(A free translation Portuguese into English of the financial statements originally issued in Portuguese)

Individual and Consolidated Financial Statements

Locaweb Serviços de Internet S.A.

December 31, 2020
with Independent Auditor's Report

Locaweb Serviços de Internet S.A.

Individual and consolidated financial statements

December 31, 2020 and 2019

Contents

Financial statements

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A free translation from Portuguese into English of Independent auditor's report on individual and consolidated financial statements prepared in Brazilian currency

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Locaweb Serviços de Internet S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Locaweb Serviços de Internet S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020 and the related statements of operations, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Locaweb Serviços de Internet S.A. as at December 31, 2020, its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with 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 Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) 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.

Emphasis - Restatement earnings per share

As mentioned in Note 2.2, due to the share split, the Company adjusted earnings per share and the related Notes for the year ended December 31, 2019, as provided for in Brazilian Accounting Standard NBC TG 23 – Accounting Policies, Changes in Estimates and Errors. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statement as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statement" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition of services

The Company provides services that are recognized as revenue in its statements of operations as the performance obligation is satisfied. As mentioned in Note 20, revenues from services are recognized over the time the service is provided, while revenues from product resale, software installation, facilitation of e-commerce or payments and intermediation with marketplaces are recognized at a specific point in time. This recognition takes into account factors that depend on a technology environment and internal structure to support the transaction volume, including capture the customer order, receive or invoice, process and settle invoices. Accordingly, there is a risk that revenue will be recognized outside its accrual period.

Considering the inherent risk, the significant volume of transactions and the magnitude of the amounts involved, we consider this matter significant to our audit.

How our audit has addressed this matter

As part of our audit procedures, among others, we assessed the adequacy of the accounting policies adopted by the Company in revenue recognition, we carried out sample tests to confirm the adequacy of amounts recognized against total service and the length of the service that was contracted, and we confirmed the correct moment when the revenue was recognized. We also assessed the adequacy of the disclosures on the topic included by management in Note 20.

Based on the result of the audit procedures performed on the revenue recognition, which is consistent with Management's assessment, we consider that the criteria used by Management are acceptable in the context of the financial statements taken as a whole.

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Business combination

As disclosed in Note 10.2 to the individual and consolidated financial statements, the Company acquired, on September 29, 2020, December 10, 2020 and December 14, 2020, Etus Social Network Brasil Ltda, Ideris Tecnologia da Informação Ltda. and Melhor Envio Ltda., respectively. The application of the acquisition method requires, among other procedures, that the Company determine the fair value of the consideration transferred, the fair value of the assets acquired and the liabilities assumed, and the determination of goodwill due to expected future profitability or gain on advantageous purchase in the transaction. Such procedures involve a high degree of subjectivity and the need to develop fair value estimates based on calculations and assumptions related to the future performance of the acquired business and which are subject to a high degree of uncertainty.

This matter was considered as a key audit matter due to subjectivity and judgment in identifying and measuring the fair value of assets acquired and liabilities assumed and the amount of goodwill recognized in this acquisitions, besides the impact that possible changes in assumptions could bring to the financial statements..

How our audit has addressed this matter

As part of our audit procedures, among others, we read the documents that formalized the operation, such as contracts and minutes, we involved our professionals who are experts in evaluating projections to assist us in the validation of the assumptions and methodologies used to determine and measure the fair value of the identified assets and liabilities assumed. We also assessed the reasonableness of the assumptions used and calculations performed, comparing them, when available, with market information. In addition, we evaluated the disclosures included in the financial statements by management in Note 10.2.

Based on the result of our audit procedures, which is consistent with management's evaluation, we consider that the criteria and assumptions used by management in carrying the business combination, which involve the process of identifying and measuring the fair value of assets acquired and liabilities assumed, are acceptable, in the context of the overall financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statements of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise 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 the 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 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 of 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 the accounting practices adopted in Brazil and with the 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 of material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of 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 of material misstatement, whether due to fraud or error, and to issue an auditor's 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 Brazilian and International Standards on Auditing will always detect 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 financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 auditor's 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 auditor's 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 the 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.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s 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 22, 2021

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

Klaas Johnsen
Contador CRC-1SP267150/O-0

Officers' Statement on the Financial Statements

In compliance with the provisions of CVM Instruction No.480/09, the Board of Executive Officers states that it has discussed, reviewed and agreed with the financial statements for the year ended December 31, 2020.

São Paulo, March 22, 2021.

Fernando Biancardi Cirne
Chief Executive Officer

Rafael Chamas Alves
Chief Financial and Investor Relations Officer

Officers' Statement on the Independent Auditor's Report

In compliance with the provisions of CVM Instruction No. 480/09, the Board of Executive Officers states that it has discussed, reviewed and agreed with the opinion expressed in the report issued by the independent auditor, Ernst & Young Auditores Independentes S.S., on the individual and consolidated financial statements for the year ended December 31, 2020.

São Paulo, March 22, 2021.

Fernando Biancardi Cirne
Chief Executive Officer

Rafael Chamas Alves
Chief Financial and Investor Relations Officer

Summary Indicators

Consolidated

(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Net Revenue	140.2	105.2	33.3%	488.2	385.7	26.6%
Gross Profit	60.5	45.5	33.0%	205.3	161.3	27.3%
Gross Margin (%)	43.2%	43.2%	-0.1 p.p.	42.1%	41.8%	0.2 p.p.
EBITDA	26.2	29.5	-11.2%	100.8	106.9	-5.7%
EBITDA Margin (%)	18.7%	28.1%	-9.4 p.p.	20.6%	27.7%	-7.1 p.p.
Adjusted EBITDA [1]	36.4	30.2	20.6%	129.4	110.9	16.7%
Adjusted EBITDA Margin (%)	26.0%	28.7%	-2.7 p.p.	26.5%	28.7%	-2.2 p.p.
Net Income	9.0	6.9	29.1%	19.7	18.1	9.2%
Adjusted Net Income [2]	12.8	10.4	23.1%	41.6	28.2	47.7%
Adjusted Net Income Margin (%)	9.1%	9.9%	-0.8 p.p.	8.5%	7.3%	1.2 p.p.
Cash Generation [3]	22.1	24.4	-9.6%	79.0	63.2	25.0%
Cash Conversion (%) [3]	60.6%	80.8%	-20.2 p.p.	61.0%	57.0%	4.1 p.p.
Net debt (cash) [4]	(344.2)	76.3	n/a	(344.2)	76.3	n/a

[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, expenses related to mergers and acquisitions; non-recurring bonus expenses considered by the Company's management, financial income related to derivatives used as a hedge instrument against exchange variation on operating liabilities, write-off as a result of the sale of investments in the subsidiary Eventials and extraordinary expenses related to the IPO.

[2] Adjusted Net Income is calculated from net income (loss), excluding: (i) stock option plan expenses; (ii) amortization expenses of intangibles due to the acquisition of companies; (iii) adjustments related to CPC 06 (refers to the sum of financial expenses with interest due to the updating of lease liabilities and the depreciation expense of right-of-use assets less lease liability payments made); (iv) mark-to-market of derivative financial instruments; and (v) extraordinary expenses related to the IPO.

[3] Cash Generation consists of “Adjusted EBITDA – Capex”, and Cash Conversion consists of dividing “Adjusted EBITDA – Capex” by “Adjusted EBITDA”.

[4] Corresponds to loans and financing less the balance of derivatives (foreign exchange swap), less cash and cash equivalents (does not consider lease liabilities related to IFRS 16).

Performance

// Net Operating Revenue
(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Commerce	46.5	22.3	108.2%	142.3	80.1	77.6%
Segment share in the consolidated	*33.2%*	*21.2%*	*11.9 p.p.*	*29.2%*	*20.8%*	*8.4 p.p.*
BeOnline / SaaS	93.7	82.9	13.1%	345.9	305.6	13.2%
Segment share in the consolidated	*66.8%*	*78.8%*	*-11.9 p.p.*	*70.8%*	*79.2%*	*-8.4 p.p.*
Net Revenue - Consolidated	**140.2**	**105.2**	**33.3%**	**488.2**	**385.7**	**26.6%**

Locaweb's Net Revenue reached R$140.2 million in 4Q20, up by 33.3% over 4Q19. It grew 26.6% year on year in 2020.

In the Commerce segment, Net Operating Revenue in 4Q20 grew by 108.2%, from R$22.3 million in 4Q19 to R$46.5 million in 4Q20. In 2020, Net Operating Revenue was 77.6% higher than in 2019.

The Net Operating Revenue of the BeOnline / SaaS segment increased by 13.1%, from R$82.9 million in 4Q19 to R$93.7 million in 4Q20. In 2020, Net Operating Revenue was 13.2% higher than in 2019, reaching R$345.9 million.

In this quarter, we also highlight the sales growth in corporate solutions (which was affected by the pandemic), the growth in our entire suite of corporate email solutions, Criador de Sites (Website Builder) and Delivery Direto, all of which had high growth rates compared to 2019.

// Operating Costs and Expenses
(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Cost of Services	79.7	59.7	33.4%	282.9	224.4	26.1%
Selling Expenses	24.2	16.6	45.6%	82.2	70.2	17.0%
General and Administrative Expenses	25.2	15.0	68.5%	79.9	44.4	80.1%
Other Operating (Revenues) Expenses	(0.1)	(0.4)	-64.6%	(0.9)	(6.2)	-85.4%
Total Operating Cost and Expenses	**128.9**	**90.8**	**41.9%**	**444.0**	**332.8**	**33.4%**
% Net Revenue	*92.0%*	*86.4%*	*5.6 p.p.*	*90.9%*	*86.3%*	*4.7 p.p.*

Locaweb's total operating costs and expenses increased by 41.9% year on year in 4Q20. In 2020, the growth was 33.4% higher than in 2019.

Cost of Services

Cost of Services totaled R$79.7 million in 4Q20 and R$59.7 million in 4Q19, corresponding to a 33.4% increase in the year-on-year comparison and representing 56.8% of net revenue in 4Q20 and 4Q19, respectively.

The increase in the cost of services was in line with the Company's net revenue growth in the period, reflecting the mix of a solid growth seen in the Commerce segment, which also has margins higher than the Company's consolidated results, and the impact of the costs of services by the companies acquired (Etus, Ideris and Melhor Envio), which totaled R$3.6 million in the period.

Selling Expenses

Selling expenses, which includes marketing and sales teams, as well as third-party services of the same nature and provisions for doubtful accounts totaled R$24.2 million in 4Q20, increasing by 45.6% over 4Q19.

As presented in the previous quarter, the Company increased its Brand Marketing efforts on the Tray platform, aiming at solidifying the brand as the leader in the digitization segment of SMBs in Brazil, which accounted for a large part of the growth seen in selling expenses in the Commerce segment, as shown in the table below:

locaweb	4Q19	3Q20	4Q20	4Q20 vs 4Q19	4Q20 vs 3Q20
Commerce					
Selling Expenses	4.2	6.7	9.6	126.4%	42.8%
% Net Revenue	*19.0%*	*16.7%*	*20.6%*	*1.7 p.p.*	*4.0 p.p.*
BeOnline / SaaS					
Selling Expenses	12.4	13.7	14.6	17.9%	6.6%
% Net Revenue	*14.9%*	*15.9%*	*15.6%*	*0.6 p.p.*	*-0.3 p.p.*
Consolidated					
Selling Expenses	16.6	20.4	24.2	45.6%	18.5%
% Net Revenue	*15.8%*	*16.2%*	*17.2%*	*1.5 p.p.*	*1.1 p.p.*

General and Administrative Expenses

General and Administrative Expenses, which comprise administrative, finance, HR, accounting and tax teams, as well as third-party services related to these areas, and asset depreciation and amortization of IFRS 16 and PPA, totaled R$25.2 million in 4Q20, compared to R$15.0 million in 4Q19, a 68.5% increase.

The increase was mainly due to the factors described below, which totaled R$11.2 million:

(i) Companies acquisition expenses in the amount of R$5.6 million;
(ii) Increase in the non-cash fair value provisions for the Company's granted stock options, which were increased prior to the IPO, in order to retain its key executives for the next 4 years, resulting in provisioned amounts that were R$4.0 million higher than in 4Q19;
(iii) New corporate divisions created after the IPO (such as the Investor Relations, Internal Controls and Internal Audit departments and control and governance bodies), in the amount of R$1.0 million;
(iv) Inorganic effect related to the acquired companies (Etus, Ideris and Melhor Envio), in the amount of R$0.6 million.

// Gross Profit

(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Commerce	29.9	14.3	109.3%	95.7	52.8	81.3%
Margin (%)	*64.3%*	*64.0%*	*0.3 p.p.*	*67.3%*	*65.9%*	*1.4 p.p.*
BeOnline / SaaS	30.6	31.2	-1.9%	109.6	108.5	1.0%
Margin (%)	*32.7%*	*37.6%*	*-5.0 p.p.*	*31.7%*	*35.5%*	*-3.8 p.p.*
Gross Profit	**60.5**	**45.5**	**33.0%**	**205.3**	**161.3**	**27.3%**
Gross Margin (%)	*43.2%*	*43.2%*	*-0.1 p.p.*	*42.1%*	*41.8%*	*0.2 p.p.*

The BeOnline/SaaS segment was impacted by the currency depreciation in 2020, with a R$2.2 million impact in the quarter related to currency depreciation on payments for software licenses priced in dollars.

Consolidated Gross Profit increased by 33.0% in 4Q20 versus 4Q19, reaching R$60.5 million. In 2020, Gross Profit increased by 27.3%, reaching R$205.3 million.

In 4Q20, Gross Margin was stable compared to 4Q19, at 43.2%.

EBITDA and Adjusted EBITDA
(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Net Income (Loss)	**9.0**	**6.9**	**29.1%**	**19.7**	**18.1**	**9.2%**
(+) Net Financial Income	5.3	7.4	-28.6%	14.5	28.7	-49.5%
(+) Current Income Tax and Social Contribution	(3.0)	0.0	-21314.3%	10.0	6.2	60.6%
(+) Depreciation and Amortization	15.0	15.2	-1.5%	56.6	53.9	5.0%
EBITDA	**26.2**	**29.5**	**-11.2%**	**100.8**	**106.9**	**-5.7%**
(+) Stock Options Plan	4.4	0.4	n/a	15.5	2.1	636.1%
(+) M&A Expenses	5.7	0.1	6169.6%	6.6	1.0	551.7%
(+) Non-recurring Bonus Expenses	0.0	0.1	-100.0%	0.0	0.8	-100.0%
(+) IPO Expenses	0.0	0.0	n/a	6.4	0.0	n/a
Adjusted EBITDA	**36.4**	**30.2**	**20.6%**	**129.4**	**110.9**	**16.7%**
Adjusted EBITDA Margin (%)	*26.0%*	*28.7%*	*-2.7 p.p.*	*26.5%*	*28.7%*	*-2.2 p.p.*

As presented in the figures above, Locaweb's adjusted EBITDA was R$36.4 million in 4Q20, up 20.6% over 4Q19, with adjusted EBITDA margin down 2.7 p.p. in the same period, mainly due to the consolidation of results of the acquired companies, which had EBITDA margins lower than that presented by the group.

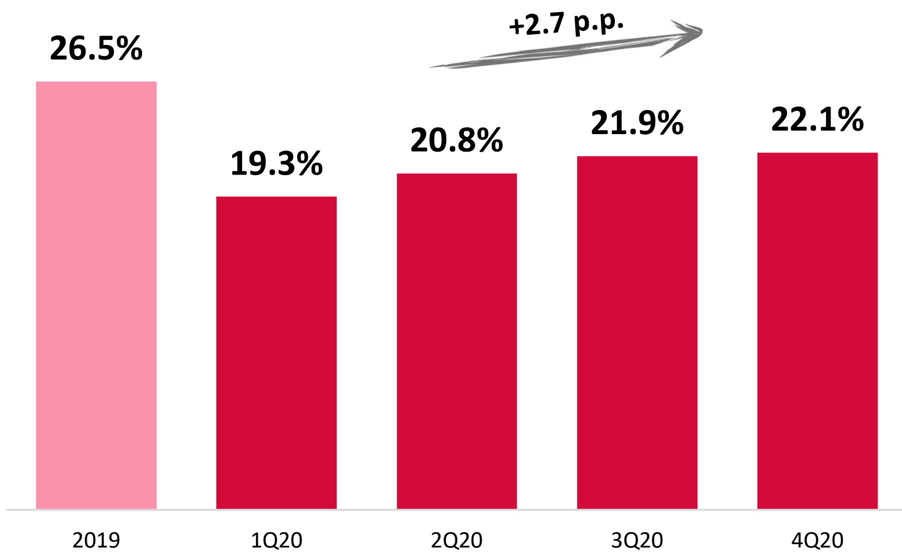
EBITDA and Adjusted EBITDA by segment
(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Commerce						
EBITDA	15.7	7.7	105.4%	56.6	30.0	88.8%
EBITDA Margin (%)	*33.8%*	*34.3%*	*-0.5 p.p.*	*39.8%*	*37.4%*	*2.4 p.p.*
BeOnline / SaaS						
Adjusted EBITDA	20.7	22.5	-8.2%	72.8	80.9	-10.0%
Adjusted EBITDA Margin (%)	*22.1%*	*27.2%*	*-5.1 p.p.*	*21.1%*	*26.5%*	*-5.4 p.p.*
Consolidated						
Adjusted EBITDA	**36.4**	**30.2**	**20.6%**	**129.4**	**110.9**	**16.7%**
Adjusted EBITDA Margin (%)	*26.0%*	*28.7%*	*-2.7 p.p.*	*26.5%*	*28.7%*	*-2.2 p.p.*

The EBITDA of the Commerce segment increased by 105.4% in 4Q20, reaching R$15.7 million, and EBITDA margin dropped by 0.5 p.p., reaching 33.8% in the quarter, mainly due to the consolidation of results of Melhor Envio and Ideris into the results of the segment.

The Commerce segment's share in the Company's consolidated adjusted EBITDA went up from 25.4% in 4Q19 to 43.2% in 4Q20.

