible problems caused in the provision of services, with no relevant case that deserves to be highlighted.

The tax proceedings refer substantially to discussions about information on ancillary obligations and the basis for calculating payroll taxes for specific activities.

Main tax proceeding: on December 31, 2015, a Tax Assessment Notice was issued by the São Paulo State Finance Secretariat against Locaweb, with the objective of charging an alleged ICMS debt on transactions with software and electronic files and an accusation that Locaweb stopped registering ICMS taxpayers as a communication service provider. The updated amount of the lawsuit consists of BRL 10,192 with the possibility of loss classified as “Possible”. In addition, in terms of procedural progress, the final judgment of the case is awaited by at São Paulo Tax and Fees Court.

For the provisioned lawsuits, there is a balance of judicial deposits as of December 31, 2021 in the amount of BRL 435 in the Parent Company (BRL 434 as of December 31, 2020) and of BRL 504 Consolidated (BRL 538 as of December 31, 2020).

The tax and contribution statements of the Company and its subsidiaries submitted to the federal, state and municipal levels are subject to review and final acceptance by the tax authorities for a period of five years.

18 Net equity

a. Capital stock

Locaweb's authorized capital stock is five billion reais (BRL 5,000,000,000). As of December 31, 2021, the subscribed and paid-in capital of Locaweb is R\$3,000,154 (BRL 2,923,953 net of the cost of issuing shares), represented by 589,581,572 common shares (503,561,184 as of December 31, 2020), all registered, in book-entry form and without par value.

On December 31, 2021, the balance of treasury shares corresponds to 2,748,472 common shares, in the amount of BRL 45,769 (on December 31, 2020, the balance of treasury shares corresponds to 56,472 common shares, in the amount of BRL 7) .

Changes in share capital in the year ended December 31, 2021 refer to: (a) issue of 3,700,588 (927,147 before the split) common shares with no par value, paid up in the period, in the amount of BRL 7,934 arising from the exercise of stock option plans, (b) issue of 78,200,000 common shares with no par value, paid in in the period, in the amount of BRL 2,346,000 through the public offering of shares with restricted efforts (Follow on), as approved on January 9, 2021 and (c) issue of 4,119,800 common shares with no par value, paid in in the period, in the amount of BRL 10,043, as approved on July 7, 2021. Expenses with the aforementioned share issue totaled BRL 48,844 and were recorded as a reduction in capital stock. Expenses were recognized net of income tax and social contribution.

The distribution of shares as of December 31, 2021 is shown below:

	2021		2020	
	Interest %	Quantity of shares	Interest %	Quantity of shares
Claudio Gora	6.10%	36,227,821	7.66%	38,565,396
Gilberto Mautner	6.10%	36,239,821	7.66%	38,565,396
Michel Gora	6.20%	36,372,824	7.66%	38,565,400
Ricardo Gora	6.10%	36,083,221	7.66%	38,565,396
Andrea Gora Cohen	2.70%	16,086,065	3.39%	17,079,964
Treasury Share	0.50%	2,748,472	0.01%	56,472
GIC Private Limited	6.46%	38,086,970	6.46%	32,503,340
BlackRock	10.10%	59,547,739	5.02%	25,265,116
JP Morgan	-	-	5.23%	26,319,628
William Blair	5.20%	30,658,242	-	-
Other shareholders	50.54%	297,530,397	49.25%	248,075,076
	100.00%	589,581,572	100.00%	503,561,184

The Company may, by resolution of the Board of Directors, acquire its own shares to be held in treasury and subsequently sold or canceled, up to the amount of the balance of profit and reserves, except for the legal reserve, without decreasing the capital stock, in compliance with the provisions of applicable laws and regulations.

The Company may, by resolution of the Board of Directors and in accordance with the plan approved by the General Meeting, grant stock purchase or subscription options, without preemptive rights for shareholders, in favor of its managers, employees or individuals who provide services to the Company, and this option may be extended to managers and employees of the Company's subsidiaries, directly or indirectly (Note 19).

Transaction costs incurred in raising own funds are recorded in a specific account reducing shareholders' equity, deducting any tax effects.

b. Legal reserve

The Company allocates 5% of annual net income to the legal reserve, before the allocation of dividends, limiting this reserve to 20% of the total amount of capital stock.

c. Interest on equity and dividends

In accordance with the option provided for in Law No. 9,249/95 and based on the resolutions of the Board of Directors, the Company calculates interest on equity on shareholders' equity, limited to the daily *pro rata* variation of the Long-Term Interest Rate - TJLP, who are subject to withholding income tax of 15%, except for legal entities that are proven to be immune or exempt from this withholding. Interest on equity is part of the calculation basis for dividends, which, for purposes of Brazilian tax legislation, are deductible.

The Company's management did not propose any allocation in 2021 due to the loss for the year.

Dividends and interest on equity are calculated as defined by the Company's management. The calculation of dividends and interest on equity for the year 2020 is shown as follows:

	2020
Net profit for the year of the parent company	19,740
Compensation of accumulated losses	-
Base profit for the establishment of the legal reserve - 5%	19,740
Establishment of legal reserve- 5%	(987)
Net income after offsetting accumulated losses and appropriation of the legal reserve	18,753
Mandatory minimum statutory dividend – 25%	4,688
Additional dividends	11,312
Interest on equity distributed (gross)	16,000
Dividends distributed	-
Number of shares as of December 31 (thousands of shares) (represented)	503,561
Dividend and interest on equity per share – in reais	0.03

d. Capital reserves

Capital reserves are made up of amounts referring to goodwill on the issuance of shares, goodwill on capital transitions and amounts arising from stock option plans that are recorded directly in shareholders' equity.

e. Profit retention reserves

The profit retention reserve refers to the retention of the remaining balance of retained earnings, in order to meet the business growth project established in its investment plan, according to the capital budget approved and proposed by the Company's managers, to be deliberated at the Shareholders' General Meeting, in compliance with article 196 of the Brazilian Corporation Law.

19 Stock option plans, stock granting, and performance plan.

Accounting policy

Since 2009, the Company has been granting stock options in order to allow managers and employees of the Company or other companies that are directly or indirectly controlled by the Company, subject to certain conditions, to acquire shares of the Company, with the goal of: (a) reinforcing the Company's ability to attract and retain talent; (b) aligning the interests of the Company's managers and employees or of other companies that are directly or indirectly controlled by the Company with the interests of the Company's shareholders; (c) sharing risks and gains with the Company's managers; and (d) balancing short-term and long-term forms of compensation.

The cost of transactions with employees settled with equity instruments, and with awards granted, is measured based on the fair value on the date they were granted, as provided for in CPC 10/IFRS 2. The fair value of the options is determined using the Black and Scholes option pricing methodology.

The expense record is recognized, together with a corresponding increase in equity, over the year in which the performance and/or service condition is fulfilled, ending on the date on which the employee acquires full entitlement to the award (date of acquisition).

