

**Unaudited Interim
Financial Information**

Locaweb Serviços de Internet S.A.

September 30, 2020
with Report on Review of Interim Financial Information

Locaweb Serviços de Internet S.A.

Unaudited interim financial information

September 30, 2020

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A free translation from Portuguese into English of Individual and Consolidated Quarterly Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB and consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Independent auditor’s review report on quarterly information

To the Shareholders, Board of Directors and Officers

Locaweb Serviços de Internet S.A.

São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Locaweb Serviços de Internet S.A. (the “Company”) for the quarter ended September 30, 2020, comprising the statement of financial position as of September 30, 2020 and the related statements of profit or loss and of comprehensive income for the three and nine month periods then ended, and of changes in equity and of cash flows for the nine-month periods then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 – Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR) and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The abovementioned quarterly information includes the individual and consolidated statement of value added (SVA) for the nine-month period ended September 30, 2020, prepared under Company's Management responsibility and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, November 10, 2020.

ERNST & YOUNG
Auditores Independentes S.S. CRC- 2SP034519/O-6

A handwritten signature in blue ink, appearing to read 'Klaas Johnsen', is written over a light blue horizontal line.

Klaas Johnsen
Accountant CRC-1SP267150/O-0

Locaweb Serviços de Internet S.A.

Interim statements of financial position

As at September 30, 2020 (unaudited) and December 31, 2019

(in thousands of *Reais*)

Assets	Note	Company		Consolidated	
		09/30/2020	12/31/2019	09/30/2020	12/31/2019
Current assets					
Cash and cash equivalents	3.1	473,788	16,076	512,918	25,275
Restricted cash	3.2	4,308	2,659	4,308	2,659
Accounts receivable	4.1	20,387	21,304	302,506	125,285
Taxes recoverable	5	3,849	2,991	5,974	8,080
Derivatives	23	27,341	4,932	27,341	4,932
Other assets		9,028	8,386	12,691	9,989
Total current assets		538,701	56,348	865,738	176,220
Non-current assets					
Restricted cash	3.2	3,190	7,354	3,190	7,354
Judicial deposits	14	434	709	585	765
Other assets	6	17,508	908	17,860	1,323
Related parties	7	1,459	1,507	-	-
Deferred income taxes	21	3,062	2,677	4,656	3,654
Investments	8	195,068	124,853	-	-
Property and equipment	9	58,783	64,894	73,070	74,570
Intangible assets	10	59,326	57,505	185,722	182,319
Right-of-use assets	10.2	64,451	64,879	67,119	67,808
Total non-current assets		403,281	325,286	352,202	337,793
Total assets		941,982	381,634	1,217,940	514,013

Locaweb Serviços de Internet S.A.

Interim statements of financial position

As at September 30, 2020 (unaudited) and December 31, 2019

(in thousands of *Reais*)

	Nota	Company		Consolidated	
		09/30/2020	12/31/2019	09/30/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Suppliers		11,831	7,025	21,719	12,833
Loans and financing	12.1	64,401	48,620	64,412	48,679
Lease liabilities	12.2	5,003	4,421	5,714	5,416
Salaries and related charges	13	28,106	19,780	42,425	28,766
Other taxes payable		4,756	2,614	9,342	4,021
Deferred revenue	4.2	34,980	31,298	43,114	37,116
Payables to clients	4.3	-	-	213,447	82,160
Interest on shareholders' equity and dividends payable		8	8	8	8
Taxes payable in installments	11	-	-	2,843	2,808
Accounts payable to former shareholders	8.1	3,359	14,697	3,359	14,697
Other liabilities		-	-	895	1,438
Total current liabilities		152,444	128,463	407,278	237,942
Loans and financing	12.1	33,914	67,732	34,016	67,834
Provision for legal proceedings	14	487	938	901	1,006
Accounts payable to former shareholders	8.1	31,723	30,138	31,723	30,138
Lease liabilities	12.2	63,208	62,720	65,372	64,802
Provision for losses on investments	8	2,343	2,133	-	-
Taxes payable in installments	11	-	-	20,191	21,860
Other liabilities		802	1,177	1,398	2,098
Total non-current liabilities		132,477	164,838	153,601	187,738
Equity	15				
Capital stock		636,177	53,629	636,177	53,629
Capital reserves		(6,331)	18,270	(6,331)	18,270
Earning reserves		27,215	16,434	27,215	16,434
Accumulated profits		10,781	-	10,781	-
Total equity		657,061	88,333	657,061	88,333
Total liabilities and equity		941,982	381,634	1,217,940	514,013

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

Locaweb Serviços de Internet S.A.

Unaudited interim statements of operations
Three-month and nine-month periods ended September 30, 2020 and 2019
(in thousands of *Reais*)

	Notes	Company				Consolidated			
		01/01/2020 to 09/30/2020	01/01/2019 to 09/30/2019	07/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2020 to 09/30/2020	01/01/2019 to 09/30/2019	07/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019
Net revenue	18	204,934	196,682	69,610	66,655	348,060	280,542	126,226	101,929
Cost of Services	19	(138,948)	(125,676)	(46,942)	(42,688)	(203,220)	(164,688)	(71,282)	(59,092)
Gross profit		65,986	71,006	22,668	23,967	144,840	115,854	54,944	42,837
Operating income (expenses)									
Selling expenses	19	(36,654)	(37,284)	(11,272)	(12,479)	(57,989)	(53,636)	(20,931)	(18,423)
General and administrative expenses	19	(31,823)	(18,975)	(10,207)	(7,125)	(54,678)	(29,395)	(17,680)	(11,188)
Equity results	8	17,894	8,371	9,117	4,175	-	-	-	-
Other operating income (expenses)	19	648	4,230	328	3,758	760	5,791	374	3,779
		(49,935)	(43,658)	(12,034)	(11,671)	(111,907)	(77,240)	(37,697)	(25,832)
Income before financial results and income taxes		16,051	27,348	10,634	12,296	32,933	38,614	17,247	17,005
Financial income	20	42,537	9,811	4,868	8,713	42,963	10,045	5,230	8,813
Financial expenses	20	(47,185)	(25,169)	(6,713)	(15,035)	(52,176)	(31,335)	(8,703)	(17,449)
		(4,648)	(15,358)	(1,845)	(6,322)	(9,213)	(21,290)	(3,473)	(8,636)
Income before income taxes		11,403	11,990	8,789	5,974	23,720	17,324	13,774	8,369
Current income taxes	21	(1,007)	-	(908)	-	(13,941)	(5,499)	(6,535)	(1,883)
Deferred income taxes	21	385	(858)	(71)	7	1,002	(693)	571	(505)
		(622)	(858)	(979)	7	(12,939)	(6,192)	(5,964)	(2,388)
Net income for the period		10,781	11,132	7,810	5,981	10,781	11,132	7,810	5,981
Earnings per share (in R\$ per share)									
Basic earnings per share	17					0,08	0,12	0,04	0,07
Diluted earnings per share	17					0,08	0,11	0,04	0,06

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

Locaweb Serviços de Internet S.A.

Unaudited interim statements of comprehensive income
 Three-month and nine-month periods ended September 30, 2020 and 2019
 (in thousands of *Reais*)

	Company				Consolidated			
	01/01/2020	01/01/2019	07/01/2020	07/01/2019	01/01/2020	01/01/2019	07/01/2020	07/01/2019
	to	to	to	to	to	to	to	to
	09/30/2020	09/30/2019	09/30/2020	09/30/2019	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Net income for the year	10,781	11,132	7,810	5,981	10,781	11,132	7,810	5,981
Other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the period	10,781	11,132	7,810	5,981	10,781	11,132	7,810	5,981

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

Locaweb Serviços de Internet S.A.

Unaudited interim statements of changes in shareholders' equity
 Nine-month periods ended September 30, 2020 and 2019
 (in thousands of *Reais*)

	Capital stock			Capital reserves			Earning reserves		Retained earnings	Total equity
	Paid-in Capital	Share issuance costs	Treasury shares	Goodwill on capital transaction	Share based payments reserve	Goodwill on share issuance	Legal reserve	Retained earnings reserve		
Balances as at December 31, 2019	53,629	(3,645)	(9)	(22,344)	32,313	11,955	1,390	15,044	-	88,333
Net income for the period	-	-	-	-	-	-	-	-	10,781	10,781
Capital increase	582,548	35,724	-	-	-	-	-	-	-	546,824
Share based payments	-	-	1	-	11,105	17	-	-	-	11,123
Balances as at September 30, 2020	636,177	(39,369)	(8)	(22,344)	43,418	11,972	1,390	15,044	10,781	657,061

	Capital stock			Capital reserves			Earning reserves		Retained earnings	Total equity
	Paid-in Capital	Share issuance costs	Treasury shares	Goodwill on capital transaction	Share based payments reserve	Goodwill on share issuance	Legal reserve	Retained earnings reserve		
Balances as at December 31, 2018	53,521	(3,645)	(909)	(22,344)	30,201	-	486	3,777	-	61,087
Net income for the period	-	-	-	-	-	-	-	-	11,132	11,132
Capital increase	108	-	-	-	-	-	-	-	-	108
Share based payments	-	-	-	-	1,684	-	-	-	-	1,684
Acquisition of subsidiaries	-	-	900	-	-	11,955	-	-	-	12,855
Interest on shareholders' equity paid	-	-	-	-	-	-	-	-	(3,500)	(3,500)
Balances as at September 30, 2019	53,629	(3,645)	(9)	(22,344)	31,885	11,955	486	3,777	7,632	83,366

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

Locaweb Serviços de Internet S.A.