Due to the impacts already mentioned, adjusted EBITDA of the BeOnline/SaaS segment reduced by 8.2% in 4Q20, and EBITDA margin of the segment shrank 5.1 p.p. compared to 4Q19. It is important to highlight that, since 1Q20, adjusted EBITDA margin of the segment has been gradually improving, moving up from 19.3% in 1Q20 to 22.1% in 4Q20, as shown in the chart below:



Financial Result
(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Financial expenses	(2.0)	(4.1)	-51.0%	(54.2)	(35.4)	52.9%
Financial revenues	(3.3)	(3.3)	0.9%	39.7	6.8	487.5%
Net financial income (expenses)	**(5.3)**	**(7.4)**	**28.6%**	**(14.5)**	**(28.7)**	**49.5%**

The net financial result in 4Q20 totaled a net expense of R$5.3 million, up by 28.6% over 4Q19. In 2020, the net financial result came in as a net expense of R$14.5 million, corresponding to a 49.5% improvement over 2019. It is worth noting that part of the improvement in the net financial result was due to the increase in the group's financial income, as a result of the higher cash balance.

Since the instruments used to raise the Company's debt (BACEN Circulars 3844 and 4131) are issued in dollars, with a 100% swap of the amount in Brazilian reais, the strong exchange rate depreciation of the real against the dollar in 4Q20 resulted in a negative impact on financial expenses (interest), which was offset by the financial income from the foreign exchange swap.

Income Tax and Social Contribution

(R$ million)

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

In 2020, actual income tax and social contribution totaled R$10.0 million, with an effective tax rate of 33.6%. The reduction in the effective income tax and social contribution rate in relation to its nominal value of 34% was due to the tax benefit related to (i) the payment of IoE; and (ii) Law 11.196/05 (*Lei do Bem*), which encourages companies to dedicate themselves to research, development and technological innovation.

It is important to point out that provision expenses arising from stock option plans had a negative impact of R$5.3 million in 2020 on the effective accounting rate. To illustrate, excluding the impacts of the stock option plans, the effective tax rate would be 22%.

Net Income and Adjusted Net Income

(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Net income	**9.0**	**6.9**	**29.1%**	**19.7**	**18.1**	**9.2%**
(+) Stock option plan	4.4	0.4	938.6%	15.5	2.1	636.1%
(+) Intangible amortization	2.8	2.9	-1.6%	6.3	3.7	70.1%
(+) Deferred income tax and social contribution	(3.9)	(0.5)	664.3%	(4.8)	0.2	-2775.7%
(+) CPC 06 adjustment	1.0	0.6	78.2%	2.0	2.4	-15.7%
(+) MtM	(0.6)	0.0	-1325.6%	(1.4)	1.7	-180.6%
(+) IPO Expenses	0.0	0.0	n/a	4.3	0.0	n/a
Adjusted net income	**12.8**	**10.4**	**23.1%**	**41.6**	**28.2**	**47.7%**
Adjusted net income margin (%)	*9.1%*	*9.9%*	*-0.8 p.p.*	*8.5%*	*7.3%*	*1.2 p.p.*

Based on the above-mentioned figures, Locaweb's adjusted net income reached R$12.8 million in 4Q20, up by 23.1% over 4Q19, with a net margin of 9.1%.

In 2020, adjusted net income increased by 47.7% over 2019.

Indebtedness / Cash Balance

(R$ million)

locaweb	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19
(+) Loan and financing	84.6	98.4	123.7	126.4	116.5	126.9
(-) Derivatives Result (FX swap) [1]	(19.4)	(27.3)	(32.1)	(29.1)	(4.9)	(8.6)
Bank Gross Debt	**65.2**	**71.1**	**91.6**	**97.3**	**111.6**	**118.2**
(-) Cash and cash equivalents [2]	(409.4)	(520.4)	(535.7)	(530.7)	(35.3)	(35.8)
Net debt (cash) (ex lease liability)	**(344.2)**	**(449.3)**	**(444.1)**	**(433.4)**	**76.3**	**82.4**
(+) Lease liability [3]	69.5	71.1	72.6	69.0	70.2	71.5
Net debt (cash)	**(274.7)**	**(378.2)**	**(371.5)**	**(364.4)**	**146.5**	**153.9**

[1] Balance of Derivative Financial Instruments in the Balance Sheet.
[2] Considers restricted short- and long-term cash used as guarantee in financial funding.
[3] Interest on lease liabilities refers to the adoption of CPC 06(R2)/IFRS 16 as of January 1, 2019.

With the proceeds obtained in February from the IPO (R$544.7 million, net of transaction costs), and the outflows resulting from the payment of part of the price of the acquisitions of companies in the period, the Company had a net cash balance of R$274.7 million in 4Q20. Excluding the effects from the adoption of IFRS 16, the net cash balance was R$344.2 million.

It is worth noting that the Company has no foreign exchange exposure on its debt, as the instruments used for funding (BACEN Circulars 3844 and 4131) are issued in dollars, with a 100% swap of the amount in reais. All the Company's financial derivatives have the purpose to hedge the Company's debts.

Cash Flow

(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Income (loss) before income taxes	**6.0**	**7.0**	**-13.9%**	**29.7**	**24.3**	**22.4%**
Items that do not affect cash	20.2	22.4	-10.1%	85.8	74.1	15.7%
Variations in working capital	(14.5)	(9.2)	-57.2%	(47.3)	(15.6)	203.4%
Net cash provided by operating activities (A)	**11.7**	**20.2**	**-42.1%**	**68.2**	**82.8**	**-17.6%**
Capex for permanent assets	(8.9)	(2.6)	235.8%	(31.4)	(34.6)	-9.3%
Capex for development	(5.4)	(3.1)	73.7%	(19.0)	(13.1)	45.6%
Free Cash Flow - After Capex	**(2.7)**	**14.4**	**-118.5%**	**17.8**	**35.2**	**-49.3%**
Acquisition	(88.0)	(1.0)	8696.2%	(116.3)	(27.1)	329.8%
Net cash provided by investment activities (B)	**(102.3)**	**(6.8)**	**1408.8%**	**(166.7)**	**(74.7)**	**123.1%**
Subscription of capital stock	7.3	0.0	n/a	554.1	0.1	n/a
Loan and financing	(6.0)	(7.8)	-23.7%	(48.9)	18.7	-361.4%
Commercial lease	(2.9)	(2.6)	11.7%	(11.2)	(10.1)	10.1%
Dividends and interest on equity	(16.0)	(2.4)	567.2%	(16.0)	(8.5)	87.6%
Others	(0.0)	(0.1)	-61.8%	(0.2)	(0.8)	-74.3%
Net cash provided by financing activities (C)	**(17.6)**	**(12.9)**	**36.4%**	**477.8**	**(0.6)**	**-78498.4%**
Net increase (decrease) in cash and cash equivalents (A + B + C)	**(108.3)**	**0.4**	**-24333.9%**	**379.4**	**7.5**	**4962.9%**

Net cash from operating activities totaled R$11.7 million in 4Q20 versus R$20.2 million in 4Q19. This decrease in operating cash in 4Q20 is related to the obligations of the acquired companies that were settled, as previously established in the purchase and sale agreement, after the acquisition.

The cash expense related to the acquisition, in the amount of R$88.0 million, refers to the acquisitions of Melhor Envio and Ideris at the end of December 2020.

Cash Generation (Adjusted EBITDA – Capex)

(R$ million)

locaweb	4Q20	4Q19	vs 4Q19	2020	2019	vs 2019
Adjusted EBITDA	36.4	30.2	20.6%	129.4	110.9	16.7%
Capex	14.3	5.8	148.0%	50.4	47.7	5.8%
Cash Generation (R$ M)	**22.1**	**24.4**	**-9.6%**	**79.0**	**63.2**	**25.0%**
Cash conversion (%)	60.6%	80.8%	-20 p.p.	61.0%	57.0%	4 p.p.

The Company's operating cash generation (measured by adjusted EBITDA less Capex) fell by 9.6% year on year in 4Q20.

It is worth noting that Capex for Fixed Assets in 2019, was concentrated in the first quarter, representing approximately 70% of the amount spent in that year. For this reason, Capex increased above 148% year on year in 4Q20. It is important to mention that the Capex distribution in 2020 was more linear.

In 2020, cash generation increased by 25.0% over 2019.

It should be noted that the growth in segments that do not require high investments in Capex (SaaS and Commerce) will contribute to the Company's operational leverage.

Locaweb Serviços de Internet S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of *Reais*)

		Company		Consolidated	
Assets	**Note**	**2020**	**2019**	**2020**	**2019**
Current					
Cash and cash equivalents	5.1	**358,700**	16,076	**404,628**	25,275
Restricted cash	5.2	**1,601**	2,659	**1,601**	2,659
Accounts receivable	6.1	**18,578**	21,304	**358,578**	125,285
Taxes recoverable	7	**5,794**	2,991	**9,412**	8,080
Derivatives	25	**19,367**	4,932	**19,367**	4,932
Other assets		**9,145**	8,386	**13,909**	9,989
Total current assets		**413,185**	56,348	**807,495**	176,220
Non-current					
Restricted cash	5.2	**3,202**	7,354	**3,202**	7,354
Judicial deposits	16	**434**	709	**538**	765
Other assets		**772**	908	**1,160**	1,323
Related parties	9	**789**	1,507	**-**	-
Deferred income taxes	23	**20,193**	2,677	**20,713**	3,654
Investments	10	**320,781**	124,853	**-**	-
Property and equipment	11	**60,063**	64,894	**76,263**	74,570
Right-of-use asset	12.2	**62,770**	64,879	**65,104**	67,808
Intangible assets	12.1	**60,348**	57,505	**477,889**	182,319
Total non-current assets		**529,352**	325,286	**644,869**	337,793
Total assets		**942,537**	381,634	**1,452,364**	514,013

Locaweb Serviços de Internet S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of *Reais*)

		Company		Consolidated	
Liabilities	**Note**	**2020**	**2019**	**2020**	**2019**
Current					
Suppliers		**11,208**	7,025	**20,540**	12,833
Loans and financing	14.1	**55,660**	48,620	**56,876**	48,679
Lease liabilities	14.2	**5,100**	4,421	**5,811**	5,416
Salaries and related charges	15	**22,441**	19,780	**35,970**	28,766
Other taxes payable		**2,684**	2,614	**5,821**	4,021
Deferred revenue	6.2	**35,031**	31,298	**43,588**	37,116
Payables to clients	6.3	**-**	-	**271,665**	82,160
Interest on shareholders' equity and dividends payable		**19**	8	**19**	8
Taxes payables in installments	13	**-**	-	**2,847**	2,808
Accounts payable to former shareholders	10.2	**3,442**	14,697	**3,442**	14,697
Other liabilities		**1**	-	**4,053**	1,438
Total current liabilities		**135,586**	128,463	**450,632**	237,942
Loans and financing	14	**27,515**	67,732	**27,682**	67,834
Provision for legal proceedings	16	**592**	938	**1,116**	1,006
Accounts payable to former shareholders	10.2	**39,153**	30,138	**211,610**	30,138
Related parties	9	**31**	-	**-**	-
Lease liabilities	14.2	**61,896**	62,720	**63,734**	64,802
Provision for loss on investment	10	**2,198**	2,133	**-**	-
Taxes payables in installments	13	**-**	-	**19,571**	21,860
Other liabilities		**1,593**	1,177	**4,046**	2,098
Total non-current liabilities		**132,978**	164,838	**327,759**	187,738
Equity					
Capital stock	17	**643,651**	53,629	**643,651**	53,629
Capital reserves	17	**10,148**	18,270	**10,148**	18,270
Earnings reserves	17	**20,174**	16,434	**20,174**	16,434
Total Equity		**673,973**	88,333	**673,973**	88,333
Total liabilities and shareholders' equity		**942,537**	381,634	**1,452,364**	514,013

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

Locaweb Serviços de Internet S.A.

Statements of operations
Years ended December 31, 2020 and 2019
(In thousands of Reais)

		Company		Consolidated	
	Note	2020	2019	2020	2019
Net revenue	20	**275,027**	**263,655**	**488,210**	**385,717**
Cost of services	21	(186,379)	(166,989)	(282,885)	**(224,396)**
Gross profit		**88,648**	**96,666**	**205,325**	**161,321**
Operating revenues (expenses)					
Selling expenses	21	(47,762)	(47,738)	(82,155)	(70,234)
General and administrative expenses	21	(47,080)	(28,963)	(79,893)	(44,356)
Equity results	10	25,791	14,258	-	-
Other operating revenues (expenses)	21	744	4,607	909	6,212
		(68,307)	**(57,836)**	**(161,139)**	**(108,378)**
Income before financial result and income taxes		**20,341**	**38,830**	**44,186**	**52,943**
Financial income	22	38,964	6,384	39,704	6,758
Financial expenses	22	(44,865)	(27,115)	(54,181)	(35,424)
		(5,901)	**(20,731)**	**(14,477)**	**(28,666)**
Income before income taxes		**14,440**	**18,099**	**29,709**	**24,277**
Current income taxes	23	-	-	(14,812)	(6,025)
Deferred income taxes	23	5,300	(28)	4,843	(181)
		5,300	**(28)**	**(9,969)**	**(6,206)**
Net income		**19,740**	**18,071**	**19,740**	**18,071**
Attributable to:					
Controlling shareholders		**19,740**	**18,071**	**19,740**	**18,071**
Earnings per share (restated) (expressed in R$ per share)					
Basic earnings per share	19			0.04	0.05
Diluted earnings per share	19			0.04	0.05

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

Locaweb Serviços de Internet S.A.

Statements of comprehensive income
Years ended December 31, 2020 and 2019
(In thousands of *Reais*)

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income for the year	19,740	18,071	19,740	18,071
Other comprehensive income	-	-	-	-
Comprehensive income for the year	**19,740**	**18,071**	**19,740**	**18,071**

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

Locaweb Serviços de Internet S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2020 and 2019
(In thousands of *Reais*)

	Capital stock		Capital reserves					Revenue reserves			
	Paid-in capital stock	Capital stock to be paid in	Share issuance costs	Treasury shares	Goodwill on capital transaction	Share based payments reserve	Goodwill on share issue	Legal reserve	Retained earnings reserve	Accumulated losses (Retained earnings)	Total equity
Balances as of January 1, 2019	53,521	-	(3,645)	(909)	(22,344)	30,201	-	486	3,777	-	61,087
Net income for the year	-	-	-	-	-	-	-	-	-	18,071	18,071
Capital increase	108	-	-	-	-	-	-	-	-	-	108
Stock option plan	-	-	-	-	-	2,112	-	-	-	-	2,112
Acquisition of subsidiaries	-	-	-	900	-	-	11,955	-	-	-	12,855
Allocation of profit:											-
Legal reserve	-	-	-	-	-	-	-	904	-	(904)	-
Interest on equity distributed	-	-	-	-	-	-	-	-	-	(3,500)	(3,500)
Dividends distributed	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Retained earnings reserve	-	-	-	-	-	-	-	-	11,267	(11,267)	-
Balances as of 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	**582,548**	**7,474**	-	-	-	-	-	-	-	-	**590,022**
Stock option plan	-	-	-	**2**	**2**	-	**15,547**	-	**41**	-	**15,590**
Initial public offering cost	-	-	**(23,712)**	-	-		-	-	-	-	**(23,712)**
Allocation of profit:											
Legal reserve	-	-	-	-	-	-	-	**987**	-	**(987)**	-
Interest on equity distributed	-	-	-	-	-	-	-	-	-	**(16,000)**	**(16,000)**
Retained earnings reserve	-	-	-	-	-	-	-	-	**2,753**	**(2,753)**	-
Balances as of December 31, 2020	**636,177**	**7,474**	**(27,357)**	**(7)**	**(7)**	**(22,344)**	**47,860**	**2,377**	**17,797**	-	**673,973**

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

Locaweb Serviços de Internet S.A.

Statements of cash flows
Years ended December 31, 2020 and 2019
(In thousands of *Reais*)

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash flow from operating activities				
Income before income taxes	**14,440**	**18,099**	**29,709**	**24,277**
Adjustments to reconcile income (loss) before income taxes to net cash flow from operating activities:				
Depreciation and amortization	43,905	48,460	56,594	53,910
Equity results	(25,791)	(14,258)	-	-
Interest, derivatives and foreign exchange and monetary variations	15,321	16,468	16,781	17,648
Mark-to-market of derivatives	(1,385)	1,718	(1,385)	1,718
Stock options plan	15,590	2,112	15,590	2,112
Provisions and other adjustments	(2,699)	(593)	(1,808)	(1,258)
Changes in assets and liabilities				
Accounts receivable	5,726	(3,288)	(198,108)	(62,810)
Taxes recoverable	(2,649)	623	(986)	(380)
Other assets	(1,094)	(923)	(688)	(298)
Judicial deposits	275	358	227	797
Related parties, net	749	(914)	-	-
Suppliers	1,770	(407)	1,962	1,687
Salaries and related charges	2,661	(441)	6,223	1,303
Other taxes payable	774	20	969	(1,191)
Deferred revenue	2,733	959	(15,098)	1,876
Payables to clients	-	-	189,492	52,043
Other liabilities	428	(823)	(13,534)	(1,532)
Income taxes paid	(705)	(291)	(17,710)	(7,066)
Net cash from operating activities	**70,049**	**66,879**	**68,230**	**82,836**
Cash flow from investment activities				
Purchase of property and equipment	(22,315)	(30,431)	(31,395)	(34,612)
Accounts payable for acquisition of equity interest	(15,035)	-	(15,035)	(4,114)
Advance for future capital increase	(143,560)	(4,148)	-	-
Acquisition of a subsidiary, net of cash acquired	(16,700)	(24,715)	(101,275)	(22,946)
Acquisition and development of intangible assets	(9,752)	(7,111)	(19,019)	(13,061)
Net cash used in investment activities	**(207,362)**	**(66,405)**	**(166,724)**	**(74,733)**
Cash flow from financing activities				
Paying-in of capital	554,095	108	554,095	108
Payment of lease liabilities	(9,871)	(9,210)	(11,166)	(10,142)
Proceeds from loans and financing	-	78,300	-	78,300
Restricted cash	5,426	(1,360)	5,426	(1,360)
Repayment of Loans and financing	(45,491)	(46,020)	(45,967)	(48,880)
Interest and foreign exchange variations paid and received	(20,069)	(12,231)	(20,388)	(12,269)
Derivatives paid and received	12,040	2,914	12,040	2,914
Bank guarantees paid	(193)	(751)	(193)	(751)
Dividends and Interest on equity paid	(16,000)	(8,529)	(16,000)	(8,529)
Net cash from (used in) financing activities	**479,937**	**3,221**	**477,847**	**(610)**
Net increase (decrease) in cash and cash equivalents	**342,624**	**3,695**	**379,353**	**7,493**
Cash and cash equivalents at beginning of period	16,076	12,381	25,275	17,782
Cash and cash equivalents at end of period	358,700	16,076	404,628	25,275
Net increase (decrease) in cash and cash equivalents	**342,624**	**3,695**	**379,353**	**7,493**

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

Locaweb Serviços de Internet S.A.