The expense in the income statement for the year is recorded under "Personnel expenses" and represents the movement in accumulated expense recognized at the beginning and end of that year. No expense is recognized for options that do not complete their vesting exercise, except for options in which the acquisition is conditional on a market condition (condition linked to the Company's share price), which is treated as acquired, regardless of whether the market conditions are met or not, provided that all other vesting conditions are met.

a. Stock option plans

As of the base date defined in each Option Agreement ("Base date"), the following years will be calculated to decide on the options granted under the Ninth Plan: (i) up to 25% of the shares that can be acquired with the exercise of the option may be acquired on the Vesting Dates, after 1 year elapsed from the Base Date; (ii) up to 25% of the shares that can be acquired with the exercise of the option, plus any remaining shares not exercised on the preceding Vesting Dates, may be acquired on the Vesting Dates, after 2 years have elapsed from the Base Date; (iii) up to 25% of the shares that can be acquired with the exercise of the option, plus any remaining shares not exercised on the preceding Vesting Dates, may be acquired on the Vesting Dates, after 3 years have elapsed from the Base Date; and (iv) up to 25% of the shares that may be acquired with the exercise of the option, plus any remaining non-vested shares on the preceding Vesting Dates, may be acquired on the Vesting Dates, 4 years after the Base Date ("Vesting Exercises").

In any case, the amount of shares that may be acquired after each Vesting Exercise will remain in force until the Maximum Vesting Period (that is, until July 1, 2024), and the portion of shares not vested within this period and under the stipulated conditions shall be automatically terminated, without the right to compensation.

Information regarding the Company's stock option plans is summarized below:

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December 31, 2021							Number of shares			
Series	Grant date	Base date	1st vesting date	Expiration date	Vesting price	Fair value	Granted	Vested	Expired	Total in force
A series	7/15/2009	1/1/2008	1/1/2010	1/1/2017	1.08	1.95	9,681,164	(7,343,460)	(2,337,704)	-
B series	7/15/2009	7/1/2009	7/1/2010	7/1/2018	1.08	1.82	667,728	(667,728)	-	-
C series	9/3/2010	1/1/2010	1/1/2011	1/1/2019	1.08	2.03	3,980,000	(332,560)	(3,647,440)	-
D series	7/1/2011	7/1/2011	1/1/2012	7/1/2019	1.31	1.64	1,720,000	(1,130,000)	(590,000)	-
E series	1/1/2012	1/1/2012	1/1/2013	1/1/2020	1.31	2.07	3,720,000	(1,990,000)	(1,730,000)	-
F series	7/1/2012	7/1/2012	1/1/2013	7/1/2020	2.74	4.06	512,000	(166,000)	(346,000)	-
G series	1/1/2013	1/1/2013	1/1/2014	1/1/2021	2.32	4.44	5,568,000	-	(5,568,000)	-
H series	4/1/2013	4/1/2013	1/1/2014	4/1/2021	2.74	4.61	1,320,000	(35,000)	(1,285,000)	-
I series	1/1/2014	1/1/2014	1/1/2015	1/1/2022	2.74	4.24	2,740,000	(110,000)	(2,630,000)	-
J series	7/1/2015	7/1/2015	7/1/2016	7/1/2022	2.26	4.07	1,540,000	(580,000)	(960,000)	-
K series	3/1/2016	3/1/2016	3/1/2017	4/1/2022	2.50	3.51	2,800,000	(1,400,000)	(1,400,000)	-
L series	4/1/2016	4/1/2016	4/1/2017	4/1/2022	2.50	3.51	3,120,000	(2,220,000)	(900,000)	-
M series	4/1/2017	4/1/2017	4/1/2018	7/1/2023	2.50	3.19	1,880,000	(1,015,000)	(635,000)	230,000
N series	7/1/2018	7/1/2018	7/1/2019	7/1/2024	1.75	2.26	4,360,000	(1,395,000)	(590,000)	2,375,000
O series	5/14/2019	5/14/2019	5/13/2020	5/14/2025	1.75	3.89	1,800,000	(200,000)	-	1,600,000
P series	5/14/2019	5/14/2019	5/13/2020	5/14/2025	1.75	3.89	1,320,000	(596,000)	(60,000)	664,000
Q series	12/4/2019	12/4/2019	8/1/2020	1/1/2026	1.75	2.12	10,175,880	(1,404,628)	-	8,771,252
R series	12/4/2019	12/4/2019	8/1/2020	1/1/2026	4.31	1.09	1,200,000	(600,000)	-	600,000
S series	8/11/2020	8/11/2020	8/11/2021	8/11/2026	4.31	1.67	900,000	(225,000)	-	675,000
T series	8/11/2020	8/11/2020	8/11/2021	8/11/2026	6.37	9.85	1,922,132	(190,796)	(216,000)	1,515,336
							60,926,904	(21,601,172)	(22,895,144)	16,430,588

The table below shows the changes in the Company's options:

	Options	Average vesting price
Pending balance on December 31, 2020	25,040,772	1.83
Granted during the year	352,000	6.37
Expired during year	(476,000)	4.26
Vested during the year	(8,486,184)	2.45
Pending balance on December 31, 2021	16,430,588	2.39

As of December 31, 2021, the number of stock options that could be vested was 11,523,008 (7,379,000 as of December 31, 2020). The table below shows the assumptions used to determine the fair value of the option on the grant date for the options granted in the years ended December 31, 2021:

	Plan 13 Q series	Plan 14 R series	Plan 15 R series	Plan 16 T series	Plan 17 T series
Dividend earnings	1.00%	1.00%	1.00%	1.00%	1.00%
Expected volatility	43.2%	43.2%	43.2%	43.2%	43.2%
Risk-free rate of return (per year)	4.50%	4.50%	4.50%	2.00%	2.00%
Expected life of options	4 years	4 years	4 years	4 years	4 years
Weighted average share price (BRL)	1.75	4.31	4.31	6.37	6.37
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

Technical pronouncement CPC 10/IFRS 2 - Share-Based Payment determines that the effects of share-based payment transactions are reflected in the Company's income. The expense recorded in the Parent Company's results and in the Consolidated on December 31, 2021 was BRL 11,887 (BRL 15,547 on December 31, 2020).

b. Restricted shares granting plan

On April 30, 2021, the Company's Restricted Shares Granting Plan was approved at a meeting, which establishes the respective general conditions for granting rights to acquire up to one million, seven hundred thousand (1,700,000) common shares, with no par value, issued by the Company, to its beneficiaries, who will be nominated annually among the Company's employees and/or other companies of the Company's economic group. The first grant of the plan took place in July 2021 and on December 31, 2021, the number of shares granted was 322,770 and the expense recorded in income was BRL 339 in the Parent Company and BRL 1,097 in the Consolidated.

c. Performance plan

On April 30, 2021, the Share Grant Plan Subject to the Company's Performance ("Performance Plan") was approved at a meeting, establishing the respective general conditions for granting acquisition rights over up to one million and three hundred thousand (1,300,000) common shares, without par value, issued by the Company, to its beneficiaries, who will be nominated annually among the statutory directors and statutory directors/managers of the Company and other companies of the Company's economic group (not including members of the Board of Directors of the Company and its subsidiaries, as applicable). The first grant of the plan is scheduled to take place during the year 2022.

