

TOTVS S.A.

Condensed individual and consolidated Interim Financial Statements
as of and for the three and nine-months periods ended September 30,
2022

Contents

Consolidated Operating and Financial Performance	3
Report on review of the interim financial information	15
Condensed Individual and Consolidated Statement of Financial Position	17
Condensed Individual and Consolidated Statements of Profit or Loss	18
Condensed Individual and Consolidated Statements of Comprehensive Income	19
Condensed Individual and Consolidated Statements of Changes in Shareholders' Equity	20
Condensed Individual and Consolidated Statement of Cash Flows	22
Condensed Individual and Consolidated Statements of Value Added	23
Notes to the Condensed Individual and Consolidated Interim Financial Statements	24
1. The Company and its operations	24
2. Basis of preparation and presentation of the interim financial information	24
3. Business combination	27
4 Techfin Dimension	31
5 Financial instruments and sensitivity analysis of financial assets and liabilities	33
6 Cash and cash equivalents	39
7 Financial investments	40
8 Trade and other receivables	40
9 Recoverable taxes	41
10 Income taxes	41
11 Related party balances and transactions	43
12 Other assets	44
13 Equity-accounted investees	45
14 Property, plant and equipment	46
15 Intangible assets and Goodwill	48
16 Labor liabilities	50
17 Taxes and contributions liabilities	51
18 Loans and lease liabilities	51
19 Debentures	52
20 Accounts payable from acquisition of subsidiaries	54
21 Provision for contingencies	55
22 Shareholders' equity	57
23 Dividends and Interest on shareholders' equity	58
24 Share-based compensation plan	58
25 Operating Segments	59
26 Earnings per share	61
27 Gross sales revenue	62
28 Costs and expenses by nature	62
29 Finance income and expenses	63
30 Private pension plan – defined contribution	64
31 Insurance coverage	64
32 Subsequent events	64

Consolidated Operating and Financial Performance

Consolidated Result (in R\$ thousand)	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
GAAP Net Revenue	974,791	781,381	24.8%	914,571	6.6%	2,787,869	2,148,454	29.8%
Management Revenue	891,474	718,667	24.0%	838,996	6.3%	2,559,136	2,057,786	24.4%
Business Performance Revenue	83,317	62,714	32.9%	75,575	10.2%	228,733	90,668	152.3%
GAAP Contribution Margin	518,508	414,835	25.0%	485,889	6.7%	1,488,317	1,148,671	29.6%
Management Contribution Margin	476,175	385,245	23.6%	449,345	6.0%	1,376,139	1,105,561	24.5%
Biz Performance Contribution Margin	42,333	29,590	43.1%	36,544	15.8%	112,178	43,110	160.2%
GAAP % Contribution Margin	53.2%	53.1%	10 bp	53.1%	10 bp	53.4%	53.5%	-10 bp
% Management Contribution Margin	53.4%	53.6%	-20 bp	53.6%	-20 bp	53.8%	53.7%	10 bp
% Biz Performance Contribution Margin	50.8%	47.2%	360 bp	48.4%	240 bp	49.0%	47.5%	150 bp
Sales and Marketing Expenses	(187,727)	(155,655)	20.6%	(180,716)	3.9%	(545,093)	(409,712)	33.0%
Adjusted G&A Expenses	(90,794)	(73,421)	23.7%	(84,445)	7.5%	(264,056)	(199,897)	32.1%
Equity Pickup	-	38	(100.0%)	-	-	7	(526)	(101.3%)
Manag. + Biz Perform. Adjusted EBITDA	239,987	185,797	29.2%	220,728	8.7%	679,175	538,536	26.1%
% Manag. + Biz Perf. Adjusted EBITDA	24.6%	23.8%	80 bp	24.1%	50 bp	24.4%	25.1%	-70 bp

Net Revenue

The GAAP Net Revenue reached R\$975 million in 3Q22, growing 25% when compared with the same period last year, being worth highlighting: (i) a 28% growth in Management Recurring Revenue, driven by a 38% growth in SaaS revenue and (ii) a 33% year-over-year growth in Business Performance Net Revenue.

It is also worth mentioning that the Total Addition of GAAP ARR (Annualized Recurring Revenue) closed the quarter at R\$216 million, of which R\$189 million in organic ARR and R\$27 million in inorganic ARR.

Adjusted EBITDA

The GAAP Adjusted EBITDA closed the quarter at R\$240 million. Adjusted EBITDA Margin was 24.6%, which means 50 basis points above 2Q22. This Margin performance was mainly due to: (i) the increase of 240 basis points in Business Performance Contribution Margin and (iii) 50 basis point dilution of Commercial and Marketing expenses in the Management + Business Performance dimensions.

Management dimension results

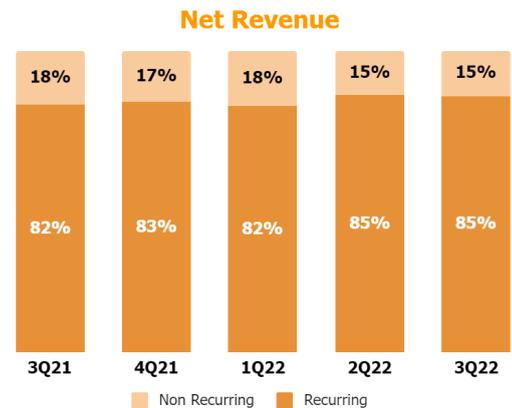
The earnings from the Management Dimension for this quarter reflect the incorporation of Feedz numbers, from September.

Management Result (in R\$ thousand)	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Net Revenue	891,474	718,667	24.0%	838,996	6.3%	2,559,136	2,057,786	24.4%
Recurring	756,629	590,254	28.2%	713,401	6.1%	2,146,660	1,684,546	27.4%
Non Recurring	134,845	128,413	5.0%	125,595	7.4%	412,476	373,240	10.5%
License	51,767	51,106	1.3%	44,526	16.3%	177,044	156,647	13.0%
Services	83,078	77,307	7.5%	81,069	2.5%	235,432	216,593	8.7%
Costs	(256,164)	(203,945)	25.6%	(239,559)	6.9%	(726,980)	(580,696)	25.2%
Gross Profit	635,310	514,722	23.4%	599,437	6.0%	1,832,156	1,477,090	24.0%
<i>Gross Margin</i>	<i>71.3%</i>	<i>71.6%</i>	<i>-30 bp</i>	<i>71.4%</i>	<i>-10 bp</i>	<i>71.6%</i>	<i>71.8%</i>	<i>-20 bp</i>
Research and Development	(152,147)	(122,969)	23.7%	(145,424)	4.6%	(437,697)	(355,499)	23.1%
Provision for Expected Credit Losses	(6,988)	(6,508)	7.4%	(4,668)	49.7%	(18,320)	(16,030)	14.3%
Management Contribution Margin	476,175	385,245	23.6%	449,345	6.0%	1,376,139	1,105,561	24.5%
<i>% Management Contribution Margin</i>	<i>53.4%</i>	<i>53.6%</i>	<i>-20 bp</i>	<i>53.6%</i>	<i>-20 bp</i>	<i>53.8%</i>	<i>53.7%</i>	<i>10 bp</i>

Net Revenue

Net Revenue from Management grew 24% year-over-year in 3Q22, driven by the 28% growth in Recurring Revenue. Recurring Revenue maintained the level of 85% of the Net Revenue from Management.

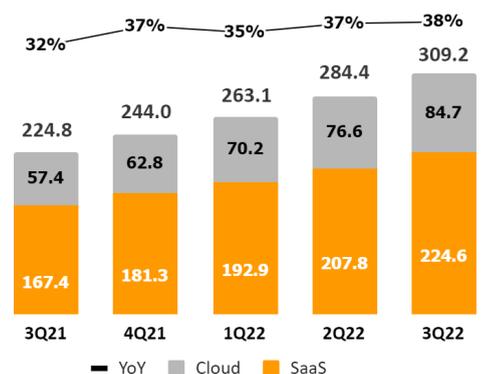
In the 9-month period, Net Revenue from Management grew 24%, driven by the 27% increase in Recurring Revenue and the record-breaking performance of R\$36.6 million increase in Corporate Model Licenses in 1Q22.



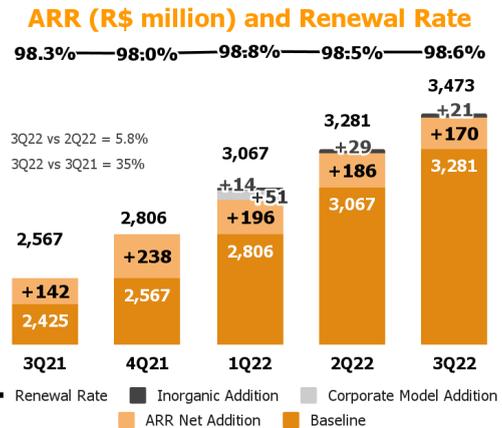
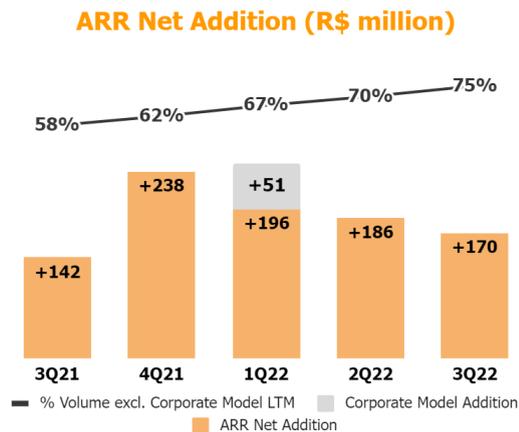
Recurring Revenue

Recurring Revenue grew 28%, when compared with the same quarter of the previous year, and 6.1% in the quarter-over-quarter comparison. This performance is mainly a reflection of the growth in SaaS Revenue, meaning the main growth locomotive of the Management dimension, which, as shown in the chart on the right side, accelerated 38% year-over-year, being worth highlighting: (i) the 47% growth in Cloud revenue; (ii) the acceleration of new SaaS signings, which grew 34% compared with 3Q21; (iii) the contractual adjustments for inflation in the period and (iv) the maintenance of the low churn level.

Management SaaS Revenue (R\$ million)



As already commented in previous quarters, the growth in the performance of signings has been mainly due to: (i) the progress of the Software market, which is still far from being mature; (ii) the growth in productivity and efficiency of commercial distribution; (iii) product quality, reflected in the record NPS levels; (iv) increase in the portfolio, fostering cross-selling and (v) reduction in Total Cost of Ownership (TCO) for clients/customers.



As provided in the chart on the side, the Annualized Recurring Revenue (ARR) of Management reached R\$3.5 billion, which translates into a net addition of R\$191 million in the quarter, of which R\$21 million refers to the consolidation of Feedz.

As shown in the chart below, the organic net addition of ARR in 3Q22 increased 20% year-over-year, even with a 30% reduction in the value added because of the Price

factor, reflecting the sharp reduction in inflation (IGP-M and IPCA) rates in the period, including a deflation in the last 2 months of the quarter.

The reduction in inflation rates, combined with the maintenance of sales volume, led to a further increase in the relevance of the Volume component in the gross addition of ARR in the last 12 months, from 70% in the previous quarter to 75% in 3Q22, as shown in the chart on the side. It is worth noticing that if inflation continues to drop, the natural and expected behavior is a potential nominal reduction in the net addition of ARR, with the consequent increase in the relevance of the Volume versus Price factor.

In absolute terms, when compared with 3Q21, the Volume factor practically doubled; in the quarter-over-quarter comparison, it remained relatively stable, being worth reminding that the first round of the elections took place exactly at the end of the quarter.

Non-Recurring Revenue

Non-Recurring Revenues grew 5.0% in 3Q22 compared with 3Q21, mainly because of the 7.5% increase in Service revenue. In the quarter-over-quarter comparison, the 7.4% increase results from the 16% increase in License revenue, essentially driven by the faster performance in this quarter in Manufacturing and Distribution, segments in which sales of license model are proportionally higher than other models. The 2.5% growth in the Services line was due, mainly, to the greater number of business days in the quarter-over-quarter comparison.

This stronger performance in Licenses in the quarter-over-quarter comparison also influences the addition of ARR itself, since the License + Maintenance model results in a recurring revenue component proportionally lower than the Subscription model. Therefore, when the sales mix for the quarter has a greater share of the License + Maintenance model, the addition of ARR may be slightly lower, being offset by the immediate growth in license revenue.

Gross Margin

The Gross Margin of Management was stable and reached 71.3% in the quarter, even in the face of: (I) the initial effects of the collective bargain agreements on the bases of Belo Horizonte, Rio de Janeiro, and Recife capital cities at the end of the quarter and (ii) the investments made in Cloud operations. As mentioned in the Recurring Revenue section, this front has presented one of the highest growth levels in the Management dimension, increasing the relevance of new investments but without losing the balance between growth and profitability.