Unaudited interim statements of cash flows
 Nine-month periods ended September 30, 2020 and 2019
 (in thousands of *Reais*)

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Flow from operating activities:				
Income before income taxes	11,403	11,990	23,720	17,324
Adjustments to reconcile income before income taxes to net cash				
Depreciation and amortization	32,934	34,711	41,611	38,695
Equity results	(17,895)	(8,371)	-	-
Interest, derivatives, and foreign exchange and monetary variations	11,508	11,422	11,487	12,292
Mark-to-market of derivatives	(784)	1,669	(784)	1,669
Share based payments	11,123	1,684	11,123	1,684
Provisions and other adjustments	1,571	(699)	2,179	(2,632)
Changes in assets and liabilities:				
Accounts receivable	(1,298)	(3,422)	(179,613)	(58,369)
Taxes recoverable	(704)	(1,094)	2,404	140
Other assets	(51)	(2,134)	(49)	(1,075)
Judicial deposits	275	358	180	802
Related parties	48	(894)	-	-
Suppliers	2,706	(1,896)	4,851	218
Salaries and related charges	8,326	3,351	13,659	4,915
Other taxes payable	1,799	(55)	925	(1,023)
Deferred revenue	3,682	2,164	5,998	3,022
Payables to clients	-	-	131,287	50,769
Other liabilities	(375)	-	(1,243)	(965)
Income tax paid	(664)	(291)	(11,178)	(4,799)
Net cash flows from operating activities	63,604	48,493	56,557	62,667
Investing activities				
Purchase of property and equipment	(15,037)	(28,221)	(22,500)	(31,963)
Accounts payable on acquisition of equity interest	(11,628)	-	(11,628)	(4,114)
Capital increase in parent company	(52,111)	(2,178)	-	-
Acquisition of subsidiary, net of cash acquired	(16,700)	(24,715)	(16,700)	(21,946)
Acquisition and development of intangible assets	(6,873)	(5,651)	(13,579)	(9,929)
Net cash flows used in investing activities	(102,349)	(60,765)	(64,407)	(67,952)
Financing activities				
Capital increase	546,824	108	546,824	108
Payment of lease liabilities	(7,362)	(6,863)	(8,268)	(7,547)
Proceeds from loans and financing	-	78,300	-	78,300
Restricted cash	2,702	(2,360)	2,702	(2,360)
Repayment of loans and financing	(38,855)	(38,978)	(38,888)	(41,778)
Interest and foreign exchange variations paid	(17,296)	(10,416)	(17,321)	(10,880)
Derivatives received (paid)	10,592	3,251	10,592	3,252
Bank guarantees paid	(148)	(633)	(148)	(633)
Dividends and interest on shareholders' equity paid	-	(6,131)	-	(6,131)
Net cash flows from financing activities	496,457	16,278	495,493	12,331
Net increase (decrease) in cash and cash equivalents	457,712	4,006	487,643	7,046
Cash and cash equivalents at beginning of the period	16,076	12,381	25,275	17,782
Cash and cash equivalents at end of the period	473,788	16,387	512,918	24,828
Net increase (decrease) in cash and cash equivalents	457,712	4,006	487,643	7,046

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

Locaweb Serviços de Internet S.A.

Unaudited interim statements of value added
 Nine-month periods ended September 30, 2020 and 2019
 (in thousands of *Reais*)

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Revenues	224,931	224,890	385,622	320,437
Revenue from the provision of services	243,093	234,405	404,665	328,778
Discounts and rebates	(18,834)	(13,598)	(19,835)	(13,843)
Other operating revenue	672	4,083	792	5,502
Input acquired from third parties (includes ICMS, PIS and Cofins)	(76,752)	(68,983)	(132,976)	(100,908)
Costs of services	(56,164)	(42,744)	(88,500)	(59,555)
Materials, energy, third party services and others	(20,588)	(26,239)	(44,476)	(41,353)
Gross value added	148,179	155,907	252,646	219,529
Retentions	(32,934)	(34,711)	(41,611)	(38,695)
Depreciation and amortization	(32,934)	(34,711)	(41,611)	(38,695)
Net value added produced	115,245	121,196	211,035	180,834
Value added received on transfer	60,431	18,182	42,963	10,045
Equity results	17,894	8,371	-	-
Financial income	42,537	9,811	42,963	10,045
Total value added to be distributed	175,676	139,378	253,998	190,879
Distribution of value added	175,676	139,378	253,998	190,879
Salaries and related charges	82,426	68,485	121,997	94,945
Direct compensation	71,654	55,944	103,878	76,552
Benefits	6,556	7,675	11,278	11,573
FGTS	4,216	4,866	6,841	6,820
Taxes and contributions	33,020	34,526	66,304	53,242
Federal	25,328	27,141	54,324	43,252
State	-	-	161	187
Municipal	7,692	7,385	11,819	9,803
Interest and rents	49,449	25,235	54,916	31,560
Remuneration of equity	10,781	11,132	10,781	11,132
Interest on shareholders' equity paid	-	3,500	-	3,500
Retained income	10,781	7,632	10,781	7,632

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

Locaweb Serviços de Internet S.A.

Notes to the interim financial information

September 30, 2020

(amounts in thousands of *Reais*, unless otherwise stated)

1. Operational context

Locaweb Serviços de Internet S.A. (the “Company” or “Locaweb”) has its head office at Rua Itapaiúna, 2,434 - São Paulo/SP, and began its operations in 1998, and is one of the pioneers in Business to Business (B2B) solutions for the digital transformation of business in Brazil. The Company’s wide portfolio offers integrated solutions for the purpose of helping its customers’ businesses to grow 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 offer services to its customers through Locaweb, Locaweb Corp, Allin, and Cluster2Go brands; and KingHost and Delivery Direto brands; and (ii) Commerce, which offers services to its customers through the Tray, Tray Corp and Yapay brands. These business segments are complementary of each other and generate operational synergies for the Company and its customers, and together, they create an environment that enables cross-selling and up-selling activities within the extensive and diverse customer base, which consists of approximately 350.5 thousand active customers from various industry sectors, with a particular focus on small and medium-size enterprises.

Public offering of shares

On February 5, 2020, the Company held the primary and secondary public offering of seventy-six million, eight hundred nineteen thousand, nine hundred ninety-nine (76,819,999) common, registered, book-entry shares, without par value, free of any liens and encumbrances (“Shares”), as follows:

- (i) Thirty-three million, three hundred thirty-three thousand, three hundred thirty-three (33,333,333) new Shares issued by the Company (“Primary Offering”).
- (ii) Forty-three million, four hundred eighty-six thousand, six hundred sixty-six (43,486,666) Shares issued by the Company and owned by the Selling Shareholders; considering the placement of additional shares and full placement of Overallotment Shares (“Secondary Offering” and, together with the Primary Offering, the “Offering”), at the price of R\$17.25 per Share (“Price per Share”), in the total amount of R\$1,325,145.

As of September 30, 2020, the Company spent R\$45,489 with the Offering. The expenses are recorded in the financial statement as follows: a) R\$35,724, share issue expenses, recorded in Equity; b) R\$5,071, received in cash, since these expenses were reimbursed by the Selling Shareholders; and c) R\$4,694 in general and administrative expenses, recorded in income for the period.

Locaweb Serviços de Internet S.A.

Notes to the unaudited interim financial information
September 30, 2020
(amounts in thousands of *Reais*, unless otherwise stated)

2. Summary of main accounting practices

The consolidated financial statements include the operations of the Company and its subsidiaries, as follows:

Subsidiaries	Stake	Interest %	
		09/30/2020	12/31/2019
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	100%	100%
Ion	Indirect	100%	100%
Novaion	Indirect	100%	100%
KingHost	Direct	100%	100%
Delivery Direto	Direct	100%	100%

The issuance of the interim individual and consolidated financial statements was authorized by the Board of Directors on November 9, 2020.

The interim financial statements were prepared in accordance with the Brazilian Securities Commission (Comissão de Valores Mobiliários, or “CVM”) Deliberation No. 673/11, which establishes the minimum content of the interim financial statements, as well the recognition and measurement principles used in complete or condensed interim financial statements.

The interim financial information, in this case, is intended to provide the quarterly information based on the latest complete annual financial statements.

Accordingly, they focus on new activities, events and circumstances, not duplicating the information that was disclosed previously, except where Management considers important to maintain specific information.

The interim financial information presented herein was prepared based on the accounting policies and assumptions and estimates adopted in preparing the annual financial statements for the year ended December 31, 2019.

There were no changes in relation to accounting policies and assumptions and estimates used. As provided for in the CVM Deliberation No. 673/11, Management decided not to repeat the detailed disclosure the accounting policies adopted by the Company. Accordingly, these interim individual and consolidated financial statements must be read together with the individual and consolidated financial statements for the year ended December 31, 2019.

Locaweb Serviços de Internet S.A.

Notes to the unaudited interim financial information
September 30, 2020
(amounts in thousands of *Reais*, unless otherwise stated)

2. Summary of main accounting practices -- Cont'd

2.1. Declaration of compliance and basis of preparation

The interim individual and consolidated financial statements were prepared and are presented in accordance with technical pronouncement CPC 21 – Interim Financial Reporting and the International Financial Reporting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, and in compliance with the standards issued by CVM that are applicable to the quarterly financial information.

2.2. Actions and impacts caused by COVID-19

In March 2020, the World Health Organization (WHO) declared COVID-19 as a global pandemic. Subsequently to that statement, government officials in various jurisdictions imposed lockdown or other restrictions to contain the virus and several companies suspended or reduced their operations.

The Company created a crisis committee made up of Locaweb officers who analyzed, and continues to analyze the scenario of the new Coronavirus pandemic on a daily basis. The focus of the Company has always been, and it will continue to be, the safety of its employees and the continuity of its operations, both regarding support to customers and development of new products and functionalities.

An extensive employees' guidance and information plan was implemented, as well as a Home Office plan that reached more than 97% of Company employees, while essential employees continued to work onsite under safe conditions at our office. Since the Company already had a remote work system, this has not affected the productivity and development of platforms, which continued in an accelerated pace in this period.

Our service and support teams are also working from home, which did not have a negative impact on customer services or generated additional cost for the Company. As an example, we can mention the TME (Average Waiting Time) and TMA (Average Service Time) indices, which did not change as a result of remote work.

So far, the Company does not expect important negative impacts on its 2020 results due to the scenario of the new Coronavirus pandemic.

Locaweb Serviços de Internet S.A.

Notes to the unaudited interim financial information
September 30, 2020
(amounts in thousands of *Reais*, unless otherwise stated)

3. Cash and cash equivalents and restricted cash

3.1. Cash and cash equivalents

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cash and banks	614	756	2,550	2,273
CDB (a)	203,468	14,226	240,661	21,907
LF (b)	-	1,094	-	1,095
Funds (c)	269,706	-	269,707	-
	473,788	16,076	512,918	25,275

3.2. Restricted cash

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
CDB (a)	6,379	7,825	6,379	7,825
Government Treasury Bills (LF) (b)	1,119	2,188	1,119	2,188
	7,498	10,013	7,498	10,013
Current	4,308	2,659	4,308	2,659
Non-current	3,190	7,354	3,190	7,354

- (a) As at September 30, 2020, financial investments in Bank Certificates of Deposit (CDB) were remunerated at an average rate of 100.1% of the CDI (93.4% of the CDI in 2019), with daily liquidity and redeemable with the issuer, with no significant loss in value.
- (b) As at September 30, 2020, financial investments in Government Treasury Bills were remunerated at an average rate of 99% of the CDI (99% of the CDI in 2019).
- (c) As at September 30, 2020, financial investments in Funds posted accumulated yields in the period of 83,6% of the CDI.

4. Accounts receivable, deferred revenue and payables to clients

4.1. Accounts receivable

The balance of accounts receivable is comprised by:

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Credit card operators	5,233	3,974	280,620	100,660
Other accounts receivable	16,019	17,330	23,506	24,625
Accounts receivable	21,252	21,304	304,126	125,285
Estimated credit loss	(865)	-	(1,620)	-
Net accounts receivable	20,387	21,304	302,506	125,285

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4. Accounts receivable, deferred revenue and payables to clients – Cont'd

4.1. Accounts receivable -- Cont'd

The aging of accounts receivable is shown below:

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Amounts to become due	16,305	17,467	295,635	119,833
Amounts overdue:				
Up to 30 days	1,759	1,712	2,735	2,383
31-180 days	2,318	1,490	3,947	2,184
Over 180 days	870	635	1,809	885
Accounts receivable	21,252	21,304	304,126	125,285

Estimated credit losses were recorded based on the analysis of overdue amounts, and on amounts that Management considers sufficient to cover any losses upon realization of accounts receivable. The balance of estimated losses in the nine-month period ended September 30, 2020 was R\$1,620 (R\$0 as at December 31, 2019).