20 Earnings per share

a. Basic earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the loss attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year:

	2021	2020
Earnings (loss) attributable to company shareholders	(15,719)	19,740
Weighted average number of common shares outstanding – thousands	578,371	489,780
Basic earnings (loss) per share - BRL	(0.03)	0.04

b. Diluted earnings (loss) per share

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of common shares outstanding, to assume the conversion of all potential diluted common shares, referring to stock options, and the dilutive potential of these options is represented for 25,196 thousand shares on December 31, 2021 (6,260 thousand shares in 2020, 25,040 thousand after the split).

	2021	2020
Earnings (loss) attributable to company shareholders	(15,749)	19,740
Weighted average number of shares including potential dilution – thousands	593,086	514,820
Earnings (loss) per share diluted – BRL	(0.03)	0.04

21 Net operating revenue

Accounting policy

(i) Revenue Recognition Criteria

The Company and its subsidiaries earn revenue from hosting, data center, telecommunications, software licensing, intermediation and collection services, among others. Revenues are recognized when performance obligations are met, in accordance with CPC 47/IFRS 15.

Revenues from the provision of services are recognized over the time the service is provided, while revenues from product resales, software installation, e-commerce facilitation or payments and intermediation with marketplaces are recognized at a specific moment.

(ii) Taxation of Revenue

Revenues from the provision of services are subject to the following taxes and contributions and basic rates:

Tax	Rates
Social Integration Program ("PIS") - non-cumulative regime	1.65%
Social Integration Program ("PIS") - cumulative regime	0.65%
Contribution to Social Security ("COFINS") - non-cumulative regime	7.6%
Contribution to Social Security ("COFINS") - cumulative regime	3%
Service Tax of Any Nature ("ISS")	From 2% to 5%
Fund for Universalization of Telecommunications Services ("FUST")	1%
Fund for the Technological Development of Telecommunications ("FUNTTEL")	0.5%
Tax on the Circulation of Goods and Services ("ICMS")	25%
National Institute of Social Security ("INSS")	4.5%

These charges are shown as sales deductions. The credits arising from the non-cumulativeness of PIS/COFINS are presented deductively from the cost of services provided in the income statement. The reconciliation between Gross Revenue and Net Revenue is presented below.

A) Reconciliation between Gross Revenue and Net Revenue

	Parent company		Consolidated	
	2021	2020	2021	2020
Gross operating revenue	338,473	326,140	905,838	565,899
BeOnline & SaaS	338,473	326,140	462,514	404,499
Commerce	-	-	443,324	161,400
Discounts and rebates	(20,091)	(25,178)	(21,112)	(26,291)
BeOnline & SaaS	(20,091)	(25,178)	(20,466)	(25,192)

Commerce	-	-	(646)	(1,099)
Income taxes	(27,267)	(25,935)	(84,518)	(51,398)
BeOnline & SaaS	(27,267)	(25,935)	(38,666)	(33,414)
Commerce	-	-	(45,852)	(17,984)
Net operating revenue	291,115	275,027	800,208	488,210
BeOnline & SaaS	291,115	275,027	403,382	345,893
Commerce	-	-	396,826	142,317

22 Costs and expenses by nature

Accounting policy

Operating costs and expenses are recorded in the income statement for the year when incurred. The cost related to revenue from the provision of services includes salaries and personnel charges for the development and provision of services, costs with inputs, mainly internet links, domain registration and rental of software licenses, operating costs with installations and maintenance, in addition to the depreciation and amortization of assets, mainly servers and data center equipment.

	<u>Parent company</u>		<u>Consolidated</u>	
	2021	2020	2021	2020
Salaries, charges, and benefits	(113,430)	(100,708)	(328,386)	(174,833)
Advisory and consultancy services	(33,277)	(26,003)	(60,935)	(33,000)
Depreciation and amortization	(40,803)	(37,291)	(87,336)	(48,839)
Amortization of right-of-use assets	-	(6,614)	-	(7,755)
Installations	(9,253)	(9,484)	(11,823)	(11,004)
Communication and telecommunications	(2,522)	-	(3,982)	-
Collection Services	-	-	(32,981)	-
Domains and website hosting	(19,227)	-	(59,182)	-
Maintenance of servers and equipment	(2,736)	-	(8,170)	-
Software License Rental	(42,851)	-	(61,729)	-
Other operating costs (a)	(163)	(59,090)	(23,455)	(104,790)
Provision for loss due to impairment	(1,568)	-	(10,118)	-
Marketing	(19,943)	(23,468)	(80,959)	(43,393)
Stock option plan	(11,887)	(15,547)	(11,887)	(15,547)
Other general and administrative expenses	(5,378)	(3,016)	(13,282)	(5,772)
Total	(303,038)	(281,221)	(794,225)	(444,933)
Cost of services provided	(193,992)	(186,379)	(435,676)	(282,885)
Sales expenses	(50,362)	(47,762)	(152,457)	(82,155)
Loss due to impairment	(1,568)	-	(10,118)	-
General and Administrative Expenses	(57,116)	(47,080)	(195,974)	(79,893)

Total (303,038) (281,221) (794,225) (444,933)

- (a) The operating cost includes disbursements for software systems, website hosting, domain registrations and credit card administrator fees (Yapay).

Below, we show the balances related to other operating income (expenses) incurred in the year:

	Parent company		Consolidated	
	2021	2020	2021	2020
Bonuses received	-	12	-	12
Sale of fixed assets	595	439	668	439
Other revenues (expenses)	208	293	2,049	458
Investment losses	(171)	-	(171)	-
Total	632	744	2,546	909

23 Net financial income

Accounting policy

The Group's financial income and expenses comprise:

- interest income;
- interest expense;
- net gains/losses on financial assets measured at fair value through the profit or loss statement;
- net exchange rate gains/losses on financial assets and liabilities;
- gains on remeasurement to fair value of the pre-existing interest in an entity acquired in a business combination;
- fair value losses on contingent consideration classified as a financial liability;

Interest income and expense are recognized under the profit and loss statement using the effective interest method.

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial revenues				
Income from financial investments	77,786	10,539	80,598	10,858
Interest	978	851	1,386	1,223
Exchange variation	-	282	-	124
Gain with derivatives	-	25,090	-	25,090
Mark-to-Market of Derivatives	-	1,385	-	1,385
Other financial revenues	385	816	710	1,024
	79,149	38,963	82,694	39,704
Financial expenses				
Debt cost	(1,424)	-	(2,297)	-
Interest	-	(32,706)	-	(33,611)

Banking service fees (*)	(2,658)	(2,811)	(9,014)	(7,330)
Exchange variation	(11)	-	(288)	-
Lease interest	(5,153)	(5,221)	(5,787)	(5,370)
IOF	(353)	(253)	(1,282)	(544)
Receivables management fees	(2)	(1)	(5,724)	(1,569)
Remeasurement of contingent consideration	(21,908)	(2,901)	(48,156)	(4,182)
Other financial expenses	(4,744)	(971)	(6,116)	(1,575)
	<u>(36,253)</u>	<u>(44,864)</u>	<u>(78,664)</u>	<u>(54,181)</u>
Net financial income	<u>42,896</u>	<u>(5,901)</u>	<u>4,030</u>	<u>(14,477)</u>

(*) Banking service fees include fees, services and issuance of payment slips.