Research & Development

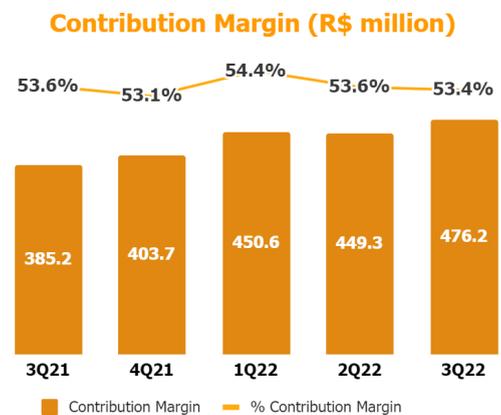
Research and Development (R&D) expenses represented 20% of Recurring Revenue for the quarter, which means 70 basis points lower than 3Q21 and 30 basis points below the 9-month accumulated of 2022, and 100 basis points below the 9-month accumulated of 2021. This lower share of R&D, which has been growing at levels lower than Recurring Revenue, reflects the greater efficiency in the continuous organic investments made, aiming at the development and expansion of the product portfolio to take advantage more and more of the opportunities of a market still far from being mature.

Provision for Expected Credit Losses

The Provision for Expected Credit Losses represented 0.8% of Management Revenue in the quarter, compared with 0.9% in 3Q21 and 0.7% in the nine-month period of 2022 and 0.8% in the nine-month period of 2021, which reiterates the consistency of a business model based on Recurring Revenue, combined with a pulverized, diversified, and more resilient client base than the average of companies in the market, as already mentioned in previous quarters.

Management Contribution Margin

The Management Contribution Margin reached the level of R\$476 million in 3Q22, associated mainly with the continuous growth in Recurring Revenue. In addition, the Contribution Margin on Net Revenue from Management decreased slightly by 20 basis points when compared with 2Q22 and 3Q21. In the annual comparison, this behavior is explained mainly by the impacts of collective bargain agreements in 4Q21 and 1Q22 and investments in Cloud, as previously mentioned. The quarterly variation, besides the factors mentioned, also results from the initial impact of collective bargain agreements, at levels above the historical, which took place in the operations of Belo Horizonte, Rio de Janeiro, and Recife capital cities, which together represent approximately 20% of the total cost with personnel. Comparing the 9-month accumulated number, the Contribution Margin increased by 10 basis points compared with the same period in the previous year, due to: (i) a 27.4% growth in Recurring Revenue and (ii) a 13% increase in License Revenue, driven mainly by the record-breaking increase in the Corporate Model in 1Q22.



Business Performance dimension results

The Business Performance dimension represents the portfolio of solutions focused on increasing sales, competitiveness and clients performance through Digital Marketing, Sales/Digital Commerce and CX - Customer Experience solutions.

Quarterly results of this Dimension reflect the addition of Tallos' figures from August. For comparison purposes, we provide below this dimension earnings, considering RD Station's numbers from January to May 2021.

Biz Performance Result (in R\$ thousand)	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Net Revenue	83,317	62,714	32.9%	75,575	10.2%	228,733	90,668	152.3%
Recurring	81,729	61,037	33.9%	74,369	9.9%	225,030	88,494	154.3%
Non Recurring	1,588	1,677	(5.3%)	1,206	31.7%	3,703	2,174	70.3%
Costs	(19,634)	(16,420)	19.6%	(18,700)	5.0%	(56,875)	(26,588)	113.9%
Gross Profit	63,683	46,294	37.6%	56,875	12.0%	171,858	64,080	168.2%
<i>Gross Margin</i>	<i>76.4%</i>	<i>73.8%</i>	<i>260 bp</i>	<i>75.3%</i>	<i>110 bp</i>	<i>75.1%</i>	<i>70.7%</i>	<i>440 bp</i>
Research and Development	(19,760)	(14,844)	33.1%	(19,140)	3.2%	(56,234)	(18,774)	199.5%
Provision for Expected Credit Losses	(1,590)	(1,860)	(14.5%)	(1,191)	33.5%	(3,446)	(2,196)	56.9%
Biz Performance Contribution Margin	42,333	29,590	43.1%	36,544	15.8%	112,178	43,110	160.2%
<i>% Biz Performance Contribution Margin</i>	<i>50.8%</i>	<i>47.2%</i>	<i>360 bp</i>	<i>48.4%</i>	<i>240 bp</i>	<i>49.0%</i>	<i>47.5%</i>	<i>150 bp</i>

Net Revenue

Net Revenue from Business Performance grew 33% in 3Q22 versus 3Q21, driven by the 34% in Recurring Revenue, which is related essentially to the progress in Sales Volume that have been observed at RD Station over the last quarters. In the quarter-over-quarter comparison, the 10% growth in Revenue reflects the acceleration in the addition of ARR in 2Q22, as well as the new increase in sales volume at RD Station in the quarter.

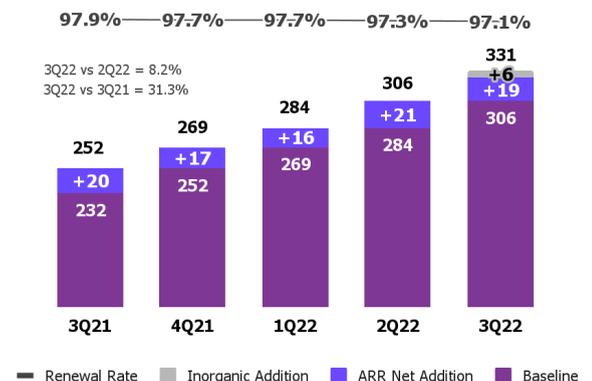
ARR from Business Performance reached R\$331 million in the quarter, which means an increase of 31% over 3Q21 and 8.2% over 2Q22, with an organic ARR Net Addition of R\$19 million besides an inorganic 6 million addition from the purchase of Tallos, as shown in the chart on the right.

The lower net addition of ARR in 3Q22 compared with 2Q22 reflects mainly the performance in the quarter of the new signings from Tail, which besides having a significantly lower ARR, is focused on large accounts, and such combined characteristics, generate greater fluctuation in the quarterly results of the Net Addition of ARR. In the specific case of RD Station, net addition continued to grow, keeping the same trend as in previous quarters. The highlights of this growth continue to be the up-selling expansion of the Entry-Level product and the cross-selling of CRM in RD Station's client base.

Gross Margin

The Gross Margin of Business Performance ended the quarter at the historical level of 76.4%, which means 260 basis points above 3Q21 and 110 basis points above 2Q22, due mainly to: (i) the 10% growth of Net Revenue

ARR (R\$ million) and Renewal Rate



quarter over quarter; (ii) efficiency gains of investments to optimize Cloud structure, as mentioned in previous quarters, combined with the optimization of the Customer Success team.

Research & Development

Research and Development (R&D) expenses represented 24.2% of the Recurring Revenue of this dimension in 3Q22, a level similar to that stated in the same quarter of the previous year and 150 basis points lower than in 2Q22, even with the impact of collective bargain agreements above 10% for RD Station in August. As explained in previous quarters, the current level of investments in R&D versus Recurring Revenue reflects the current moment of this dimension and the profile of RD Station's products, which, because they focus on PLG (Product-Led Growth), makes investments in R&D even more important.

Provision for Expected Credit Losses

The Provision for Expected Credit Losses (formerly known as PCLD or PDD) for Business Performance reached 1.9% of Net Revenue in 3Q22 and 1.5% of Net Revenue in the accumulated nine-month period of 2022, compared with 2.4% in the accumulated nine-month period of 2021, which reflects a primarily recurring business model and a pulverized client base.

Business Performance Contribution Margin

The Business Performance Contribution Margin exceeded the level of 50% in the quarter, which means 240 basis points above 2Q22, driven mainly by the acceleration of Recurring Revenue and the consequent growth in Gross Margin, as well as, the maintenance of R&D investments as a percentage of Recurring Revenue. Considering the current scenario of the economy, this performance reinforces that even in a young business dimension and currently directed to speed up revenues, for TOTVS, the growth and profitability relationship do not represent a dilemma.

Other Operating Expenses and post-EBITDA Result (Management and Business Performance Dimensions)

In R\$ thousand	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Sales and Marketing Expenses	(187,727)	(155,655)	20.6%	(180,716)	3.9%	(545,093)	(409,712)	33.0%
<i>% of Net Total Revenue</i>	19.3%	19.9%	-60 bp	19.8%	-50 bp	19.6%	19.1%	50 bp
Adjusted G&A Expenses	(90,794)	(73,421)	23.7%	(84,445)	7.5%	(264,056)	(199,897)	32.1%
<i>% of Net Total Revenue</i>	9.3%	9.4%	-10 bp	9.2%	10 bp	9.5%	9.3%	20 bp
G&A Expenses and Others	(96,072)	(74,868)	28.3%	(70,657)	36.0%	(283,724)	(199,578)	42.2%
General and Administrative Expenses	(90,003)	(68,281)	31.8%	(84,860)	6.1%	(255,678)	(192,358)	32.9%
Provision for Contingencies	(6,641)	(10,615)	(37.4%)	(3,321)	100.0%	(20,897)	(24,504)	(14.7%)
Other Net Revenues (Expenses)	572	4,028	(85.8%)	17,524	(96.7%)	(7,149)	17,284	(141.4%)
Extraordinary Items	5,278	1,447	264.8%	(13,788)	(138.3%)	19,668	(319)	<(999%)
Earn-out Adjustment at Fair Value	-	-	-	1,158	(100.0%)	26,071	(834)	<(999%)
Earnings in Investment Sale	-	(1,156)	(100.0%)	-	-	-	(1,156)	(100.0%)
Expenses with M&A Transactions	5,278	2,603	102.8%	2,657	98.6%	11,200	10,389	7.8%
Tax Credit	-	-	-	(17,603)	(100.0%)	(17,603)	(8,718)	101.9%
Equity Pickup	-	38	(100.0%)	-	-	7	(526)	(101.3%)

Sales and Marketing Expenses

Sales and Marketing Expenses on Net Revenue ended the quarter at 19.3%, which means a reduction of 60 basis points year over year and 50 basis points compared with 2Q22, when the TOTVS Universe return to be realized, the largest annual event, aimed at clients and prospects that was resumed after two years of pandemic.

General and Administrative Expenses and Others

General and Administrative Expenses ("G&A"), net of the extraordinary impacts of expenses with M&A transactions, closed the quarter at 9.3% on GAAP Net Revenue, 10 basis points lower than in 3Q21. When added to the expenses of Provision for Contingencies, Other Net Operating Income and Expenses, and other extraordinary items, these lines represented 10.4% of the GAAP Net Revenue.

Management and Business Performance

Below EBITDA Results

Depreciation and Amortization Expenses

In R\$ thousand	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Depreciation	(30,494)	(28,742)	6.1%	(30,176)	1.1%	(91,181)	(80,682)	13.0%
Amortization	(29,141)	(26,867)	8.5%	(27,940)	4.3%	(83,680)	(63,591)	31.6%
Depreciation and Amortization	(59,635)	(55,609)	7.2%	(58,116)	2.6%	(174,861)	(144,273)	21.2%

The 2.6% increase on the Depreciation and Amortization lines over 2Q22 is associated mainly with the increase in amortization expenses because of the allocation of the purchase price of Gesplan. It is worth highlighting that depreciation and amortization expenses from the acquisitions of Feedz and RBM have not yet impacted the result for the quarter.

Financial Result

In R\$ thousand	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Financial Revenues	92,824	13,297	598.1%	98,694	(5.9%)	269,368	33,259	709.9%
Financial Expenses	(90,015)	(47,343)	90.1%	(85,213)	5.6%	(253,780)	(88,979)	185.2%
Financial Result	2,809	(34,046)	(108.3%)	13,481	(79.2%)	15,588	(55,720)	(128.0%)

The negative variation in the Financial Result, when compared with 2Q22, is explained mainly by the extraordinary effect, that took place on the 2Q22 Financial Income line, in the amount of R\$14.7 million from tax credits.