Management believes the risk related to accounts receivable is minimized by the fact that the breakdown of the Company's end customers is highly pulverized, and their payments are made in advance. The Company has more than 300,000 active-end customers in its portfolio, and no customer accounts for 5% or more of its revenues as at September 30, 2020.

4.2. Deferred revenue

Deferred revenue is recorded in current liabilities because the services are provided within 12 months, being similar to an advance from customers. Therefore, it refers to amounts received in advance, on the signing of the agreements with customers for services to be provided by the Company.

The amounts recorded in this account are recognized in the statement of operations as services are provided and performance obligations under the agreements are met, according to the Company's accounting policy for revenues.

4.3. Payables to clients

Payables to clients are classified in current liabilities because the obligation is to be settled within the next 12 months, and records amounts received which will be passed to the Company's partners.

The amounts entered in this account are not recognized in the statement of operations because the Company acts as an agent in this type of transaction.

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5. Taxes recoverable

These are amounts that generate the right to offset taxes in future periods. The Company is currently analyzing the recoverability of these amounts.

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Income tax recoverable	2,347	2,089	3,743	5,899
Social contribution recoverable	478	786	639	1,534
PIS recoverable	-	-	6	1
COFINS recoverable	-	-	29	7
IRRF recoverable	1,022	113	1,024	113
Other taxes recoverable	2	3	533	526
	3,849	2,991	5,974	8,080

6. Other assets

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Advances to suppliers	413	310	2,672	861
Advances to employees	395	254	725	526
Unappropriated software licenses	7,296	7,754	7,997	8,464
Advance for acquisition of Etus (a)	16,700	-	16,700	-
Other assets	1,732	976	2,457	1,461
	26,536	9,294	30,551	11,312
Current	9,028	8,386	12,691	9,989
Non-current	17,508	908	17,860	1,323

(a) On September 29, 2020, the Company acquired all shares of Etus Social Network Brasil Ltda. ("Etus"), a startup focused on management and digital marketing for companies in social networks, such as Facebook, Instagram, LinkedIn, Pinterest and Twitter, among others, and it already has over 100 thousand brands being served. The total consideration for the transaction was R\$ 18,950, of which R\$ 16,700 was paid cash on the day the agreement was executed. The Company will consolidate Etus as from October 1 and it does not expect events between that date and the effective acquisition date that may result in material changes to the recognized amounts.

7. Related-party transactions

Related-party transactions basically refer to transactions with subsidiaries and with MG4, a company with which the Company has a lease for its headquarter, and whose shareholders are the members of the Company's controlling shareholders.

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7. Related-party transactions – Cont'd

a) Transactions and balances

Main related-party transactions and balances are as follows:

	Company		
	Balance	Non-current assets	Balance
	12/31/2019	Additions/(Disposals)	09/30/2020
Cyberweb	913	(702)	211
Fbits	1	45	46
Yapay	-	322	322
Locaweb Telecom	591	(10)	581
Ananke Tecnologia	-	53	53
Ion Tecnologia	1	(1)	-
Tray Tecnologia	1	239	240
Primehost	-	5	5
	1,507	(49)	1,458

	Company					
	Revenue		Costs		Expenses	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Tray Tecnologia	657	231	-	-	-	-
Yapay	5	78	-	-	(428)	(369)
Locaweb Telecom	-	-	(147)	(131)	(50)	(59)
Delivery Direto	-	-	(24)	-	-	-
MG4	-	-	(5,690)	(5,344)	(1,672)	(1,507)
Ananke Tecnologia	697	787	-	-	-	-
Tech and Soul	-	-	-	-	(450)	(480)
	1,359	1,096	(5,861)	(5,475)	(2,600)	(2,415)

	Consolidated					
	Revenue		Costs		Expenses	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019	09/30/2020	09/30/2019
MG4 (*)	-	-	(5,690)	(5,356)	(1,672)	(1,507)
WW Marques(*)	-	-	-	-	(382)	(356)
Tech and Soul	-	-	-	-	(450)	(796)
	-	-	(5,690)	(5,356)	(2,504)	(2,659)

(*) MG4 and WW Marques are owners of properties leased by the Company and its subsidiaries, and Tech and Soul provides communication and advertising services. The shareholders of these companies are related parties of Locaweb.

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7. Related-party transactions – Cont'd

a) Transactions and balances – Cont'd

The Company and its subsidiaries are operated in an integrated manner and, accordingly, they have common expenses that are shared based on technical criteria that are reviewed annually by Management. Transactions are carried out on terms agreed upon by the parties, subject to market conditions.

On January 2, 2017, the Company entered into a private agreement to share expenses, refunds, transfers and amounts withheld and prorated within the same business group. The purpose of this agreement is to objectively set forth, and considering the responsibility of each party, the terms and characteristics of the expense-sharing arrangements.

The Company has a lease of its headquarter with MG4, a company whose shareholders are the Company's controlling shareholders, for a monthly amount of approximately R\$836. Lease payments amounted to R\$7,362 in the nine-month period ended September 30, 2020 (R\$6,863 in 2019), in line with market conditions. The lease agreement is for a term of 120 months, and the rent is adjusted by the IGP-M (General Market Price Index) every 12 months. By virtue of the expense-sharing agreement, the expenses are prorated among the Company and its subsidiaries that use the same property as headquarters.

Tray Tecnologia and Yapay have a lease of their headquarters with WW Marques, a company that has a Company manager among its shareholders, for a monthly amount of approximately R\$42. Lease payments amounted to R\$382 in the nine-month period ended September 30, 2020 (R\$356 in 2019), in line with market conditions. The lease agreement is for a term of 60 months, and the rent is adjusted by the IGP-M every 12 months.

Tech and Soul that has a Company shareholder and manager among its shareholders, is a provider of institutional communication and advertising services under an agreement signed on September 6, 2017. The amount in the nine-month period ended September 30, 2020 was R\$450 (R\$796 in 2019).

Management believes there are no present or future effects on the equity or financial conditions of such companies due to the discontinuation of business with the related party given the preemptive rights agreed upon on both the property and MG4.

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7. Related-party transactions – Cont'd

b) Management compensation

Management compensation expenses for the periods ended September 30, 2020 and 2019 are shown below:

	<u>09/30/2020</u>	<u>09/30/2019</u>
Compensation	9,233	3,708
Benefits and related expenses	2,426	1,681
Share based compensation expenses	6,930	1,033
Total	<u>18,589</u>	<u>6,422</u>

8. Investments

Investments as at September 30, 2020 and December 31, 2019 are comprised as follows:

	<u>Company</u>	
	<u>09/30/2020</u>	<u>12/31/2019</u>
Investments	195,068	124,853
Provision for losses on investments	(2,343)	(2,133)
Net investments	<u>192,725</u>	<u>122,720</u>
Investments in subsidiaries and associated companies	105,700	35,695
Goodwill on investment acquisitions	87,025	87,025

The breakdown and changes in goodwill on investments made by the Company are presented below:

	<u>Company</u>		
<u>Acquired investee</u>	<u>Balance as at 12/31/2019</u>	<u>Changes</u>	<u>Balance as at 09/30/2020</u>
Cluster2Go	21,435	-	21,435
Kinghost	38,905	-	38,905
Delivery Direto	26,685	-	26,685
Total goodwill on investment acquisition	<u>87,025</u>	<u>-</u>	<u>87,025</u>

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8. Investments – Cont'd

The subsidiaries' key financial information is presented below:

Name	% Interest	Balances as at 12/31/2019				
		Assets	Liabilities	Shareholders' equity	Net revenue	Net income (loss)
Direct						
Locaweb Telecom	100%	322	739	(417)	669	(402)
Yapay	100%	104,999	87,388	17,611	36,370	6,583
E-Commerce	100%	27,512	7,948	19,564	22,427	8,512
Cluster2Go	100%	8	1,724	(1,716)	10,061	(3,010)
KingHost	100%	26,135	22,436	3,699	25,130	2,659
Delivery Direto	100%	736	629	107	2,101	(84)
Indirect						
FBits	100%	9,938	2,348	7,590	10,905	2,471

Name	% Interest	Balances as at 09/30/2020				
		Assets	Liabilities	Shareholders' equity	Net revenue	Net income (loss)
Direct						
Locaweb Telecom	100%	374	776	(402)	454	(225)
Yapay	100%	309,958	97,604	78,517	50,771	13,005
E-Commerce	100%	40,795	11,371	29,424	37,288	9,860
Cluster2Go	100%	1,125	3,066	(1,941)	14,236	(2,976)
KingHost	100%	27,404	20,857	6,547	27,830	1,898
Delivery Direto	100%	1,761	1,381	380	7,322	5
Indirect						
FBits	100%	12,416	2,795	9,620	8,208	2,031

Changes in investments in subsidiaries are shown below:

Investee	Company				
	Balance as at 12/31/2019	Advance for Future Increase in Capital	Equity Result	Others (PPA amortization)	Balance as at 09/30/2020
Locaweb Telecom	(417)	240	(225)	-	(402)
Yapay	17,611	47,901	13,005	-	78,517
E-Commerce	19,564	-	9,860	-	29,424
Cluster2Go	(2,250)	2,750	(2,976)	(219)	(2,695)
Kinghost	1,532	950	1,898	(2,438)	1,942
Delivery Direto	(345)	270	5	(1,016)	(1,086)
	35,695	52,111	21,567	(3,673)	105,700

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8. Investments – Cont'd

Investee	Company					Balance on 09/30/2019
	Balance on 12/31/2018	Acquisition of Equity Interest	Advance/Increase in Capital	Others	Equity Result	
Locaweb Telecom	(540)	-	365	-	(316)	(491)
Yapay	9,781	-	1,389	-	4,178	15,348
Superpay	1,247	-	(1,389)	1	141	-
E-Commerce	11,053	-	-	(1)	6,059	17,111
Cluster2Go	(2,129)	-	1,813	-	(3,066)	(3,382)
Kinghost	-	1,040	-	-	1,375	2,415
Delivery Direto	-	(10)	-	-	-	(10)
	19,412	1,030	2,178	-	8,371	30,991

8.1. Accounts payable to former shareholders

Accounts payable to former shareholders are comprised as follows:

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cluster2Go	3,359	14,697	3,359	14,697
KingHost	18,992	18,128	18,992	18,128
Delivery Direto	12,731	12,010	12,731	12,010
Total accounts payable to former shareholders	35,082	44,835	35,082	44,835
Current	3,359	14,697	3,359	14,697
Non-current	31,723	30,138	31,723	30,138

8.2. Social Miner

On September 23, the Agreement for the Purchase and Sale of Shares and Other Covenants was executed between the Company and the shareholders of Social Miner Internet Ltda. to regulate the acquisition of Social Miner's total share capital by the Company.