Statement of Added Value
Years ended December 31, 2020 and 2019
(in thousands of *Reais*)

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenues	**304,736**	**300,851**	**543,115**	**438,907**
Revenues from services	326,140	314,426	565,899	451,686
Discounts and rebates	(25,178)	(18,474)	(26,291)	(18,917)
Other operating revenues	3,774	4,900	3,507	6,137
Inputs purchased from third parties (inclusive of ICMS, PIS and COFINS)	**(114,473)**	**(91,486)**	**(203,096)**	**(137,657)**
Cost of services	(76,120)	(57,758)	(126,684)	(82,699)
Materials, energy, third-party services and other items	(38,353)	(33,728)	(76,412)	(54,959)
Gross added value	**190,263**	**209,365**	**340,019**	**301,250**
Retentions	**(43,905)**	**(48,460)**	**(56,594)**	**(53,910)**
Depreciation and amortization	(43,905)	(48,460)	(56,594)	(53,910)
Net added value produced	**146,358**	**160,905**	**283,425**	**247,340**
Added value received on transfer	**63,519**	**20,642**	**38,563**	**6,917**
Equity pick-up	25,791	14,258	-	-
Financial revenues	37,728	6,384	38,563	6,917
Total added value distributable	**209,877**	**181,547**	**321,988**	**254,256**
Distribution of added value	**209,877**	**181,547**	**321,988**	**254,256**
Staff and charges	**94,572**	**76,316**	**150,851**	**115,067**
Direct compensation	79,882	59,525	126,243	89,838
Benefits	8,883	10,260	15,253	15,935
FGTS	5,807	6,532	9,355	9,294
Taxes, fees and contributions	**37,593**	**45,661**	**83,388**	**70,889**
Federal	27,308	35,787	66,770	57,306
State	-	-	214	238
Municipal	10,285	9,875	16,404	13,345
Interest and rents	**57,972**	**41,499**	**68,009**	**50,229**
Remuneration of equity	**19,740**	**18,071**	**19,740**	**18,071**
Interest on equity distributed	16,000	3,500	16,000	3,500
Dividends distributed	-	2,400	-	2,400
Retained Earnings	3,740	12,171	3,740	12,171

1. Operational context

Locaweb Serviços de Internet S.A. Locaweb Serviços de Internet S.A. Locaweb Serviços de Internet S.A. (hereinafter referred to as "Company" or "Locaweb"), which has its head office at Rua Itapaiúna, 2,434 - São Paulo/SP, began operating 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 are offered to its customers via the brands: Locaweb, Locaweb Corp, Allin, Cluster2Go, Kinghost, Delivery Direto and Etus; and (ii) Commerce, which is offered to its customers by means of the Tray, Tray Corp, Yapay, Melhor Envio, and Ideris brands. These business areas complement each other well, generating great operational synergy for us and our customers, and together form an ecosystem that enables a high level of cross-selling and up-selling within our broad and diversified customer base of roughly 350,5 thousand active customers from a very wide range of sectors in the economy, with a heavier concentration among small and medium-sized companies.

Public offering of shares

The Company held on February 5, 2020 a public offering for primary and secondary distribution of seventy-six million eight hundred nineteen thousand nine hundred ninety-nine (76,819,999) registered, book-entry common shares with no par value, all free and clear of any liens and encumbrances ("Shares"), of which:

i. thirty-three million three hundred thirty-three thousand three hundred thirty-three (33,333,333) are new Shares issued by the Company ("Primary Offering");

ii. forty-three million four hundred eighty-six thousand six hundred sixty-six (43,486,666) are Shares issued by the Company and held by the Selling Shareholders considering the placement of additional shares and full placement of Overallotment Shares ("Secondary Offering" and, jointly with the "Primary Offering," the "Offering"), at a price of R$17,25 per Share ("Price per Share"), making up a total amount of R$1,325,145.

By December 31, 2020, the Company had incurred R$45,692 in expenses in connection with the Offering. These expenses are recorded in the financial statements as follows: (a) R$35,927 as "share issue expenses" (R$23,712 net of taxes), in shareholders' equity; (b) R$5,071 received in cash, as it was reimbursed by the Selling Shareholders; and (c) R$4,694 in general and administrative expenses in the statement of income for the period.

2. Basis of preparation and presentation of financial statements

2.1. Declaration of compliance

The significant accounting practices adopted by the Company are described in the specific notes related to the items presented; those which are generally applicable to different aspects of the financial statements are presented in this section.

Accounting practices for transactions regarded as immaterial are not included in the financial statements.

It should also be stressed that the accounting practices were uniformly applied in the current year, are consistent with the previous years presented and are common to both the parent company and its subsidiaries, and, whenever necessary, the financial statements of the subsidiaries are adjusted in order to satisfy this requirement.

Declaration of Compliance and Basis of Preparation

Material information is shown in the financial statements and is the same as that used by the administration in its management;

Individual and Consolidated Financial Statements

The individual financial statements of the Parent Company were drawn up in accordance with accounting practices adopted in Brazil, which include the provisions of the corporate legislation, as set forth in Law No, 6,404/76, as amended; the rules and regulations issued by the Brazilian Securities Commission (“CVM”); and the accounting pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (“CPC”), approved by the Federal Accounting Council and by the CVM, and which are in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The individual and consolidated statements have been drawn up based on historical cost, except for certain financial instruments which are measured at fair value.

The financial statements for the year ended December 31, 2020 were approved by the Board of Directors on March 23, 2021.

2.2. Restatement of financial statements

On January 26, 2021, at a special shareholders’ meeting, the Company’s shareholders approved, among other matters, a split of common shares issued by the Company at the ratio of 1 (one) common share to 4 (four) common shares, without any change in the capital stock amount (“Share Split”), and an amendment to the Company’s bylaws to reflect the Share Split.

(In thousands of Reais, except as indicated otherwise)

Accordingly, the Company changed the following notes:

Statement of income - Earnings per share, net;
Note No, 17. A) Capital stock – Including information on the share split and changes in the numbers reported in such note;
Note No. 18. Share-based payment plan – Change in the number of options and strike price;
Note No. 19. Earnings per share – change in number of shares and earnings per share.

3. Basis of consolidation of the financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The Company management, based on the bylaws and shareholders' agreements, controls the subsidiaries described below and, therefore, fully consolidates these subsidiaries.

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

The results of the subsidiaries acquired during the years ended December 31, 2020 and 2019 have been included in the income statements since the date of their acquisition.

The accounting years of the subsidiaries included in the consolidation coincide with those of the parent company and the accounting practices and policies were uniformly applied to the consolidated companies. All intercompany balances and transactions were eliminated upon consolidation. Transactions between the Parent Company and its subsidiaries are made under conditions and at prices established between the parties, subject to market conditions.

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

		Interest %	
Subsidiaries	**Stake**	**2020**	**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 (a)	100%	100%
Delivery Direto	Direct (a)	100%	100%
Locaweb E-Commerce	Direct	100%	-
Etus	Direct (b)	100%	-
Ideris	Indirect (b)	100%	-
Melhor Envio	Indirect (b)	100%	-

(a) Companies acquired during the year ended December 31, 2019.
(b) Companies acquired during the year ended December 31, 2020.

Locaweb Telecom Telecomunicações Ltda. ("Locaweb Telecom")

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

Yapay Payments OnLine Ltda. ("Yapay")

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

Fbits Desenvolvimento de Software S.A. ("Fbits")

On September 1, 2016, Tray Tecnologia acquired 100% percent of the shares issued by the company FBits Desenvolvimento de Software S.A. ("FBits"). Established in 1999, FBits is headquartered in the city of Curitiba, Paraná, and its principal business is to provide solutions based on the SaaS (Software as a Service) model for virtual stores. Among the main functionalities of the offered solution platform, we can highlight customized layout, B2C, B2B, marketplace module, smart search, responsive layout, e-mail, gateway and reporting.

Ananke Participações S.A. ("Cluster2GO")

On March 2, 2018, Locaweb acquired 100% of the shares of Ananke Participações S.A. ("Cluster2GO") and of 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"). Established in 2000, Cluster2GO is headquartered in the city of São Paulo, and its principal business is to provide data center solutions focused on high availability and managed services.

Among the main functionalities of the offered solution platform, we can highlight customized outsourcing for technical management in and out of the data center with proactive monitoring, backup, information security, management of network assets like firewall, routers and intensive level 1, 2 and 3 support. The acquisition strengthens Locaweb's presence in the multi-cloud service management market.

Lwk Hosting Participações Ltda. ("Kinghost")

Locaweb acquired on May 3, 2019 100% of the capital stock of LwK Hosting Participações Ltda. and its subsidiaries ("Kinghost"). Established in 2002 and headquartered in the city of Porto Alegre, it is engaged in the following main activity: provider of Internet and website hosting services for the public at large (retailer profile).

Among the main services provided, we can highlight website hosting, corporate e-mail solutions, domain name registration, etc. The Kinghost acquisition strengthens Locaweb's presence in the hosting providers market.

IT Capital Serviços de Tecnologia Ltda. ("Delivery Direto")

Locaweb acquired on September 9, 2019 100% of the capital stock of IT Capital Serviços de Tecnologia Ltda. ("Delivery Direto"). Established in 2009 and headquartered in the city of São Paulo, Delivery Direto's main activity consists of providing a technology platform and other services designed for bars and restaurants that make deliveries.

Delivery Direto provides an SaaS delivery and full management solution for restaurants that is already used by more than twelve hundred customers. The platform operates as an economic alternative to marketplace apps, providing total control of the relationship with customers. This acquisition marks Locaweb's entry into the market for deliveries to bars and restaurants, with possible expansion to other segments, such as drugstores, butcher shops and other establishments.

Etus Social Network Brasil Ltda. ("Etus")

Locaweb acquired on September 29, 2020 100% of the capital stock of Etus Social Network Brasil Ltda. ("Etus"). Established in 2015 and headquartered in the city of Ribeirão Preto, in the interior of the state of São Paulo, this company provides the most comprehensive, most solid digital management and marketing solution for social media networks, such as Facebook, Instagram, LinkedIn, Pinterest and Twitter, among others, and already has more than 100,000 brands being served.

Ideris Tecnologia da Informação Ltda. ("Ideris")

Locaweb acquired on December 10, 2020 100% of the capital stock of Ideris Tecnologia da Informação Ltda. ("Ideris"). Established in 2017 in Curitiba, it provides a comprehensive multichannel integration platform for retail operations, enabling retailers to operate on various channel in the direct integration module in marketplaces or through Store in Store.

Melhor Envio Ltda. ("Melhor Envio")

Locaweb acquired on December 14, 2020 100% of the capital stock of Melhor Envio Ltda. ("Melhor Envio"). Established in 2015 in the city of Pelotas, it provides a logistics platform that connects small and medium-sized sellers to Brazil's major carriers and logistics companies.

4. Significant accounting policies

Significant accounting policies adopted by the Company are described in the accompanying notes. These accounting policies have been consistently applied in all the years shown, unless stated to the contrary. Accounting policies for immaterial transactions are not included in the financial statements.

4.1. New or revised pronouncements in 2020

There are no new standard or interpretation issued and not yet adopted that can, in Management's opinion, have a material impact on the income or shareholders' equity reported by the Company.

4.2. Significant judgments, estimates and assumptions

Accounting estimates and judgments are continuously assessed and are based on historical experience and other factors, including expectations about future events deemed reasonable under the circumstances. Based on assumptions, the Company and its subsidiaries make estimates about the future. By definition, the resulting accounting estimates are rarely equal to the actual corresponding results. Estimates and assumptions posing a significant risk, with the likelihood of causing a material adjustment of the carrying amounts of assets and liabilities for the following fiscal year, are detailed below:

a) Impairment test

Management annually reviews the net carrying amount of assets with a view to assessing any events or changes in economic, operating or technological circumstances as may point to impairment. Upon any such evidence being identified and the net carrying amount exceeding the recoverable amount, an impairment loss is estimated, and the net carrying amount is adjusted to the recoverable amount.

In estimating the value in use of an asset, estimated future cash flows are discounted to present value using a discount rate before taxes that reflects the weighted average cost of capital to the industry of the cash generating unit.

The fair value less costs of disposal is determined, whenever possible, based on sale contracts concluded on an arm's length basis between well-informed and interested parties, adjusted by expenses attributable to selling the asset or, where no confirmed sales contract exists, based on the market price in an active market or the price of the latest transaction involving similar assets.

i) Impairment testing of property and equipment and intangible assets with a definite useful life

Property and equipment and intangible assets with a definite useful life are tested whenever impairmentindications are identified.

ii) Impairment testing of goodwill based on expected future profitability

The impairment test of goodwill is performed annually (on December 31) or whenever impairment indications are identified.

iii) Impairment test of intangible assets with indefinite useful life

Intangible assets with an indefinite useful life are tested for impairment annually (on December 31) or whenever impairment indications are identified. The test is performed either individually or at the cash generating unit level, as appropriate.

b) Provision for legal proceedings

The Company and its subsidiaries are parties to several legal and administrative proceedings related to tax, labor and civil matters, and provisions for legal proceedings are recorded for all cases in which a loss is probable. Such probability analysis is conducted by the Company with the assistance of outside legal counsel and duly corroborated by its Legal department. The impairment likelihood assessment includes a review of the available evidence, the hierarchy of laws, the existing case law, the latest court rulings and their legal significance, past experience and the amounts involved.

c) Share-based payment transactions

The Company measures the cost of transactions with employees settled with shares based on the fair value of such instruments on the grant date. Estimating the fair value of share-based payments requires determining the best-suited assessment model for the shares granted, which depends on the award terms and conditions. This also requires determining certain variables, such as the expected life of the option, the volatility of such shares and dividends yield, among others.

d) Fair value of financial instruments

Where the fair value of financial assets and liabilities reflected in the balance sheets cannot be obtained from active markets, it is determined using valuation techniques. The data required for such techniques is based on market practice, where possible. Such judgment includes considerations about the data being used, such as liquidity risk, credit risk and volatility. Changes in assumptions concerning such factors could affect the fair value of the financial instruments.

e) Fair value measurement of contingent consideration

A contingent consideration from a business combination is measured at fair value on the date of acquisition as part of the business combination. Contingent consideration recognized as an asset or liability consisting of a financial instrument in the context of CPC 38 - Financial Instruments:

- Recognition and Measurement is measured at fair value, with changes in fair value recognized in accordance with CPC 38. If the contingent consideration is classified as a derivative and, therefore, a financial liability, then it must be subsequently re-measured at fair value on the balance sheet date. Fair value is based on discounted cash flow. Key assumptions consider thelikelihood of each assumption being achieved and the discount factor.

f) Taxes

Deferred tax assets are recognized for all tax losses carryforward not utilized to the extent that taxable profit is available to allow such losses to be utilized. Significant judgment is required by Management to determine the amount of deferred tax assets that can be recognized based on the probable timing and level of future taxable profits, together with future tax planning strategies.

(In thousands of Reais, except as indicated otherwise)

The Company has a tax loss balance amounting to R$65,719 and a negative tax basis amounting to R$64,798 (R$16,234 in tax loss and R$15,519 in negative tax basis as of December 31, 2019,.Its subsidiary has a tax loss balance amounting to R$62,435 and a negative tax basis amounting to R$62,726 (R$12,829 in tax loss and R$12,846 in negative tax basis as of December 31, 2019).

5. Cash and cash equivalents and restricted cash

5.1. Cash and cash equivalents

Accounting policy

The amounts held to meet short-term cash commitments, rather than for investment or any other purposes, are classified as cash and cash equivalents, which include cash, positive balances in bank accounts, and financial investments redeemable within a period of 90 days of the transaction dates and with an insignificant risk of change in value. The financial investments included in cash equivalents are mainly classified as "financial assets at fair value through profit or loss." Cash equivalents are highly liquid and promptly convertible in cash.

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash and banks	**554**	756	**11,898**	2,273
CDB (a)	**358,146**	14,226	**392,730**	21,907
LF (b)	**-**	1,094	**-**	1,095
	358,700	16,076	**404,628**	25,275

(a) As of December 31, 2020, financial investments in Bank Deposit Certificates (CDBs) were remunerated at a mean rate of 92,4% of the CDI (93,4% of the CDI for 2019), with daily liquidity and redeemable with the issuer itself, with no significant loss of value,

(b) As of December 31, 2020, there is no balance of investments in financial bills, The balance as of December 31, 2019 was remunerated at an average rate of 99% of the CDI,

5.2. Restricted cash

Accounting policy

Restricted cash refer to the guarantee for certain loans of the Company, which balance is released upon repayment of the respective loans and financing.

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
CDB	**4,803**	7,825	**4,803**	7,825
Financial Bills (LF) (b)	**-**	2,188	**-**	2,188
	4,803	10,013	**4,803**	10,013
Current	**1,601**	2,659	**1,601**	2,659
Non-current	**3,202**	7,354	**3,202**	7,354

(In thousands of Reais, except as indicated otherwise)

6. Accounts receivable, deferred revenue and payables to clients

6.1. Accounts receivable

Accounting policy

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

The Company estimates expected losses on doubtful accounts based on the simplified model, as permitted by CPC 48/IFRS 9, considering the aging of its accounts receivable and its expectation of future losses. The Company does not have a significant history of losses on accounts receivable and, as a result, has no provision for such losses.

The balance of accounts receivable is comprised by:

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Credit card operators	**4,320**	3,974	**319,736**	100,660
Other trade receivables	**15,283**	17,330	**40,891**	24,625
Total accounts receivable	**19,603**	21,304	**360,627**	125,285
Expected credit losses	**(1,025)**	-	**(2,049)**	-
Net accounts receivable	**18,578**	21,304	**358,578**	125,285

The aging of accounts receivable is as follows:

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Amounts to become due	**15,004**	17,467	**350,695**	119,833
Amounts overdue:				
Up to 30 days	**1,984**	1,712	**5,245**	2,383
31-180 days	**1,711**	1,490	**2,814**	2,184
Over 180 days	**904**	635	**1,873**	885
Total accounts receivable	**19,603**	21,304	**360,627**	125,285

The estimated losses on doubtful debts were set up based on a review of amounts overdue and at amounts deemed sufficient by Management to cover any losses on realization of accounts receivable. The balance of estimated losses for the period ended December 31, 2020 was R$2,049 (R$0 as of December 31, 2019).

Management believes the risk related to accounts receivable is minimized by the fact that the balance of the Company's end customers is highly pulverized. The Company has more than 300,000 active-end customers in its portfolio, and no customer accounts for more than 5% of its revenues as at December 31, 2020.