24 Income tax and social contribution

Accounting policy

i) Current Taxes

Income taxation comprises income tax and social contribution, and in the companies Locaweb, Locaweb Telecom, Ananke Tecnologia, Yapay, Tray, FBITS, Cyberweb, IT Capital (Delivery Direto), Ideris, Melhor Envio, Vindi Tecnologia, Vindi Pagamentos, Smart, Conectplug, Credisfera, Samurai Experts, Organisys (Bling), Pagcerto, Bagy, Squid and Octadesk are taxed by Real Income, income tax is calculated on taxable income at the rate of 15%, plus an additional 10% for profits that exceed BRL 240 in the 12-month period, while social contribution is calculated at the rate of 9% on taxable income, recognized on the accrual basis. The companies Ananke Participações, LWK Hosting, Kinghost, Unipago, IPV6 Internet, VO Desenvolvimento, Samurai Experts Holding, Locaweb Commerce, Etus, Dooca and Doupana are taxed under the Presumed Profit regime.

The income tax and social contribution expense comprises current and deferred income and social contribution taxes. Current tax and deferred tax are recognized in profit or loss unless they are related to the business combination or items recognized directly in equity or other comprehensive income.

The Group determined that interest and penalties related to income tax and social contribution, including uncertain tax treatments, do not meet the definition of income tax and therefore were accounted for in accordance with CPC 25/IAS 37 Provisions, Contingent Liabilities and Assets Contingents

Advances or amounts subject to offset, such as income tax and social contribution withheld at source, are shown in current or non-current assets, according to their expected realization.

ii) Deferred taxes

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those used for tax purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income tax and social contribution expense. Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business

combination and that affects neither taxable profit or loss nor the accounting result;

- temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

For a specific lease, the temporary differences of a right-of-use asset and a lease liability are taken on a net basis (the lease) for the purpose of recognizing deferred tax.

A deferred tax asset is recognized in respect of unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they will be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to fully recognize a deferred tax asset, future taxable income will be considered, adjusted for reversals of existing temporary differences, based on the business plans of the parent company and its subsidiaries individually.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax and social contribution are generated by temporary differences, at the balance sheet dates, between the tax bases of assets and liabilities and their book values.

The breakdown of deferred taxes is shown below:

	Parent company		Consolidated	
	2021	2020	2021	2020
Provision for profit sharing	2,502	2,139	3,920	3,318
Depreciation of leased assets (leasing)	-	(155)	-	(155)
Lease (CPC 06)	2,022	-	2,094	-
Provision for lawsuits	666	201	982	356
Other provisions	1,360	4,385	1,988	5,630
Asset law	(11)	(80)	(4,908)	(3,767)
Adjustments to present value	9,166	-	12,033	-
Intangible assets identified in a business arrangement	9,859	2,859	11,426	3,479
Derivatives/Exchange Variation	33	649	94	649
Goodwill	(11,059)	(11,059)	(11,059)	(11,059)
Tax loss	23,624	21,254	24,032	22,262
Total deferred income tax and social contribution	38,162	20,193	40,602	20,713

The segregation of deferred income tax and social contribution between assets and liabilities by company is presented below:

	Consolidated			
	2021			
	Assets	Liabilities	Net assets	Net liabilities
Locaweb Serviços de Internet S.A.	38,162	-	38,162	-

Locaweb Telecom Telecomunicações Ltda	-	-	-	-
Yapay Pagamentos OnLine Ltda.	120	1,345	-	1,225
Tray Tecnologia em Ecommerce Ltda.	3,060	-	3,060	-
Fbits Desenvolvimento de Software S.A.	103	324	-	221
Ananke Tecnologia Ltda.	136	-	136	-
IT Capital Serviços de Tecnologia Ltda	70	-	70	-
Cyberweb Networks Ltda.	436	-	436	-
Melhor Envio Ltda.	145	-	145	-
Ideris Tecnologia da Informação Ltda.	39	-	39	-
Total	42,271	1,669	42,048	1,446

The Company has tax credits arising from tax losses and negative basis of social contribution on net income, whose balances do not expire, but are limited to offsetting 30% of taxable income for the year.

According to the estimates of the Company and its subsidiaries, future taxable income allows the realization of the deferred tax asset existing on December 31, 2021.

The breakdown of deferred taxes is shown below:

Parent company	Balance	Net equity	Income	Balance
Nature	12/31/2020	Issue of shares / merger	Gains/(losses)	12/31/2021
Tax benefit on tax loss and negative basis	21,253	25,162	(22,792)	23,623
Tax benefit on goodwill	(11,058)	-	(1)	(11,059)
Merger	996	-	(996)	-
Temporary differences	9,002	41	16,555	25,598
Total	20,193	25,203	(7,234)	38,162

Consolidated	Balance	Net equity	Income	Balance
Nature	12/31/2020	Issue of shares / merger	Gains/(losses)	12/31/2021
Tax benefit on tax loss and negative basis	22,263	25,162	(23,392)	24,033
Tax benefit on goodwill	(11,058)	-	(1)	(11,059)
Merger	999	-	(999)	-
Temporary differences	8,509	14	19,105	27,628
Total	20,713	25,176	(5,287)	40,602

The Company has a tax loss balance in the amount of BRL 69,333 and a negative base in the amount of BRL 69,898 (tax loss BRL 65,719 and negative base BRL 64,798 as of December 31, 2020). Its subsidiary has a tax loss balance in the amount of BRL 70,868 and a negative base in the amount of BRL 70,169 (tax loss BRL 62,435 and negative base BRL 62,726 as of December 31, 2020).

The reconciliation of the expense calculated by applying the combined nominal tax rates and the income tax and social contribution expense recorded in income is shown below:

	Parent company		Consolidated	
	2021	2020	2021	2020
Income before income tax and social contribution	(8,515)	14,440	12,559	29,709
Income tax and social contribution at the combined rate of 34%	2,895	(4,910)	(4,270)	(10,101)
Adjustments for effective rate demonstration				
Interest on equity (JSCP)	-	5,440	-	5,440
Effects of taxation by presumed profit	-	-	(10,426)	(1,378)
Equity income method effect	(6,257)	10,555	-	-
Stock option plan calculation effect	(4,041)	(5,286)	(4,041)	(5,286)
Effect of depreciation of officers' vehicles and other expenses with officers	(112)	(67)	(131)	(88)
Amortization of intangibles	-	(130)	-	(130)
Unrecorded deferred tax on tax loss	-	-	(12,100)	(1,098)
Asset law	-	-	2,652	2,538
Goodwill	759	-	759	-
Others	(478)	(302)	(751)	135
Income tax and social contribution recorded in income for the period	(7,234)	5,300	(28,308)	(9,969)
	84.96%	-36.70%	225.40%	33.56%

25 Segments

Accounting policy

The operations of the Company and its subsidiaries are divided into two operating segments: Be Online & SaaS and Commerce.

The Be Online & SaaS segment includes hosting and cloud services, as well as those called SaaS (email, marketing intelligence software and site builder). The companies of the Locaweb group that are part of this segment are: (i) Parent company, (ii) Locaweb Telecom Telecomunicações Ltda. (“Locaweb Telecom”), (iii) Ananke Participações Ltda. (“Cluster2Go”), (iv) Ananke Tecnologia Ltda. (directly controlled by Ananke Participações), (v) Etus Social Network Brasil Ltda. (“Etus”), (vi) Lwk Hosting Participações Ltda. (“Kinghost”), (vii) IT Capital Serviços de Tecnologia Ltda (“Delivery Direto”), (viii) Social Miner Internet Ltda. (“Social Miner”) and (ix) Connectplug Desenvolvimento de Softwares Ltda. (“Connectplug”).