Social Miner, established in 2014 with headquarters in the city of São Paulo, is a company that offers an SaaS platform for e-commerce and retailers to increase sales, engage consumers, convert visitor's flows into registrations and/or purchases and decrease costs to attract customers, using big data and artificial intelligence.

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8. Investments – Cont'd

8.2. Social Miner – Cont'd

The closing price for the acquisition of Social Miner's total shares is R\$ 22.2 million, and as a guarantee to the Company regarding certain indemnification obligations assumed by the sellers under the Agreement, a portion of this amount will be retained by the Company and it may subsequently be released to the sellers, in accordance with the rules and procedures provided for in the Agreement. The closing price is also subject to certain adjustments to net debt and working capital, which are usual in this kind of transaction. In addition, certain sellers will be entitled to receive any possible earnout, depending on the achievement of certain financial targets established based on the combined net operating revenue of Social Miner and All In.

The consummation of the Transaction is subject to a prior corporate restructuring by Social Miner's sellers, which must be approved by the Company, as well as verification of other usual conditions precedent for this type of transaction. Thus, as at September 30, 2020, Locaweb did not have control over Social Miner and, consequently, did not consolidate its numbers in its interim financial statements.

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9. Property and equipment

Changes in the Company are presented below:

	Company						Total property and equipment
	Computers and peripherals	Improvements	Furniture and fixtures	Machinery and equipment	Components for assembly	Other	
Cost							
Balances on December 31, 2019	5,071	30,949	2,281	260,702	122	956	300,081
Additions	330	252	101	15,652	164	147	16,646
Disposals	(31)	-	(18)	(956)	-	(133)	(1,138)
Transfer	-	(35)	35	-	-	-	-
Balances on September 30, 2020	5,370	31,166	2,399	275,398	286	970	315,589
Depreciation							
Balances on December 31, 2019	(3,717)	(12,924)	(1,694)	(216,341)	-	(511)	(235,187)
Depreciation	(395)	(1,328)	(153)	(20,726)	-	(134)	(22,736)
Disposals	27	-	8	953	-	129	1,117
Transfer	-	1	-	(1)	-	-	-
Balances on September 30, 2020	(4,085)	(14,251)	(1,839)	(236,115)	-	(516)	(256,806)
Net book value							
Balances as at December 31, 2019	1,354	18,025	587	44,361	122	445	64,894
Balances as at September 30, 2020	1,285	16,915	560	39,283	286	454	58,783

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9. Property and equipment – Cont'd

	Company						
	Computers and peripherals	Improvements	Furniture and fixtures	Machinery and equipment	Components for assembly	Other	Total property and equipment
Cost							
Balances on December 31, 2018	6,641	30,306	2,192	260,772	2,438	1,211	303,560
Additions	97	447	26	13,726	8,552	147	22,995
Disposals	(944)	-	-	(12,837)	(1)	(116)	(13,898)
Transfer	20	-	-	10,746	(10,766)	-	-
Balances on September 30, 2019	5,814	30,753	2,218	272,407	223	1,242	312,657
Depreciation							
Balances on December 31, 2018	(4,996)	(11,187)	(1,520)	(211,700)	-	(742)	(230,145)
Depreciation	(406)	(1,294)	(157)	(23,408)	-	(142)	(25,407)
Disposals	942	-	-	12,837	-	109	13,888
Transfer	4	-	-	(4)	-	-	-
Balances on September 30, 2019	(4,456)	(12,481)	(1,677)	(222,275)	-	(775)	(241,664)
Net book value							
Balances on December 31, 2018	1,645	19,119	672	49,072	2,438	469	73,415
Balances on September 30, 2019	1,358	18,272	541	50,132	223	467	70,993

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9. Property and equipment – Cont'd

Changes in the consolidated financial statements are presented below:

	Consolidated						
	Computers and peripherals	Improvements	Furniture and fixtures	Machinery and equipment	Components for assembly	Other	Total property and equipment
Cost							
Balances on December 31, 2019	13,941	31,830	3,808	265,787	365	1,188	316,919
Additions	3,549	884	314	16,836	2,314	147	24,044
Disposals	(576)	-	(17)	(959)	-	(133)	(1,685)
Transfer	548	(35)	(16)	1,428	(1,925)	-	-
Balances on September 30, 2020	17,462	32,679	4,089	283,092	754	1,202	339,278
Depreciation							
Balances on December 31, 2019	(6,675)	(13,550)	(2,006)	(219,543)	-	(575)	(242,349)
Depreciation	(1,947)	(1,520)	(248)	(21,767)	-	(170)	(25,652)
Disposals	576	-	17	1,067	-	133	1,793
Transfer	-	1	-	(1)	-	-	-
Balances on September 30, 2020	(8,046)	(15,069)	(2,237)	(240,244)	-	(612)	(266,208)
Net book value							
Balances on December 31, 2019	7,266	18,280	1,802	46,244	365	613	74,570
Balances on September 30, 2020	9,416	17,610	1,852	42,848	754	590	73,070

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9. Property and equipment – Cont'd

	Consolidated						
	Computers and peripherals	Improvements	Furniture and fixtures	Machinery and equipment	Components for assembly	Other	Total property and equipment
Cost							
Balances on December 31, 2018	9,379	31,049	3,358	264,596	2,445	1,353	312,180
Additions for acquisition of companies	2,996	-	239	575	-	76	3,886
Additions	311	1,007	40	15,887	9,429	147	26,281
Disposals	(943)	-	(621)	(13,335)	(2)	(54)	(14,955)
Transfer	364	-	-	11,228	(11,592)	-	-
Balances on September 30, 2019	12,107	32,056	3,016	278,951	280	1,522	327,932
Depreciation							
Balances on December 31, 2018	(6,650)	(11,808)	(1,747)	(213,888)	-	(769)	(234,862)
Depreciation	(957)	(1,307)	(200)	(24,545)	-	(162)	(27,171)
Disposals	1,124	-	-	13,335	-	41	14,500
Transfer	4	-	-	(4)	-	-	-
Balances on September 30, 2019	(6,479)	(13,115)	(1,947)	(225,102)	-	(890)	(247,533)
Net book value							
Balances on December 31, 2018	2,729	19,241	1,611	50,708	2,445	584	77,318
Balances on September 30, 2019	5,628	18,941	1,069	53,849	280	632	80,399

There were no impairment indicators for the periods ended September 30, 2020 and 2019.

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10. Intangible and right-of-use assets

10.1. Intangible assets

Changes in intangible assets of the Company are presented below:

	Company								Total intangible assets
	Software	Trademarks and patents	Internal development (a)	Other	Goodwill	Trademark	Technology	Customer portfolio	
Cost									
Balances on December 31, 2019	875	553	31,738	872	33,087	1,578	3,666	2,586	74,955
Additions	299	-	6,574	-	-	-	-	-	6,873
Balances on September 30, 2020	1,174	553	38,312	872	33,087	1,578	3,666	2,586	81,828
Amortization									
Balances on December 31, 2019	(508)	-	(8,742)	(370)	-	(1,578)	(3,666)	(2,586)	(17,450)
Amortization	(237)	-	(4,837)	(65)	-	(27)	-	(99)	(5,265)
Transfer	-	-	(1,525)	-	-	1,340	-	185	-
Disposals for the period	213	-	-	-	-	-	-	-	213
Balances on September 30, 2020	(532)	-	(15,104)	(435)	-	(265)	(3,666)	(2,500)	(22,502)
Net book value									
Balances on December 31, 2019	367	553	22,996	502	33,087	-	-	-	57,505
Balances on September 30, 2020	642	553	23,208	437	33,087	1,313	-	86	59,326

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10. Intangible and right-of-use assets – Cont'd

10.1. Intangible assets – Cont'd

	Company								Total intangible assets
	Software	Trademarks and patents	Internal development (a)	Other	Goodwill	Trademark	Technology	Customer portfolio	
Cost									
Balances on December 31, 2018	1,813	553	24,777	872	33,087	1,578	3,666	2,586	68,932
Additions	150	-	5,501	-	-	-	-	-	5,651
Balances on September 30, 2019	1,963	553	30,278	872	33,087	1,578	3,666	2,586	74,583
Amortization									
Balances on December 31, 2018	(1,183)	-	(5,317)	(283)	-	(202)	(3,666)	(2,271)	(12,922)
Amortization	(360)	-	(3,665)	(228)	-	(27)	-	(315)	(4,595)
Balances on September 30, 2019	(1,543)	-	(8,982)	(511)	-	(229)	(3,666)	(2,586)	(17,517)
Net book value									
Balances on December 31, 2018	630	553	19,460	589	33,087	1,376	-	315	56,010
Balances on September 30, 2019	420	553	21,296	361	33,087	1,349	-	-	57,066

(a) Refers to internal development costs of technological innovations for existing products, which were recorded as intangible assets in accordance with the criteria set forth in CPC 04 (R1)/IAS 38.

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10. Intangible and right-of-use assets – Cont'd

10.1. Intangible assets – Cont'd

Changes in the consolidated financial statements are presented below:

	Consolidated								
	Software	Trademarks and patents	Internal development (a)	Other	Goodwill	Trademark	Technology	Customer portfolio	Total intangible assets
Cost									
Balances on December 31, 2019	1,931	596	44,399	872	117,947	9,406	24,702	12,563	212,416
Additions for the year	299	48	13,019	-	-	-	-	-	13,366
Transfer	1,086	-	-	-	-	1,035	(708)	(1,413)	-
Balances on September 30, 2020	3,316	644	57,418	872	117,947	10,441	23,994	11,150	225,782
Amortization									
Balances on December 31, 2019	(1,104)	-	(12,475)	(370)	-	(546)	(11,394)	(4,208)	(30,097)
Amortization	(467)	-	(5,933)	(65)	-	(573)	(2,123)	(1,015)	(10,176)
Transfer	(303)	-	-	-	-	(117)	48	372	-
Disposals for the period	213	-	-	-	-	-	-	-	213
Balances on September 30, 2020	(1,661)	-	(18,408)	(435)	-	(1,236)	(13,469)	(4,851)	(40,060)
Net book value									
Balances on December 31, 2019	827	596	31,924	502	117,947	8,860	13,308	8,355	182,319
Balances on September 30, 2020	1,655	644	39,011	437	117,947	9,205	10,525	6,299	185,722

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10. Intangible and right-of-use assets – Cont'd

10.1. Intangible assets – Cont'd

	Consolidated								
	Software	Trademarks and patents	Internal development (a)	Other assets	Goodwill	Trademark	Technology	Customer portfolio	Total intangible assets
Cost									
Balances on December 31, 2018	2,747	566	34,327	872	55,873	1,853	10,523	4,386	111,147
Additions due to acquisition of companies	391	-	-	-	54,840	3,714	8,539	11,733	79,217
Additions for the Year	134	-	9,417	-	378	-	-	-	9,929
Balances on September 30, 2019	3,272	566	43,744	872	111,091	5,567	19,062	16,119	200,293
Amortization									
Balances on December 31, 2018	(1,413)	-	(8,877)	(283)	-	(202)	(9,544)	(2,822)	(23,141)
Amortization for the Year	(620)	-	(4,699)	(65)	-	(27)	(249)	(555)	(6,215)
Balances on September 30, 2019	(2,033)	-	(13,576)	(348)	-	(229)	(9,793)	(3,377)	(29,356)
Net book value									
Balances on December 31, 2019	1,334	566	25,450	589	55,873	1,651	979	1,564	88,006
Balances on September 30, 2020	1,239	566	30,168	524	111,091	5,338	9,269	12,742	170,937

(a) Refers to internal development costs of technological innovations for existing products, which were recorded as intangible assets in accordance with the criteria set forth in CPC 04 (R1)/IAS 38.