Income Tax and Social Contribution

In R\$ thousand	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
EBT	177,883	94,695	87.8%	189,881	(6.3%)	500,234	338,862	47.6%
Taxes at combined rate (34%)	(61,536)	(32,300)	90.5%	(64,132)	(4.0%)	(170,080)	(115,212)	47.6%
Law 11,196/05 - R&D Incentive	7,019	5,051	39.0%	5,977	17.4%	18,092	14,914	21.3%
Share Issue Expenses	-	12,279	(100.0%)	-	-	26	12,279	(99.8%)
Interest on Equity	21,788	17,152	27.0%	(1,171)	<(999%)	20,617	16,656	23.8%
Effect of Different Taxation in Subsidiaries	(1,881)	(1,338)	40.6%	(4,055)	(53.6%)	(9,057)	(7,738)	17.0%
Management Bonus	(887)	(484)	83.3%	(1,525)	(41.8%)	(3,429)	(1,389)	146.9%
Government Subsidies	427	26	>999%	499	(14.4%)	1,665	1,136	46.6%
Other	(437)	1,268	(134.5%)	7,320	(106.0%)	12,796	5,811	120.2%
Income Tax and Social Contribution	(35,507)	1,654	<(999%)	(57,087)	(37.8%)	(129,370)	(73,543)	75.9%
Current Income Tax and Social Contribution	(27,986)	(6,902)	305.5%	(43,068)	(35.0%)	(113,212)	(81,024)	39.7%
Deferred Income Tax and Social Contribution	(7,521)	8,556	(187.9%)	(14,019)	(46.4%)	(16,158)	7,481	(316.0%)
<i>% Current Effective Tax Rate</i>	<i>15.7%</i>	<i>7.3%</i>	<i>840 bp</i>	<i>22.7%</i>	<i>-700 bp</i>	<i>22.6%</i>	<i>23.9%</i>	<i>-130 bp</i>
<i>% Total Effective Tax Rate</i>	<i>20.0%</i>	<i>-1.7%</i>	<i>2170 bp</i>	<i>30.1%</i>	<i>-1010 bp</i>	<i>25.9%</i>	<i>21.7%</i>	<i>420 bp</i>

The Effective Rate of Income Tax and Social Contribution ended the quarter at 20%, which means 10.1 percentage points below 2Q22, explained mainly by the payment of Interest on Net Equity announced on August 1st. When compared with the same period of the previous year, the 21.7 percentage points increase in the Effective Rate is related mainly to the effect of deducting, for taxation purposes, the subsequent cost to issue shares in 3Q21.

Techfin dimension results

In accordance with CPC31 / IFRS5, the transaction involving the creation of the Joint Venture with itaú meets the criteria of assets held for sale. Therefore, we present below the result of the Techfin Dimension disclosed in segregated lines in Company's income statement.

The Techfin dimension aims to simplify, expand, and democratize TOTVS'S SMB clients' access to B2B financial services, comprising Supplier's business and new products. As previously mentioned, on April 12, 2022, the Company announced the creation of a Joint Venture with Itaú Unibanco S.A., called TOTVS Techfin, in which TOTVS and Itaú will each hold a 50% of interest. The transaction is subject to compliance with other precedent conditions to become definitive, including approval by the Central Bank of Brazil. This partnership aims to speed up the goals of this dimension, which is expected to foster not only small and medium-sized businesses but also the country's entire productive chain.

It is presented the Net Profit (Loss) of the Techfin Dimension, in the lines of Revenues, Costs and Expenses.

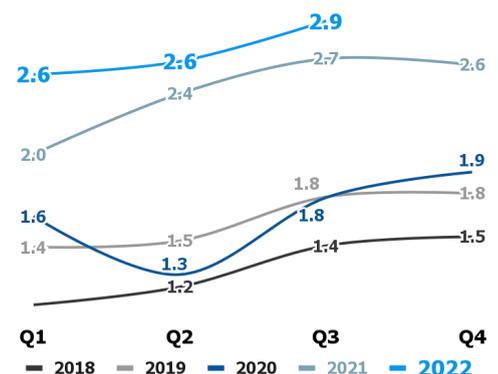
Techfin Results (in R\$ thousand)	3Q22	3Q21	Δ	2Q22	Δ	9M22	9M21	Δ
Techfin Net Revenue	117,432	73,157	60.5%	93,894	25.1%	293,958	189,715	54.9%
Funding Cost	(44,753)	(25,150)	77.9%	(42,020)	6.5%	(122,290.0)	(55,791)	119.2%
Techfin Revenue - Net of funding	72,679	48,007	51.4%	51,874	40.1%	171,668	133,924	28.2%
Operational Costs	(6,944)	(5,949)	16.7%	(5,680)	22.3%	(18,519)	(16,203)	14.3%
Gross Profit	65,735	42,058	56.3%	46,194	42.3%	153,149	117,721	30.1%
Research and Development	(10,038)	(5,865)	71.2%	(6,180)	62.4%	(22,940)	(16,187)	41.7%
Provision for Expected Credit Losses	(7,018)	(4,337)	61.8%	(7,271)	(3.5%)	(24,516)	(10,247)	139.3%
Techfin Contribution Margin	48,679	31,856	52.8%	32,743	48.7%	105,693	91,287	15.8%
% Techfin Contribution Margin	67.0%	66.4%	60 bp	63.1%	390 bp	61.6%	68.2%	-660 bp
Sales and Marketing Expenses	(11,813)	(7,876)	50.0%	(7,626)	54.9%	(27,125)	(21,331)	27.2%
G&A Expenses and Others	(18,418)	(15,400)	19.6%	(16,477)	11.8%	(46,630)	(39,924)	16.8%
Techfin EBITDA	18,448	8,580	115.0%	8,640	113.5%	31,938	30,032	6.3%
% Techfin EBITDA	25.4%	17.9%	750 bp	16.7%	870 bp	18.6%	22.4%	-380 bp
Depreciation and Amortization	(10,110)	(15,696)	(35.6%)	(11,276)	(10.3%)	(36,066)	(46,105)	(21.8%)
Financial Result	423	(570)	(174.2%)	(156)	(371.2%)	173	(1,122)	(115.4%)
Income Tax and Social Contribution	4,631	254	>999%	(861)	(637.9%)	2,977	84	>999%
Net Income (Loss) from Techfin Dimension	13,392	(7,432)	(280.2%)	(3,653)	(466.6%)	(978)	(17,111)	(94.3%)
% Net Income (Loss) from Techfin Dimension	18.4%	-15.5%	3390 bp	-7.0%	2540 bp	-0.6%	-12.8%	1220 bp

Techfin Revenue

Revenue from Techfin grew 61% year-over-year in 3Q22, especially because of the growth in Credit Production and the Selic Rate growth in the period.

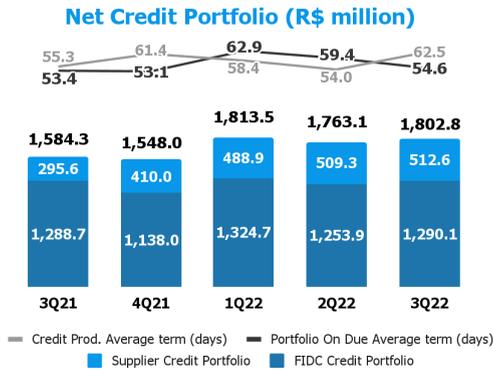
When compared with 2Q22, the 25% growth in Techfin Revenue is related mainly to: (i) the 10% growth in credit production quarter-over-quarter and (ii) the growth in the average of Credit Production, driven by the greater seasonal share of

Supplier Credit Production (R\$ bn)



agribusiness. In addition, the deferred revenue to be allocated by FIDC fund was R\$25.4 million in the quarter, face to R\$25.9 million in 2Q22.

As we can see in the chart on the right, Techfin's Credit Production followed the historical behavior of 3Q18 and 3Q21, showing growth over the second quarter of the respective years, also reflecting the seasonal increase in demand for credit production in the agribusiness, especially in August and September.



The Net Credit Portfolio of the Provision for expected credit losses, as observed in the chart on the left, had a 2.2% increase in the quarter over quarter and an average term of 54.6 days. It is worth emphasizing that even if the production in the quarter has occurred with a longer average term, there is a delay to reflect this change in the average consolidated term of the Credit Portfolio because of the natural effect of transfer, especially of contracts with longer terms.

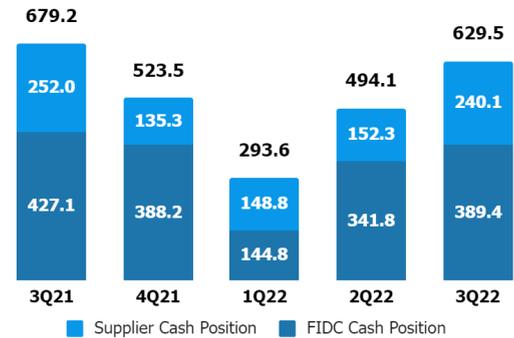
The representativeness of the portfolio for Supplier, compared with the total portfolio, ended the quarter at 28%, a level similar to that observed in the last quarters, aiming again to optimize the efficiency of the use of FIDC Cash and Supplier's floating.

Techfin Revenue - Net of Funding

Techfin Revenue, net of Funding, grew 40% quarter-over-quarter, driven by the already mentioned 25% growth in Techfin Revenue, along with a decrease in the percentage of Funding Cost in relation to Revenue in 3Q22. The quarter-over-quarter increase in this Cost below the 8% growth of the average Selic Rate in the period was due, among other factors, to the reduction in the spread of the FIDC's senior quota from CDI +2.3% p.a. to CDI +2% p.a. from August.

FIDC's Cash position closed the quarter at R\$389 million, as shown in the chart on the right, which means an increase of 14% versus the previous quarter, due mainly to the fund-raising performed by FIDC in the period, aimed at coping with the seasonal increase in credit production in the second half of the year.

Cash Position



Operating Costs

Operating Costs ended the quarter 22% higher than 2Q22, due especially to: (i) the increase in credit insurance premiums that reflect the increase in production with a longer average term, (ii) the provision for bonuses in the quarter, related to targets achieved for this dimension and (iii) the impact of collective bargain agreements above 10% in Supplier's cost structure as of August.

Research & Development

Research and Development (R&D) expenses grew 62% quarter-over-quarter. This increase is associated mainly with the following factors: (i) Supplier's collective bargain agreement that impacted this item as of August; (ii) provision for bonuses, according to this dimension's performance and (iii) a long-term incentive plan, as mentioned in the previous section.

Provision for Expected Credit Losses

The Provision for expected credit losses dropped 3.5% quarter-over-quarter, representing 0.24% of Credit Production compared with 0.28% in the previous quarter. This reduction reflects mainly the overdue portfolio behavior up to 30 days,

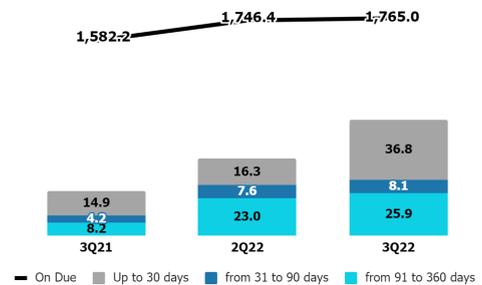
Delinquency Rate (% , above 90 days)



*Source: Banco Central do Brasil (www.bcb.gov.br/estatisticas/estatisticasmonetariascredito) > tabelas.xls > Tabela 23 > MPMe

which grew in lower levels to the total portfolio in the period, in which the historical losses of overdue portfolio up to 30 days is, significantly, lower than total overdue portfolio.

Credit Portfolio Aging (R\$ million)



ranges above the average that took place in 1Q22.

Moreover, as we can see in the chart, the increase in Defaults 90 days or more past due still reflects the "aging" of the initial delay

Techfin Contribution Margin

The Techfin Contribution Margin ended the quarter at 67%, which means an increase of 390 basis points over 2Q22, explained mainly by: (i) a 40% increase in Techfin Funding Net Revenue, because of the increase in Credit Production and the average term; (ii) a reduction in the Provision for expected credit losses and (iii) an increase in Operating Costs of 17.9 percentage points below the growth in Net Funding Revenue.

Other Techfin Operating Expenses

Techfin's Sales and Marketing Expenses increased from 14.7% of Funding Net Revenue in 2Q22 to 16.3% in 3Q22, due mainly to: (i) provision for bonuses and the long-term incentive plan (ILP), because the targets for this dimension were achieved and (ii) Supplier's collective bargain agreement, as mentioned in previous sections.

The above mentioned points also explain the 12% growth in Administrative and Other Expenses quarter-over-quarter.

Techfin's EBITDA and Net Income

Techfin's EBITDA Margin ended the quarter at 25.4%, which means 870 basis points higher than 2Q22, explained mainly by: (i) a 40% growth in Techfin Revenue, net of Funding; (ii) a 3.5% reduction in the Provision for Expected Credit Losses and (iii) growth in Administrative and Other Expenses by 28.3 percentage points lower than the growth in Techfin Revenue, net of Funding.

Techfin's Net Income closed the quarter at R\$13.4 million, R\$17 million higher than in 2Q22, mainly explained by the reduction in Techfin's effective rate resulting from the beginning of tax use of the goodwill amortization determined upon the acquisition of Supplier.