(In thousands of Reais, except as indicated otherwise)

6.2. Deferred revenue

Accounting policy

Deferred revenue is recorded in current liabilities because the respective services are provided within 12 months and is 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 statements of operations as services are provided and performance obligations under the agreements are met, according to the Company's accounting policy for revenues.

6.3. Payables to clients

Accounting policy

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

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.

7. Taxes recoverable

Accounting policy

Taxes recoverable include tax credits to offset with taxes payable in future year. The Company tests these amounts annually for impairment. For the year ended December 31, 2020, there was no need to derecognize any tax assets due to impairment.

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Income tax recoverable	**3,992**	2,089	**6,548**	5,899
Social contribution recoverable	**799**	786	**1,307**	1,534
PIS recoverable	**-**	-	**5**	1
COFINS recoverable	**-**	-	**23**	7
IRRF recoverable	**874**	113	**875**	113
Other taxes recoverable	**129**	3	**654**	526
Total	**5,794**	2,991	**9,412**	8,080

(In thousands of Reais, except as indicated otherwise)

8. Other assets

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Advances to suppliers	**555**	310	**3,430**	861
Advances to employees	**671**	254	**1,106**	526
Software license to be recognized	**6,925**	7,754	**8,219**	8,464
Other assets	**1,766**	976	**2,314**	1,461
	9,917	9,294	**15,069**	11,312
Current	**9,145**	8,386	**13,909**	9,989
Non-current	**772**	908	**1,160**	1,323

9. Related-parties

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

a) Transactions and balances

Main related-party transactions and balances are as follows:

	Company			
	Non-current assets		Current liabilities	
	2020	**2019**	**2020**	**2019**
Ananke Tecnologia	**-**	-	**24**	-
Cyberweb	**212**	913	**-**	-
Fbits	**-**	1	**-**	-
Locaweb Telecom	**577**	591	**-**	-
Ion Tecnologia	**-**	1	**1**	-
Tray Tecnologia	**-**	1	**6**	-
	789	1,507	**31**	**-**

	Company					
	Revenues		Costs		Expenses	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Superpay	**-**	79	**-**	-	**-**	-
Tray Tecnologia	**1,366**	315	**-**	-	**-**	-
Yapay	**10**	-	**-**	-	**(25)**	(485)
Locaweb Telecom	**-**	-	**(186)**	(176)	**(78)**	(74)
MG4	**-**	-	**(7,403)**	(6,907)	**(2,467)**	(2,303)
Ananke Tecnologia	**929**	929	**-**	-	**(58)**	-
Fbits	**1**	-	**-**		**-**	
Cyberweb	**62**	-	**-**		**-**	
Delivery Direto	**35**	-	**-**		**-**	
	2,403	1,323	**(7,589)**	(7,083)	**(2,628)**	(2,861)

(In thousands of Reais, except as indicated otherwise)

	Consolidated					
	Revenues		Costs		Expenses	
	2020	2019	2020	2019	2020	2019
MG4 (*)	-	-	(7,403)	(6,907)	(2,467)	(2,303)
WW Marques (*)	-	-	-	-	(510)	(475)
Tech and Soul	-	-	-	-	(1,555)	(1,006)
	-	**-**	**(7,403)**	(6,907)	**(4,532)**	(3,784)

(*) MG4 and WW Marques are owners of properties occupied by the Company and its subsidiaries, while Tech and Soul provides communication and advertising services, In all of these companies, the owners are related parties,

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.

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 the terms and characteristics of the expense-sharing arrangements.

The Company has a lease on its headquarters with MG4, a company whose shareholders are individual members of the Company's controlling group, for a monthly amount of approximately R$836, The total rent paid for 2020 was R$9,870 (R$9,210 as of December 31, 2019), in line with market prices, The lease agreement is for a term of 120 months, and the rent is adjusted by the IGP-M 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.

The subsidiaries Tray Tecnologia and Yapay have a lease on their headquarters with WW Marques, a company having a Company manager among its shareholders, for a monthly amount of approximately R$42. The total rent paid for 2020 was R$510 (R$475 for 2019), in line with market prices. The lease agreement is for a term of 60 months, and the rent is adjusted by the IGP-M every 12 months.

The agency Tech and Soul, which has a Company shareholder among its shareholders, is a provider of institutional communication and advertising services under an agreement signed on September 6, 2017, The total amount paid for 2020 was R$1,155 (R$1,006 for 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 said related party given the preemptive rights agreed upon on both the property and MG4.

During the fiscal years ending on December 31, 2020 and 2019, there was no need to make provisions for losses involving related-party transactions.

(In thousands of Reais, except as indicated otherwise)

b) Management compensation

Management compensation expenses for the fiscal years ending on December 31, 2020 and 2019 are shown below:

	2020	2019
Compensation	10,541	5,799
Benefits and related expenses	2,847	1,928
Share based compensation expenses	9,194	801
Total	**22,582**	**8,528**

10. Investments

Accounting policy

The Company's investments in its subsidiaries are recorded by the equity accounting method, in accordance with CPC 18/IAS 28, for the purposes of the individual financial statements.

On each balance sheet closing date, the Company determines whether there is any objective evidence that investments in subsidiaries have been impaired. If so, the Company calculates the impairment loss as the difference between the subsidiary's recoverable amount and carrying amount and recognizes the amount in the statement of operations.

a) Balances and changes

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

	Company	
	2020	2019
Investments in subsidiaries	320,781	124,853
Provision for loss on investments	(2,198)	(2,133)
Total investments, net	**318,583**	122,720
Reconciliation of investments		
Investments in subsidiaries and affiliates	205,779	35,695
Goodwill on investment acquisitions	112,804	87,025
Total investments, net	**318,583**	122,720

Variation of goodwill on investments made by the company are shown below:

(In thousands of Reais, except as indicated otherwise)

	Company		
Investee	Balance as of Dec 31, 2019	Equity Acquisition	Balance as of Dec 31, 2020
Cluster2Go	21,435	-	21,435
Kinghost	38,905	-	38,905
Delivery Direto	26,685	-	26,685
Etus	-	25,779	25,779
Total goodwill on investment acquisitions	**87,025**	**25,779**	**112,804**

We provide below the subsidiaries key financial information:

	Balances in 2020					
Name	% Interest	Assets	Liabilities	Shareholders' Equity	Net Revenue	Year income (loss)
Direct holdings						
Locaweb Telecom	**100%**	263	805	(542)	602	(365)
Yapay	**100%**	345,896	261,306	84,590	73,159	19,078
E-Commerce	**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
Locaweb E-Commerce	**100%**	264,016	175,503	88,513	-	(2,287)
Etus	**100%**	1,991	515	1,476	2,232	743
Indirect holdings						
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

	Balances in 2019					
Name	% Interest	Assets	Liabilities	Shareholders' Equity	Net Revenue	Year Income (loss)
Direct holdings						
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 holdings						
Fbits	**100%**	9,938	2,348	7,590	10,905	2,471

(In thousands of Reais, except as indicated otherwise)

Changes in investments in subsidiaries are shown below:

	Company					
Investee	**Balance as of Dec 31, 2019**	**Acquisition of Equity Interest**	**Advance/ capital increase**	**Equity accounting**	**Other/ PPA Amortization**	**Balance as of Dec 31, 2020**
Locaweb Telecom	(417)	-	240	(365)	-	(542)
Yapay	17,611	-	47,900	19,078	1	84,590
E-Commerce	19,564	-	-	13,950	1	33,515
Cluster2Go	(2,250)	-	3,400	(3,340)	(291)	(2,481)
Kinghost	1,532	-	950	2,934	(3,252)	2,164
Delivery Direto	(345)	-	270	334	(1,355)	(1,096)
Locaweb E-Commerce (a)	-		90,800	(2,287)	(2)	88,511
Etus	-	733	-	743	(358)	1,118
	35,695	**733**	**143,560**	**31,047**	**(5,256)**	**205,779**

(a) During the current year, the Company assigned R$90,800 to its subsidiary Locaweb Commerce for a future capital increase to be capitalized in up to one year,

10.1. Accounts payable to former shareholders

Accounting policy

Accounts payable to former shareholders are related to the balance payable for the acquisition of investees or subsidiaries.

The Company has calculated the present value adjustment for the accounts payable to former shareholders taking into consideration contractual cash flows and the explicit, and, in certain cases, implicit, interest rate of the relevant liabilities. Subsequently, such interest is recorded in financial expenses in statement of operations using the effective interest rate method relative to contractual cash flows.

The balance of accounts payable to former shareholders is comprised as follows:

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cluster2Go	**3,442**	14,697	**3,442**	14,697
Kinghost	**19,281**	18,128	**19,281**	18,128
Delivery Direto	**9,564**	12,010	**9,564**	12,010
Etus	**10,309**	-	**10,309**	-
Ideris	**-**	-	**37,285**	-
Melhor Envio	**-**	-	**135,171**	-
Total investment liabilities	**42,596**	44,835	**215,052**	44,835
Current	**3,442**	14,697	**3,442**	14,697
Non-current	**39,153**	30,138	**211,610**	30,138

10.2. Business combination

Accounting policy

Business combinations are recognized 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 acquired and liabilities assumed, including any cost incurred in connection with any contingent or deferred additional payment. Transaction costs are recognized in the statement of operations, as incurred.

The purchase price is allocated to the assets acquired and liabilities assumed and contingent liabilities based on their respective fair values, including any assets and liabilities not previously recognized in the acquired entity's balance sheets. Goodwill is generated when the acquisition cost is higher than the amount of identifiable net assets measured at fair value.

a) Kingshost acquisition

On May 3, 2019, Locaweb acquired 100% of the shares issued by LwK Hosting Participações Ltda. and its subsidiaries ("Kingshost"). Established in 2002, Kingshost is headquartered in the city of Porto Alegre, and its key activities are: Internet service provider and website hosting for the general public (retail profile).

Among the main services offered, we highlight: website hosting, corporate e-mail solutions and domain registration. The acquisition of Kinghost strengthens Locaweb's operations in the hosting provider market.

(In thousands of Reais, except as indicated otherwise)

We provide below the balances ascertained:

	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	1,619
Accounts receivable	1,481
Taxes recoverable	753
Other assets	1,259
Property and equipment	3,312
Intangible assets - other	380
Intangible assets - Customer portfolio	6,987
Intangible assets - Technology	8,629
Intangible assets - Trademark	7,553
	31,973
Liabilities	
Suppliers	(1,085)
Salaries and related charges	(2,723)
Taxes payable	(223)
Loans and financing	(2,470)
Deferred revenue	(4,825)
Tax payable in installments	(21,929)
Other accounts payable	(644)
	(33,899)
Total identifiable net, liabilities	**(1,926)**
Goodwill arising on acquisition	41,871
Total consideration	**39,945**
Cash flow on acquisition	
Cash paid, net of cash acquired	12,366
Acquisition cost	562
Cash paid on acquisition	**12,928**

Total consideration is shown below:

Paid in cash on the closing date	13,985
Paid with treasury shares (a)	8,600
Obligations with investment acquisition (b)	10,092
Obligations with investment acquisition (c)	7,268
Total consideration	**39,945**

(a) Delivery of 1,228,571 treasury shares of the Company, in the amount of R$602, The fair value of these shares was calculated based on an internal valuation prepared by the Company.

(b) Installment maturing on May 31, 2022, which may be deducted from the amount of losses subject to indemnity indemnifiable losses incurred until then, as provided for in the sale and purchase agreement. The amount of R$10,092 is net of adjustment to present value of R$1,722 (R$11,814 gross).

(c) Contingent Contingent consideration in connection with an additional payment based on certain performance indicators (earn-out), in the amount of R$9,009, the present value of which on the acquisition date was R$7,268, and which was recorded in accounts payable to former shareholders.

The gross carrying amount of accounts receivable at the acquisition date, considered by its fair value, is R$1,481 in short term and with no expectation of loss.
The measurement of intangible assets resulted in the allocation of fair value to determine the fair valueof the customer portfolio, technology and trademark. The "MEEM, Replacement Cost and Relief from Royalty" methods were used, respectively.

The goodwill at the acquisition date was R$41,871 and includes the amount of future economic benefits from synergies from the acquisition. The goodwill has been allocated to the Be Online & SaaS segment. The Company understands that goodwill will be deductible for tax purposes.

Acquisition cost of R$562 was recognized in the statement of income in general administrative expenses, and in operating activities in the statements of cash flows.

In 2019, from the date of its acquisition, Kinghost contributed with total net revenue of R$25,130 and net income of R$2,659, for the period ended December 31, 2019. If the acquisition had taken place atthe beginning of 2019, Kinghost would have contributed with net revenue of R$37,482 and net incomeof R$4,213 to the Company.

b) Delivery Direto Acquisition

On September 9, 2019, Locaweb acquired 100% of the shares of the company IT Capital Serviços de Tecnologia Ltda. ("Delivery Direto"). Established in 2009, Delivery Direto is headquartered in the city of São Paulo, and its key activity is the offering of a technological platform and other services for bars and restaurants with delivery services.

Delivery Direct provides SaaS delivery and full management solution for restaurants that is already used by more than 1,200 customers. The platform operates as an economic alternative to marketplace apps, providing total control of customer relationships.

Such acquisition marks Locaweb's entry into the market for delivery to bars and restaurants, with possible expansion to other segments, such as drugstores, butcher shops and other establishments.

(In thousands of Reais, except as indicated otherwise)

The balances calculated are shown below:

	fair value recognized on acquisition
Assets	
Cash and cash equivalents	1,150
Accounts receivable	76
Taxes recoverable	41
Other assets	80
Property and equipment	142
Intangible assets - other	10
Intangible assets - Technology	5,525
Intangible assets - Trademark	1,311
	8,335
Liabilities	
Suppliers	(12)
Salaries and related charges	(1,427)
Taxes payable	(70)
	(1,509)
Total identifiable net, liabilities	**6,826**
Goodwill arising on acquisition	19,849
Total consideration	**26,675**
Cash flow on acquisition	
Cash paid, net of cash acquired	9,580
Acquisition cost	13
Cash paid on acquisition	**9,593**

Total consideration is shown below:

Paid in cash on the closing date	10,730
Paid with treasury shares (a)	4,256
Obligations with investment acquisition (b)	11,689
Total consideration	**26,675**

Delivery of 607,993 treasury shares of the Company, in the amount of R$298, were delivered. The fair value of these shares was calculated based on an internal valuation prepared by the Company, which resulted in R$4,256.

(a) Contingent consideration related to an additional payment based on certain performance indicators (earn-out), in the amount of R$14,813, the present value of which on the acquisition date was R$11,689, and which was recorded as an obligation with investment acquisition.

The goodwill at the acquisition date was R$19,849 and includes the amount of future economic benefits from synergies from the acquisition. Goodwill was allocated to the Be Online & SaaS segment. The Company understands that goodwill will be deductible for tax purposes.

Expenses related to the acquisition in the amount of R$13 were recognized in the statement of income under administrative expenses, and in the statements of cash flows under operating activities.

(In thousands of Reais, except as indicated otherwise)

In 2019, from the date of its acquisition, Delivery Direto contributed with total net revenue of R$2,101 and net loss of R$84 for the period ended December 31, 2019. If the acquisition had taken place at the beginning of 2019, Delivery Direto would have contributed with net revenue of R$5,459 and loss of R$1,117 to the Company.

c) Etus Acquisition

On September 29, 2020, Locaweb acquired 100% of the capital stock of Etus Social Network Brasil Ltda. ("Etus"). Established in 2015 and headquartered in the city of Ribeirão Preto, in the interior of the state of São Paulo, this company provides the most comprehensive, most solid digital management and marketing solution for social media networks, such as Facebook, Instagram, LinkedIn, Pinterest and Twitter, among others, and already has more than 100,000 brands being served.

The recognition of net assets acquired in the financial statements as of December 31, 2020 was based on a preliminary assessment of fair value, as the valuation of identified assets and assumed liabilities in the business combination still requires completion of the analysis of the acquired company's contingent liabilities. Such valuation had not been completed at the time of Management's approval of the financial statements.

The balances ascertained are shown below:

	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	460
Accounts receivable	459
Property and equipment	425
Intangible assets - Technology	5,671
Intangible assets - Trademark	1,573
	8,588
Liabilities	
Salaries and related charges	(65)
Taxes payable	(38)
Dividends	(282)
Provisions for Labor Claims	(18)
Tax Provisions	(208)
	(611)
Total identifiable assets, net	**7,977**
Goodwill arising on acquisition	18,535
Total consideration	**26,512**
Cash flow on acquisition	
Cash paid, net of cash acquired	16,240
Acquisition cost	984
Cash paid on acquisition	**17,224**

(In thousands of Reais, except as indicated otherwise)

Total consideration is shown below:

Paid in cash on the closing date	16,700
Obligations with investment acquisition (a)	9,812
Total consideration	**26,512**

(a) Contingent consideration related to an additional payment based on certain performance indices (earn-out) in the amount of R$14,423, whose present value as of the acquisition date was R$9,812, recorded as investment acquisition liabilities.

The goodwill at the acquisition date was R$18,535 and includes the amount of future economic benefits from synergies from the acquisition. The goodwill has been allocated to the Be Online & SaaS segment. The Company understands that goodwill will be deductible for tax purposes.

Acquisition cost of R$984 was recognized in the statement of income in general administrative expenses, and in operating activities in the statements of cash flows.

In 2020, from the date of its acquisition, Etus contributed with total net revenue of R$2,232 and net income of R$743, for the period ended December 31, 2020. If the acquisition had taken place at the beginning of 2020, Etus would have contributed with net revenue of R$7,270 and net income of R$1,541 to the Company.

d) Ideris Acquisition

On December 10, 2020, Locaweb acquired 100% of the capital stock of Ideris Tecnologia da Informação Ltda. (“Ideris”). Established in 2017 in Curitiba, it provides a comprehensive multichannel integration platform for retail operations, enabling retailers to operate on various channel in the direct integration module in marketplaces or through Store in Store.

The recognition of net assets acquired in the financial statements as of December 31, 2020 was based on a preliminary assessment of fair value, as the valuation of identified assets and assumed liabilities in the business combination still requires completion of the analysis of the acquired company’s contingent liabilities. Such valuation had not been completed at the time of Management’s approval of the financial statements.