There was no indication of impairment for the periods ended September 30, 2020 and 2019.

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10. Intangible and right-of-use assets – Cont'd

10.2. Right-of-use assets

Changes in right-of-use assets are presented below:

	Company	Consolidated
Right-of-use assets as of January 1, 2020	64,879	67,808
Additions	4,505	5,094
Amortization	(4,933)	(5,783)
Right-of-use assets as of September 30, 2020	64,451	67,119

	Company	Consolidated
Right-of-use assets as of January 1, 2019	-	-
First-time adoption of CPC 06 (R2) / IFRS 16	71,158	73,366
Addition	-	1,579
Amortization	(4,709)	(5,309)
Right-of-use assets as of September 30, 2019	66,449	69,636

11. Taxes payable in installments

Refer to taxes payable in installments in connection with the special tax regularization program (PERT):

	Consolidated	
	09/30/2020	12/31/2019
PIS / COFINS	2,460	2,637
CPRB	1,198	1,275
IRPJ / CSLL	16,826	17,897
INSS	1,027	1,197
Other	1,523	1,662
Total taxes payable in installments	23,034	24,668
Current	2,843	2,808
Non-current	20,191	21,860

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12. Loans, financing and lease liabilities

12.1. Loans and financing

Type	Charges	Maturity	Company		Consolidated	
			09/30/2020	12/31/2019	09/30/2020	12/31/2019
FINAME	IPCA + 4.93% p.a.	September 2020	-	429	-	429
Bank Loan (US\$7,694)	US\$ + 4.31% p.a.	February 2021	8,738	18,887	8,738	18,887
Reimbursable Financing (a)	TJLP + 0.5% p.a.	August 2021	10,434	18,979	10,434	18,979
Bank Loan (US\$8,091)	US\$ + 5.44% p.a.	February 2022	25,138	26,859	25,138	26,859
Bank Loan (US\$2,697)	US\$ + 4.77% p.a.	February 2022	8,372	8,947	8,372	8,947
Bank Loan (US\$10,000)	US\$ + (3M Libor + 1.56%)*1.71 p.a.	July 2022	45,467	40,735	45,467	40,735
Other			166	1,516	279	1,677
			98,315	116,352	98,428	116,513
Current			64,401	48,620	64,412	48,679
Non-current			33,914	67,732	34,016	67,834

The amounts recorded in non-current liabilities as at September 30, 2020 had the following maturity schedule:

	Company	Consolidated
2021	24,820	24,922
2022	9,094	9,094
	33,914	34,016

The FINEP credit line has bank guarantees that represent 100% of the outstanding amount of such debt and is annually updated at the best market rates.

- (a) On August 8, 2014, the Company had a line of credit approved in the amount of R\$44,895 by the FINEP for investment in technology projects. The interest rate applicable to this line of credit is equivalent to the TJLP +0.5% p.a., and maturity dates from August 15, 2017 (first installment) to August 15, 2021 (last installment). The first tranche in the amount of R\$17,958 was released to the Company on September 3, 2014, the second tranche in the amount of R\$13,469 was released on November 27, 2015, and the third tranche in the amount of R\$13,469 was released on December 23, 2016. This line includes bank guarantees that represent 100% of the updated amount of this debt, and that is renewed on a yearly basis according to the best market conditions.

As of September 30, 2020, all covenants relating to the Company's loans and financing were complied with.

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12. Loans, financing and lease liabilities – Cont'd

12.2. Lease liabilities

	<u>Company</u>	<u>Consolidated</u>
Right-of-use liabilities as of January 1, 2020	67,141	70,218
Addition	4,505	5,094
Interest incurred	3,927	4,042
Payment of principal	(7,362)	(8,268)
Right-of-use liabilities as of September 30, 2020	68,211	71,086
Current	5,003	5,714
Non-current	63,208	65,372
	<u>Company</u>	<u>Consolidated</u>
Right-of-use liabilities as of January 1, 2019	-	-
Addition due to initial adoption of CPC 06 (R2) / IFRS 16	-	-
Additions	71,158	73,366
Interest incurred	-	1,579
Payment of principal	3,899	4,062
Right-of-use liabilities as of September 30, 2019	(6,863)	(7,547)
Current	68,194	71,460
Non-current	9,067	9,992
	59,127	61,468

Maturities of non-current balances are shown below:

	<u>Company</u>	<u>Consolidated</u>
2021	1,312	1,594
2022	5,508	6,269
2023	5,948	6,509
2024	6,424	6,781
2025	6,938	7,141
2025 and beyond	37,078	37,078
	63,208	65,372

13. Salaries and related charges

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/2020</u>	<u>12/31/2019</u>	<u>09/30/2020</u>	<u>12/31/2019</u>
Salaries and charges	8,739	6,734	12,644	9,608
Provision for vacation pay and charges	14,803	8,304	23,146	12,475
Profit-Sharing Plan (PPR)	4,564	4,742	6,635	6,683
	28,106	19,780	42,425	28,766

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14. Provision for legal proceedings

The breakdown and changes in the provision for legal proceedings, which is set up for lawsuits considered a “Probable” risk, are presented below:

	Company		
	Civil proceedings	Labor proceedings	Total
Balances as at December 31, 2019	474	464	938
Reversals/Additions	(48)	(403)	(451)
Balances as at September 30, 2020	426	61	487

	Consolidated		
	Civil proceedings	Labor proceedings	Total
Balances as at December 31, 2019	542	464	1,006
Reversals/Additions	252	(357)	(105)
Balances as at September 30, 2020	794	107	901

	Company		
	Civil proceedings	Labor proceedings	Total
Balances as at December 31, 2018	432	822	1,254
Reversals/Additions	(210)	(358)	(568)
Balances as at September 30, 2019	222	464	686

	Consolidated		
	Civil proceedings	Labor proceedings	Total
Balances as at December 31, 2018	507	822	1,329
Reversals/Additions	(249)	(358)	(607)
Balances as at September 30, 2019	258	464	722

The civil proceedings are mostly represented by claims for damages due to possible problems caused by the services rendered, while labor claims refer to claims with different characteristics and at different stages of the procedural system. There are no significant proceedings worthy of note.

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14. Provision for legal proceedings – Cont'd

Possible losses

The Company and its subsidiaries have ongoing civil and tax proceedings involving risks of loss classified by Management as possible, based on the assessment of its legal counsel, and for which no provisions have been, as shown in the breakdown and estimates below:

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Civil	981	814	999	1,085
Labor	-	-	-	18
Tax	12,054	12,400	12,054	12,400
	13,035	13,214	13,053	13,503

The civil proceedings are mostly represented by claims for damages due to possible problems caused by the services rendered. There are no significant proceedings worthy of notice.

The tax proceedings refer mainly to litigation over information on ancillary obligations and the tax basis for payroll charges for specific activities.

Main tax proceeding: On December 31, 2015, a Tax Assessment Notice was issued by the São Paulo State Treasury Department against Locaweb seeking to demand payment of an alleged debt for unpaid ICMS on its software and electronic files operations and to charge Locaweb with failing to register as ICMS taxpayer in its capacity as communication service provider. The updated amount assigned to this case is R\$9,926, with likelihood of loss classified as possible. Final judgment of the case is currently awaited with the São Paulo Tax Court.

For the proceedings with a provision, there is a balance of judicial deposits as at September 30, 2020 in the amount of R\$434 for the Company (R\$709 as at December 31, 2019) and R\$585 for the Consolidated (R\$765 as at December 31, 2019).

The tax statements filed by the Company and its subsidiaries at the federal, state and municipal levels are subject to review and final acceptance by the tax authorities, with a statute of limitations of five years.

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15. Shareholders' equity

a) Capital stock

As at September 30, 2020, Locaweb's subscribed and paid-in capital was represented by 125,890,296 shares (91,596,653 as at December 31, 2019), all registered, book-entry and without par value, of which 125,890,296 are common shares (91,596,653 as at December 31, 2019). Treasury shares total 16,618 (19,118 as at December 31, 2019).

The distribution of shares as at September 30, 2020 is as follows:

	<u>Total</u>	<u>%</u>
Claudio Gora	9,641,349	7.66%
Gilberto Mautner	9,641,349	7.66%
Michel Gora	9,641,350	7.66%
Ricardo Gora	9,641,349	7.66%
Andrea Gora	4,269,991	3.39%
Locaweb S/A (Treasury)	16,618	0.01%
GIC Private Limited	8,125,835	6.46%
BlackRock, Inc	6,316,279	5.02%
J.P. Morgan Chase & Co	6,579,907	5.23%
Other shareholders	62,016,269	49.25%
	<u>125,890,296</u>	<u>100.00%</u>

On December 4, 2019, the shareholders approved an increase in the company's limit of authorized capital to R\$ 2,000,000, with an amendment to the respective provision of the bylaws.

The Company may, upon resolution of the Board of Directors, acquire its own shares to be kept in treasury and subsequent sale or cancellation, up to the amount of the balance of earnings and reserves, except for the legal reserve, without decreasing its capital, subject to the applicable legal and regulatory provisions.

The Company may, upon resolution of the Board of Directors and in accordance with the plan approved by the Shareholders' Meeting, grant stock purchase or subscription options, with no preemptive rights to shareholders, in favor of its management members, employees or individuals who provide services to the Company, and this option may be extended to the managers and employees of the Company's direct or indirect subsidiaries (Note 15).

Transaction costs incurred to raise own funds are accounted for in a specific shareholders' equity reduction account, less possible tax effects.

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15. Shareholders' equity – Cont'd

b) Legal reserve

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

c) Interest on shareholders' equity and dividends

In accordance with the option set forth in Law 9.249/95 and based on the Board of Directors' resolutions, the Company calculates interest on shareholders' equity, limited to the pro rata variation of the Long Term Interest Rate - TJLP, which are subject to a 15% withholding income tax, except for corporate shareholders that can prove to be exempt or immune. Interest on shareholders' equity is part of the basis for calculating dividends, which, for purposes of Brazilian tax legislation, are deductible.

d) Capital reserves

Capital reserves are formed by amounts related to goodwill on the issuance of shares, goodwill on capital transactions and amounts resulting from the stock option plans, which are recorded directly in shareholders' equity

e) Retained earnings reserves

The retained earnings reserve refers to the retention of the remaining balance of retained earnings to meet the business growth project established in the Company's investment plan, pursuant to the capital budget approved and proposed by the Company's management members, to be resolved at the Shareholders' Meeting, in compliance with Article 196 of the Brazilian Corporation Law.