A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), individual prepared in accordance with the Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and consolidated prepared in accordance with the Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and the international standard IAS 34 - Interim Financial Reporting, as issued by international Accounting Standards Board - IASB

Report on review of the interim financial information

To the Board Members and Shareholders of
TOTVS S.A.
São Paulo – SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of TOTVS S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2022, comprising the balance sheet as of September 30, 2022 and related statements of income, of comprehensive income for the three and nine-month periods then ended, of changes in shareholders' equity and of cash flows for the nine-month period then ended, including the explanatory notes.

The Company's management is responsible for the preparation and fair presentation of these individual interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement and the consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1), applicable to the preparation of the Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of the Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities and

Exchange Commission (CVM).

Other matters

Statements of added value

The interim financial information referred to above includes the individual and consolidated of added value (DVA) for the nine-month period ended September 30, 2022, prepared under responsibility of Company's management, and presented as supplementary information for IAS 34 purposes. These statements were submitted to review procedures carried out jointly with the audit of Company's quarterly information to form a conclusion whether these statements are reconciled with interim financial information and book records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that these statements of added value were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

São Paulo, November 04, 2022

KPMG Auditores Independentes Ltda.

CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Petelin

Accountant CRC 1SP142133/O-7

TOTVS S.A.
Condensed Individual and Consolidated Statement of Financial Position

(In thousands of reais)

Assets	Note	Individual		Consolidated		Liabilities and equity	Note	Individual		Consolidated	
		9/30/2022	12/31/2021	9/30/2022	12/31/2021			9/30/2022	12/31/2021	9/30/2022	12/31/2021
Current assets		2,700,263	2,152,589	6,271,629	5,486,233	Current liabilities		491,585	872,267	3,203,815	3,319,550
Cash and cash equivalents	6	1,566,010	1,743,262	2,541,052	2,871,072	Labor liabilities	16	212,816	173,233	349,392	289,289
Financial Investments	7	-	-	-	388,154	Trade and other payables		84,748	75,693	118,006	112,579
Escrow account	20	9,366	8,618	11,652	9,341	Taxes and contributions liabilities	17	57,239	45,842	87,792	96,790
Trade and other receivables	8	342,453	268,656	534,554	1,983,710	Commissions payable		51,584	46,792	62,406	59,635
Recoverable taxes	9	38,642	47,212	71,953	90,482	Dividends payable	23	1,270	80,153	1,270	80,153
Other assets	12	119,561	84,841	152,408	143,474	Loans, financing and lease liabilities	18	45,769	39,637	56,892	156,306
Assets from Techfin Dimension	4	624,231	-	2,960,010	-	Debentures	19	5,151	385,988	5,151	385,988
						Accounts payable from acquisition of subsidiaries	20	9,455	8,707	59,865	153,839
Non-current assets		4,379,312	4,707,594	4,327,760	4,458,792	Business partners payable		-	-	-	520,118
Escrow account	20	-	-	43,978	35,427	Senior shares and mezzanine obligations		-	-	-	1,372,726
Trade and other receivables	8	38,097	53,268	47,066	64,943	Other liabilities		23,553	16,222	127,262	92,127
						Liabilities related to the assets from Techfin Dimension	4	-	-	2,335,779	-
Receivables from related parties	11	3,612	2,205	678	-						
Investments at fair value	5.2	10,538	-	107,067	99,621	Non-current liabilities		2,146,355	1,754,987	2,681,787	2,139,467
Deferred tax assets	10	54,292	62,729	96,046	144,622	Loans, financing and lease liabilities	18	143,767	142,910	168,131	179,308
Judicial deposits	21	29,235	25,951	32,622	29,658	Debentures	19	1,487,693	1,123,138	1,487,693	1,123,138
Recoverable taxes	9	-	-	18,077	-	Provision for contingencies	21	94,529	90,782	108,786	107,646
Other assets	12	65,273	83,098	70,506	90,335	Accounts payable from acquisition of subsidiaries	20	-	-	472,709	311,575
						Call option of non-controlling interests		388,627	366,194	388,627	366,194
Equity-accounted investees	13	3,384,018	3,730,332	3,036	3,075	Other liabilities		31,739	31,963	55,841	51,606
Property, plant and equipment	14	347,974	319,685	415,777	404,869						
Intangible assets and goodwill	15	446,273	430,326	3,492,907	3,586,242						
						Shareholders' equity	22	4,441,635	4,232,929	4,713,787	4,486,008
						Share Capital		2,962,585	2,962,585	2,962,585	2,962,585
						Capital reserves		875,042	864,868	875,042	864,868
						Treasury shares		(217,892)	(133,195)	(217,892)	(133,195)
						Profit Reserve		483,214	483,214	483,214	483,214
						Retained earnings		290,111	-	290,111	-
						Carrying value adjustments		48,575	55,457	48,575	55,457
						Non-controlling interests		-	-	272,152	253,079
Total assets		7,079,575	6,860,183	10,599,389	9,945,025	Total shareholders' equity and liabilities		7,079,575	6,860,183	10,599,389	9,945,025

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.
Condensed Individual and Consolidated Statements of Profit or Loss
For the three and nine-months ended September 30, 2022 and 2021
(In thousands of reais, except for earnings per share)

	Note	Individual				Consolidated			
		3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Software revenue		618,589	1,784,900	497,405	1,422,722	974,791	2,787,869	781,381	2,148,454
Net revenue	27	618,589	1,784,900	497,405	1,422,722	974,791	2,787,869	781,381	2,148,454
Cost of software	28	(192,753)	(554,711)	(165,244)	(470,218)	(295,089)	(841,887)	(239,372)	(662,051)
Gross profit		425,836	1,230,189	332,161	952,504	679,702	1,945,982	542,009	1,486,403
Operating income (expenses)									
Research and development expenses	28	(114,255)	(329,648)	(88,731)	(259,125)	(181,779)	(524,377)	(146,755)	(400,708)
Selling and marketing expenses	28	(139,917)	(416,610)	(116,990)	(325,697)	(205,246)	(590,859)	(169,086)	(443,637)
Administrative expenses	28	(71,285)	(210,269)	(63,917)	(195,887)	(118,175)	(338,958)	(101,493)	(264,236)
Other operating income (expenses)	28	(786)	(1,280)	1,966	12,009	572	(7,149)	4,029	17,285
Operating profit		99,593	272,382	64,489	183,804	175,074	484,639	128,704	395,107
Finance income	29	57,043	160,214	8,142	20,507	92,824	269,368	13,297	33,258
Finance expenses	29	(74,657)	(201,712)	(34,036)	(58,728)	(90,015)	(253,780)	(47,343)	(88,979)
Share of profit/ (loss) of equity-accounted investees	13	57,054	159,291	36,117	125,694	-	7	38	(526)
Profit before income and social contribution taxes		139,033	390,175	74,712	271,277	177,883	500,234	94,696	338,860
Income tax and social contribution - current		3,585	(30,074)	15,093	(17,480)	(27,986)	(113,212)	(6,902)	(81,024)
Income tax and social contribution - deferred		(7,172)	(8,437)	6,547	11,522	(7,521)	(16,158)	8,558	7,483
Total of income tax and social contribution taxes	10	(3,587)	(38,511)	21,640	(5,958)	(35,507)	(129,370)	1,656	(73,541)
Profit from continuing operations		135,446	351,664	96,352	265,319	142,376	370,864	96,352	265,319
Profit (loss) from Techfin Dimension		13,392	(978)	(7,432)	(17,111)	13,392	(978)	(7,432)	(17,111)
Profit for the period		148,838	350,686	88,920	248,208	155,768	369,886	88,920	248,208
Profit attributable to owners of the Company		148,838	350,686	88,920	248,208	148,838	350,686	88,920	248,208
Profit attributable to non-controlling		-	-	-	-	6,930	19,200	-	-
Earnings per share									
Basic earnings per thousand shares (in Reais)	26	0.24571	0.57758	0.15482	0.43530	0.24571	0.57758	0.15482	0.43530
Diluted earnings per thousand shares (in Reais)	26	0.24221	0.56927	0.15256	0.42947	0.24221	0.56927	0.15256	0.42947

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.
Condensed Individual and Consolidated Statements of Comprehensive Income
For the three and nine-months ended September 30, 2022 and 2021
(In thousands of Reais)

	Individual				Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Profit for the period	148,838	350,686	88,920	248,208	155,768	369,886	88,920	248,208
Items that are or may be reclassified subsequently to profit or loss								
Foreign operations - foreign currency translation adjustments	2,590	(6,882)	10,740	6,291	2,591	(6,882)	10,740	6,291
Other comprehensive income	2,590	(6,882)	10,740	6,291	2,591	(6,882)	10,740	6,291
Total comprehensive income for the period, net of tax	151,428	343,804	99,660	254,499	158,359	363,004	99,660	254,499
Total comprehensive income attributable to:								
Owners of the Company					151,429	343,804	99,660	254,499
Non-controlling interests					6,930	19,200	-	-

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

TOTVS S.A.

Condensed Individual and Consolidated Statements of Changes in Shareholders' Equity

For the Nine-months ended September 30, 2022 and 2021

(In thousands of reais)

	Capital Reserve				Profit reserve				Carrying value adjustments		Total Equity	Non-controlling interests	Total shareholders' equity	
	Capital	Capital reserves, share options and treasury shares reserves	Treasury shares	Transaction between shareholders	Capital Reserve	Profit Reserve	Legal Reserve	Profit Reserve	Proposed dividends	Retained earnings				Other comprehensive income
Balance at January 1, 2022	2,962,585	731,673	(133,195)	(24,323)	889,191	483,214	130,659	352,555	-	-	55,457	4,232,929	253,079	4,486,008
Capital transactions with shareholders	-	(74,523)	(84,697)	-	10,174	-	-	-	-	(60,575)	-	(135,098)	(127)	(135,225)
Share-based compensation plan	-	34,519	-	-	34,519	-	-	-	-	-	-	34,519	-	34,519
Disposal of treasury shares	-	-	24,270	-	(24,270)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(108,967)	(108,967)	-	-	-	-	-	-	-	-	(108,967)	-	(108,967)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(127)	(127)
Share issue expenses	-	(75)	-	-	(75)	-	-	-	-	-	-	(75)	-	(75)
Interest on shareholders' equity	-	-	-	-	-	-	-	-	(60,575)	-	-	(60,575)	-	(60,575)
Total comprehensive income	-	-	-	-	-	-	-	-	-	350,686	(6,882)	343,804	19,200	363,004
Profit for the period	-	-	-	-	-	-	-	-	350,686	-	-	350,686	19,200	369,886
Cumulative adjustment for currency exchange	-	-	-	-	-	-	-	-	-	(6,882)	(6,882)	(6,882)	-	(6,882)
Balance at September 30, 2022	2,962,585	657,150	(217,892)	(24,323)	899,365	483,214	130,659	352,555	-	290,111	48,575	4,441,635	272,152	4,713,787

	Capital	Capital reserves, share options and treasury shares reserves	Treasury shares	Capital Reserve		Profit reserve				Carrying value adjustments		Total Equity	Non-controlling interests	Total shareholders' equity
				Transaction between shareholders	Capital Reserve	Profit Reserve	Legal Reserve	Profit Reserve	Proposed dividends	Retained earnings	Other comprehensive income			
Balance at January 1, 2021	1,382,509	746,287	(148,537)	(24,323)	919,147	432,829	112,234	269,635	50,960	-	42,541	2,604,166	-	2,604,166
Capital transactions with shareholders	1,580,076	(11,927)	15,342	-	(27,269)	(187,863)	-(136,903)	(50,960)	(51,193)	-	-	1,329,093	-	1,329,093
Capital increase	1,580,076	-	-	-	-	(136,903)	-(136,903)	-	-	-	-	1,443,173	-	1,443,173
Share-based compensation plan	-	29,135	-	-	29,135	-	-	-	-	-	-	29,135	-	29,135
Disposal of treasury shares	-	-	15,342	-	(15,342)	-	-	-	-	-	-	-	-	-
Proposed dividends	-	-	-	-	-	(50,960)	-	-	(50,960)	-	-	(50,960)	-	(50,960)
Share issue expenses	-	(41,062)	-	-	(41,062)	-	-	-	-	-	-	(41,062)	-	(41,062)
Interest on shareholders' equity	-	-	-	-	-	-	-	-	(51,193)	-	-	(51,193)	-	(51,193)
Total comprehensive income	-	-	-	-	-	-	-	-	248,208	-	6,291	254,499	-	254,499
Profit for the period	-	-	-	-	-	-	-	-	248,208	-	-	248,208	-	248,208
Cumulative adjustment for currency exchange	-	-	-	-	-	-	-	-	-	-	6,291	6,291	-	6,291
Balance at September 30, 2021	2,962,585	734,360	(133,195)	(24,323)	891,878	244,966	112,234	132,732	-	197,015	48,832	4,187,758	-	4,187,758