The Commerce segment includes e-commerce solutions, platform, marketplace integration and sub-acquiring business services. The group companies that are part of this segment are: (i) Tray Tecnologia em Ecommerce Ltda. (“Tray”); (ii) Yapay Pagamentos Online Ltda. (“Yapay”); (iii) FBITS Desenvolvimento de Software S.A. (“FBits”), (iv) Ideris Tecnologia da Informação Ltda. (“Ideris”), (v) Melhor Envio Ltda. (“Melhor Envio”), (vi) Vindi Tecnologia e Marketing S.A. (“Vindi”), (vii) Dooca Tecnologia da Informação Ltda. (“Dooca”), (viii) Credisfera Serviços Financeiros S.A. (“Credisfera”), (ix) Samurai Experts Desenvolvimento de Software Ltda. (“Samurai”), (x) Organisys Software Ltda. (“Bling”), (xi) Pagcerto Soluções em Pagamento S.A. (“Pagcerto”), (xii) Bagy Soluções de Comércio Digital Ltda. (“Bagy”), (xiii) Octadesk Desenvolvimento de Software Ltda. (“Octadesk”), (xiv) Squid Digital Media Channel Ltda (“Squid”) and (xv) Duopana Tecnologia e Informatica Ltda (Squid's direct subsidiary).

Information regarding the income of each reportable segment is presented below. Performance is evaluated based on the segment's results before income tax and social contribution, as Management understands that such information is the most relevant in the evaluation of the income of the respective segments.

a. Income statement by segments

	2021			2020		
	BeOnline & SaaS	Commerce	Consolidated	BeOnline & SaaS	Commerce	Consolidated
Gross operating revenue, net of rebates	442,048	442,678	884,726	379,307	160,301	539,608
Levied taxes	(38,666)	(45,852)	(84,518)	(33,414)	(17,984)	(51,398)
Net operating revenue	403,382	396,826	800,208	345,893	142,317	488,210
Cost of services provided	(269,190)	(166,486)	(435,676)	(236,303)	(46,582)	(282,885)
Gross profit	134,192	230,340	364,532	109,590	95,735	205,325
Sales expenses	(69,458)	(82,999)	(152,457)	(57,937)	(24,218)	(82,155)
General and Administrative Expenses	(96,780)	(99,193)	(195,973)	(60,360)	(19,533)	(79,893)
Loss due to impairment	(2,183)	(7,935)	(10,118)	-	-	-
Other operating revenues	916	1,630	2,546	909	-	909
Income before financial expenses and income	(33,313)	41,843	8,530	(7,798)	51,984	44,186
Operating expenses included in Costs and Expenses:						
Depreciation and amortization expenses	66,291	21,045	87,336	51,985	4,609	56,594
Stock option plan	11,887	-	11,887	15,547	-	15,547

b. Main assets and liabilities of the segments

	2021		
	BeOnline & SaaS	Commerce	Consolidated
Accounts receivable	22,668	480,887	503,555
Property, plant, and equipment	68,830	19,904	88,734
Intangible assets	238,707	1,980,089	2,218,796
Total main assets	330,205	2,480,880	2,811,085
Loans and financing	27,951	1,090	29,041
Services payable	48,587	10,780	59,367
Receivables transferable	488	414,330	414,818
Total main liabilities	77,026	426,200	503,226
	12/31/2020		
	BeOnline & SaaS	Commerce	Consolidated
Accounts receivable	21,075	337,503	358,578
Property, plant, and equipment	67,931	8,332	76,263
Intangible assets	178,184	299,705	477,889
Total main assets	267,190	645,540	912,730
Loans and financing	83,274	1,284	84,558
Services payable	17,953	25,635	43,588

Receivables transferable	23,762	247,903	271,665
Total main liabilities	124,989	274,822	399,811

26 Financial instruments

Accounting policy

A) Financial assets

The financial assets of the Company and its subsidiaries comprise cash and cash equivalents, restricted financial investments, accounts receivable, and accounts receivable from related parties.

The classification of financial assets on initial recognition, in line with the forecasts set out in CPC 48/IFRS 9, depends on the characteristics of the financial asset and the group's business model for managing these financial assets. Cash and short-term investments are measured at fair value through the profit or loss statement. Accounts receivable from customers and those related to related parties are measured at amortized cost.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, and gains and losses arising from the subsequent measurement at fair value are presented in the financial income item.

Assets measured at amortized cost are accounted for at cost, so that interest income calculated based on the application of the effective interest rate, for the elapsed term, on the principal amount, being included in the financial income item, in the statement of income.

The Company evaluates monthly the estimates for loss due to the non-receipt of financial assets. A loss estimate is recognized when there is objective evidence that the Company will not be able to collect all amounts due or to become due. Subsequent recoveries are recognized, when incurred, in the profit or loss statement for the year.

B) Financial Liabilities

The financial liabilities of the Company and its subsidiaries include suppliers, loans and financing, obligation to acquire investments, receivables to be transferred and accounts payable to related parties.

All these financial liabilities are initially measured at fair value and subsequently measured at amortized cost at the effective interest rate. The Company has not designated any financial liability at fair value through the profit or loss statement.

C) Classification of financial instruments

CPC 40 (R1) (IFRS 7) defines fair value as the exchange price that would be received for an asset or the price paid to transfer a liability (exit price) in the main market, or the most advantageous market for the asset or liability, in a normal transaction between market players on the measurement date, as well as establishing a three-level hierarchy to be used for fair value measurement, namely:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets and .

Level 2 - Other techniques for which all data that have a significant effect on the fair value recorded are observable, directly or indirectly; and

Level 3 - Information that is not available due to little or no market activity and that is significant for defining the fair value of assets and liabilities (unobservable).

The classification of financial instruments is shown in the table below, and there are no instruments classified in categories other than those reported.

Parent company			
12/31/2021			
	Book value	Fair value	Fair value hierarchy
Financial assets			
Amortized cost			
Accounts receivable	16,129	16,129	Level 2
Fair value through profit or loss			
Cash and cash equivalents	1,465,014	1,465,014	Level 2
Derivative financial instruments	8,745	8,745	Level 2
Restricted financial investment	<u>1,685</u>	<u>1,685</u>	Level 2
Total	<u>1,491,573</u>	<u>1,491,573</u>	
Financial liabilities			
Amortized cost			
Loans and financing	27,952	27,952	Level 2
Suppliers	10,548	10,548	Level 2
Lease liabilities	65,672	65,672	Level 2
Obligation with investment acquisitions	<u>570,361</u>	<u>570,361</u>	Level 2
Total	<u>674,533</u>	<u>674,533</u>	
Consolidated			
12/31/2021			
	Book value	Fair value	Fair value hierarchy
Financial assets			
Amortized cost			
Accounts receivable	503,555	503,555	Level 2
Fair value through profit or loss			
Cash and cash equivalents	1,584,399	1,584,399	Level 2
Derivative financial instruments	8,745	8,745	Level 2
Restricted financial investment	<u>1,685</u>	<u>1,685</u>	Level 2
Total	<u>2,098,384</u>	<u>2,098,384</u>	
Financial liabilities			
Amortized cost			
Loans and financing	29,041	29,041	Level 2
Suppliers	42,083	42,083	Level 2
Lease liabilities	76,849	76,849	Level 2
Obligation with investment acquisitions	<u>904,254</u>	<u>904,254</u>	Level 2