16. Share based payment

The Board of Directors approved in 2019 the 12th, 13th and 14th Stock Option Plan. In 2020, the Fifteenth and Sixteenth Stock Option Plans were approved by the Board of Directors. Option granted under these plans can be exercised on January 1 and July 1 of each year ("Exercise Dates"), in full or in part.

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16. Share based payment -- Cont'd

Starting from the reference date specified in each Stock Option Agreement (“Reference Date”), the following periods are stipulated for a decision on the options granted under the 9th Plan: (i) up to 25% of all shares available by exercising the option can be acquired on the Exercise Dates upon lapse of one year of the Reference Date; (ii) up to 25% of the shares available by exercising the option, plus any surplus from options not exercised on the previous Exercise Dates, can be acquired on the Exercise Dates upon lapse of two years of the Reference Date; (iii) up to 25% of the shares available by exercising an option, plus any surplus from options not exercised on the previous Exercise Dates, upon lapse of three years of the Reference Date; and (iv) up to 25% of the shares available by exercising an option, plus any surplus from options not exercised on the previous Exercise Dates, may be exercised on the Exercise Dates upon lapse of four years of the Reference Date (“Vesting Periods”).

In any event, the number of shares available to be acquired after each Vesting Period will remain in force until the Exercise Deadline (i.e. until July 1, 2024), and the portion of options not exercised by such date and according to the stipulated conditions will be deemed automatically terminated, without any right to compensation.

The information on the Company’s stock option plans is summarized below:

Series	September 30, 2020						Number of shares			
	Date of grant	Reference date	First exercise date	Expiry date	Strike price	Fair value	Granted	Exercised	Expired	Total outstanding
Series A	07/15/2009	01/01/2008	01/01/2010	01/01/2017	4.31	7.79	2,420,291	(1,835,865)	(584,426)	-
Series B	07/15/2009	07/01/2009	07/01/2010	07/01/2018	4.31	7.29	166,932	(166,932)	-	-
Series C	09/03/2010	01/01/2010	01/01/2011	01/01/2019	4.31	8.13	995,000	(83,140)	(911,860)	-
Series D	07/01/2011	07/01/2011	01/01/2012	07/01/2019	5.25	6.56	430,000	(282,500)	(147,500)	-
Series E	01/01/2012	01/01/2012	01/01/2013	01/01/2020	5.25	8.29	930,000	(410,000)	(432,500)	87,500
Series F	07/01/2012	07/01/2012	01/01/2013	07/01/2020	10.96	16.25	128,000	(41,500)	(86,500)	-
Series G	01/01/2013	01/01/2013	01/01/2014	01/01/2021	9.28	17.77	1,392,000	-	(1,392,000)	-
Series H	04/01/2013	04/01/2013	01/01/2014	04/01/2021	10.96	18.45	330,000	(5,000)	(298,750)	26,250
Series I	01/01/2014	01/01/2014	01/01/2015	01/01/2022	10.96	16.96	685,000	(13,750)	(630,000)	41,250
Series J	07/01/2015	07/01/2015	07/01/2016	07/01/2022	9.05	16.27	385,000	(133,750)	(240,000)	11,250
Series K	03/01/2016	03/01/2016	03/01/2017	04/01/2022	10.00	14.05	700,000	-	(350,000)	350,000
Series L	04/01/2016	04/01/2016	04/01/2017	04/01/2022	10.00	14.05	780,000	(70,000)	(225,000)	485,000
Series M	04/01/2017	04/01/2017	04/01/2018	07/01/2023	10.00	12.74	470,000	(84,010)	(150,000)	235,990
Series N	07/01/2018	07/01/2018	07/01/2019	07/01/2024	7.00	9.04	1,090,000	(96,250)	(140,000)	853,750
Series O	05/14/2019	05/14/2019	05/13/2020	05/14/2025	7.00	15.55	450,000	-	-	450,000
Series P	05/14/2019	05/14/2019	05/13/2020	05/14/2025	7.00	15.55	330,000	(56,050)	-	273,950
Series Q	12/04/2019	12/04/2019	08/01/2020	01/01/2026	7.00	8.49	2,543,970	-	-	2,543,970
Series R	12/04/2019	12/04/2019	08/01/2020	01/01/2026	17.25	4.36	300,000	-	-	300,000
Series S	08/11/2020	08/11/2020	08/11/2021	08/10/2026	17.25	4.36	225,000	-	-	225,000
Series T	08/11/2020	08/11/2020	08/11/2021	08/10/2026	24.61	33.94	392,533	-	-	392,533
							15,143,726	(3,278,747)	(5,588,536)	6,276,443

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16. Share based payment -- Cont'd

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

	Number of options	Average strike price
Balance outstanding on December 31, 2019	4,836,804	8.46
Granted	3,511,503	10.55
Expired	(1,266,554)	20.43
Exercised	(805,310)	7.55
Balance outstanding as at September 30, 2020	6,276,443	7.33

As at September 30, 2020 and December 31, 2019, the number of exercisable stock options was 1,861,000 and 2,838,054, respectively. The following table presents the assumptions used for determining the fair value of a stock option on the grant date for options granted in the periods ended September 30, 2020:

	Plan 13 Series Q	Plan 14 Series R	Plan 15 Series S	Plan 16 Series T
Dividend yield	1.00%	1.00%	1.00%	1.00%
Expected volatility	43.2%	43.2%	43.2%	43.2%
Risk-free return rate (per annum)	4.50%	4.50%	4.50%	2.00%
Expected stock option lifetime	4 years	4 years	4 years	4 years
Weighted-average price of shares (R\$)	7.00	17.25	17.25	24.61
Model used	Black- Scholes	Black- Scholes	Black- Scholes	Black- Scholes

Technical pronouncement CPC 10/IFRS 2 - Share-based Payment requires the effects of share-based payment transactions to be reflected in the Company's statement of operations. The expense recorded in the Company's and the Consolidated statement of operations as of September 30, 2020 was R\$11,105 (R\$1,684 as of September 30, 2019).

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17. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted-average number of common shares outstanding during the period:

	01/01/2020 to 09/30/2020	01/01/2019 to 09/30/2019	04/01/2020 to 09/30/2020	04/01/2019 to 09/30/2019
Net income attributable to the Company's shareholders	10,781	11,132	5,539	5,981
Weighted-average number of common shares outstanding – in thousands	127,162	91,623	127,162	91,721
Basic earnings per share - R\$	0.08	0.12	0.04	0.07

b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted-average number of common shares outstanding, assuming the conversion of all potential diluted common shares relative to stock options, and the dilution potential of such options is represented by 6,276,443 shares as at September 30, 2020 (5,192,804 shares in 2019).

	01/01/2020 to 09/30/2020	01/01/2019 to 09/30/2019	04/01/2020 to 09/30/2020	04/01/2019 to 09/30/2019
Net income attributable to the Company's shareholders	10,781	11,132	5,539	5,981
Weighted-average number of common shares including dilution potential – thousands	133,439	96,816	133,439	96,914
Diluted earnings per share - R\$	0.08	0.11	0.04	0.06

18. Net revenue

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Gross revenue	243,093	234,405	404,665	328,778
BeOnline & SaaS	243,093	234,405	295,528	263,323
Commerce	-	-	109,137	65,455
Discounts and rebates	(18,834)	(13,598)	(19,835)	(13,843)
BeOnline & SaaS	(18,834)	(13,598)	(18,834)	(13,598)
Commerce	-	-	(1,001)	(245)
Taxes on revenues	(19,325)	(24,125)	(36,770)	(34,393)
BeOnline & SaaS	(19,325)	(24,125)	(24,472)	(26,985)
Commerce	-	-	(12,298)	(7,408)
Net revenue	204,934	196,682	348,060	280,542
BeOnline & SaaS	204,934	196,682	252,222	222,740
Commerce	-	-	95,838	57,802

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19. Operating costs and expenses

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Personnel expenses	(76,901)	(76,515)	(129,664)	(110,149)
Advisory and consulting services	(14,720)	(10,976)	(18,996)	(12,962)
Depreciation and amortization expenses	(32,934)	(34,711)	(41,611)	(38,695)
Installation expenses	(7,129)	(6,622)	(8,274)	(7,578)
Operating cost	(45,116)	(33,203)	(74,177)	(48,821)
Marketing expenses	(17,448)	(15,830)	(28,321)	(24,670)
Stock option plan expenses	(11,106)	(1,684)	(11,106)	(1,684)
Other	(2,071)	(2,394)	(3,738)	(3,160)
Total	(207,425)	(181,935)	(315,887)	(247,719)
Cost of services	(138,948)	(125,676)	(203,220)	(164,688)
Selling expenses	(36,654)	(37,284)	(57,989)	(53,636)
General and administrative expenses	(31,823)	(18,975)	(54,678)	(29,395)
Total	(207,425)	(181,935)	(315,887)	(247,719)

The balances of other operating revenues (expenses) for the year are presented below:

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Gains from contractual fines	140	58	253	161
Disposal of property and equipment	410	498	410	498
Gains from investment acquisition	-	-	-	1,680
Gains from legal proceedings	-	3,517	-	3,517
Other revenues (expenses)	98	157	97	(65)
Total	648	4,230	760	5,791

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20. Net financial result

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Financial income				
Income from financial investments	8,287	1,370	8,429	1,505
Foreign exchange rate fluctuation	315	28	200	7
Interest	664	377	912	470
Derivative gains	32,216	8,012	32,216	8,012
Mark-to-market of derivatives	784	-	784	51
Other financial income	271	24	422	-
	42,537	9,811	42,963	10,045
Financial expenses				
Interest	(38,402)	(15,520)	(39,085)	(16,508)
Mark-to-market of derivatives	-	(1,669)	-	(1,669)
Banking service fees (*)	(2,088)	(2,147)	(4,913)	(3,450)
Interest on lease liabilities	(3,928)	(3,899)	(4,042)	(4,062)
IOF (Tax on Financial Transactions)	(207)	(824)	(377)	(956)
Accounts receivable advance expense	-	(1)	(1,119)	(3,290)
Present value adjustment	(1,875)	(450)	(1,875)	(715)
Other financial expenses	(685)	(659)	(765)	(685)
	(47,185)	(25,169)	(52,176)	(31,335)
Net financial result	(4,648)	(15,358)	(9,213)	(21,290)

(*) Banking service fees include charges, services and issue of invoices.