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.
Condensed Individual and Consolidated Statement of Cash Flows
For the Nine-months ended September 30, 2022 and 2021
(In thousands of Reais)

	Note	Individual		Consolidated	
		9/30/2022	9/30/2021	9/30/2022	9/30/2021
Cash flow from operating activities					
Profit before income and social taxes for the period from continuing operations		390,175	271,277	500,234	338,860
Adjustments for:					
Depreciation and amortization	14/15	108,632	99,219	174,861	144,275
Share-based payments transactions	24	34,519	29,135	34,519	29,135
Losses (gain) on disposal of fixed assets and investments		(1,756)	324	(2,379)	10,399
Impairment loss on trade and other receivables	8	13,695	12,190	21,765	18,226
Share of profit/ (losses) of equity-accounted investees	13	(159,291)	(125,694)	(7)	526
Provision for contingencies, net of reversals	21	18,455	21,580	19,124	24,504
Reversal of provision net of additional provisions on other obligations and others		-	-	22,963	(1,401)
Interest and monetary variations and exchange variations differences, net		185,106	49,015	211,314	81,115
		589,535	357,046	982,394	645,639
Changes in operating assets and liabilities					
Trade and other receivables		(72,321)	(15,163)	(116,853)	(40,285)
Recoverable taxes		(28,071)	(2,667)	(59,747)	(440)
Judicial deposits		(1,868)	1,417	(1,923)	2,748
Other assets		(41,589)	(52,919)	(55,600)	(61,888)
Labor liabilities		70,874	41,939	103,466	16,542
Trade and other payables		8,998	(3,732)	11,123	(31,259)
Commissions payable		4,792	3,077	4,249	4,059
Taxes and contributions payable		13,347	14,951	978	5,551
Other liabilities		(11,156)	(25,851)	13,175	(51,542)
Cash generated from operating activities		532,541	318,098	881,262	489,125
Interest paid		(177,839)	(7,698)	(179,570)	(9,953)
Tax paid		(22,263)	(33,977)	(91,838)	(98,058)
Net cash from operating activities		332,439	276,423	609,854	381,114
Cash flow generated by/ (used) in investing activities					
Capital increase in subsidiaries/ associates	13.2	(120,844)	(1,715,779)	-	-
Dividends received		26,934	53,902	-	1,373
Acquisition of property, plant and equipment	14	(63,113)	(38,581)	(68,754)	(57,951)
Acquisition of intangible assets	15	(51,750)	(62,824)	(55,184)	(63,512)
Merged companies		-	730	-	-
Franchises loan		21,319	(31,038)	21,319	(31,038)
Acquisitions of subsidiaries, net of cash acquired		-	-	(179,754)	(1,705,031)
Payments from acquisitions of subsidiaries		-	-	(183,621)	(33,242)
Proceeds from sale of subsidiaries, net of cash		6,476	5,428	6,476	5,428
Proceeds from sale of property, plant and equipment		1,163	2,579	1,657	3,137
Fundo CVC investment		(11,766)	-	(11,766)	-
Cash generated by/ (used in) from Techfin Dimension		(28,516)	(13,330)	(166,687)	(206,197)
Net cash used in investing activities		(220,097)	(1,798,913)	(636,314)	(2,087,033)
Cash flow generated by/ (used in) financing activities					
Payment of principal of loans and financing		-	-	(6,740)	(4,157)
Payment of principal of debentures		(1,500,000)	-	(1,500,000)	-
Payment of principal of lease liabilities		(33,841)	(30,106)	(41,613)	(32,611)
Proceeds from debentures, loans and financing		1,494,084	1,489,369	1,494,549	1,489,369
Capital increase, net of expenses		-	1,443,173	-	1,443,173
Share issue expenses		(75)	(36,115)	(75)	(36,115)
Receivables from related companies		(1,339)	(1,663)	(678)	-
Dividends and interest on shareholders' equity paid		(139,456)	(107,607)	(140,036)	(107,607)
Treasury shares, net		(108,967)	-	(108,967)	-
Net cash generated by/ (used in) financing activities		(289,594)	2,757,051	(303,560)	2,752,052
Net Increase (decrease) in cash and cash equivalents		(177,252)	1,234,561	(330,020)	1,046,133
Cash and cash equivalents at beginning of the period		1,743,262	527,955	2,871,072	1,027,733
Cash and cash equivalents at the end of the period		1,566,010	1,762,516	2,541,052	2,073,866

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

TOTVS S.A.
Condensed Individual and Consolidated Statements of Value Added
For the Nine-months ended September 30, 2022 and 2021
(In thousands of Reais)

	<u>Individual</u>		<u>Consolidated</u>	
	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
1 – REVENUES	2,006,657	1,605,406	3,134,625	2,411,586
1.1 Sales of goods, products and services	2,014,226	1,605,587	3,129,724	2,412,525
1.2 Other revenue	6,126	12,009	26,666	17,287
1.3 Impairment loss on trade and other receivables (recording)	(13,695)	(12,190)	(21,765)	(18,226)
2 - RAW MATERIALS ACQUIRED FROM THIRD-PARTIES (includes ICMS and IPI taxes)	(590,372)	(490,105)	(837,729)	(626,372)
2.1 Cost of goods and services sold	(104,588)	(85,478)	(122,686)	(101,197)
2.2 Materials, energy, outsourced services and other	(484,806)	(387,516)	(714,065)	(508,064)
2.3 Other	(978)	(17,111)	(978)	(17,111)
3 - GROSS VALUE ADDED (1+2)	1,416,285	1,115,301	2,296,896	1,785,214
4 - DEPRECIATION AND AMORTIZATION	(108,632)	(99,219)	(174,861)	(144,277)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3+4)	1,307,653	1,016,082	2,122,035	1,640,937
6 - VALUE ADDED RECEIVED THROUGH TRANSFERS	319,505	146,201	269,375	32,732
6.1 Share of profit/ (losses) of equity-accounted investees	159,291	125,694	7	(526)
6.2 Finance income	160,214	20,507	269,368	33,258
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	1,627,158	1,162,283	2,391,410	1,673,669
8 - VALUE ADDED DISTRIBUTION	1,627,158	1,162,283	2,391,410	1,673,669
8.1 Personnel	772,219	636,699	1,229,352	946,706
8.1.1 Direct Compensation	649,110	535,374	1,039,414	798,906
8.1.2 Benefits	78,686	64,435	119,724	93,266
8.1.3 FGTS (Unemployment fund)	44,423	36,890	70,214	54,534
8.2 Taxes and contributions	300,036	217,675	534,424	388,122
8.2.1 Federal	246,553	174,293	451,012	322,701
8.2.2 State	82	10	1,947	1,607
8.2.3 Local	53,401	43,372	81,465	63,814
8.3 Interest and rent	204,217	59,701	257,748	90,633
8.3.1 Interest	201,712	58,728	253,780	88,979
8.3.2 Rents	2,505	973	3,968	1,654
8.4 Equity remuneration	350,686	248,208	369,886	248,208
8.4.1 Interest on shareholders' equity	60,575	51,193	60,575	51,193
8.4.3 Retained profit for the period	290,111	197,015	290,111	197,015
8.4.4 Non-controlling interest in retained profits	-	-	19,200	-

The accompanying notes are an integral part of the condensed individual and consolidated interim financial statements.

TOTVS S.A.

Notes to the Condensed Individual and Consolidated Interim Financial Statements

(In thousands of Reais, unless otherwise stated)

1. The Company and its operations

1.1 Reporting entity

TOTVS S.A. (“TOTVS”, “Company” or “Individual”) is a publicly held corporation headquartered at Av. Braz Leme, 1000, in the city and state of São Paulo, whose shares are traded on the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

1.2 Operations

The Company’s business purpose is to provide business solutions for companies of all sizes, through the development and sale of management software, productivity platforms, collaboration, and data intelligence, digital marketing as well as the provision of implementation, consulting, advisory, maintenance services, e-commerce and mobility. The solutions developed by the Company and its subsidiaries are segmented by the diverse economy industry, resulting in greater importance of these solutions for our clients’ business.

The Company, through its indirect subsidiary Supplier Administradora S.A. (“Supplier”), provides financial services, issuance and credit card management business, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated quotas of a securitization fund known as Fundo de Investimento em Direitos Creditórios (“Supplier FIDC”), which purchases, sales and securitizes own or third-party credit rights. The investment in FIDC has been included in Company’s condensed consolidated interim financial information. According to material facts disclosed on April 12, 2022, the negotiation for the creation of a joint venture between TOTVS and Itaú resulted in a classification of these assets as held for sale (“Dimension Techfin”) according to CPC 31/ IFRS 5 (see note 4).

2. Basis of preparation and presentation of the interim financial information

2.1. Statement of compliance

The condensed individual interim financial statements was prepared and is presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), and Brazil’s Financial Accounting Standards Board (CPC) pronouncements guidance and interpretations. The condensed consolidated interim financial statements, which are in conformity with the standards and procedures of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and pronouncements issued by the Accounting Federal Council (CFC) and Brazilian Securities and Exchange Commission (CVM). All significant information in the condensed individual and consolidated interim financial statements, and solely such information, is disclosed and corresponds to that used by the Management of the Company and its subsidiaries.

2.2. Basis of presentation

All amounts presented in this condensed individual and consolidated interim financial statements are expressed in thousands of reais, unless otherwise indicated.

TOTVS's condensed individual and consolidated Interim Financial Statements were approved at the Board of Directors' Meeting held on November 04, 2022, after a recommendation by the Audit Committee at a meeting held on October 28, 2022.

Significant accounting policies adopted in preparing this condensed individual and consolidated interim financial statements have been consistently applied to the previous periods presented.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events, considered reasonable under the circumstances, and are consistent with the information disclosed in note 3 of the financial statements of December 31, 2021.

This condensed individual and consolidated interim financial statements does not include all the requirements for annual or complete financial statements, and therefore should be read together with the complete financial statements of the Company and its subsidiaries for the year ended December 31, 2021.

2.3. Basis of preparation

The condensed individual and consolidated Interim financial statements were prepared using historical cost as base value, except for the valuation of certain assets and liabilities, such as business combinations and financial instruments, which were measured at fair value.

- I. **Condensed individual and consolidated interim financial statements:** The condensed individual interim financial statements were prepared in accordance with CPC 21 (R1), which are applicable to the preparation of interim financial information, and in a manner consistent with accounting practices adopted in Brazil, including the standards issued by the CVM and pronouncements of the Accounting Pronouncements Committee (CPC). The condensed consolidated interim financial statements were prepared in accordance with IAS 34 and CPC 21 (R1), applicable to the preparation of interim financial information, in conformity with the international accounting standards issued by the IASB (IFRS) and accounting practices adopted in Brazil including the standards issued by the CVM and pronouncements of the Accounting Pronouncements Committee (CPC).
- II. **Changes in accounting policies and disclosures:** There are no new standards, amendments and interpretations of standards issued as of January 1st, 2022 that, in Management's opinion, may have a significant impact on P&L or equity disclosed by the Company and its subsidiaries.