(In thousands of Reais, except as indicated otherwise)

The balances ascertained are shown below:

	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	178
Accounts receivable	25
Taxes recoverable	20
Advances to employees	3
Advances to suppliers	98
Other assets	828
Consortium	36
Property and equipment	424
Intangible assets	4,766
Intangible assets - Technology	3,162
Intangible assets - Trademark	906
	10,446
Liabilities	
Suppliers	(91)
Accounts payable	(69)
Salaries and related charges	(891)
Taxes payable	(120)
Loans and financing	(1,280)
Advances to customers	(4,527)
Other liabilities	(389)
Long-term loans	(142)
Long-term accounts payable	(2,000)
	(9,509)
Total identifiable net liabilities	**937**
Goodwill arising on acquisition	52,247
Total consideration	**53,184**
Cash flows on acquisition	
Cash paid, net of cash acquired	16,122
Acquisition cost	1,008
Cash paid on acquisition	**17,130**

Total consideration is shown below:

Paid in cash on the closing date	16,300
Obligations with investment acquisition (a)	36,884
Total consideration	**53,184**

(a) Contingent consideration related to an additional payment based on certain performance indices (earn-out) in the amount of R$55,707, whose present value as of the acquisition date was R$36,884, recorded as investment acquisition liabilities.

The goodwill at the acquisition date was R$52,247 and includes the amount of future economic benefits from synergies from the acquisition. The goodwill has been allocated to the Commerce segment. The Company understands that goodwill will be deductible for tax purposes.

(In thousands of Reais, except as indicated otherwise)

Acquisition cost of R$1,008 was recognized in the statement of income in general administrative expenses, and in operating activities in the statements of cash flows.

In 2020, from the date of its acquisition, Ideris contributed with total net revenue of R$957 and net income of R$84, for the period ended December 31, 2020. If the acquisition had taken place at the beginning of 2020, Ideris would have contributed with net revenue of R$5,569 and net income of R$1,856 to the Company.

e) Melhor Envio Acquisition

On December 10, 2020, Locaweb acquired 100% of the capital stock of Melhor Envio Ltda. ("Melhor Envio"). Established in 2015 in the city of Pelotas, it provides a logistics platform that connects small and medium-sized sellers to Brazil's major carriers and logistics companies.

The recognition of net assets acquired in the financial statements as of December 31, 2020 was based on a preliminary assessment of fair value, as the valuation of identified assets and assumed liabilities in the business combination still requires completion of the analysis of the acquired company's contingent liabilities. Such valuation had not been concluded at the time of Management's approval of the financial statements.

The balances calculated are shown below:

	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	5,588
Accounts receivable	26,396
Advances to suppliers	395
Taxes recoverable	1
Other accounts receivable	4,925
Property and equipment	850
Intangible assets - others	1,690
Intangible assets - Technology	3,253
Intangible assets - Trademark	3,790
	46,888
Liabilities	
Suppliers	(34)
Salaries and related charges	(3)
Taxes payable	(1,108)
Advance to customers	(16,043)
Other short-term liabilities	(4,927)
Long-term loans and financing	(468)
Dividends payable	(10,748)
Other long-term liabilities	(76)
	(33,407)
Total identifiable net liabilities	**13,481**
Goodwill arising on acquisition	195,309
Total consideration	**208,790**

(In thousands of Reais, except as indicated otherwise)

Cash flow on acquisition	
Cash paid, net of cash acquired	68,912
Acquisition cost	2,192
Cash paid on acquisition	**71,104**

The total consideration can be stated as follows:

Paid in cash on the closing date	74,500
Obligations with investment acquisition (a)	134,290
Total consideration	**208,790**

(a) Contingent consideration related to an additional payment based on certain performance indices (earn-out) in the amount of R$175,350, whose present value as of the acquisition date was R$134,290, recorded as investment acquisition liabilities.

The goodwill at the acquisition date was R$195,309 and includes the amount of future economic benefits from synergies from the acquisition. Goodwill was allocated to the Be Online & SaaS segment. The Company understands that goodwill will be deductible for tax purposes.

Expenses related to the acquisition in the amount of R$2,192 were recognized in the statement of income under administrative expenses, and in the statements of cash flows under operating activities.

In 2020, from the date of its acquisition, Melhor Envio contributed with total net revenue of R$3,778 and net loss of R$795 for the period ended December 31, 2020. If the acquisition had taken place at the beginning of 2020, Melhor Envio would have contributed with net revenue of R$26,224 and loss of R$9,539 to the Company.

10.3. Merger of subsidiaries

a) Merger of Superpay

At the Special Shareholders' Meeting held on May 31, 2019, the Company's shareholders approved the merger of Superpay. The merger was carried out because the companies are part of the same business group and the transfer of activities will result in a financial, operating and administrative efficiency, while enabling shareholders to have a better control over the companies' different lines of business.

(In thousands of Reais, except as indicated otherwise)

The amounts merged are described below:

Assets	**May 31, 2019**
Cash and cash equivalents	1,364
Accounts receivable	47
Taxes recoverable	97
Other assets	1
Deferred taxes	19
Property and equipment	11
	1,539
Liabilities	
Suppliers	(20)
Salaries and related charges	(106)
Taxes payable	(23)
Other accounts payable	(1)
	(150)
Net assets merged	**1,389**

11. Property and Equipment

Accounting policy

Property and equipment are recorded at the purchase, formation or construction cost, in accordance with CPC 27/IAS 16. Property and equipment is derecognized when sold or when no future economic benefit is expected from the use or sale thereof. Any gain or loss resulting from derecognition of an asset (calculated as the difference between the net selling value and the carrying amount of the asset) is included in the statement of operations for the year in which the asset is derecognized.

Expenses incurred in connection with maintenance and repair of property and equipment are only capitalized if economic benefits associated with such items are probable and the amounts are reliably measured, while other expenses are directly recorded in the statement of operations as incurred.

Property and equipment is recognized net of PIS/COFINS and ICMS credits, and the contra-entry is recognized as taxes recoverable. Capitalized borrowing costs are depreciated considering the same criteria and useful life as assigned to the relevant property and equipment item into which they were allocated.

For components purchased to assemble servers that remain in property and equipment for more than three years without movement, an impairment is recorded for unusable items, which is reversed if the component is used.

The residual value and useful lives of the assets and the depreciation methods are reviewed at the end of each fiscal year and adjusted prospectively, where appropriate. The depreciation of assets is calculated by the straight-line method and takes into consideration the estimated economic useful life of the assets, as follows:

	Estimated useful life
Computers and peripherals	2,5-5 years
Improvements	20 years
Furniture and fixtures	10 years
Machinery and equipment	2.5-10 years
Components for assembly	5 years
Other property and equipment items	5 years

Changes in property and equipment are shown below:

(In thousands of Reais, except as indicated otherwise)

	Company						
	Computers and peripherals	**Improvements**	**Furniture and fixtures**	**Machinery and equipment**	**Components for assembly**	**Other property and equipment**	**Total property and equipment**
Balances on January 1, 2019	**6,641**	**30,306**	**2,192**	**260,772**	**2,438**	**1,211**	**303,560**
Additions for the year	241	643	128	15,136	8,659	291	25,098
Disposals	(1,834)	-	(37)	(26,153)	(7)	(546)	(28,577)
Transfers	23	-	(2)	10,946	(10,967)	-	-
Balances on December 31, 2019	**5,071**	**30,949**	**2,281**	**260,701**	**123**	**956**	**300,081**
Additions for the year	521	1,264	103	22,789	373	147	25,196
Disposals	(31)	-	(17)	(956)	1	(133)	(1,135)
Transfers	-	(35)	35	-	-	-	-
Balances on December 31, 2020	**5,561**	**32,178**	**2,402**	**282,534**	**497**	**970**	**324,142**
Balances on January 1, 2019	**(4,996)**	**(11,187)**	**(1,520)**	**(211,700)**	**-**	**(742)**	**(230,145)**
Depreciation for the year	(543)	(1,737)	(210)	(30,735)	-	(185)	(33,410)
Disposals	1,820	-	36	26,096	-	416	28,368
Transfer	2	-	-	(2)	-	-	-
Balances on December 31, 2019	**(3,717)**	**(12,924)**	**(1,694)**	**(216,341)**	**-**	**(511)**	**(235,187)**
Depreciation for the year	(528)	(1,782)	(191)	(27,329)	-	(180)	(30,010)
Disposals	27	-	8	953	-	130	1,118
Transfers	(1)	2	(1)	-	-	-	-
Balances on December 31, 2020	**(4,219)**	**(14,704)**	**(1,878)**	**(242,717)**	**-**	**(561)**	**(264,079)**
Residual value							
Balances on December 31, 2019	1,354	18,025	587	44,360	123	445	64,894
Balances on December 31, 2020	**1,342**	**17,474**	**524**	**39,817**	**497**	**409**	**60,063**

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	Consolidated						
	Computers and peripherals	**Improvements**	**Furniture and fixtures**	**Machinery and equipment**	**Components for assembly**	**Other property and equipment**	**Total property and equipment**
Cost							
Balances on January 1, 2019	9,379	31,049	3,358	264,596	2,445	1,353	312,180
Additions from business acquisitions	2,912	52	281	209	-	-	3,454
Additions for the year	2,971	742	212	15,296	9,867	381	29,469
Disposals	(1,834)	(13)	(41)	(25,741)	(9)	(546)	(28,184)
Transfer	513	-	(2)	11,428	(11,938)	-	-
Balances on December 31, 2019	**13,941**	**31,830**	**3,808**	**265,787**	**365**	**1,188**	**316,919**
Additions from business acquisitions	**292**	**-**	**518**	**812**	**-**	**285**	**1,907**
Additions for the year	**4,872**	**1,897**	**316**	**24,035**	**2,812**	**147**	**34,079**
Disposals	**(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**
Depreciation							
Balances on January 1, 2019	(6,650)	(11,808)	(1,747)	(213,888)	-	(769)	(234,862)
Depreciation for the year	(1,848)	(1,773)	(300)	(31,652)	-	(222)	(35,795)
Disposals	1,820	31	41	25,999	-	416	28,308
Transfer	2	-	-	(2)	-	-	-
Balances on December 31, 2019	**(6,675)**	**(13,550)**	**(2,006)**	**(219,543)**	**-**	**(575)**	**(242,349)**
Additions from business acquisitions	**(36)**	**-**	**(70)**	**(93)**	**-**	**(9)**	**(208)**
Depreciation for the year	**(2,915)**	**(2,056)**	**(326)**	**(28,725)**	**-**	**(225)**	**(34,247)**
Disposals	**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)**
Residual value							
Balances on December 31, 2019	7,266	18,280	1,802	46,244	365	613	74,570
Balances on December 31, 2020	**10,508**	**18,610**	**1,583**	**43,771**	**914**	**877**	**76,263**

There are no impairment indicators for the fiscal years ending on December 31, 2020 and 2019 in the Company's and Consolidated statements.

12. Intangible assets and Right-of-use assets

12.1. Intangible asset

Accounting policy

Intangible assets purchased separately are measured at their value at the time of initial recognition, in accordance with CPC 04/IAS 38. Following the initial recognition, intangible assets are stated at cost minus accumulated amortization (for assets with definite useful life) and impairment losses, where appropriate.

Intangible assets with definite useful lives are amortized over their economic useful lives and tested for impairment whenever there is an indication of impairment. The amortization of intangible assets with definite useful lives is recognized in the statement of operation as an expense, consistent with the use of such intangible assets. The amortization of intangible assets is as follows:

	Software	Trademarks and Patents	Internal development	Goodwill	Technology	Customer portfolio
Useful life	Definite	Definite	Definite	Indefinite	Definite	Definite
Year for weighted-average amortization	5 years	5 years or as defined in the valuation report	5 years	-	5 years or as defined in the valuation report	5 years or as defined in the valuation report
Amortization method used	Straight-line amortization	Straight-line amortization	Straight-line amortization	Not amortized	Straight-line amortization	Straight-line amortization
Internally generated or acquired	Internally generated and acquired	Internally generated and acquired (Business combinations)	Internally generated	Acquired (Business combinations)	Acquired (Business combinations)	Acquired (Business combinations)

The Company estimates the useful lives of intangible assets based on the period of future economic benefits generated by such assets.

Intangible assets with indefinite useful lives are not amortized, but are tested form impairment annually, either individually or at the cash generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether it continues to be justifiable. If not, the change in useful life from undefined to defined is made prospectively.

Gains and losses resulting from disposal of an intangible asset are measured as the difference between the net proceeds of the sale and the carrying amount of the asset and recognized in the statement of operations at the time of disposal of the asset.

(In thousands of Reais, except as indicated otherwise)

Changes in intangible assets are presented below:

	Company								
	Software	Trademarks and patents	Internal development (a)	Other	Goodwill	Trademark	Technology	Customer portfolio	Total intangible assets
Cost									
Balances on January 1, 2019	**1,813**	**553**	**24,777**	**872**	**33,087**	**1,578**	**3,666**	**2,586**	**68,932**
Additions for the year	150	-	6,961	-	-	-	-	-	7,111
Disposals for the period	(1,088)	-	-	-	-	-	-	-	(1,088)
Balances on December 31, 2019	**875**	**553**	**31,738**	**872**	**33,087**	**1,578**	**3,666**	**2,586**	**74,955**
Additions for the year	**299**	**1**	**9,452**	**-**	**-**	**-**	**-**	**-**	**9,752**
Transfers	**-**	**845**	**-**	**-**	**-**	**(845)**	**-**	**-**	**-**
Balances on December 31, 2020	**1,174**	**1,399**	**41,190**	**872**	**33,087**	**733**	**3,666**	**2,586**	**84,707**
Amortization									
Balances on January 1, 2019	**(1,183)**	**-**	**(5,317)**	**(283)**	**-**	**(202)**	**(3,666)**	**(2,271)**	**(12,922)**
Amortization for the year	(627)	-	(4,978)	(87)	-	(37)	-	(315)	(6,044)
Disposals for the period	1,303	-	213	-	-	-	-	-	1,516
Transfers	-	-	(185)	-	-	-	-	185	-
Balances on December 31, 2019	**(507)**	**-**	**(10,267)**	**(370)**	**-**	**(239)**	**(3,666)**	**(2,401)**	**(17,450)**
Amortization for the year	(323)	-	(6,490)	(88)	-	(36)	-	(345)	(7,282)
Disposals for the period	213	-	-	-	-	-	-	160	373
Balances on December 31, 2020	**(617)**	**-**	**(16,757)**	**(458)**	**-**	**(275)**	**(3,666)**	**(2,586)**	**(24,359)**
Residual value									
Balances on December 31, 2019	368	553	21,471	502	33,087	1,339	-	185	57,505
Balances on December 31, 2020	**557**	**1,399**	**24,433**	**414**	**33,087**	**458**	**-**	**-**	**60,348**

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

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	Consolidated							
	Software	**Trademarks and patents**	**Internal development (a)**	**Other**	**Goodwill**	**Trademark**	**Technology**	**Customer portfolio**
Cost								
Balances on January 1, 2019	**2,747**	**2,419**	**34,327**	**872**	**55,873**	**-**	**10,523**	**4,386**
Additions from business acquisitions	391	7,553	-	-	61,720	-	14,179	8,177
Additions for the year	299	31	12,397	-	354	-	-	-
Transfers	1,299	(9,407)	390		-	10,441	(1,310)	(1,413)
Disposals	(1,720)	-	(2,325)	-	-	-	-	-
Balances on December 31, 2019	**3,016**	**596**	**44,789**	**872**	**117,947**	**10,441**	**23,392**	**11,150**
Additions from business acquisition	**5,174**	**-**	**-**	**-**	**266,091**	**6,269**	**12,086**	**1,690**
Additions for the year	**455**	**6**	**18,558**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**845**	**-**	**-**	**-**	**(845)**	**-**	**-**
Balances on December 31, 2020	**8,645**	**1,447**	**63,347**	**872**	**384,038**	**15,865**	**35,478**	**12,840**
Amortization								
Balances on January 1, 2019	(2,185)	(463)	(5,008)	(87)	-	-	(1,850)	(1,386)
Amortization in the year	2,707	119	1,410	-	-	-	-	-
Write-off	(499)	546	(785)	-	-	(664)	1,030	372
Transfers	(2,185)	(463)	(5,008)	(87)	-	-	(1,850)	(1,386)
Balances on December 31, 2019	**(1,390)**	**-**	**(13,260)**	**(370)**	**-**	**(664)**	**(10,364)**	**(3,836)**
Additions from business acquisitions	**(439)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortization for the year	**(470)**	**-**	**(7,742)**	**(87)**	**-**	**(953)**	**(3,552)**	**(1,788)**
Disposal	**32**	**-**	**79**	**-**	**-**	**-**	**160**	**1**
Balances on December 31, 2020	**(2,267)**	**-**	**(20,923)**	**(457)**	**-**	**(1,617)**	**(13,756)**	**(5,623)**
Residual value								
Balances on December 31, 2019	1,626	596	31,529	502	117,947	9,777	13,028	7,314
Balances on December 31, 2020	**6,378**	**1,447**	**42,424**	**415**	**384,038**	**14,248**	**21,722**	**7,217**

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

(In thousands of Reais, except as indicated otherwise)

a) Research and development cost

Research expenses are recorded in the statement of operations, as incurred. The development costs of a specific project, more specifically software, are recognized as intangible assets whenever future economic benefits are likely to be generated and the Company demonstrates that the requirements in CPC 04/IAS 38 were met: (i) the technical feasibility of completing an intangible asset that it will be available for use or sale; (ii) the intent 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 the expenses incurred over the course of the development stage.

Following the initial recognition, the asset is stated at cost minus accumulated amortization and impairment losses. Amortization starts upon completion of the development and the asset becoming available for use and extends for the year of future economic benefits. During the development year, the asset is tested for impairment annually. Upon completion of the project, the asset is tested whenever there is an indication of impairment.

b) Goodwill based on expected future profitability

The goodwill from a business combination is recorded in accordance with CPC 15/IFRS 3, consisting of the result of the difference between the purchase consideration and the fair value of the net identifiable assets of the acquired entity. Goodwill is not amortized, but it is tested for impairment at least annually.

For the purposes of the Company's financial statements, goodwill is recorded in investments, while for the purposes of the Consolidated statements, goodwill is presented in intangible assets.

c) Impairment test

There were no impairment losses for the years ended December 31, 2020 and 2019 in either the Company's or the Consolidated statements.

The goodwill acquired through business combinations is allocated to each of the cash generating units (CGUs) for impairment test, as shown below:

CGU	***Be online***		***Commerce***		***Consolidated***	
	2020	***2019***	***2020***	***2019***	***2020***	***2019***
Goodwill carrying amounts	***119,930***	*101,395*	***264,108***	*16,552*	***384,038***	*117,947*

The Company performed impairment tests as of December 31, 2020 and 2019 having considered, among other factors, the economic moment in Brazil and its CGUs' historical results. The Company has performed a calculation to determine the recoverable amount of intangible assets with indefined useful lives. The projected cash flow for each CGU considered a discount rate after income taxes applied to cash flow projections of 9.33% for 2020 (8.55% p.a. for 2019). Cash flows exceeding the 9-year period were extrapolated using a growth rate of 4.0% p.a. for 2020 (3.5% 2019). As a result of that analysis, there was no impairment.