21. Income taxes

The deferred tax breakdown is shown below:

	Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Provision for profit sharing	1,552	1,612	2,246	2,269
Depreciation of leased property (leases)	(214)	(101)	(214)	(101)
Provision for legal proceedings	166	319	304	342
Other provisions	5,310	3,175	6,567	4,356
Technology innovation law (“ <i>Lei do bem</i> ”)	(97)	(148)	(1,941)	(2,421)
Intangible assets identified in business combinations	2,321	1,072	2,913	1,369
Derivatives and foreign exchange rate fluctuation	834	1,253	834	1,253
Goodwill	(10,726)	(8,868)	(10,726)	(8,868)
Tax losses	3,916	4,363	4,673	5,455
Total deferred income taxes – asset	3,062	2,677	4,656	3,654

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21. Income taxes – Cont'd

Changes in deferred taxes are shown below:

Company Nature	Balance	Result	Balance
	12/31/2019	Gain /(loss)	09/30/2020
Tax benefit from tax losses carryforward	4,362	(447)	3,915
Tax benefit from goodwill	(8,867)	(1,858)	(10,725)
Merger	996	-	996
Temporary differences	6,186	2,690	8,876
Total	2,677	385	3,062

Consolidated Nature	Balance	Result	Balance
	12/31/2019	Gain /(loss)	09/30/2020
Tax benefit from tax losses carryforward	5,456	(782)	4,674
Tax benefit from goodwill	(8,867)	(1,858)	(10,725)
Merger	999	-	999
Temporary differences	6,066	3,642	9,708
Total	3,654	1,002	4,656

The reconciliation of expense calculated by applying the combined nominal tax rates and income tax expense charged to net income is as follows:

	Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Income before income taxes	11,403	11,990	23,720	17,324
Income taxes at a combined statutory rate of 34%	(3,877)	(4,077)	(8,065)	(5,890)
Adjustments to the actual rate:				
Interest on shareholders' equity	-	1,190	-	1,190
Effect of presumed profit method	-	-	(296)	(306)
Effect of equity results	7,333	2,846	-	-
Effect of stock option plan	(3,776)	(573)	(3,776)	(573)
Effect of officer vehicle depreciation and other managers' expenses	(51)	(62)	(66)	(72)
Amortization of intangible assets	(97)	(97)	(97)	(97)
Deferred taxes not recognized (tax loss)	-	-	(948)	(1,040)
Other	(154)	(85)	309	596
Income taxes recorded in the statements of operations	(622)	(858)	(12,939)	(6,192)
	-13.65%	14.37%	70.12%	42.47%

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22. Segments

a) Statement of operations by Segment

	09/30/2020			09/30/2019		
	BeOnline & SaaS	Commerce	Consolidated	BeOnline & SaaS	Commerce	Consolidated
Gross revenue, net of discounts	276,694	108,136	384,830	249,725	65,210	314,935
Taxes and contributions on revenues	(24,472)	(12,298)	(36,770)	(26,985)	(7,408)	(34,393)
Net revenue	252,222	95,838	348,060	222,740	57,802	280,542
Cost of services	(173,223)	(29,997)	(203,220)	(145,418)	(19,270)	(164,688)
Gross profit	78,999	65,841	144,840	77,322	38,532	115,854
Selling expenses	(43,354)	(14,635)	(57,989)	(40,925)	(12,711)	(53,636)
General and administrative expenses	(41,369)	(13,309)	(54,678)	(21,685)	(7,710)	(29,395)
Other operating income	760	-	760	4,272	1,519	5,791
Income before financial results	(4,964)	37,897	32,933	18,984	19,630	38,614
Operating expenses included in costs and expenses:						
Depreciation and amortization expenses						
Stock option plans expenses	38,640	2,971	41,611	36,009	2,686	38,695
	11,106	-	11,106	1,684	-	1,684

	07/01/2020 a 09/30/2020			07/01/2019 a 09/30/2019		
	BeOnline & SaaS	Commerce	Consolidated	BeOnline & SaaS	Commerce	Consolidated
Gross revenue, net of discounts	94,417	45,438	139,855	90,454	23,856	114,310
Taxes and contributions on revenues	(8,472)	(5,157)	(13,629)	(9,694)	(2,687)	(12,381)
Net revenue	85,945	40,281	126,226	80,760	21,169	101,929
Cost of services	(58,140)	(13,142)	(71,282)	(52,198)	(6,894)	(59,092)
Gross profit	27,805	27,139	54,944	28,562	14,275	42,837
Selling expenses	(13,679)	(6,712)	(20,391)	(14,064)	(4,359)	(18,423)
General and administrative expenses	(13,043)	(4,637)	(17,680)	(8,536)	(2,652)	(11,188)
Other operating income (expenses)	374	-	374	3,779	-	3,779
Income before financial results	1,457	15,790	17,247	9,741	7,264	17,005
Operating expenses included in costs and expenses:						
Depreciation and amortization expenses						
Stock option plans expenses	12,425	1,180	13,605	11,869	684	12,553
	4,204	-	4,204	562	-	562

Main segments' assets and liabilities

	09/30/2020		
	BeOnline & SaaS	Commerce	Consolidated
Accounts receivable	25,672	273,407	299,079
Property and equipment	65,716	7,354	73,070
Intangible assets	166,692	19,030	185,722
Total main assets	258,080	299,791	557,871
Loans and financing	98,428	-	98,428
Deferred revenue	43,114	-	43,114
Payables to clients	671	212,776	213,447
Total main liabilities	142,213	212,776	354,989

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22. Segments – Cont'd

a) Statement of operations by Segment – Cont'd

	12/31/2019		
	BeOnline & SaaS	Commerce	Consolidated
Accounts receivable	26,383	98,902	125,285
Property and equipment	70,162	4,408	74,570
Intangible assets	155,024	27,295	182,319
Total main assets	251,569	130,605	382,174
Loans and financing	116,513	-	116,513
Deferred revenue	37,116	-	37,116
Payable to clients	-	82,160	82,160
Total main liabilities	153,629	82,160	235,789

23. Financial instruments

The tables below present a breakdown of financial assets and liabilities as at September 30, 2020:

	Company			
	09/30/2020			
	Measured at fair value through profit and loss	Amortized cost	Book value	Fair value
Financial assets				
Cash and cash equivalents	473,788	-	473,788	473,788
Accounts receivable	-	20,387	20,387	20,387
Derivatives	27,341	-	27,341	27,341
Related parties	-	1,459	1,459	1,459
Restricted cash	7,498	-	7,498	7,498
Total	508,627	21,846	530,473	530,473
Financial liabilities				
Loans and financing	-	98,315	98,315	98,315
Suppliers	-	11,831	11,831	11,831
Lease liabilities	-	68,211	68,211	68,211
Accounts payable to former shareholders	-	35,082	35,082	35,082
Total	-	213,439	213,439	213,439

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23. Financial instruments – Cont'd

	Consolidated 09/306/2020			
	Measured at fair value through profit or loss	Amortized cost	Book value	Fair value
Financial assets				
Cash and cash equivalents	512,918	-	512,918	512,918
Accounts receivable	-	299,079	299,079	299,079
Derivatives	27,341	-	27,341	27,341
Restricted cash	7,498	-	7,498	7,498
Total	547,757	299,079	846,836	846,836
Financial liabilities				
Loans and financing	-	98,428	98,428	98,428
Suppliers	-	18,292	18,292	18,292
Lease liabilities	-	71,086	71,086	71,086
Accounts payable to former shareholders	-	35,082	35,082	35,082
Payables to clients	-	213,447	213,447	213,447
Total	-	436,335	436,335	436,335

Considering the terms and characteristics of these instruments, which are systematically renegotiated, their book values approximate to their fair value.

Purpose of derivative financial instruments

Derivative financial instruments contracted by the Company are intended to hedge against foreign currency risk related to loans denominated in foreign currency. The Company has no derivative financial instruments for speculative purposes.

On March 6, 2018, the Company entered into a cross-currency interest rate swap agreement with notional value of R\$25,000, equivalent to US\$7,694 on the inception date, when the exchange rate was R\$3.2494 per U.S. dollar. This transaction, which resulted from an external financing backed in foreign currency, under circular letter 3844/2017 of the Brazilian Central Bank (BACEN) (“Captação 3844/2018”), enabled the Company to replace its exposure to U.S. dollar fluctuations, plus 4.31% p.a., for a fixed rate on the notional value.

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23. Financial instruments – Cont'd

On February 18, 2019, the Company entered into two cross-currency interest rate swap agreements with a total notional value of R\$40,000, equivalent to US\$10,787 on the inception date, when the exchange rate was R\$3.7080 per U.S. dollar. These transactions, which resulted from a financing backed in foreign currency and supported by circular letter 3844/2017 of the Brazilian Central Bank (BACEN) (“Captação 3844/2019-1” and “Captação 3844/2019-2”), enabled the Company to replace its exposure to U.S. dollar fluctuations, plus 4.77% p.a., for a fixed rate for an amount equivalent to three quarters of the funding value (R\$30,000), and, for one quarter of the amount, a floating rate indexed to the CDI, plus a fixed spread.

On July 2, 2019, the Company entered into a cross-currency interest rate swap agreement with notional value of R\$38,300, equivalent to US\$10,000 on the inception date, when the exchange rate was R\$3.8300 per U.S. dollar. This transaction, which resulted from a financing backed in foreign currency and based in federal law No. 4131/62 (“Captação 4131”), enabled the Company to replace its exposure to U.S. dollar fluctuations, plus 4.57% p.a., for a fixed rate.

The Company has internal controls over its derivative financial instruments which, according to Management, are appropriate to control the risks associated to each market action strategy. The results achieved by the Company from derivative financial instruments indicate that risks are being appropriately controlled by Management.

a) Risk management policy

The Company's operations expose it to a number of financial risks: market risk (including interest rate, foreign currency, and price risks), credit risk, and liquidity risk.

The Company's Treasury area manages risks according to the policies approved by the Board of Directors. The Treasury area identifies, assesses and protects the Company against certain financial risks in cooperation with the Company's operating units.

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

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23. Financial instruments – Cont'd

a) Risk management policy – Cont'd

i) *Interest rate risk*

This risk arises from the possibility of losses incurred by the Company as a result of fluctuations in interest rates that may increase the financial expenses on loans and financing raised on the market.

ii) *Credit risk*

Credit risk refers to the risk of failure by a counterparty to meet their obligations on a financial instrument or agreement with a customer, which would result in loss. The Company is particularly exposed to credit risk regarding cash and cash equivalents and accounts receivable. The Company reduces its credit risk by using the following policies:

- Cash and cash equivalents: The Company adopts methods that limit the amounts that may be allocated to a single financial institution and take into account the monetary limits and credit ratings of the financial institutions with which it operates, which are updated on a regular basis.
- Accounts receivable: Credit risk is reduced to the extent that the assets represented by receivables and services are intermediated by credit card administration companies. In this case, the credit risk with customers will be fully transferred to these companies, and the only risk assumed by the Company is the non-recognition of purchases by customers, for which an impairment provision is calculated and recorded. The Company now holds the credit risk before credit card administration companies.
- The amounts receivable from individual customers through bank slips are limited and represented approximately 14% of total accounts receivable at September 30, 2020 (20% as at December 31, 2019). The maximum exposure to credit risk as at September 30, 2020 is the amount shown in the statement of financial position.

iii) *Liquidity risk*

Liquidity risk is the possibility that the Company or its subsidiaries may not have sufficient funds to meet their commitments upon the realization/liquidation of its rights and obligations.