2.4. Consolidation basis

The condensed individual and consolidated interim financial statements include the operations of the Company and the following subsidiaries and associates whose percentages of the interests held by the Company at the reporting date are summarized below:

Corporate Names	Head office	Interest	Main activity	% Interest	
				9/30/2022	12/31/2021
Soluções em Software e Serviços TTS Ltda. ("TTS")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Tecnologia em Software de Gestão Ltda. ("TOTVS Tecnologia")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Direct	Software Operation	74.20%	74.20%
VT Comércio Digital S.A. ("VT Comércio")	BRA	Direct	Software Operation	50.00%	50.00%
TOTVS Argentina S.A. ("TOTVS Argentina")	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS México S.A. ("TOTVS México")	MEX	Direct	Software Operation	100.00%	100.00%
TOTVS Incorporation ("TOTVS Inc.")	EUA	Direct	Software Operation	100.00%	100.00%
TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large")	BRA	Direct	Software Operation	100.00%	100.00%
Dimensa S.A. (former TFS Soluções em Software Ltda.) ("Dimensa")	BRA	Direct	Software Operation	62.50%	62.50%
CM Soluciones – Argentina ("CMNet Argentina") (vii)	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS Serviços de Desenvolvimento e Consultoria em Tecnologia da Informação Ltda. ("Eleve")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Techfin S.A. (former Katrina Participações S.A.) ("TOTVS Techfin")	BRA	Direct	Software Operation	100.00%	100.00%
Datasul S.A. de CV. ("Datasul México") (ii)	MEX	Direct	Software Operation	100.00%	100.00%
TOTVS Corporation ("TOTVS BVI") (ii)	BVI	Direct	Software Operation	100.00%	100.00%
Datasul Argentina S.A. ("Datasul Argentina") (ii)	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS Renda Fixa Crédito Privado Fundo de Investimento em Cotas de Fundos de Investimento ("Fundo Restrito")	BRA	Direct	Restricted investment fund	100.00%	100.00%
CV Idexo Fundo de Investimento em Participações Multiestratégia Investimento no Exterior ("Fundo CV Idexo")	BRA	Direct	Participation Investment Fund	100.00%	100.00%
RD Gestão e Sistemas S.A. ("RD Station")	BRA	Indirect	Software Operation	92.04%	92.04%
TOTVS Reservas Ltda. ("TOTVS Reservas")	BRA	Indirect	Software Operation	100.00%	100.00%
CMNet Participações S.A. ("CMNet Participações")	BRA	Indirect	Holding - Participation in other companies	100.00%	100.00%
TOTVS Hospitality Technology Portugal Ltda. ("CMNet Portugal")	PRT	Indirect	Software Operation	100.00%	100.00%
TOTVS Hospitality Chile ("TOTVS Chile") (former "CMNet Chile")	CHL	Indirect	Software Operation	100.00%	100.00%
RJ Participações S.A. ("RJ Participações")	BRA	Indirect	Holding - Participation in other companies	80.00%	80.00%
R.J. Consultores en Sistemas de Información S.C. ("RJ México")	MEX	Indirect	Software Operation	80.00%	80.00%
R.J. Consultores e Informática Ltda. ("RJ Consultores")	BRA	Indirect	Software Operation	80.00%	80.00%
Consinco S.A. ("Consinco") (i)	BRA	Indirect	Software Operation	-	100.00%
Wealth Systems Informática Ltda. ("WS")	BRA	Indirect	Software Operation	100.00%	100.00%
Supplier Participações S.A. ("Supplier") (iv) (v) (vi)	BRA	Indirect	Financial services and credit operations	-	88.75%
Supplier Administradora de Cartão de Cartão de Crédito S.A. ("Supplier Administradora") (iv) (v)	BRA	Indirect	Financial services and credit operations	100.00%	88.75%
Tail Target Tecnologia de Informação Ltda. ("Tail")	BRA	Indirect	Software Operation	100.00%	100.00%
National Platform, LLC ("National Platform")	RUS	Indirect (Plug)	Software Operation	19.00%	19.00%
RD Station Colômbia SAS ("RD Colômbia")	COL	Indirect (Associate)	Software Operation	92.04%	92.04%
TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Indirect	Software Operation	25.80%	25.80%
TOTVS Colômbia SAS ("TOTVS Colômbia")	COL	Indirect	Software Operation	100.00%	100.00%
DTS Consulting Partner, SA de CV ("Partner") (ii)	MEX	Indirect	Software Operation	100.00%	100.00%
Bematech Argentina S.A. ("Bematech Argentina") (ii)	ARG	Indirect	Software Operation	100.00%	100.00%
InovaMind Tech Ltda. ("InovaMind") (iii)	BRA	Indirect	Software Operation	100.00%	-
Mobile2you Ltda. ("Mobile2you") (iii)	BRA	Indirect	Software Operation	100.00%	-
Credit Core Tecnologia de Crédito Ltda. ("Vadu") (iii)	BRA	Indirect	Software Operation	100.00%	-

Gesplan S.A. ("Gesplan") (iii)	BRA	Indirect	Software Operation	100.00%	-
Wizco Sistemas Ltda. ("Wizco") (iii)	BRA	Indirect	Software Operation	100.00%	-
Cobu Consulting & Business Ltda. ("Cobu") (iii)	BRA	Indirect	Software Operation	100.00%	-
Cartão de compra Supplier Fundo de Investimento em Direitos Creditórios ("Supplier FIDC") (v)	BRA	Indirect	Financial services and credit operations	-	-
Tallos Tecnologia Integrada E Assessoria Em Negocios S.A ("Tallos") (iii)	BRA	Indirect	Software Operation	100.00%	-
Feedz Tecnologia S.A. ("Feedz") (iii)	BRA	Indirect	Software Operation	60.00%	-
RBM WEB - Sistemas Inteligentes LTDA ("RBM Web") (iii)	BRA	Indirect	Software Operation	100.00%	-
Supplier Sociedade De Credito Direto S.A ("Supplier SCD")	BRA	Indirect	Financial services and credit operations	100.00%	-

- (i) On February 28, 2022, the subsidiary Consinco S.A. was merged by the, also subsidiary, Soluções em Software e Serviços TTS Ltda. by the net assets of R\$45,029 in which were evaluated by experts which issued the evaluation report of the Shareholders' equity in the base date on December 31, 2021. The variations in the accounts occurred after the base date until the data of effective merger were absorbed by the subsidiary Soluções em Software e Serviços TTS Ltda.
- (ii) Dormant companies that will be closed.
- (iii) Company acquired in 2022 as mentioned in note 3. The acquired companies Inovamind, Vadu, Mobile2you and RBM are subsidiaries from Dimensa, whose interest from TOTVS is 62.5%. The acquired Tallos is a subsidiary from the company RD Station, whose interest from TOTVS is 92.04%.
- (iv) On March 30, 2022, the subsidiary TOTVS Tecnologia exercised the call option by the remaining interest from Supplier Participações in the amount of R\$51,576. The transaction provides the complementary payment (Earn-out) to be paid on March 31, 2026, whose fair value in the transaction date has generated a complementary provision of R\$24,913 recognized at "Accounts payable from acquisition of subsidiaries".
- (v) In according to material fact from April 12, 2022, the Board of Directors approved the creation of a Joint Venture with Itaú regarding Techfin Dimension operation which involves the companies from Supplier's group and presented in these interim financial information as "Techfin Dimension" as mentioned in the note 4.
- (vi) On July 01, 2022, the subsidiary Supplier Participações was merged by the also subsidiary Supplier Administradora de Cartão de Crédito S.A. by the net assets of R\$114,058, in which was evaluated by experts that issued the evaluation report of equity in base date on June 30, 2022. The variation in the accounts after the merger date was absorbed by the subsidiary Supplier Administradora de Cartão de Crédito S.A..
- (vii) In the process of filing the act which modifies its social denomination for TOTVS Hospitality Technology Argentina S.A..

All balances and transactions between subsidiaries were eliminated in the condensed consolidated financial statements. Comparing the consolidated profit or loss between 2022 and 2021, must be considered the acquisition date of each subsidiary. Thus, the condensed individual and consolidated interim financial information as of September 30, 2021 does not include the profit or loss of subsidiaries Inovamind, Mobile2you, Vadu, Gesplan, Tallos and Feedz which were included in the consolidated financial statements from the date of their respective acquisition. Investments in associates are accounted for under the equity method and are initially recognized at cost.

3. Business combination

The Company's acquisitions reinforce the software strategy to develop an ecosystem represented by three dimensions: (i) Management - ERP, HR and vertical solutions; (ii) Techfin - B2B credit, services and payments; and (iii) Business Performance - solutions with focus to increase the sales, competitiveness and customer performance, through digital marketing, sales/ digital commerce and CS - Customer Success solutions.

InovaMind

On March 7, 2022, the Company entered into a share sale and purchase agreement for the acquisition of quotas corresponding to 100% of the Share Capital from startup InovaMind Tech Ltda., through its subsidiary Dimensa S.A. The cash paid amount, including the price adjustment, was R\$15,446. In addition, the agreement provides the payment of variable complementary purchase price, subject to the achievement of certain performance targets established related to the years of 2022 and 2023 and and complying with other conditions.

InovaMind is an artificial intelligence startup which uses Big Data to create products and digital services for the companies of all sizes.

Mobile2you

On January 31, 2022, the Company entered into a share sale and purchase agreement for the acquisition of 100% of quotas of Share Capital from Mobile2you Ltda., through its subsidiary Dimensa S.A.. The cash paid amount, including the price adjustment was R\$17,316. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of certain performance targets established related to the years of 2022 and 2023 and the fulfillment of other conditions.

Mobile2you is a mobile-house responsible for developing tailor-made financial applications for companies that want to start the journey of entering the fintech market.

Vadu

On March 29, 2022, the Company celebrated a share sale and purchase agreement for the acquisition of 100% of quotas of Share Capital from Vadu Ltda., through its subsidiary Dimensa S.A.. The cash paid amount, including the price adjustment, was R\$38,535. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of certain performance targets from Vadu and the fulfillment of other conditions.

Vadu is a platform for analysis, automation and monitoring solutions for the credit market, using Big Data integrated to artificial intelligence, the platform acts in all credit journeys.

Gesplan

On April 02, 2022, the Company celebrated a share sale and purchase agreement for the acquisition of 100% of shares of Share Capital from Gesplan S.A., by the subsidiary TOTVS Tecnologia em Software e Gestão Ltda.. The cash paid amount, including the price adjustment, was R\$32,423. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of certain performance targets established for Gesplan related to the years of 2022 and 2023 and the fulfillment of other conditions in the amount of R\$14,260.

Gesplan provides planning and financial management solutions, which operates in a transactional environment of integrated way with ERPs, highlighting SaaS (Software as Service) and integrated management of treasury (Cash and Treasury Management) solutions.

Tallos

On August 01, 2022, was celebrated a sale and purchase agreement for the acquisition of totality Share Capital from Tallos Tecnologia Integrada e Assessoria em Negócios S.A., through its subsidiary RD Gestão e Sistemas S.A.. The cash paid amount was R\$6,600. In addition, the

agreement provides the payment of complementary purchase price, subject to the fulfillment of other conditions.

Tallos was founded in 2017 to provide innovative solutions and to uncomplicate digital attendance and it has been consolidating as the main developer of solutions for “conversational commerce” in the country, allowing the optimization in the attendance and potentiating the sales force of the companies.

RBM

On August 17, 2022, was celebrated a sale and purchase agreement for the acquisition of totality of quotas from RBM Web Sistemas Inteligentes Ltda., through its subsidiary Dimensa S.A.. The amount paid in cash was R\$20,000. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of certain performance targets established for RBM and the fulfillment of other conditions. The transaction closing occurred on September 23, 2022.

RBM, founded in 2006, is a company with more than 150 customers and capillarity in the domestic market which provides 100% SaaS solutions in core banking of easy implementation with focus in fintechs market, financial institutions and receivables manager.

Feedz

On August 31, 2022, was celebrated a sale and purchase agreement for the acquisition of 60% of shares from Share Capital from Feedz Tecnologia S.A. through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda.. The amount paid in cash was R\$58,000, in addition to the withheld amount of R\$8,000 for eventual price adjustments and indemnities.

The agreement also provides the acquisition, during the first semester from 2025, of remaining shares, which represents 40% of Share Capital from Feedz, whose price will observe the terms and conditions agreed by the parties in accordance to the achievement of certain targets and performance of Feedz. The fair value of term purchase on the acquisition date is R\$59,642.

Feedz is a Brazilian HR Tech specialized in SaaS engagement solutions, performance and organizational climate, with highlights for OKR tools (objectives and key results), performance evaluation, feedbacks, climate surveys and engagement by pulses.

Following a summary of the fair value at the acquisition date of the transferred consideration presented above:

<i>In thousands of reais</i>	Note	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz	Total
Cash payment		15,136	17,484	37,500	30,249	6,600	20,000	58,000	184,969
Contingent consideration	20	4,276	21,182	24,997	14,260	-	17,000	59,645	141,360
Amount withheld	20	5,303	906	16,628	4,408	-	13,000	6,500	46,745
Price adjustment		310	(168)	1,035	2,174	-	-	1,901	5,252
Total consideration		25,025	39,404	80,160	51,091	6,600	50,000	126,046	378,326

<i>Acquisition cash flow analysis</i>	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz	Total
Cash paid amount	15,446	17,316	38,535	32,423	6,600	20,000	58,000	188,320
Net cash acquired from subsidiary	(1,608)	-	(924)	(2,617)	(191)	(657)	(2,569)	(8,566)
Acquisition net cash flow	13,838	17,316	37,611	29,806	6,409	19,343	55,431	179,754

Identifiable intangible assets acquired and Goodwill

The following is the information related to identified assets acquired and preliminary liabilities assumed at fair value, goodwill and cost of the interest held that affected the condensed consolidated interim financial statements position as at September 30 , 2022:

Preliminary fair value	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz	TOTAL
<i>At acquisitions date</i>	<i>01/7/2022</i>	<i>01/31/2022</i>	<i>03/29/2022</i>	<i>04/2/2022</i>	<i>08/1/2022</i>	<i>09/23/2022</i>	<i>08/31/2022</i>	
Current assets	2,648	609	1,814	7,133	359	796	2,934	16,293
Cash and cash equivalents	1,608	-	924	2,617	191	657	2,569	8,566
Trade and other receivables	133	394	874	2,199	119	58	235	4,012
Other current assets	907	215	16	2,317	49	81	130	3,715
Non-current assets	9,836	9,098	19,315	24,500	250	1,393	32,176	96,568
Property, plant and equipment	8	487	205	445	247	1,382	485	3,259
Software	6,144	7,413	9,742	9,329	-	-	16,796	49,424
Client portfolio	3,198	73	9,196	12,302	-	-	10,733	35,502
Trademark	-	8	-	1,179	-	-	1,004	2,191
Non-compete	486	1,117	-	730	-	-	3,155	5,488
Other non-current assets	-	-	172	515	3	11	3	704
Current liabilities	5,552	1,348	1,195	7,649	783	1,372	2,765	20,664
Labor liabilities	-	564	575	1,444	449	738	1,717	5,487
Other liabilities	5,552	784	620	6,205	334	634	1,048	15,177
Non-current liabilities	2	-	-	1,218	385	816	-	2,421
Net assets and liabilities	6,930	8,359	19,934	22,766	(559)	1	32,345	89,776
Cash payment	15,446	17,316	38,535	32,423	6,600	20,000	58,000	188,320
Short-term portion	2,108	7,404	10,506	4,591	-	-	1,901	26,510
Long-term portion (i)	7,471	14,684	31,119	14,077	-	30,000	66,145	163,496
Goodwill	18,095	31,045	60,226	28,325	7,159	49,999	93,701	288,550

(i) Long-term portions were recorded at present value at acquisition date.