Assumptions with material impact used in calculating value-in-use

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

- Discount rate
- Perpetuity growth

Discount rate

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

Perpetuity growth

The estimate was primarily based on: (i) historical results achieved by the Company; (ii) expected organic growth; and (iii) expected inflation and economic (GDP) growth based on projections published by the Central Bank (Focus Report).

Sensitivity to changes in assumptions

The implications of key assumptions to the recoverable amount are discussed below:

- The Company's discount rate has minimal sensitivity to changes in projected interest rates because more than half of the make-up of its capital contributed by third parties is subject to a fixed rate, and nearly all the rest is indexed to the TJLP (Long-Term Interest Rate), an index with little structural susceptibility to fluctuations.

- Upon application of a perpetuity growth reduction factor of 30.0%, perpetuity growth declines from the 4.0% originally considered to 2.8%. Nevertheless, there still is no impairment loss using this growth rate.

(In thousands of Reais, except as indicated otherwise)

12.2. Right-of-use asset

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment, and then adjusted for certain remeasurements of lease liabilities. Depreciation is calculated by the straight-line method for the remainder of the periods of the relevant contracts. The Company used as a cost component the amounts of lease payments that are either fixed or fixed in essence, which would be the minimum payments agreed upon in contracts with variable payments according to the achievement of revenue levels, net of PIS and COFINS effects. Right-of-use asset amounts are also increased by lease prepayments and provisions for store restorations and decreased by incentives received from lessors. Amounts of specifically variable payments are recognized on a monthly basis as operating expenses.

Right-of-use assets consist mainly of property and are depreciated on a straight line basis for a 10-year period, the shortest period between the lease term and the estimated useful life of these assets.

The changes are shown below:

	Company	Consolidated
Right-of-use asset as of January 1, 2019	-	-
Addition upon initial adoption of CPC 06 (R2) / IFRS 16	71,158	73,366
Addition	-	1,579
Amortization	(6,279)	(7,137)
Right-of-use asset as of December 31, 2019	**64,879**	**67,808**
Addition	**4,505**	**5,051**
Amortization	**(6,614)**	**(7,755)**
Right-of-use asset as of December 31, 2020	**62,770**	**65,104**

13. Taxes payable in installments

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

	Consolidated	
	2020	**2019**
PIS / COFINS	2,392	2,637
CPRB	1,170	1,275
IRPJ / CSLL	16,415	17,897
INSS	969	1,197
Other	1,472	1,662
Total tax installments	**22,418**	**24,668**
Current	**2,847**	**2,808**
Non-current	**19,571**	**21,860**

(In thousands of Reais, except as indicated otherwise)

14. Loans and financing, and Lease liabilities

14.1. Loans and financing

Accounting policy

The Company raises funds in both Reais and US Dollars. To mitigate the foreign currency risk, the Company contracts derivative financial instruments (swaps). Further details concerning the Company's risk management policy and the use of derivatives for hedging purposes are provided in Note 18 - Financial Instruments.

Breakdown of loans and financing

			Company		Consolidated	
Type	Interest	Maturity	2020	2019	2020	2019
FINAME	IPCA + 4.93% p.a.	September/20	**-**	429	**-**	429
Bank Loan (US$7,694)	US$ + 4.31% p.a.	February/21	**8,121**	18,887	**8,121**	18,887
Refundable Financing	TJLP + 0.5% p.a.	August/21	**7,589**	18,979	**7,589**	18,979
Bank Loan (US$8,091)	US$ + 5.44% p.a.	February/22	**19,264**	26,859	**19,264**	26,859
Bank Loan (US$2,697)	US$ + 4.77% p.a.	February/22	**6,415**	8,947	**6,415**	8,947
Bank Loan (US$10,000)	US$ + (3M Libor + 1.56%)*1.71 p.a.	July/22	**41,786**	40,735	**41,786**	40,735
Other			**-**	1,516	**1,383**	1,677
			83.175	116.352	**84.558**	**116.513**
Current			**55,660**	48,620	**56,876**	48,679
Non-current			**27,515**	67,732	**27,682**	67,834

The amounts recorded in non-current liabilities as of December 31, 2020 had the following maturity schedule:

	Company	Consolidated
2022	27,515	27,682
	27,515	**27,682**

The lines of credit from BNDES (Prosoft Empresa) and Finep have bank guarantees representing 100% of the outstanding amount of such debts and are renewable annually following the best market quotations.

On May 28, 2013, the Company obtained from the Brazilian National Bank for Economic and Social Development (BNDES) a line of credit in the amount of R$41,140 for investments in infrastructure, domestically-made equipment, research and development, training and quality under the BNDES' Development Program for the Domestic Software and Information Technology Service Industry (PROSOFT Empresa). The principal amount of the debt arising from this line of credit must be paid to the BNDES in 48 successive monthly installments, the first of which maturing in June 2015 and the last in July 2019.

(In thousands of Reais, except as indicated otherwise)

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.

14.2. Lease liabilities

Accounting policy

On the starting date of a lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including substantially fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and expected amounts payable under residual value guarantees. Lease payments also include the exercise price of a reasonably assured purchase option to be exercised by the Group and payments of lease termination penalties, if the lease term reflects that the Group is 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) for the period in which the event or condition triggering these payments occurs.

To calculate the present value of lease payments, the Group uses its incremental borrowing rate as of the starting date because the implicit interest rate on the lease is not easily determinable. After the starting date, the lease liability amount is increased to reflect interest added and decreased for lease payments made. In addition, the carrying amount of lease liabilities is remeasured in the event of a change, such as a change in lease term, a change in lease payments (for example, changes in future payments arising from changes in an index or rate used to determine such lease payments) or a change in the valuation of a purchase option on the underlying asset.

	Company	Consolidated
Right-of-use liabilities as of Dec 31, 2019	**67,141**	**70,218**
Addition due to initial adoption of CPC 06 (R2) / IFRS 16		
Addition	4,505	5,051
Interest incurred	5,221	5,442
Payment of principal	(9,871)	(11,166)
Right-of-use liabilities as of Dec 31, 2020	**66,996**	**69,545**
Current	**5,100**	**5,811**
Non-current	**61,896**	**63,734**

(In thousands of Reais, except as indicated otherwise)

A) Short-term leases and leases on low-value assets

The Group applies the exemption from recognition of short-term leases to its short-term machinery and equipment leases (i.e. leases for terms of 12 months or less as from the starting date, and not containing a purchase option).

It also applies an exemption granted from recognition of low-value assets for leases of office equipment considered low-value assets. Payments of short-term leases and leases of low-value assets are recognized as expenses according to at the straight-line method over the lease term.

15. Salaries and related charges

Accounting policy

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

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Salaries and related expenses	6,871	6,734	10,980	9,608
Provision for vacation pay and charges	9,279	8,304	15,231	12,475
Profit-Sharing Plan (PPR)	6,291	4,742	9,759	6,683
	22,441	**19,780**	**35,970**	**28,766**

16. Provision for legal proceedings

Accounting policy

Provisions are recognized in accordance with CPC 25/IAS 37 when the Company has a present liability as a result of a past event, economic benefits are likely to be required to settle the liability and the amount of such liability can be reliably estimated. The loss probability evaluation includes an assessment of the evidence available, the hierarchy of laws, existing case law, the latest court decisions and how relevant they are to the legal system, as well as an assessment by an outside legal counsel.

Changes in the provision for legal proceedings are shown below:

(In thousands of Reais, except as indicated otherwise)

	Company		
	Civil proceedings	**Labor proceedings**	**Total**
Balances as of January 1, 2019	**432**	**822**	**1,254**
Additions (reversals)	42	(358)	(316)
Balances as of December 31, 2019	**474**	**464**	**938**
Additions (reversals)	(39)	(308)	(346)
Balances as of December 31, 2020	**435**	**157**	**592**

	Consolidated		
	Civil proceedings	**Labor proceedings**	**Total**
Balances as of January 1, 2019	**507**	**822**	**1,329**
Additions (reversals)	35	(358)	(323)
Balances as of December 31, 2019	**542**	**464**	**1,006**
Additions (reversals)	371	(261)	110
Balances as of December 31, 2020	**913**	**203**	**1,116**

Possible losses

The Company and its subsidiaries have ongoing civil and tax proceedings involving risks of loss assessed by Management as possible, based on the assessment of its legal counsel, for which no provisions have been recorded, as follows:

	Company		**Consolidated**	
	2020	**2019**	**2020**	**2019**
Civil	1,700	814	1,715	1,085
Labor	-	-	-	18
Tax	12,069	12,400	12,069	12,400
	13,769	**13,214**	**13,784**	**13,503**

The civil proceedings are mostly represented by claims for damages due to possible problems caused by the services rendered.

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

Tax proceedings: 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 website hosting operations and to charge Locaweb with failing toregister as ICMS taxpayer in its capacity as communication service provider. The updated amountassigned to this case is R$9,937, with likelihood of loss considered “Possible.” Final judgment of the case is currently awaited in the São Paulo Tax Court.

(In thousands of Reais, except as indicated otherwise)

For the provision for legal proceedings recorded, there is a balance of judicial deposits as at December 31, 2020 in the amount of R$434 in the Company (R$709 on December 31, 2019), and R$538 in the Consolidated (R$765 on December 31, 2019).

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

17. Shareholders' equity

A) Capital stock

As of December 31, 2020 and 2019, Locaweb's capital stock subscribed for and paid in was represented by 125,890,296 (503,561,184 after the split) shares and 91,596,653 (366,386,612 after the split) common shares, all of which are registered book-entry shares with no par value, 125,890,296 (503,561,184 after the split) of which are common shares, and 91,596,653 (503,561,184 after the split) (sic), respectively. Treasury shares total 14,118 (56,472 after the split) and 19,118 (76,472 after the split), respectively.

The share distribution as at December 31, 2020 is shown below:

	Equity interest %	Number of shares	Number of shares (after split)
Claudio Gora	**76.6%**	**96,413,49**	385,653,96
Gilberto Mautner	**76.6%**	**96,413,49**	385,653,96
Michel Gora	**76.6%**	**96,413,50**	385,654,00
Ricardo Gora	**76.6%**	**96,413,49**	385,653,96
Andrea Gora	**33.9%**	**42,699,91**	170,799,64
Locaweb S/A (Treasury Shares)	**00.1%**	**141,18**	564,72
GIC Private Limited	**64.6%**	**81,258,35**	325,033,40
BlackRock, Inc	**50.2%**	**63,162,79**	252,651,16
J.P. Morgan Chase & Co	**52.3%**	**65,799,07**	263,196,28
Other shareholders	**49.25%**	**620,187,69**	2480,750,76
	100.00%	**1,258,902,96**	**5,035,611,84**

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.

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

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.

The Company's dividends and interest on shareholders' equity are calculated as determined by Management.

	2020	2019
Company's net income for the year	19,740	18,071
Offset of accumulated losses	-	-
Base income for allocation to legal reserve - 5%	19,740	18,071
Legal reserve - 5%	(987)	(904)
Net income after offset of accumulated loss and legal reserve allocation	18,753	17,167
Minimum compulsory dividend under the bylaws – 25%	4,688	4,292
Additional dividends	11,312	1,608
Interest on shareholders' equity paid (gross)	16,000	3,500
Dividends distributed	-	2,400
Number of shares as of December 31 (in thousands of shares) (restated)	**503,561**	**366,387**
Dividend and Interest on equity per share – in Reais	**0.03**	**0.02**

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) Earnings reserve

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.

18. Share based payment

Accounting policy

Since 2009, the Company has granted stock options in order to allow its managers and employees or those of other companies directly or indirectly controlled by the Company to buy the Company's shares, with the purpose to: (a) strengthen the Company's ability to attract and retain talents; (b) align the interests of managers and employees of the Company or any other companies directly or indirectly controlled by the Company with the interests of the Company's shareholders; (c) share risks and gains with the Company's managers; and (d) balance short and long-term compensation methods.

The cost of transactions with employees settled with shares and awards granted is measured based on the fair value on the grant date, in accordance with CPC 10/IFRS 2. The fair value of stock options is determined using the Black and Scholes method.

The expense entry is recognized, together with the corresponding increase in equity, over the year in which the performance target and/or service condition is met, ending on the date when the full award is vested to the employee (vesting date).

The expense in the statement of operations for the year is recorded in "personnel expenses" and represents the changes in accumulated expenses recognized at the beginning and at the end of such year. No expense is recognized for stock options not completing their vesting year, except for options for which vesting is predicated on a market condition (a condition in connection with the price of Company shares), which are treated as vested irrespective of whether such market conditions are met, to the extent that all other vesting conditions are.

(In thousands of Reais, except as indicated otherwise)

A) Stock Option Plan

The Board of Directors approved in 2020 the 14th, 15th, 16th and 17th Stock Option Plan.

Starting from the reference date specified in each Stock Option Agreement ("Reference Date"), the following years are stipulated for exercising options granted under the plans: (i) up to 25% of all shares vested can be acquired on the Exercise Dates upon lapse of 1 year of the Reference Date; (ii) up to 25% of the shares vested by exercising an option, plus any surplus from options not exercised on the previous Exercise Dates, can be acquired on the Exercise Dates upon lapse of 2 years of the Reference Date; (iii) up to 25% of the shares vested by exercising an option, plus any surplus from options not exercised on the previous Exercise Dates, upon lapse of 3 years of the Reference Date; and (iv) up to 25% of the shares vested 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 4 years of the Reference Date ("Vesting Years").

In any event, the amount of shares available to be acquired after each Vesting Period will remain in force until the Exercise Deadline, 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 summed up below:

December 31, 2020							Number of shares			
Series	Date of grant	Reference date	First exercise date	Expiry date	Strike price	Fair value	Granted	Exercised	Expired	Total in effect
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)	(158,750)	227,240
Series N	07/01/2018	07/01/2018	07/01/2019	07/01/2024	7.00	9.04	1,090,000	(96,250)	(147,500)	846,250
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	08/11/2026	17.25	6.67	225,000	-	-	225,000
Series T	08/11/2020	08/11/2020	08/11/2021	08/11/2026	25.46	39.38	392,533	-	-	392,533
							15,143,726	**(3,278,747)**	**(5,604,786)**	**6,260,193**

(In thousands of Reais, except as indicated otherwise)

December 31, 2020 (after split)							Number of shares (after split)			
eries	Date of grant	Reference date	First exercise date	Expiry date	Strike price	Fair value	Granted	Exercised	Expired	Total in effect
Series A	07/15/2009	01/01/2008	01/01/2010	01/01/2017	1.08	1.95	9,681,164	(7,343,460)	(2,337,704)	-
Series B	07/15/2009	07/01/2009	07/01/2010	07/01/2018	1.08	1.82	667,728	(667,728)	-	-
Series C	09/03/2010	01/01/2010	01/01/2011	01/01/2019	1.08	2.03	3,980,000	(332,560)	(3,647,440)	-
Series D	07/01/2011	07/01/2011	01/01/2012	07/01/2019	1.31	1.64	1,720,000	(1,130,000)	(590,000)	-
Series E	01/01/2012	01/01/2012	01/01/2013	01/01/2020	1.31	2.07	3,720,000	(1,640,000)	(1,730,000)	350,000
Series F	07/01/2012	07/01/2012	01/01/2013	07/01/2020	2.74	4.06	512,000	(166,000)	(346,000)	-
Series G	01/01/2013	01/01/2013	01/01/2014	01/01/2021	2.32	4.44	5,568,000	-	(5,568,000)	-
Series H	04/01/2013	04/01/2013	01/01/2014	04/01/2021	2.74	4.61	1,320,000	(20,000)	(1,195,000)	105,000
Series I	01/01/2014	01/01/2014	01/01/2015	01/01/2022	2.74	4.24	2,740,000	(55,000)	(2,520,000)	165,000
Series J	07/01/2015	07/01/2015	07/01/2016	07/01/2022	2.26	4.07	1,540,000	(535,000)	(960,000)	45,000
Series K	03/01/2016	03/01/2016	03/01/2017	04/01/2022	2.50	3.51	2,800,000	-	(1,400,000)	1,400,000
Series L	04/01/2016	04/01/2016	04/01/2017	04/01/2022	2.50	3.51	3,120,000	(280,000)	(900,000)	1,940,000
Series M	04/01/2017	04/01/2017	04/01/2018	07/01/2023	2.50	3.19	1,880,000	(336,040)	(635,000)	908,960
Series N	07/01/2018	07/01/2018	07/01/2019	07/01/2024	1.75	2.26	4,360,000	(385,000)	(590,000)	3,385,000
Series O	05/14/2019	05/14/2019	05/13/2020	05/14/2025	1.75	3.89	1,800,000	-	-	1,800,000
Series P	05/14/2019	05/14/2019	05/13/2020	05/14/2025	1.75	3.89	1,320,000	(224,200)	-	1,095,800
Series Q	12/04/2019	12/04/2019	08/01/2020	01/01/2026	1.75	2.12	10,175,880	-	-	10,175,880
Series R	12/04/2019	12/04/2019	08/01/2020	01/01/2026	4.31	1.09	1,200,000	-	-	1,200,000
Series S	08/11/2020	08/11/2020	08/11/2021	08/11/2026	4.31	1.67	900,000	-	-	900,000
Series T	08/11/2020	08/11/2020	08/11/2021	08/11/2026	6.37	9.85	1,570,132	-	-	1,570,132
							60,574,904	**(13,114,988)**	**(22,419,144)**	**25,040,772**

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

	Options	Average Strike Price	Options (after split)	Average Strike Price (after split
Balance outstanding on December 31, 2019	**4,836,804**	**8.46**	**19,347,216**	**2.12**
Granted during the fiscal year	3,511,503	10.65	14,046,012	2.66
Expired during the fiscal year	(1,282,804)	20.53	(5,131,216)	5.13
Exercised during the fiscal year	(805,310)	7.55	(3,221,240)	1.89
Balance outstanding on December 31, 2020	**6,260,193**	**7.33**	**25,040,772**	**1.83**

As of December 31, 2020 and 2019, the number of exercisable stock options was 1,884,750 (7,379,000 after the split) and 2,838,054 shares (11,352,216 after the split), respectively.