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23. Financial instruments – Cont'd

a) Risk management policy – Cont'd

iii) *Liquidity risk* – Cont'd

The Company and its subsidiaries manage the maturities of non-derivative financial contracts as described in Note 12, so as to avoid impact on liquidity.

The liquidity and cash flows of the Company and its subsidiaries are managed on a daily basis by the Company, so as to ensure that operating cash generation and the advance raising of funds, when required, are sufficient to maintain their schedule of payments and avoid liquidity risk.

The table below shows the maturities of the consolidated financial liabilities of the Company:

	Less than 3 months	From 3 to 12 months	More than 1 year	Total
September 30, 2020				
Other liabilities	895	-	1,398	2,293
Suppliers	18,292	-	-	18,292
Loans and financing	19,739	43,130	35,559	98,428
Lease liabilities	2,599	7,797	60,690	71,086
Payables to clients	213,447	-	-	213,447
Accounts payable to former shareholders	3,359	-	31,723	35,082
	258,331	50,927	129,370	438,628

	Less than 3 months	From 3 to 12 months	More than 1 year	Total
December 31, 2019				
Other liabilities	1,438	-	2,098	3,536
Suppliers	12,833	-	-	12,833
Loans and financing	12,052	36,627	67,834	116,513
Lease liabilities	1,354	4,062	64,802	70,218
Payables to clients	82,160	-	-	82,160
Accounts payable to former shareholders	-	14,697	30,138	44,835
	109,837	55,386	164,872	330,095

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23. Financial instruments – Cont'd

a) Risk management policy – Cont'd

iv) *Foreign currency risk*

Foreign currency risk derives from the risk of variation in future cash flows of loans denominated in foreign currency and financial instruments, due to variation in exchange rates. The foreign currency risk could significantly impact the Company's results of operations. In order to manage this risk, the Company uses derivative financial instruments (swaps) that are contracted with first-class financial institutions. Accordingly, the Company is fully hedged against fluctuations in foreign exchange rates on its loans.

The Company's policy is to use derivative financial instruments only to reduce the risks arising from foreign currency exposure, which is represented by loans denominated in foreign currency, and not for speculative purposes.

b) Sensitivity analysis

As at September 30, 2020, the Company was exposed to fluctuation in U.S. dollar rates due to loans denominated in foreign currency, loans linked to the Benchmark Rate (TR) and the Long-Term Interest Rate (TJLP), which are indices used in loans denominated in local currency, as well as to variation on Interbank Deposit Certificates (CDI), which, in turn, adjusts financial investments earnings (CBD). Three different scenarios were defined to analyze the sensitivity of these indices.

According to Management's analysis, an increase of 5% was assumed for the probable scenario. Another two scenarios (A and B) are also shown. The Company assumed increases of 25% (scenario A) and 50% (scenario B – extreme situation) in its forecasts. The table below sets forth the sensitivity analysis for each type of risk considered relevant by Management:

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23. Financial instruments – Cont'd

b) Sensitivity analysis – Cont'd

Transaction	Risk	Balance as at September 30, 2020	Loss - Consolidated		
			Probable	Scenario A	Scenario B
Loans in foreign currency (U.S. dollar)*	Increase in US dollar rate	(87,715)	(4,385)	(21,923)	(43,845)
Loans in Reais adjusted by the IPCA index	Increase in IPCA index	(0)	(0)	(0)	(0)
Loans in Reais adjusted by the TJLP rate	Increase in TJLP rate	(10,434)	(26)	(128)	(256)
Financial investments adjusted by the CDI	Reduction in CDI	520,416	(494)	(2,472)	(4,944)
Dollar rate		5.64	5.92	7.05	8.46
TJLP		4.91%	5.16%	6.14%	7.37%
CDI (downward scenario)		1.90%	1.81%	1.43%	0.95%

(*) Financing contracts adjusted by the foreign currency are hedged by cross-currency interest rate swap agreements against foreign exchange fluctuations.

Sources: US dollar: PTAX rate of the Central Bank of Brazil
TJLP: Ministry of Economy
CDI: B3 Brasil, Bolsa, Balcão

c) Capital management

The Company's objective in managing its capital is to safeguard its ability to continue offering a return to shareholders, and benefits to other stakeholders, as well as to maintain an ideal capital structure to reduce these costs, or costs relating to the generation of these results and benefits.

In order to maintain or adjust its capital structure, the Company may review its receivables advance policy, and the payment of non-mandatory dividends, return capital to shareholders, or issue new shares to reduce its indebtedness level.

Capital management is at the consolidated level, as described below:

	09/30/2020	12/31/2019
Loans and financing	98,428	116,513
(+) Lease liabilities	71,086	70,218
(+) Derivatives	(27,341)	(4,932)
(-) Cash and cash equivalents	(512,918)	(25,275)
(-) Restricted cash	(7,498)	(10,013)
(=) Net debt	(378,243)	146,511
(+) Total equity	657,061	88,333
(=) Total equity and net debt	278,818	234,844

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23. Financial instruments – Cont'd

d) Fair value of financial instruments

The valuation method used for calculating the market value of financial liabilities (if applicable) and derivative financial instruments (swaps) was the discounted cash flow, taking into account the expectations of liquidation or realization of liabilities and assets at the market rates in force as at the date of the statements of financial position.

Fair values are calculated by estimating future operating flows; using the curves of BM&FBovespa; and discounting them to present value using the market exchange rates for swaps, as published by BM&FBovespa.

Market values of derivatives shown below were obtained using the market rates in effect as at the date of the statements of financial position, and the rates estimated by the market. In order to calculate the coupon of positions indexed to foreign currency, the Company adopted a linear convention of 360 calendar days. The table below shows the variation in fair values of derivative instruments and their respective amounts receivable (payable) at the close of the period.

Description	September 30, 2020		
	Notional value	Fair value	Amount receivable (payable)
<u>3844/2018 raising</u>			
Asset position	8,737	8,805	8,805
Liability position	(5,053)	(5,217)	(5,217)
	3,684	3,588	3,588
<u>3844/2019-1 raising</u>			
Asset position	25,135	25,786	25,786
Liability position	(16,597)	(17,513)	(17,513)
	8,538	8,273	8,273
<u>3844/2019-2 raising</u>			
Asset position	8,370	8,547	8,547
Liability position	(5,486)	(5,579)	(5,579)
	2,884	2,968	2,968
<u>4131 raising</u>			
Asset position	45,467	45,653	45,653
Liability position	(31,321)	(33,141)	(33,141)
	14,146	12,512	12,512
Total derivative financial instruments	29,252	27,341	27,341
Mark-to-Market - MTM (Balance September 30, 2020)		(1,911)	(1,911)
Mark-to-Market- MTM (Balance December 31, 2029)			(2,695)
Mark-to-Market - MTM for the period			784

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23. Financial instruments – Cont'd

e) Fair value hierarchy

The fair values of financial investments and swaps are classified in Level 2 of the fair value hierarchy. The Company has no financial instruments classified in Levels 1 and 3.

	Company					
	09/30/2020			09/30/2019		
	Changes with cash effects	Changes without cash effects	Total	Changes with cash effects	Changes without cash effects	Total
Loans and financing – beginning of the period			116,352			82,381
Derivatives – beginning of the period			(4,932)			(5,513)
(=) Loans and financing, net of derivatives			111,420			76,868
(+) New loans and financing	-	-	-	78,300	-	78,300
(+) Loans and financing from acquired companies	-	-	-	-	-	-
(+) Interest, foreign exchange rate variation and derivatives	-	5,898	5,898	-	7,375	7,375
(-) Principal repayment in the period	(38,855)	-	(38,855)	(38,978)	-	(38,978)
(-) Interest, foreign exchange rate variation and derivatives paid	(6,704)	-	(6,704)	(7,164)	-	(7,164)
(+) Mark-to-market of derivatives	-	(784)	(784)	-	1,669	1,669
(=) Loans and financing, net of derivatives	(45,559)	5,114	70,974	26,824	2,723	118,069
Loans and financing – end of the period			98,315	71,759		105,632
Derivatives – end of the period			(27,341)			12,437

	Consolidated					
	09/30/2020			09/30/2019		
	Changes with cash effects	Changes without cash effects	Total	Changes with cash effects	Changes without cash effects	Total
Loans and financing – beginning of the period	-	-	116,513	-	-	82,501
Derivatives – beginning of the period	-	-	(4,932)	-	-	(5,513)
(=) Loans and financing, net of derivatives	-	-	111,581	-	-	76,988
(+) New loans and financing	-	-	-	78,300	-	78,300
(+) Loans and financing from acquired companies	-	-	-	-	2,857	2,857
(+) Interest, foreign exchange rate variation and derivatives	-	5,907	5,907	-	7,839	7,839
(-) Principal repayment in the period	(38,888)	-	(38,888)	(41,778)	-	(41,778)
(-) Interest, foreign exchange rate variation and derivatives paid	(6,729)	-	(6,729)	(7,628)	-	(7,628)
(+) Mark-to-market of derivatives	-	(784)	(784)	-	1,669	1,669
(=) Loans and financing, net of derivatives	(45,616)	5,123	71,087	28,894	12,364	118,246
Loans and financing – end of the period			98,428			105,632
Derivatives – end of the period			(27,341)			12,614

24. Non-cash transactions

In the six-month period ended September 30, 2020, there were transactions that did not affect cash, related to the acquisition of machines and equipment.

25. Insurance coverage

Locaweb Serviços de Internet S.A.

Notes to the unaudited interim financial information
September 30, 2020
(amounts in thousands of *Reais*, unless otherwise stated)

The Company and its subsidiaries contract insurance coverage to protect against any damages to its equity and assets, also including their establishments and vehicles fleet, the premiums of which were as follows in the respective years:

	Consolidated	
	09/30/2020	13/31/2019
Vehicles	7,700	5,500
Business (real estate and assets)	362,575	359,860
Electricity	201	201
Civil liability of managers	50,000	10,000
Civil liability	1,100	1,100
	421,576	376,661

26. Subsequent Events

Proposal for acquisition of Vindi Tecnologia

On October 29, 2020, the Company's Board of Directors approved consummation of a binding proposal for the acquisition of up to 100% of the total capital (on a fully diluted basis) of Vindi Tecnologia e Marketing SA, a company that offers solutions in the subscription model (plans and monthly fees) and combines recurring billing software with a payment platform.

On the same date, the Proposal was accepted by shareholders representing 79.33% of Vindi's total capital (on a fully diluted basis), including the three founding shareholders who are also Vindi's main executives.

For the purposes of the Proposal, Vindi was appraised at R\$ 180.0 million, considering an acquisition of 100% of its total capital (on a fully diluted basis), a net debt equal to zero and working capital at usual levels. In addition, the closing price will be subject to certain adjustments to net debt and working capital, which are usual in this type of transaction, and the aforementioned founding shareholders will have the right to receive any earnout, depending on the achievement of certain financial targets determined based on in Vindi's net operating revenue.