The assets acquired and liabilities assumed at fair value presented above are preliminary. So, if new information obtained within a period of one year from the acquisition date about facts and circumstances that existed on the acquisition date and indicate adjustments in the amounts mentioned like: intangible assets, respective goodwill and assumed liabilities, or any provision that existed at the acquisition date, the acquisition accounting will be revised, as provided in CPC 15/ IFRS 3.

The goodwill of R\$288.550 comprises the value of future economic benefits of synergies arising from the acquisition and align with the Company's strategy and are allocated to the Management segment, except for Tallos which is allocated in the Business Performance segment.

Contingent considerations were recorded at fair value on the acquisition date and are presented in note 20.

The condensed individual and consolidated interim financial statements position, in the ended period on September, 30, the acquired companies, except for Tallos, were included in the Management segment in line with the TOTVS group's strategy and contributed with a net

consolidated revenue from services of R\$34,039 and net profit of R\$4,703, considering the period after each acquisition date mentioned above. Tallos is inserted in the Business Performance Dimension contributing with consolidated net revenue of R\$944 and loss of R\$201 in the period of September 30, 2022, after the acquisition date mentioned above.

If the acquisition had taken place on January 01, 2022, the consolidated net revenue from services and sales would have been R\$57,855 and profit would have been R\$5,107.

The transaction cost involving the acquisitions of these companies as of September 30, 2022 was R\$4,337, recognized in profit or loss as administrative expenses.

4 Techfin Dimension

Techfin dimension aims to simplify, expand and democratize the access of the SMB customers from TOTVS to B2B financial services, contemplating business from the subsidiary Supplier and new products.

On April 12, 2022, the Board of Directors from the Company approved the creation of a Joint Venture with Itaú Unibanco S.A. (“Itaú”), called TOTVS Techfin (“JV”), whose purpose is to operate a digital platform of financial services for small and medium companies, through the integration of a full range of financial services.

In this transaction, TOTVS and Itaú will hold, each one, 50% of interest in the JV. For purposes of development of activities from JV, TOTVS and Itaú will contribute with its respective expertises and will assume, in special, the following obligations:

(i) TOTVS should contribute with assets from its business dimension Techfin, including the totality shares of voting Share Capital from Supplier Administradora de Cartões de Crédito S.A. (“Supplier”);

(ii) Itaú will be responsible to provide funding for the operations from JV, by the required deadline and volume and with its financial expertise, to contribute with the development of financial products from JV. Itaú will realize a primary contribution of R\$200,000 in the Share Capital from JV.

In addition, in the context of JV creation, Itaú commits to pay for TOTVS until R\$860,000 by the shares from JV, in which, R\$410,000 will be paid in cash, in the transaction closing date, and until R\$450,000 to be paid after 5 years, as complementary price (Earn-out) through the accomplishment of targets align with the purposes of growing and performance from JV.

The closing of the operation depends of the approval from Banco Central do Brasil (BACEN), as well as the verification of other usual conditions for this type of operation, comprehending a societary reorganization with the contribution of certain assets and rights for the capital from JV, by TOTVS. Until the disclosure date of these condensed individual and consolidated interim financial statements, these conditions had not yet been reached.

According to CPC 31/ IFS 5, this transaction meets the criteria of held for sale. Thus, we present following the assets and liabilities involved in the Techfin Dimension disclosed in segregated lines in the Statement of Financial Position and Statements of Profit or Loss from the Company on September 30, 2022:

ASSETS	Consolidated 9/30/2022	LIABILITIES	Consolidated 9/30/2022
Current assets	2,473,230	Current liabilities	2,331,080
Cash and cash equivalents	253,708	Labor liabilities	25,774
Financial Investments	389,407	Trade and other payables	7,051
Trade and other receivables	1,799,505	Taxes and contributions liabilities	13,431
Recoverable taxes	13,913	Commissions payable	1,553
Other assets	16,697	Loans, financing and lease liabilities	1,101
		Business partners payable	689,147
		Senior shares and mezzanine obligations	1,593,971
Non-current assets	486,780	Other liabilities	(948)
Deferred tax assets	50,714		
Judicial deposits	459	Non-current liabilities	4,699
Other assets	31	Loans, financing and lease liabilities	1,975
Property, plant and equipment	6,699	Provision for contingencies	1,097
Intangible assets and goodwill	428,877	Payables from related parties	709
		Other liabilities	918
Total assets Techfin Dimension	2,960,010	Total liabilities related to the assets from Techfin Dimension	2,335,779

	Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021
Net revenue	117,432	293,958	73,157	189,715
(-) Costs	(52,996)	(142,278)	(35,304)	(76,353)
Gross profit	64,436	151,680	37,853	113,362
Research and development expenses	(12,716)	(28,872)	(6,563)	(17,325)
Selling and marketing expenses	(20,368)	(53,381)	(12,333)	(31,881)
Administrative expenses (i)	(23,116)	(75,215)	(30,578)	(86,035)
Other operating income (expenses)	102	1,657	380	1,684
Profit (Loss) before income and social contribution taxes	8,338	(4,131)	(11,241)	(20,195)
Finance results	422	173	3,554	3,002
Income tax and social contribution	4,632	2,980	255	82
Profit (Loss) from Techfin Dimension (ii)	13,392	(978)	(7,432)	(17,111)

(i) It contemplates amortization of intangibles allocated in the Supplier's acquisition in the amount of R\$9,454 on 3Q22 (R\$14,543 on 3Q21) and R\$29,647 on September 30, 2022 (R\$43,628 on September 30, 2021);

(ii) The rubric "Loss from Techfin Dimension" in the table above is disclosed in only one line in the rubric "Net income from discontinued operations" in the Statements of Profit or Loss, as CPC 31/ IFRS 5 determine.

	Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021
Comprehensive income from Techfin Dimension				
Profit (Loss) for the period	13,392	(978)	(7,432)	(17,111)
Comprehensive income for the period	13,392	(978)	(7,432)	(17,111)

Follow, the present the summary of the Statements of Cash Flow from Techfin Dimension:

	Consolidated	
	9/30/2022	9/30/2021
Operating activities	94,810	(180,044)
Investing activities	36,406	(35,663)
Financing activities	(12,816)	467,727
Net cash generated by/ (used) from Techfin Dimension	118,400	252,020

5 Financial instruments and sensitivity analysis of financial assets and liabilities

The Company and its subsidiaries evaluated their financial assets and liabilities based on market values using the information available and the appropriate valuation methodologies.

5.1 Financial instruments by category

The follow table compares the financial instruments of the Company and its subsidiaries by class, as presented in the condensed individual and consolidated interim financial statements:

	Fair Value through profit or loss		Amortized cost	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Consolidated				
Cash and cash equivalents (Note 6)	2,485,805	2,852,173	55,247	18,899
Financial investments (Note 7)	-	388,154	-	-
Escrow account (Note 20)	-	-	55,630	44,768
Trade and other receivables (Note 8)	-	-	581,620	2,048,653
Franchises loan (Note 12)	-	-	34,806	67,122
Receivables for investments sold (Note 12)	-	-	8,207	14,454
Investments at fair value (Note 5.2)	107,067	99,621	-	-
Financial Instruments assets	2,592,872	3,339,948	735,510	2,193,896
Loans and financing (Note 18) (i)	-	-	1,058	103,740
Debentures (Note 19)	-	-	1,492,844	1,509,126
Trade and other payables (ii)	-	-	181,682	252,367
Business partners payable	-	-	-	520,118
Accounts payable from acquisition of subsidiaries (Note 20)	424,630	420,557	107,944	44,857
Senior shares and mezzanine obligations	-	-	-	1,372,726
Call option of non-controlling interests (iii)	388,627	366,194	-	-
Other liabilities	-	-	12,891	13,579
Financial liabilities	813,257	786,751	1,796,419	3,816,513

(i) Leases are not included in accordance with CPC 06(R2).

- (ii) Includes "Trade and other payables", "Commissions payable" and "dividends payable".
- (iii) Represents the call option as a result of the transaction involving B3.

The fair value of financial assets and liabilities is included in the amount for which the instrument could be exchanged in a transaction between willing parties rather than in a forced sale or settlement. The methods and assumptions below were used to estimate fair value:

- Escrow accounts, trade and other receivables, trade and other payables and other short-term liabilities approximate their respective carrying amounts mainly due to the short-term maturities of these instruments.
- Financial assets at fair value not traded in an active market are estimated using a valuation technique, such as discounted cash flow or multiple revenues, considering the reasonableness of the range of values indicated thereby.
- Loans, financing and debentures are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost. The Company and its subsidiaries use the risk-free discounted cash flow methodology to calculate the fair value of loans, financing and debentures.
- Accounts payable from acquisition of subsidiaries, includes contingent payments relating to business combinations and their fair value is estimated based on the performance of operations applied to the multiples defined in the contract.
- Liabilities for obligations with senior and mezzanine shares refer to other Supplier FIDC shareholders and are stated at amortized cost.

The amounts recognized in the statement of financial position regarding trade and other receivables, trade and other accounts payables, franchises loan and other payables, dividends payable at amortized cost, do not significantly differ from their fair values.

5.2 Investments at fair value

We present, the composition of investments at fair value and respective balances on September 30, 2022 and December 31, 2021:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
CV Idexo Fundo de Investimento	10,538	-	10,538	-
GoodData	-	-	96,517	99,621
Other	-	-	12	-
Total	10,538	-	107,067	99,621

These investments are private companies which do not have a quoted market price in an active market. The fair value of these investments is measured by commonly used market valuation techniques, such as discounted cash flows or multiples, considering the reasonableness of the estimated range of values. The fair value measurement is the mid-point within the range that best represents the respective fair value. Additionally, these investments include an investment in GoodData in preferred shares, subject to preemptive right of subscription.

Follow the detail of each group:

a) CV Idexo Fundo de Investimento em Participações

On March 08, 2022 was constituted the CV Idexo Fundo de Investimento em Participações Multiestratégia Investimento no Exterior, a Corporate Venture Capital (CVC), whose purpose is to invest in startups with high potential of growth and innovation. The Company majority shareholder from the Fund, in which will be managed by an independent manager.

b) GoodData

TOTVS' investments in startups are made within a medium-term strategy, with output planned for when the expected financial returns are achieved, and are recognized as financial instruments.

5.3 Sensitivity analysis of financial assets and liabilities

The financial instruments of the Company and its subsidiaries are represented by accounts and other receivables, trade and other payables, loans and financing and debentures, which are recorded at cost plus income or charges incurred or at fair value, where applicable, as at September 30, 2022 and December 31, 2021.