The following table presents the assumptions used for determining the fair value of a stock option on the date of grant for options granted in the fiscal years ending on December 31, 2020:

	Plan 14 Series Q	Plan 15 Series R	Plan 16 Series S	Plan 17 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$)	7.00	17.25	17.25	25.46
Weighted-average price of shares (R$) - after split	1.75	4.31	4.31	6.37
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 income. The expense recorded in the Parent Company's and the Consolidated statement of income for the fiscal year 2020 was R$15,547 (R$2,112 for 2019).

19. 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 year:

	2020	2019
Net income attributable to the Company's shareholders	19,740	18,071
Weighted-average number of common shares outstanding – in thousands (after split)	489,780	366,332
Basic earnings per share - R$	0.04	0.05

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 6,260 (25,040 after the split) shares for 2020 and 4,837 (19,348 after the split) shares for 2019, respectively.

	2020	2019
Net income attributable to the Company's shareholders	19,740	18,071
Weighted-average number of common shares including dilution potential – thousands (after split)	514,820	385,680
Diluted earnings per share - R$	0.04	0.05

20. Net revenue

Accounting policy

(i) Revenue recognition

The Company and its subsidiaries have revenues from hosting, data center, telecommunication, software licensing, intermediation and billing services, among others. Revenues are recognized upon completion of performance obligations, in accordance with CPC 47/IFRS 15.

Revenues from services provided are recognized over the period during each service is provided, whereas revenues from products sold, software installation, e-commerce facilitation or payments and intermediation with marketplaces are recognized at a specific point in time.

(ii) Taxes on revenue

Revenues from services provided are subject to the following taxes and rates:

Tax	Rate
Social Integration Program (“PIS”) - non-cumulative system	1.65%
Social Integration Program (“PIS”) - non-cumulative system	0.65%
Social Security Contribution (“COFINS”) - non-cumulative system	7.6%
Social Security Contribution (“COFINS”) - non-cumulative system	3%
Tax on Services of Any Nature (“ISS”)	2%-5%
Fund for Universal Telecommunication Services (“FUST”)	1%
Technological Development Fund for Telecommunications (“FUNTTEL”)	0.5%
Value Added Tax (“ICMS”)	25%
National Institute of Social Security (“INSS”)	4.5%

These taxes are stated as deductions from sales. The credits resulting from the non-cumulative system of the PIS/COFINS taxes are stated as a deduction from the cost of services in the statement of operations. The reconciliation of gross revenue and net revenue is shown below.

(In thousands of Reais, except as indicated otherwise)

Reconciliation of gross revenue and net revenue

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gross operating revenues	**326,140**	**314,426**	**565,899**	**451,686**
BeOnline & SaaS	326,140	314,426	404,499	360,895
Commerce	-	-	161,400	90,791
Discounts and rebates	**(25,178)**	**(18,474)**	**(26,291)**	**(18,917)**
BeOnline & SaaS	(25,178)	(18,474)	(25,192)	(18,499)
Commerce	-	-	(1,099)	(418)
Taxes on revenues	**(25,935)**	**(32,297)**	**(51,398)**	**(47,052)**
BeOnline & SaaS	(25,935)	(32,297)	(33,414)	(36,803)
Commerce	-	-	(17,984)	(10,249)
Net operating revenues	**275.027**	**263,655**	**488,210**	**385,717**
BeOnline & SaaS	275,027	263,655	345,893	305,593
Commerce	-	-	142,317	80,124

21. Composition of cost and operating expense

Accounting policy

Operating costs and expenses are recorded in the statement of operations as incurred. Costs related to revenues from services provided include salaries and payroll charges for development and service personnel, costs incurred in connection with inputs, especially Internet links, domain name registration and software license, and operating costs incurred in connection with installations and maintenance, as well as asset depreciation and amortization, especially servers and data center equipment.

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Personnel expenses	**(100,708)**	(101,067)	**(174,833)**	(150,272)
Advisory and consulting services	**(26,003)**	(15,520)	**(33,000)**	(18,700)
Depreciation and amortization expenses	**(37,291)**	(42,181)	**(48,839)**	(46,773)
Amortization of right-of-use assets	**(6,614)**	(6,279)	**(7,755)**	(7,137)
Installation expenses	**(9,484)**	(8,947)	**(11,004)**	(10,376)
Operating cost	**(59,090)**	(44,136)	**(104,790)**	(67,114)
Marketing expenses	**(23,468)**	(19,659)	**(43,393)**	(31,321)
Stock option plan expenses	**(15,547)**	(2,112)	**(15,547)**	(2,112)
Other general and administrative expenses	**(3,016)**	(3,789)	**(5,772)**	(5,181)
Total	**(281,221)**	(243,690)	**(444,933)**	(338,986)
Cost of services	**(186,379)**	(166,989)	**(282,885)**	(224,396)
Selling expenses	**(47,762)**	(47,738)	**(82,155)**	(70,234)
General and administrative expenses	**(47,080)**	(28,963)	**(79,893)**	(44,356)
Total	**(281,221)**	(243,690)	**(444,933)**	(338,986)

(In thousands of Reais, except as indicated otherwise)

The balances relating other operating revenue (expenses) incurred in the year are shown below:

	Company		Consolidated	
Other operating revenues	**2020**	**2019**	**2020**	**2019**
Bonuses received	**12**	49	**12**	49
Disposal of property and equipment	**439**	663	**439**	663
Gain on investment acquisition	**-**	-	**-**	1,680
Other revenues	**293**	3,895	**458**	3,820
Total other operating expenses	**744**	4,607	**909**	6,212

22. Net financial result

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Financial income				
Income from financial investments	**10,539**	1,698	**10,858**	1,853
Foreign exchange rate fluctuation	**282**	11	**124**	19
Interest	**851**	559	**1,223**	723
Derivative gains	**25,090**	4,002	**25,090**	4,002
Mark-to-market of derivatives	**1,385**	-	**1,385**	-
Other financial income	**816**	114	**1,024**	161
	38,963	6,384	**39,704**	6,758
Financial expenses:				
Interest	**(32,706)**	(14,029)	**(33,611)**	(15,249)
Mark-to-market of derivatives	**-**	(1,718)	**-**	(1,718)
Banking service fees (*)	**(2,811)**	(2,846)	**(7,330)**	(4,670)
Interest on lease liabilities	**(5,221)**	(5,193)	**(5,370)**	(5,415)
IOF (Tax on Financial Transactions)	**(253)**	(859)	**(544)**	(1,050)
Accounts receivable advance expense	**(1)**	-	**(1,569)**	(4,564)
Present value adjustment	**(2,901)**	(1,683)	**(4,182)**	(1,949)
Other financial expenses	**(971)**	(787)	**(1,575)**	(809)
	(44,864)	(27,115)	**(54,181)**	(35,424)
Net financial income	**(5,901)**	(20,731)	**(14,477)**	(28,666)

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

(In thousands of Reais, except as indicated otherwise)

23. Income taxes

Accounting policy

i) Current Taxes

Income taxes comprise the income tax and the social contribution, and the companies Locaweb, Locaweb Telecom, Yapay, Superpay, E-commerce and Ananke Tecnologia are taxed by the Lucro Real method, in which the income tax is calculated based on the taxable profit at the rate of 15%, plus an additional 10% for profits exceeding R$240 in the 12-month year, while the social contribution is calculated at the rate of 9% of the taxable profit, all recognized on an accrual basis. The companies Ananke Participações, Primehost, Ion and Novaion are taxed by the presumed profit method.

Any advances or offset amounts, such as withholding income tax and social contribution, are stated in current or non-current assets, according to the expected realization thereof.

ii) Deferred Taxes

Deferred income taxes are generated by temporary differences, as at the balance sheet dates, between the tax basis of assets and liabilities and the respective carrying amounts.

Deferred tax assets are recognized to the extent the future taxable profit is available for use to offset temporary differences based on projects of future results prepared and based on internal assumptions and on future economic scenarios that may change.

The carrying amount of deferred income tax assets is reviewed on the date of each balance sheet and reduced, where applicable, to the extent that it ceases to be likely that where will be sufficient taxable profits to enable the realization thereof. Derecognized deferred tax assets are reviewed on each balance sheet date and recognized to the extent that future taxable profits become likely to enable deferred tax assets to be recovered.

The deferred tax breakdown is shown below:

	Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Provision for profit sharing	**2,139**	1,612	**3,318**	2,269
Depreciation of leased property (leasing)	**(155)**	(101)	**(155)**	(101)
Provision for legal proceedings	**201**	319	**356**	342
Other provisions	**4,385**	3,175	**5,630**	4,356
“Lei do Bem”	**(80)**	(148)	**(3,767)**	(2,421)
Intangible assets identified in business combination	**2,859**	1,072	**3,479**	1,369
Derivatives and foreign exchange rate fluctuation	**649**	1,253	**649**	1,253
Goodwill	**(11,059)**	(8,868)	**(11,059)**	(8,868)
Tax losses	**21,254**	4,363	**22,262**	5,455
Total deferred income taxes	**20,193**	2,677	**20,713**	3,654

(In thousands of Reais, except as indicated otherwise)

The Company has tax losses carryforward which do not expire but are limited to 30% offset of the taxable profit for the year.

Management prepared an analysis of the Company's future realization of the deferred income tax assets as at December 31, 2020, considering the likely ability to generate taxable profits, as shown below.

	Company	Consolidated
2021	4,341	4,453
2022	7,351	7,540
2023	6,589	6,759
2024	1,277	1,310
2025	635	651
Total	**20,193**	**20,713**

Changes in deferred taxes are shown below:

Company	Balance	Shareholders' Equity	Result	Balance
Nature	**Dec 31, 2019**	**Share Issue**	**Gain/(Loss)**	**Dec 31, 2020**
Tax benefit from tax losses carryforward	4,362	12,216	4,675	21,253
Tax benefit from goodwill	(8,867)	-	(2,191)	(11,058)
Merger	996	-	-	996
Temporary differences	6,186	-	2,816	9,002
Total	**2,677**	**12,216**	**5,300**	**20,193**

Consolidated	Balance	Shareholders' Equity	Result	Balance
Nature	**Dec 31, 2019**	**Share Issue**	**Gain/(Loss)**	**Dec 31, 2020**
Tax benefit from tax losses carryforward	5,456	12,216	4,591	22,263
Tax benefit from goodwill	(8,867)	-	(2,191)	(11,058)
Merger	999	-	-	999
Temporary differences	6,066	-	2,443	8,509
Total	**3,654**	**12,216**	**4,843**	**20,713**

(In thousands of Reais, except as indicated otherwise)

a) Reconciliation of income tax expense

The reconciliation of the income tax expenses calculated by applying combined nominal tax rates and the income taxes expenses recorded in the statement of operations is shown below:

	Company		Consolidated	
	2020	2019	**2020**	2019
Income before income taxes	**14,440**	18,099	**29,709**	24,277
Income taxes at a combined statutory rate of 34%	**(4,910)**	(6,154)	**(10,101)**	(8,254)
Adjustments to the actual rate:				
Interest on shareholders' equity	**5,440**	1,190	**5,440**	1,190
Effect of presumed profit method	**-**	-	**(1,378)**	(443)
Effect of equity results	**10,555**	4,848	**-**	-
Effect of accounting for stock option plan	**(5,286)**	(718)	**(5,286)**	(718)
Options exercised	**-**	36	**-**	36
Effect of officer vehicle depreciation and other expenses	**(67)**	(82)	**(88)**	(414)
Amortization of intangible assets	**(130)**	(130)	**(130)**	(130)
Tax losses carryforward assets not recognized (tax loss)	**-**	-	**(1,098)**	(992)
Tax benefit from *Lei do Bem*	**-**	1,407	**2,538**	2,604
Other	**(302)**	(425)	**135**	915
Income taxes in the statement of operations	**5,300**	(28)	**(9,969)**	(6,206)
	-36.70%	0.15%	33.56%	25.56%

24. Segments

Accounting policy

The Company has two operating segments: Be Online & SaaS and Commerce.

The Be Online segment comprises hosting and cloud services, as well as services known as "SaaS" (email, marketing intelligence software and site builder). The companies of the Locaweb group included in this segment are: (i) the Parent Company, (ii) Locaweb Telecom Telecomunicações Ltda. ("Locaweb Telecom"), (iii) Ananke Participações Ltda. ("Cluster2Go"); (iv) Ananke Tecnologia Ltda. (direct subsidiary of Ananke Participações); (v) Primehost do Brasil Serviços de Internet Ltda. (direct subsidiary of Ananke Participações); (vi) Ion Tecnologia da Informação Ltda. (direct subsidiary of Ananke Participações); (vii) Novaion Tecnologia Ltda. (direct subsidiary of Ananke Participações) and (viii) Etus Social Network Brasil Ltda ("Etus").

The Commerce segment, in turn, comprises e-commerce solutions services, platform, integration to the marketplace, and the sub-acquirer business. The companies of the group included in this segment are: (i) E-Commerce Services Tecnologia Ltda. ("E-Commerce"); (ii) Yapay Pagamentos Online Ltda. ("Yapay", formerly called "Tray Services"); (iii) FBITS Desenvolvimento de Software S.A. ("FBits"); (iv) Ideris Tecnologia da Informação Ltda. ("Ideris"); and (v) Melhor Envio Ltda. ("Melhor Envio").

(In thousands of Reais, except as indicated otherwise)

a) Statement of operations by Segment

	2020			2019		
	BeOnline & SaaS	**Commerce**	**Consolidated**	**BeOnline & SaaS**	**Commerce**	**Consolidated**
Gross operating revenues, net of descounts	**379,307**	**160,301**	**539,608**	**342,396**	**90,373**	**432,769**
Taxes and Contributions on Revenues	(33,414)	(17,984)	(51,398)	(36,803)	(10,249)	(47,052)
Net operating revenue	**345,893**	**142,317**	**488,210**	**305,593**	**80,124**	**385,717**
Cost of services	(236,303)	(46,582)	(282,885)	(197,085)	(27,311)	(224,396)
Gross profit	**109,590**	**95,735**	**205,325**	**108,508**	**52,813**	**161,321**
Selling expenses	(57,937)	(24,218)	(82,155)	(53,290)	(16,944)	(70,234)
General and administrative expenses	(60,360)	(19,533)	(79,893)	(33,443)	(10,913)	(44,356)
Other operating income (expenses)	909	-	909	4,688	1,524	6,212
Income before financial results	**(7,798)**	**51,984**	**44,186**	**26,463**	**26,480**	**52,943**
Operating expenses included in Costs and Expenses:						
Depreciation and amortization expenses	51,985	4,609	56,594	50,417	3,493	53,910
Stock option plan expenses	15,547	-	15,547	2,112	-	2,112

b) Principal assets and liabilities by segments

	2020		
	BeOnline & SaaS	**Commerce**	**Consolidated**
Net accounts receivable	21,075	337,503	358,578
Property and equipment	67,931	8,332	76,263
Intangible assets	178,184	299,705	477,889
Total principal assets	**267,190**	**645,540**	**912,730**
Loans and financing	83,274	1,284	84,558
Services to be provided	17,953	25,635	43,588
Payables to clients	23,762	247,903	271,665
Total principal liabilities	**124,989**	**274,822**	**399,811**

	2019		
	BeOnline & SaaS	**Commerce**	**Consolidated**
Net 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 principal assets	**251,569**	**130,605**	**382,174**
Loans and financing	116,513	-	116,513
Services to be provided	37,116	-	37,116
Payables to clients	-	82,160	82,160
Total principal liabilities	**153,629**	**82,160**	**235,789**

25. Financial instruments

Accounting policy

A) Financial Assets
The financial assets of the Company and its subsidiaries include cash and cash equivalents, restricted cash, accounts receivable, and accounts receivable from related parties.

The initial classification of financial assets, in accordance with CPC 48/IFRS 9, depends on their characteristics and the business model used by the Company to manage them. Cash and financial investments are measured at fair value through profit or loss. Accounts receivable, as well as accounts receivable from to related parties, are measured at amortized cost.
Financial assets measured at fair value through profit or loss are initially recorded at fair value, while gains and losses resulting from subsequent measurements at fair value are classified in financial income.

Assets measured at amortized cost are accounted for at cost, and revenues from interest - which are calculated based on the effective interest rate for the time elapsed - on the principal amount, is recorded in Financial income in the statement of operations.
The Company estimates the losses due to non-receipt of financial assets on a monthly basis. Loss estimates are recorded when there is objective evidence that the Company will not be able to receive all due or past-due amounts. Subsequent recoveries, when incurred, are recorded in the statement of operations for the year.

B) Financial Liabilities

Financial liabilities of the Company and its subsidiaries include suppliers, loans and financing, accounts payable to former shareholders, and accounts payable to related parties.

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

C) Derivative financial instruments

The Company uses derivative financial instruments, such as cross-currency interest rate swaps, to hedge against foreign currency and interest rate risks. Derivative financial instruments are initially recorded at fair value on the date when the derivative contract is signed, and are measured at fair value subsequently. Derivatives are recorded as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

The fair value of derivative financial instruments is recorded based on the fair value of each transaction contracted on the respective monthly closing dates. Any gain or loss from changes in the fair value of derivatives during the year, is recorded directly in the statement of operations.