Receivables transferable	<u>414,818</u>	<u>414,818</u>	Level 2
Total	<u>1,467,045</u>	<u>1,467,045</u>	

Parent company

12/31/2020

	Book value	Fair value	Fair value hierarchy
Financial assets			
Amortized cost			
Accounts receivable	18,578	18,578	Level 2
Related parties:	789	789	Level 2
Fair value through profit or loss			
Cash and cash equivalents	358,700	358,700	Level 2
Derivative financial instruments	19,367	19,367	Level 2
Restricted financial investment	<u>4,803</u>	<u>4,803</u>	Level 2
Total	<u>382,870</u>	<u>19,367</u>	
Financial liabilities			
Amortized cost			
Loans and financing	83,175	83,175	Level 2
Suppliers	11,208	11,208	Level 2
Lease liabilities	66,996	66,996	Level 2
Obligation with investment acquisitions	<u>42,595</u>	<u>42,595</u>	Level 2
Total	<u>203,974</u>	<u>203,974</u>	

Consolidated

12/31/2020

	Measured at fair value through profit or loss	Amortized cost	Fair value hierarchy
Financial assets			
Amortized cost			
Accounts receivable	358,578	358,578	Level 2
Fair value through profit or loss			
Cash and cash equivalents	404,628	404,628	Level 2
Derivative financial instruments	19,367	19,367	Level 2
Restricted financial investment	<u>4,803</u>	<u>4,803</u>	Level 2
Total	<u>787,376</u>	<u>787,376</u>	
Financial liabilities			
Amortized cost			
Loans and financing	84,558	84,558	Level 2

Suppliers	20,540	20,540	Level 2
Lease liabilities	69,545	69,545	Level 2
Obligation with investment acquisitions	215,052	215,052	Level 2
Receivables transferable	<u>245,479</u>	<u>245,479</u>	Level 2
Total	<u>635,174</u>	<u>635,174</u>	

Considering the term and characteristics of these instruments, which are systematically renegotiated, the book values approximate fair values.

a. Purpose of using a derivative financial instrument

Derivative financial instruments contracted by the Company are intended to hedge against the exchange rate risk associated with foreign currency loans. The Company does not have derivative financial instruments for speculation purposes.

On February 18, 2019, the Company entered into two exchange rate swap contracts whose notional values added up to BRL 40,000, equivalent to USD ,787 on the inception date, when the exchange rate was 3.7080 reais per US dollar.

This operation, as a result of a foreign currency-backed funding based on Circular 3844/2017 of the Central Bank of Brazil (BACEN) (“3844 funding”), enabled the Company to replace its exposure to the variation of the US dollar (USD) plus 4.77% per annum, at a fixed rate for an amount equivalent to three quarters of the funding (BRL 30,000) and, for a quarter of the amount, a floating rate indexed to the CDI plus a fixed spread.

On July 2, 2019, the Company entered into an exchange rate swap contract with a notional value of BRL 38,300, equivalent to USD 10,000 on the inception date, when the exchange rate was 3.8300 reais per US dollar.

This operation, as a result of funding backed by foreign currency based on federal law No. 4131/62 (“4131 funding”), enabled the Company to replace its exposure to the variation of the US dollar (USD) plus 4.57% year, at a pre-fixed rate.

On May 11, 2021, the Company entered into forward currency contracts (NDF) with 2 monthly maturities between July 2021 and December 2021. As of December 31, there were open contracts worth USD 1,650.

The Company maintains internal controls in relation to its derivative financial instruments which, in Management's opinion, are adequate to control the risks associated with each strategy for operating in the market. The results obtained by the Company in relation to its derivative financial instruments demonstrate that the management of risks has been carried out properly.

The Company's activities expose it to various financial risks: market risk (including interest rate risk, exchange rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by the Company's Treasury, in accordance with the policies approved by the Board of Directors. The Treasury identifies, evaluates and protects the Company against possible financial risks in cooperation with the Company's operating units.

The Board of Directors establishes principles for risk management, as well as for specific areas, interest rate risk, foreign exchange risk, credit risk, use of non-derivative financial instruments and investment of surplus cash.

(i) Interest rate risk

The associated risk arises from the possibility that the Company may incur losses due to fluctuations in interest

rates that increase financial expenses related to loans and financing obtained in the market.

(ii) Credit risk

Credit risk refers to the risk that the counterpart will not honor its obligations related to a financial instrument or contract with a customer, generating a loss. The Company is mainly exposed to credit risk related to cash and cash equivalents and trade accounts receivable. Credit risk is minimized through the following policies:

- **Cash and cash equivalents:** the Company adopts methods that restrict the amounts that can be allocated to a single financial institution, and takes into account monetary limits and credit ratings of the financial institutions with which it operates, which are periodically updated. The Group only carries out operations with top-tier institutions, whose risk classification is of low credit risk assigned by reference rating agencies, using exclusively financial instruments and fixed income investment funds, classified as low risk.
- **Accounts receivable from customers:** The Company's credit risk is minimized as the assets represented by receivables and services are brokered by credit card companies. In this case, the credit risk with customers is fully transferred to them, leaving for the Company only the risk of non-recognition of purchases by customers for which expected credit losses are measured and recorded. The Company now holds the credit risk vis-à-vis the credit card management companies.

Receivables from individual customers through bank slips are restricted and represented approximately 7% of accounts receivable as of December 31, 2021 (11% as of December 31, 2020). The maximum exposure to credit risk as of December 31, 2021 is the amount shown on the balance sheet.

The Company's exposure is shown below:

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash and cash equivalents (Note 6)	1,465,014	358,700	1,584,399	404,628
Accounts receivable from customers (Note 7)	16,129	18,578	503,555	358,579
	1,481,143	377,278	2,087,954	763,206

(iii) Liquidity risk

Liquidity risk consists of the eventuality that the Company and its subsidiaries do not have sufficient funds to meet their commitments due to the realization/settlement of their rights and obligations.

The Company and its subsidiaries structure the maturities of non-derivative financial contracts, as shown in Note 15, so as not to affect their liquidity.

The Company and its subsidiaries manage the liquidity and cash flow on a daily basis in order to ensure that operating cash generation and prior fundraising, when necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks.

The following table shows the maturity of the Company's consolidated financial liabilities:

Less than 3 months	3 to 12 months	Over 1 year	Total
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December 31, 2021

Other accounts payable	2,650	-	5,238	7,888
Suppliers	42,083	-	-	42,083
Loans and financing	16,385	12,585	351	29,321
Lease liabilities	2,318	6,956	67,575	76,849
Receivables transferable	414,818	-	-	414,818
Obligation with investment acquisitions	1,150	34,995	868,109	904,254

	479,404	54,536	941,273	1,475,213
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	Less than 3 months	3 to 12 months	Over 1 year	Total
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December 31, 2020

Other accounts payable	4,053	-	4,046	8,099
Suppliers	20,540	-	-	20,540
Loans and financing	19,643	37,233	27,682	84,558
Lease liabilities	2,599	3,212	63,734	69,545
Receivables transferable	271,665	-	-	271,665
Obligation with investment acquisitions	1,083	2,359	211,610	215,052

	319,583	42,804	307,072	669,459
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(iv) Exchange risk

Exchange risk refers to the risk of future cash flows from borrowings in foreign currency and financial instruments due to changes in exchange rates. Exchange risk can significantly impact the Company's financial results and to manage this risk, the Company uses derivative financial instruments for hedging (swap) with a first-rate financial institution. In this context, the Company is fully protected against the exchange rate variation of its loans.

It is the Company's policy to use derivative financial instruments only to minimize the risks arising from exposure to foreign currency, represented by a loan in foreign currency, that is, without a speculative nature.

b. Sensitivity analysis

On December 31, 2021, the Company was exposed to the variation of the US Dollar (USD), due to a loan in foreign currency, at the Referential Rate (TR) and the Long-Term Interest Rate (TJLP), both indexing loans in local currency, as well as the variation in the Interbank Deposit Certificate (CDI), which indexes the yield on financial investments (CDB). In order to verify the sensitivity of these indices, three different scenarios were defined.

For the probable scenario, according to an assessment prepared by Management, an increase of 5% was considered. Additionally, two other scenarios (A and B) are demonstrated. The Company assumed an increase of 25% (scenario A) and 50% (scenario B - extreme situation scenario) in the projections. The sensitivity analysis for each type of risk considered relevant by Management is presented in the following table:

Transaction	Risk	Balance on December 31, 2021	Losses - Consolidated		
			Probable	Scenario A	Scenario B
Financial investments indexed to CDI	CDI drop	1,586,084	(7,256)	(36,282)	(72,563)
CDI (fall scenario)		9.15%	8.69%	6.86%	4.58%

Sources: Dollar: PTAX Banco Central do Brasil CDI: B3 Brasil Bolsa Balcão

c. Capital management

The Company's objectives, when managing its capital, are to safeguard the Company's ability to continue as a going concern to offer returns to shareholders and benefits to other stakeholders, in addition to maintaining an ideal capital structure to reduce this cost or costs associated with this generation of income and benefits.

To maintain or adjust the capital structure, the Company may review the policy of prepayment of receivables, payment of non-mandatory dividends, return capital to shareholders or even issue new shares to reduce the level of indebtedness, for instance.

Capital management is managed at a consolidated level, as shown below:

	2021	2020
Loans and financing	29,041	84,558
(+) Lease liabilities	76,849	69,545
(+) Balance of derivatives	(8,745)	(19,367)
(-) Cash and cash equivalents	(1,584,399)	(404,628)
(-) Restricted financial investment	<u>(1,685)</u>	<u>(4,803)</u>
(=) Net debt	<u>(1,488,939)</u>	<u>(274,695)</u>
(+) Net equity	2,935,066	674,633
(=) Net equity and net debt	<u>1,446,127</u>	<u>399,938</u>

d. Fair values of financial instruments

The valuation method used to calculate the fair value of financial liabilities (when applicable) and derivative financial instruments (swap) was the discounted cash flow considering expectations of settlement or realization of liabilities and assets at market rates in effect on the balance date.

Fair values are calculated by projecting the future flows of operations, using B3 curves and bringing them to present value using market exchange rates for swaps, disclosed by B3.

The market values of the derivatives below were obtained using the market rates in effect on the balance sheet date and the rates forecast by the market. To calculate the coupon of positions indexed in foreign currency, the straight-line convention of 360 consecutive days was adopted. The following table illustrates changes in the fair values of derivative instruments and the related amounts receivable (payable) at the end of the period.

	December 31, 2021		
	Parent Company and Consolidated		
	Reference value (notional)	Fair value	Amount receivable / (payable)
Fundraising 3.844/2019-1			
Active index edge	4,140	4,154	4,154
Passive index edge	<u>(2,772)</u>	<u>(2,775)</u>	<u>(2,775)</u>
	<u>1,368</u>	<u>1,379</u>	<u>1,379</u>
Fundraising 3.844/2019-2			
Active index edge	1,379	1,382	1,382

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Passive index edge	<u>(924)</u>	<u>(926)</u>	<u>(926)</u>
	<u>455</u>	<u>456</u>	<u>456</u>
Fundraising 4131			
Active index edge	22,431	22,511	22,511
Passive index edge	<u>(15,657)</u>	<u>(15,601)</u>	<u>(15,601)</u>
	<u>6,774</u>	<u>6,910</u>	<u>6,910</u>
Total of derivative financial instruments	<u>8,597</u>	<u>8,745</u>	<u>8,745</u>
Mark to Market - MTM (Balance 12/31/21)			148
Mark to Market - MTM (Balance 12/31/2020)			(1,310)
Mark to Market - MTM for the period			1,458

e. Change in liabilities from financing activities

	Parent company					
	12/31/2021			12/31/2020		
	Changes with cash effect	Transactions without cash effect	Total	Cash effect transactions	Transactions without cash effect	Total
Loans and financing - beginning of the year	-	-	83,175	-	-	116,352
Derivative financial instruments - beginning of the year	-	-	(19,367)	-	-	(4,932)
(=) Debt to market, net of derivative instruments	-	-	63,808	-	-	111,420
(+) Interest, exchange variation, and accrued derivatives	(3,566)	-	(3,566)	-	-	-
(-) Principal amortized in the period	-	2,859	2,859	-	7,293	7,293
(-) Interest, exchange variation, and derivatives paid	(42,436)	-	(42,436)	(45,493)	-	(45,493)
(+-) Mark-to-Market of Derivatives	-	(1,458)	(1,458)	-	(1,385)	(1,385)
(=) Debt to market, net of derivative instruments	(46,002)	1,401	19,207	(53,520)	5,908	63,808
Loans and financing - end of year	-	-	27,952	-	-	83,175
Derivative financial instruments - end of year	-	-	(8,745)	-	-	-
	Consolidated					
	12/31/2021			12/31/2020		
	Cash effect transactions	Transactions without cash effect	Total	Cash effect transactions	Changes without cash effect	Total
Loans and financing - beginning of the year	-	-	84,558	-	-	116,513
Derivative financial instruments - beginning of the year	-	-	(19,367)	-	-	(4,932)
(=) Debt to market, net of derivative instruments	-	-	65,191	-	-	111,581
(+) Debt from acquired companies	-	8,196	8,196	-	1,890	1,890
(+) Interest, exchange variation, and accrued derivatives	-	3,735	3,735	-	7,420	7,420
(-) Principal amortized in the period	(51,086)	-	(51,086)	(45,967)	-	(45,967)
(-) Interest, exchange variation, and derivatives paid	(4,282)	-	(4,282)	(8,348)	-	(8,348)
(+-) Mark-to-Market of Derivatives	-	(1,458)	(1,458)	-	(1,385)	(1,385)
(=) Debt to market, net of derivative instruments	(55,368)	10,473	20,296	(54,315)	7,925	65,191
Loans and financing - end of year	-	-	29,041	-	-	84,558
Derivative financial instruments - end of year	-	-	(8,745)	-	-	(19,367)

27 Transactions that did not affect cash

In the year ended December 31, 2021, the Company recorded transactions related to the acquisition of machinery and equipment for fixed assets that did not affect cash.