(In thousands of Reais, except as indicated otherwise)

The tables below present a breakdown of financial assets and liabilities on December 31, 2020:

	Company			
	2020			
	Measured at fair value through profit or loss	**Amortized cost**	**Book value**	**Fair value**
Financial assets				
Cash and cash equivalents	358,700	-	358,700	358,700
Net accounts receivable	-	18,578	18,578	18,578
Derivatives	19,367	-	19,367	19,367
Accounts receivable - related parties	-	789	789	789
Restricted cash	4,803	-	4,803	4,803
Total	**382,870**	**19,367**	**402,237**	**402,237**
Financial liabilities				
Loans and financing	-	83,175	83,175	83,175
Suppliers	-	11,208	11,208	11,208
Obligations with Investment acquisitions	-	66,996	66,996	66,996
Total	-	42,595	42,595	42,595
	-	**203,974**	**203,974**	**203,974**

	Consolidated			
	2020			
	Measured at fair value through profit and loss	**Amortized cost**	**Book value**	**Fair value**
Financial assets				
Cash and cash equivalents	404,628	-	404,628	404,628
Net accounts receivable	-	358,578	358,578	358,578
Derivatives	19,367	-	19,367	19,367
Accounts receivable - related parties	4,803	-	4,803	4,803
Restricted cash	**428,798**	**358,578**	**787,376**	**787,376**
Total				
Financial liabilities				
Loans and financing	-	84,558	84,558	84,558
Suppliers	-	20,540	20,540	20,540
Obligations with Investment acquisitions		69,545	69,545	69,545
Accounts payable to former shareholders	-	215,052	215,052	215,052
Total	-	245,479	245,479	245,479
	-	**635,174**	**635,174**	**635,174**

(In thousands of Reais, except as indicated otherwise)

	Company Balance as of Dec 31, 2019			
	Measured at fair value through profit and loss	**Amortized cost**	**Book value**	**Fair value**
Financial assets				
Cash and cash equivalents	16,076	-	16,076	16,076
Net accounts receivable	-	21,304	21,304	21,304
Derivatives	4,932	-	4,932	4,932
Accounts receivable - related parties	-	1,507	1,507	1,507
Restricted cash	10,013	-	10,013	10,013
Total	**31,021**	**22,811**	**53,832**	**53,832**
Financial liabilities				
Loans and financings	-	116,352	116,352	116,352
Suppliers	-	7,025	7,025	7,025
Lease liabilities	-	67,141	67,141	67,141
Obligations with Investment acquisitions	-	44,835	44,835	44,835
Total	**-**	**235,353**	**235,353**	**235,353**

	Consolidated Balances as of Dec 31, 2019			
	Measured at fair value through profit and loss	**Amortized cost**	**Book value**	**Fair value**
Financial assets				
Cash and cash equivalents	25,275	-	25,275	25,275
Accounts receivable, net	-	125,285	125,285	125,285
Derivatives	4,932	-	4,932	4,932
Restricted cash	10,013	-	10,013	10,013
Total	**40,220**	**125,285**	**165,505**	**165,505**
Financial liabilities				
Loans and financing	-	116,513	116,513	116,513
Suppliers	-	12,833	12,833	12,833
_Lease liabilities		70,218	70,218	70,218
Obligations with Investment acquisitions	-	44,835	44,835	44,835
Payables to clients	-	82,160	82,160	82,160
Total	**-**	**326,559**	**326,559**	**326,559**

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

A) Purpose of Use of Derivative Financial Instruments

Derivative financial instruments contracted by the Company are intended to hedge against foreign currency risk relating to loans and financing 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 Central Bank of Brazil (BACEN), 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.

On February 18, 2019, the Company entered into two cross-currency interest rate swap agreements with total notional value of R$40,000, equivalent to US$10,787 on that the inception date, when the exchange rate was R$3.7080 per U.S. dollar.

This transaction, which resulted from a financing backed in foreign currency under circular letter 3844/2017 of the Brazilian Central Bank (BACEN), 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 transaction (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 a notional value of R$38,300, equivalent to US$10,000 at that the inception date, when the exchange rate was R$3.8300 per U.S. dollar.

This transaction, which resulted from a financing denominated in foreign currency and based in federal law No. 4131/62, enabled the Company to replace its exposure to U.S. dollar fluctuations, plus a fixed rate of 4.57% p.a., for a fixed rate.

On December 7, 2020, the Company entered into non-deliverable forward contracts (NDF) with two monthly maturities between December 2020 and June 2021. As of December 31, contracts outstanding amounted to US$3,000.
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 the Management.

D) 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 surplus.

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:

- <u>Cash and cash equivalents</u> 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.
- <u>Accounts receivable</u> 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 risk 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 is calculated and recorded.

The amounts receivable from individual customers through bank slips are limited, and represented approximately 11% of total accounts receivable on December 31, 2020 and 20% on December 31, 2019. The maximum exposure to credit risk on December 31, 2020 is the amount shown in the balance sheet.

iii) *Liquidity risk*

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

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

The liquidity and cash flows of the Company and its subsidiaries are managed on a daily basis by the management areas, 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.

(In thousands of Reais, except as indicated otherwise)

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

	Less than 3 months	From 3 to 12 months	More than 1 year	Total
December 31, 2020				
Other liabilities	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
Payables to clients	271,665	-	-	271,665
Obligations with Investment acquisitions	1,083	2,359	211,610	215,052
	319,583	**42,804**	**307,072**	**669,459**

	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
Obligations with Investment acquisitions	-	14,697	30,138	44,835
	109,837	**55,386**	**164,872**	**330,095**

iv) Foreign currency risk

Foreign currency risk refers to the risk of variation in future cash flows of loans denominated in foreign currency and financial instruments, due to variation in foreign exchange rates. The foreign currency risk could significantly impact the Company's financial results. 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 hedged against fluctuations in foreign exchange rates on its loans and financing.

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

E) Sensitivity analysis

As of December 31, 2020, the Company was exposed to fluctuation in US dollar rates due to loans in foreign currency that are linked to the Benchmark Rate (TR) and the Long Term Interest Rate (TJLP) - which are indices used in loans made in domestic currency -, as well as to variation in the rate paid on Interbank Deposit Certificates (CDI). To check the sensitivity of these indices, three different scenarios were defined.

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.

(In thousands of Reais, except as indicated otherwise)

The table below sets forth the sensitivity analysis for each type of risk considered material by Management.

			Gain / (Loss) - Consolidated		
Transaction	Risk	Balance as of Dec 31, 2020	Probable	Scenario A	Scenario B
Loans in foreign currency (USD)*	Increase in USD rate	(75,586)	(3,787)	(18,935)	(37,870)
Loans in Reais adjusted by the TJLP	Increase in TJLP rate	(7,589)	(17)	(86)	(173)
Financial investments adjusted by the CDI	Decrease in CDI	409,431	(389)	(1,945)	(3,890)
Dollar rate	5.20	5.46	6.50	7.80	5.20
TJLP	4.55%	4.78%	5.69%	6.83%	4.55%
CDI (downward scenario)	1.90%	1.81%	1.43%	0.95%	1.90%

(*)Financing contracts adjusted by the foreign currency are hedged by foreign exchange swap instruments against foreign exchange fluctuations.
Sources: US dollar: PTAX rate of the Central Bank of Brazil
TJLP: Ministry of Economy
CDI: B3 Brasil, Bolsa, Balcão

F) 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:

	2020	2019
Loans and financing	84,558	116,513
(+) Lease liabilities	69,545	70,218
(+) Derivatives	(19,367)	(4,932)
(-) Cash and cash equivalents	(404,628)	(25,275)
(-) Restricted cash	(4,803)	(10,013)
(=) Net debt	(274,695)	146,511
(+) Total equity	674,633	88,333
(=) Total equity and net debt	**399,938**	**234,844**

G) 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.

(In thousands of Reais, except as indicated otherwise)

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.

	December 31, 2020		
	Company and Consolidated		
Description	**Reference value (notional)**	**Fair value**	**Amount receivable/(payable)**
Funding 3844/2018			
Asset position	8,120	8,123	8,123
Liability position	(5,186)	(5,245)	(5,245)
	2,934	**2,878**	**2,878**
Funding 4131/2019-1			
Asset position	19,261	19,712	19,712
Liability position	(13,839)	(14,481)	(14,481)
	5,422	**5,231**	**5,231**
Funding 3844/2019-2			
Asset position	6,414	6,539	6,539
Liability position	(4,573)	(4,637)	(4,637)
	1,841	**1,902**	**1,902**
Funding 4131			
Asset position	41,786	42,050	42,050
Liability position	(31,306)	(32,693)	(32,693)
	10,481	**9,357**	**9,357**
Total derivative financial instruments	**20,678**	**19,368**	**19,368**
Mark-to-market (MTM) (Dec 31, 2020 Balance)		(1,310)	(1,310)
Mark-to-market (MTM) (Dec 31, 2019 Balance)			(2,695)
Mark-to-market (MTM) for the period			(1,385)

(In thousands of Reais, except as indicated otherwise)

Description	December 31, 2019		
	Company and Consolidated		
	Reference value (notional)	Fair value	Amount receivable/(payable)
Funding 3844/2018			
Asset position	18,887	19,045	19,045
Liability position	(15,544)	(16,128)	(16,128)
	3,343	**2,917**	**2,917**
Funding 3844/2019-1			
Asset position	26,859	27,651	27,651
Liability position	(24,854)	(26,343)	(26,343)
	2,005	**1,308**	**1,308**
Funding 3844/2019-2			
Asset position	8,946	9,144	9,144
Liability position	(8,251)	(8,459)	(8,459)
	695	**685**	**685**
Funding 4131			
Asset position	40,735	41,458	41,458
Liability position	(39,151)	(41,436)	(41,436)
	1,584	**22**	**22**
Total derivative financial instruments	**7,627**	**4,932**	**4,932**
Mark-to-market (MTM) (Dec 31, 2019 Balance)		(2,695)	(2,695)
Mark-to-market (MTM) (Dec 31, 2018 Balance)			(977)
Mark-to-market (MTM) for the period			(1,718)

H) 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 or 3.

I) Change in Financing Liabilities

	Company					
	Dec 31, 2020			Dec 31, 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 year			**116,352**			82,381
Derivatives - Beginning of the year			**(4,932)**			(5,513)
(=) Loans and financing, net of derivatives			**111,420**			**76,868**
(+) New loans and financing	-	-	**-**	78,300	-	**78,300**
(+) Interest, exchange variation, and derivatives accrued	-	-	**-**	-	9,869	**9,869**
(-) Principal repayment in the period	-	7,293	**7,293**	(46,020)	-	**(46,020)**
(-) Interest, foreign exchange rate variation and derivatives paid	(45,493)	-	**(45,493)**	(9,315)	-	**(9,315)**
(+-) Mark-to-market of derivatives		-	**(8,027)**	-	1,718	**1,718**
(=) Loans and financing, net of derivatives	-	(1,385)	**(1,385)**	22,965	11,587	**111,420**
Loans and Financing - End of the year	(53,520)	5,908	**63,808**			116,352
Derivative financial instruments – End of the year			**83,175**			(4,932)

(In thousands of Reais, except as indicated otherwise)

	Consolidated					
	Dec 31, 2020			Dec 31, 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 year	-	-	**116,352**	-	-	**82,501**
Derivatives – beginning of the year	-	-	**(4,932)**	-	-	**(5,513)**
(=) Loans and financing, net of derivatives			**111,420**	-	-	**76,988**
(+) New loans and financing	-	-	**-**	78,300	-	**78,300**
(+) Loans and financing from acquired companies	-	1,890	**1,890**	-	2,857	**2,857**
(+) Interest, exchange variation, and derivatives accrued	-	7,420	**7,420**	-	10,336	**10,336**
(-) Principal repayment in the period	(45,967)	-	**(45,967)**	(48,737)	-	**(48,737)**
(-) Interest, foreign exchange rate variation and derivatives paid	(8,348)	-	**(8,348)**	(9,881)	-	**(9,881)**
(+-) Mark-to-market of derivatives	-	(1,385)	**(1,385)**	-	1,718	**1,718**
(=) Loans and financing, net of derivatives	(54,315)	7,925	**65,191**	19,682	14,911	**111,581**
Loans and financing – year-end			**84,558**			**116,513**
Derivative financial instruments – year-end			**(19,367)**			**(4,932)**

26. Transactions not affecting cash

In the year ended December 31, 2020, the Company incorporated the asset and liability balances of IDC, as described in note 9. The merger with IDC did not impact the consolidated financial statements.

Additionally, in the years ended December 31, 2020 and 2019, the following transactions did not affect our cash:

	Company		Consolidated	
	2020	2019	2020	2019
Purchase of machines and equipment	(2,727)	5,333	(2,566)	5,142
	(2,727)	**5,333**	**(2,566)**	**5,142**

27. Insurance coverage

The Company and its subsidiaries contract insurance coverage to protect against possible damage to property and assets, including real estate and vehicles. The insurance coverage was as follows:

	Consolidated	
	2020	2019
Vehicles	7,700	5,500
Business (real estate and assets)	362,575	359,860
Electricity	201	201
Directors and officers liability	50,000	10,000
General liability	1,100	1,100
	421,576	**376,661**

Property insurance policies covering the Company's business units include coverage against fire, lightning, explosion, robbery and aggravated theft of property, and electrical damage.

The Company has no insurance coverage for damage resulting from the interruption of its activities, or to cover any indemnities that it may be forced to pay to customers and/or third parties, due to errors or failures in its operations, or non-fulfillment of the obligations that are under its responsibility.

Management believes that its insurance policies, which are contracted with first-class insurance companies, reflect usual market conditions for the types of coverage contracted. The scope and amounts of the policies are deemed appropriate by Management and insurance advisors.

28. SUBSEQUENT EVENTS

28.1. Acquisitions

In January 2021, upon approval of the transaction by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*, or “CADE”), according to the decision published on December 24, 2020, we acquired Vindi Tecnologia e Marketing S.A. (“Vindi”), which includes its four wholly-owned subsidiaries Smart Tecnologia S.A., Vindi Eventos e Conteúdo Ltda., Fast Notas Software de Gestão Ltda., and Vindi Pagamentos Ltda. Vindi provides solutions in the subscription model (plans and monthly fees) and combines a recurrent collection software with a payment platform. The more than 6,000 customers currently served by Vindi include major brands and the largest subscription cases in Brazil. The company established its presence in the market by spreading the term “subscription economy” and educating the SaaS (Software as a Service) market and subscription clubs. Acquisition plans include integrating Vindi’s recurrent payment APIs into Tray (e-commerce platform) and tapping the full cross-selling potential with the Company’s other business segments (BeOnline, SaaS, and Commerce) with the acquired company.

In January 2021, upon fulfillment of all conditions precedent set forth in the Share Purchase Agreement and Other Conditions between the Company and the shareholders of Social Miner Internet Ltda., we acquired Social Miner, a company that provides an SaaS platform for e-commerce operators and retailers to increase sales, engage with consumers, convert visitor flows into registrations and/or purchases and decrease the cost of gaining customers using big data and artificial intelligence. Upon integration of the solutions from Social Miner, which has a product firmly established on the market, and from All In, a company acquired by Locaweb in 2013, we started to provide a comprehensive service suite that follow consumers all the way to e-commerce operators and retailers of all segments and sizes, which is really important for boosting sales for customers on our Tray e-commerce platform.

Also in January 2021, we acquired ConnectPlug Desenvolvimento de Software Ltda., a company that provides an SaaS platform with a point-of-sale (PoS) system and a comprehensive management system that has a massive presence in the food service segment. The ConnectPlug system includes important tools, such as integration of orders on several marketplaces, self-service platforms and digital menu and tab solutions fully integrated with the kitchen display system (KDS) and other segments, focusing on small and medium-sized businesses. With this acquisition, we bolstered our portfolio, entered an important market in technology solutions for brick-and-mortar stores and continued to consolidate ourselves in the business digitization segment in Brazil, expanding our ability to provide omnichannel solutions and cross-selling features using Tray’s store user base.

In February 2021, we acquired Dooca Tecnologia da Informação Ltda., a virtual store platform focused on small and medium-sized businesses that helps store owners create, set up and manage their virtual stores and sell online. With the acquisition, the Company, which already plays a prominent leadership role in the segment with Tray, consolidates itself in this market that boasted very rapid growth in 2020. Acquisition and synergy capturing plans include Dooca in the Company's robust Commerce segment, enabling us to start offering to Dooca's entire customer base the Yapay payment solution, integrations with more than 30 marketplaces and Store-in-Store from Ideris, logistics solutions from Melhor Envio, recurrent payment APIs from Vindi, and all of the digital marketing portfolio of Social Miner and All In.

In February 2021, we acquired Credisfera Serviços Financeiros S.A., a fintech providing credit solutions for small and medium-sized business that will enable Locaweb to start offering more of this service to its customer base in an integrated manner.

Also in February 2021, we acquired Samurai Experts Holding Ltda., a technology company providing an application ecosystem compatible with various market platforms to optimize the results of virtual stores. Samurai comes to bolster the group's strategy of serving medium-size and large e-commerce operators by combining forces with Tray Corp. and improving our ability to address complex and customized projects. In parallel, Samurai will be able to offer the Yapay payment solution, integrations with more than 30 marketplaces and Store-in-Store from Ideris, logistics solutions from Melhor Envio, recurrent payment APIs from Vindi, and the entire digital marketing portfolio of Social Miner and AllIn to all of its customer base. The acquisition is aimed at absorbing the Samurai team, which currently has 40 engineering, software and streamlined methodology professionals who should work together on product development in Locaweb's e-commerce ecosystem.

28.2. Share split

On January 26, 2021, at a special shareholders' meeting, the Company's shareholders approved, among other matters, a split of common shares issued by the Company at the ratio of 1 (one) common share to 4 (four) common shares, without any change in the capital stock amount ("Share Split"), and an amendment to the Company's bylaws to reflect the Share Split.

28.3. Follow-on

The Restricted Offering held in February 2021 consisted of public distribution (considering full placement of Additional Shares, as stated in the Price Announcement) (i) in, the primary offering, of (a) 78,200,000 new Shares ("Primary Offering") and (ii) 13,600,000 Shares held by the Selling Shareholders (as defined below), 1,355,699 of which being Shares held by Andrea Gora Cohen, 3,061,075 Shares held by Claudio Gora, 3,061,075 Shares issued by the Company and held by Gilberto Mautner, 3,061,075 Shares held by Michel Gora, and 3,061,076 Shares issued by the Company and held by Ricardo Gora (collectively, the "Selling Shareholders") ("Secondary Offering"), with restricted placement efforts in both cases, in the Federative Republic of Brazil ("Brazil"), on a non-organized over-the-counter market, as provided for in the "Private Instrument of Underwriting, Placement and Firm Guarantee of Settlement of Common Shares Issued by Locaweb Serviços de Internet S.A." between the Company, the Selling Shareholders and the Underwriters (as defined below) ("Placement Agreement") and in Law No. 6.385, dated December 7, 1976, as amended ("Brazilian Securities Market Law"), and in compliance with the procedures set forth by CVM Instruction No. 476, the "ANBIMA Code of Regulation and Best Practices for the Structuring, Underwriting and Distribution of Public Offerings of Securities and Public Offerings for Acquisition of Securities" issued by the Brazilian Association of Financial and Capital Market Entities ("ANBIMA"), as currently in effect ("ANBIMA Code"), Circular Notice No. 087/2014-DP, and other applicable laws and regulations, the Listing Regulations of Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão ("Novo Mercado Regulations"), underwritten by Banco Itaú BBA S.A. ("Itaú BBA" or "Lead Underwriter"), Goldman Sachs do Brasil Banco Múltiplo S.A. ("Goldman Sachs"), Banco Morgan Stanley S.A. ("Morgan Stanley"), XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP"), and Banco BTG Pactual S.A. ("BTG Pactual" and, collectively with the Lead Underwriter, Goldman Sachs, Mortan Stanley and XP, the "Underwriters"), and included placement efforts abroad.

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