Additionally, in the years ended December 31, 2021 and 2020, the following transactions did not affect cash:

	Parent company		Consolidated	
	2021	2020	2021	2020
Acquisition of machinery and equipment	1,499	(2,727)	595	(2,566)
	1,499	(2,727)	595	(2,566)

28 Insurance coverage

The Company and its subsidiaries maintain insurance coverage to guarantee any damage to their property and assets, including insurance for their establishments and vehicle fleet, whose premiums, in the years, totaled:

	Consolidated	
	2021	2020
Vehicles	16,081	7,700
Business (real estate and assets)	362,575	362,575
Electricity	-	201
Civil liability of management	50,000	50,000
Civil liability	3,300	1,100
	431,956	421,576

Property insurance aimed at guaranteeing the Company's business units has coverage for events resulting from fire, lightning, explosion, robbery and qualified theft of goods and electrical damage.

The Company does not take out insurance to cover losses resulting from the interruption of its activities, not even to guarantee any indemnities that it is compelled to pay to customers and/or third parties due to errors and failures in its operations and non-compliance with obligations under its responsibility.

Management believes that its policies, contracted with renowned insurance companies, reflect the usual market conditions for the types of insurance it takes out and cover coverage in scope and amounts considered sufficiently adequate by Management and by insurance consultants.

Declaration of Officers on the financial statements

In compliance with the provisions of CVM Instruction No. 480/09, the Board of Executive Officers declares that it discussed, reviewed and agreed with the financial statements for the year ended December 31, 2021.

São Paulo, March 23, 2022.

Fernando Biancardi Cirne
CEO

Rafael Chamas Alves
CFO and DRI

Officers' Statement on the Independent Auditor's Report

In compliance with the provisions of CVM Instruction No. 480/09, the Executive Board declares that it discussed, reviewed and agreed with the opinion expressed in the report of the independent auditor, KPMG Auditores Independentes Ltda., on the individual and consolidated financial statements for the year ended in December 31, 2021.

São Paulo, March 23, 2022.

Fernando Biancardi Cirne
CEO

Rafael Chamas Alves
CFO and DRI

Audit committee report

The Audit Committee (“COAUD”) of Locaweb – Serviços de Internet S.A. (“Company”) and its subsidiaries is a non-statutory advisory body under the Board of Directors, implemented in accordance with current Brazilian regulations and legislation and operates in accordance with its internal regulations approved by the Board of Directors.

It is incumbent upon COAUD to advise the Board of Directors in its duties to ensure: (i) the quality and integrity of the financial statements; (ii) compliance with legal and regulatory requirements; (iii) the performance, independence and quality of the work of the independent auditors and the internal audit; (iv) the quality and effectiveness of the internal control and risk management systems.

During the year ended December 31, 2021, COAUD carried out its activities based on a work plan prepared under the terms of its internal regulations, which included: (i) interviews with the Board of Directors and with managers; (ii) follow-up and monitoring of the work of the areas responsible for preparing the financial statements, for the internal control system, for risk management activities and for the compliance function; (iii) evaluation of the planning, scope and effectiveness of the work performed by the internal audit; (iv) evaluation of the scope, performance, effectiveness and independence of the independent auditors; (v) evaluation of the structure, functioning and effectiveness of the internal controls and compliance and risk management systems; (vi) evaluation of transactions between related parties; (vii) monitoring the Whistleblower Channel; (viii) assessment of the quality and integrity of the financial statements; and (ix) monitoring the actions that, due to its persistence, the Company continues to take to face the challenges arising from the COVID-19 pandemic.

The Company's Management is responsible for preparing the financial statements, in accordance with accounting practices adopted in Brazil. It is also responsible for establishing procedures that ensure the quality of the information and processes used in the preparation of financial statements, the management of operational risks and the implementation and supervision of internal control and compliance activities.

The independent audit, carried out by KPMG Auditores Independentes (“KPMG”), is responsible for examining the financial statements in accordance with Brazilian and international auditing standards and issuing an audit report on the proper presentation of these financial statements.

The internal audit is responsible for evaluating the effectiveness of internal controls and risk management, and of the processes that ensure adherence to the rules and procedures established by Management, and to the legal and regulatory standards applicable to the Company's activities.

COAUD works through meetings and conducts analyses based on documents and information submitted to it, in addition to other procedures it deems necessary. COAUD's assessments are based on information received from Management,

independent auditors, internal audit, those responsible for risk management and internal controls, and on its own analyses resulting from direct observation.

COAUD maintains regular channels of communication with independent auditors. COAUD evaluated the work plan for the audit of the financial statements for the year ended December 31, 2021 and recommended its approval by the Board of Directors. COAUD monitored the work carried out and its results, and took cognizance of the Independent Auditors' Report issued on this date. The COAUD also routinely evaluated the adherence of the independent auditors to the policies and standards that deal with the maintenance and monitoring of the objectivity and independence with which these activities are carried out.

The COAUD evaluated the processes for preparing the financial statements and discussed with Management and KPMG the relevant accounting practices used and the information disclosed.

COAUD held regular meetings with the Board of Directors and with the Company's Management and, at these meetings, had the opportunity to present suggestions and recommendations to Management on matters related to the areas within its scope of action.

COAUD was not aware of the occurrence of a complaint, non-compliance with rules, lack of controls, act or omission by the Management or fraud that, due to their relevance, would jeopardize the Company's operational continuity or the reliability of its financial statements.

The CAE, considering its responsibilities and the limitations inherent to the scope and scope of its performance and based on the documents examined and clarifications provided, understands that the accounting governance and the environment of internal controls and risk management provide transparency and quality to the Company's financial statements, audited by KPMG and corresponding to the year ended December 31, 2021, and believes that the aforementioned documents are in a position to be appreciated by the Board of Directors, recommending that this Board approve and authorize the issuance and publication of the aforementioned financial statements.

São Paulo, March 23, 2022.

CARLOS ELDER MACIEL DE AQUINO
Coordinating member of COAUD and
member of the Board of Directors

FLÁVIO BENÍCIO JANSEN FERREIRA
Member of COAUD and member of the
Board of Directors

FERNANDO DA-RI MÚRCIA
Member and Financial Expert of
COAUD

Opinion of the fiscal committee

The Fiscal Committee of LOCAWEB SERVIÇOS DE INTERNET S.A., in compliance with the legal and statutory provisions, within the limits of its jurisdiction, examined the management report and the financial statements and respective explanatory notes, as well as the proposal for the allocation of the income of the year approved by the Board of Directors, all for the year ended December 31, 2021. Based on the work carried out, on the information and clarifications received in meetings with management, independent auditors and the Audit Committee, as well as considering the unqualified report of the independent auditors – KPMG Auditores Independentes, it recommends the assessment and approval of said documents by the ordinary General Shareholders' Meeting.

São Paulo, March 23, 2022.

Regina Longo Sanchez Ana Paula Wirthmann João Alberto Gomes
Bernacchio