The main risks related to the Company's operations are linked to the variation of Brazilian Interbank Deposit Floating Rate (CDI).

a) Financial assets

In order to check the sensitivity of the index in the short-term investments to which the Company and its subsidiaries were exposed to risk in interest rate movement as of September 30, 2022, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 13.65% for the nine-months period ended September 30, 2022, which was defined as a probable scenario (scenario I). Based thereon, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each of these scenarios the "gross finance income" was estimated, with taxes on investment returns not included. The reference date for the portfolio was September 30, 2022, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Balances at 9/30/2022	Risk	Probable Scenario I	Scenario II	Scenario III
		Reduction			
Consolidated financial investments	2,517,025	CDI	13.65%	10.24%	6.83%
Estimated finance income			343,574	257,743	171,913

b) Financial liabilities

To evaluate the sensitivity of the indexes to which the Company and its subsidiaries are exposed when estimating the debts as at September 30, 2022, three different scenarios were created. Based on CDI rates in force at this date, the most probable scenario (scenario I) was determined for 2022 and, from this, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each scenario, the gross financial expense was calculated, without the related tax impacts and the maturity flow of each contract scheduled for 2022. The reference date used for the debts was September 30, 2022, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Balances at 9/30/2022	Risk	Probable Scenario I	Scenario II	Scenario III
Loans and financing (Note 17) (i)	1,058	Increase	13,65%	17,06%	20,48%
Debentures (Note 19)	1,492,844	CDI	144	180	217
Estimated finance expense			203.773	254.679	305.734
			203,917	254,859	305,951

5.4 Changes in liabilities from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were or will be classified in the condensed individual and consolidated statement of cash flows as cash flows from financing activities.

The following is a breakdown of liabilities arising from financing activities for the nine-months period ended in September 30, 2022:

Consolidated	12/31/2021	Cash flow from financing activities			Non-cash items				9/30/2022
		Principal	Interest paid	Additions	Addition/ (Write off)	Interest incurred	Acquisition of subsidiary	Techfin Dimension (i)	
Loans and financing (Note 18)	103,740	(6,740)	(9)	465	-	1	7,341	(103,740)	1,058
Leases (Note 18)	231,874	(41,613)	(9,684)	-	38,561	8,582	-	(3,755)	223,965
Debentures (Note 19)	1,509,126	(1,500,000)	(169,877)	1,494,084	-	159,511	-	-	- 1,492,844
Dividends payable (Note 23)	80,153	(140,036)	-	-	60,574	-	579	-	1,270
Senior shares and mezzanine obligations	1,372,726	-	-	-	-	-	-	(1,372,726)	-
Total	3,297,619	(1,688,389)	(179,570)	1,494,549	99,135	168,094	7,920	(1,480,221)	1,719,137

(i) Liabilities related to Techfin operation were classified as held for sale as mentioned in the note 4.

5.5 Financial risk management

The main financial risks to which the Company and its subsidiaries are exposed when conducting their activities are:

a. Liquidity Risk

The Company's and its subsidiaries' liquidity and cash flow are monitored daily by Company Management areas to ensure the generation of cash from operating activities and early fundraising, whenever necessary. The Company and its subsidiaries reinforce its commitment to resource management in order to maintain its schedule of commitments, not giving rise to liquidity risks for the Company and its subsidiaries.

Typically, the Company and its subsidiaries ensure that it have sufficient cash at sight to cover

expected operating expenses, including the compliance with financial obligations; which excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters. The Company and its subsidiaries have access to a sufficient variety of funding sources.

b. Credit risk

Credit risk is the risk that the counterparty in a deal will not fulfill an obligation set forth in a finance instrument or contract with a customer, which would cause a financial loss.

Regarding the credit risk associated with financial institutions, the Company and its subsidiaries distribute this exposure among financial institutions. Financial investments must be made in institutions whose risk rating is equal to or greater than the Sovereign Risk (Brazil Risk) assigned by the rating agencies Standard & Poor's, Moody's or Fitch and in the case of investment in investment funds, the referred classification will be replaced by the classification "Investment Grade", attributed by ANBIMA. The amount allocated to each institution, except federal government bonds, cannot exceed 30% of the total balances in current accounts plus financial investments, and also not correspond more than 5% of the equity of the financial institution.

The exposure of the Company and its subsidiaries to credit risk is also influenced also by the individual characteristics of each customer. The Company and its subsidiaries establish a credit policy whereby every new customer has its credit capacity individually analyzed prior to the standard payment terms and conditions.

For the trade and other receivables from software operation of the Company and its subsidiaries, have a very diversified customer portfolio with low concentration level and establish an estimate of the provision for losses that represents its estimate of losses incurred in relation to trade and other receivables. The main component of this allowance is specific and related to significant individual risks.

The risk assessment structure of the subsidiary Supplier's credit product portfolio is based on statistical methodologies of Application and Behavior Scoring, in addition to the use of risk mitigating instruments, such as credit insurance and intervention. In addition, the Supplier Administradora subsidiary seeks to prevent possible risks from the credit portfolio through the provision of monitoring reports, risk committee, actions to readjust credit limits, portfolio monitoring and improvements in the registration system. Potential credit losses are mitigated, when necessary, through the following guarantees: insurance, issuer's guarantees, as long as approved by the credit card committee. The assessment of the efficiency of these instruments is considered sufficient to cover any significant losses. It should be noted that portfolio turnover is fast with an average term of 55 days (55 days as of December 31, 2021), or when they are sold in the short term.

c. Market risk

Interest rate and inflation risk: interest rate risk arises from the portion of the debt and financial investments related to CDI, which can adversely affect the finance income or expenses in the event of unfavorable changes in the interest rate and inflation.

The credit rights generated by the Credit Products - Supplier segment, asset classified as held for sale, are short-term and, therefore, are not subject to interest rate variations.

Exchange rate risk: this risk arises from the possibility of losses due to currency rate fluctuations that could increase the liabilities resulting from loans and foreign currency purchase commitments or that could reduce the assets resulting from trade and other receivables in foreign currency.

Certain subsidiaries have international operations and are exposed to exchange risk arising from exposures in some currencies, such as the U.S. dollar (USD), Argentinean peso (ARS), Mexican peso (MXN), Chilean peso (CLP) and Colombian peso (COP).

The Company and its subsidiaries ensure that its net exposure is maintained at an acceptable level in accordance with the policies and limits defined by Management and the economics and political factors in each of these companies. In the period ended in September 30, 2022, the balance of assets exceeds the negative balances exposed, as follows:

9/30/2022						
Company	Trade and other payables	Cash and cash equivalents	Trade and other receivables	Other assets (i)	Net exposure	Currency
RJ Consultores México	(31)	732	1,284	-	1,985	Peso (MXN)
CMNet Participações	(103)	813	72	-	782	Peso (CLP) and EUR
CMNet Argentina	(67)	325	224	-	482	Peso (ARS)
TOTVS S.A.	(2,300)	-	-	-	(2,300)	USD
TOTVS Large	(106)	-	-	8,110	8,004	USD
TOTVS México	(1,811)	3,268	8,378	-	9,835	Peso (MXN)
TOTVS Argentina	(2,862)	6,077	11,917	-	15,132	Peso (ARS)
TOTVS Incorporation	(429)	850	563	96,517	97,501	USD
RD Colômbia	(133)	534	-	-	401	Peso (COP)
RD Station	(172)	-	-	-	(172)	USD
Feedz Tecnologia S.A	(68)	-	-	-	(68)	USD
Total	(8,082)	12,599	22,438	104,627	131,582	

- (i) The amount of R\$8,110 refers to receivable for the hardware operation sold in 2019. The amount of R\$96,517 refers to financial investments of the Company as described in note 5.2.

d. Derivatives

The Company and its subsidiaries did not maintain financial derivative transactions in the reported periods.

5.6 Capital management

The Company's capital management is intended to ensure a strong credit rating with institutions and an optimal capital ratio in order to drive the Company's businesses and maximize value for shareholders.

The Company and its subsidiaries control its capital structure by adjusting and adapting to current economic conditions. To maintain this structure, the Company and its subsidiaries may pay dividends, repurchase shares, take out new loans, issue debentures and promissory notes.

The Company and its subsidiaries compose the net debt structure including loans, financing and debentures, and senior shares and mezzanine obligations from Supplier FIDC, less financial investments balance of Supplier FIDC, and cash and cash equivalents.

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Loans, financing and lease liabilities (Note 18)	189,536	182,547	225,023	335,614
Debentures (Note 19)	1,492,844	1,509,126	1,492,844	1,509,126
Senior shares and Mezzanine obligations (i)	-	-	-	1,372,726
(-) Cash and cash equivalents (Note 6)	(1,566,010)	(1,743,262)	(2,541,052)	(2,871,072)
(-) Financial investments (Note 7) (i)	-	-	-	(388,154)
Net (cash) debt	116,370	(51,589)	(823,185)	(41,760)
Shareholders' equity	4,441,635	4,232,929	4,441,635	4,232,929
Non-controlling interests	-	-	272,152	253,079
Shareholders' equity and net debt	4,558,005	4,181,340	3,890,602	4,444,248

(i) The amounts at December 31, 2021, represent senior shares and mezzanine obligations, as well, financial investments in funds and national treasury bills for restricted use of Supplier FIDC and are not available to the Company and its subsidiaries that were classified as "Assets from Techfin dimension" as mentioned in the note 4.

6 Cash and cash equivalents

Cash and cash equivalents are maintained for meeting short-term cash requirements and for strategic investment or other purposes of the Company and its subsidiaries, and are redeemable within 90 days from the date of the respective transaction and subject to a minimal risk of change of value.

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Cash and banks	1,841	352	24,027	18,899
Cash equivalents	1,564,169	1,742,910	2,517,025	2,852,173
Investment fund	1,564,169	1,653,990	2,485,805	2,594,683
CDB	-	88,920	31,220	252,359
Others	-	-	-	5,131
	1,566,010	1,743,262	2,541,052	2,871,072

The Company and its subsidiaries have financial investment policies, which establish that the investments focus on low risk securities and investments in top-tier financial institutions.

The Company and its subsidiaries concentrate its investments in an exclusive investment fund. The fund is composed of investment fund shares whose portfolio is made up of highly-liquid fixed-income assets. The eligible assets in the portfolio structure are mainly government debt securities, which present low credit risk and volatility. The investments of the Company and its subsidiaries are substantially remunerated by reference to the CDI variation, which averaged 104.86% of the CDI for the period ended in September 30, 2022 (111.2% as of December 31, 2021). Following is the breakdown of the exclusive investment fund portfolio:

	2022	2021
Itaú Wealth Master	31.25%	37.06%
Itaú Verso A	39.24%	33.91%
CP Diferenciado	23.49%	23.53%
Itaú RF CP Diferenciado IQ	6.02%	5.50%

7 Financial investments

The following amounts are referring to financial investments:

	Consolidated	
	9/30/2022	12/31/2021
Government bonds	-	9,539
Investment funds (i)	-	378,615
Total	-	388,154

(i) Investment funds shares pegged to DI.

The following amounts refer to the investment funds and financial government bonds redeemable on December 31, 2021 are exclusive for the use of Supplier FIDC, and on September 30, 2022, these assets were classified in the group of assets held for sale as mentioned in the note 4.

8 Trade and other receivables

Amounts of trade and other receivables in the domestic and foreign market are as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Domestic market	419,173	380,541	629,207	553,940
Foreign market	1,464	1,167	13,379	11,962
Trade of domestic and foreign market	420,637	381,708	642,586	565,902
Credit rights (i)	-	-	-	1,641,861
Total trade and other receivables and credit rights	420,637	381,708	642,586	2,207,763
(-) Impairment loss on trade and other receivables	(40,087)	(59,784)	(60,966)	(159,110)
Total trade and other receivables	380,550	321,924	581,620	2,048,653
Current assets	342,453	268,656	534,554	1,983,710
Non-current assets (ii)	38,097	53,268	47,066	64,943

- (i) The credit rights belong to Supplier FIDC and refer to securities assigned arising from Supplier's credit purchases at partner establishments, whose impairment loss on trade and other receivables on December 31, 2021 was R\$75,727 and was classified as Techfin Dimension according to the mention in note 4.
- (ii) Long-term trade and other receivables refer basically to the sale of software license, software implementation and customization services, and are presented net of adjustment to present value.

Changes in the impairment loss on trade and other receivables are as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Balance on December 31, 2021	59,784	57,097	159,110	136,245
Additional allowance	13,695	14,395	21,765	36,235
(Write-off) due to use	(33,392)	(11,708)	(44,364)	(15,462)
Acquisition of subsidiaries	-	-	182	2,092
Techfin Dimension	-	-	(75,727)	-
Balance on September 30, 2022	40,087	59,784	60,966	159,110

8.1 Aging list of domestic and foreign market

Aging list of amounts trade and other receivables at September 30, 2022 and December 31, 2021, are as follow:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Falling due	323,489	279,178	483,814	407,924
Unbilled	36,633	24,854	66,843	47,377
Overdue				
1 to 30 days	9,880	10,788	16,564	17,309
31 to 60 days	5,203	4,000	8,918	7,187
61 to 90 days	4,433	2,083	6,357	3,610
91 to 180 days	9,008	5,818	13,737	9,704
181 to 360 days	10,582	10,328	15,855	16,467
More than 360 days	21,409	44,659	30,498	56,324
Gross trade and other receivables	420,637	381,708	642,586	565,902
(-) Impairment loss on trade and other receivables (i)	(40,087)	(59,784)	(60,966)	(83,383)
Net trade and other receivables	380,550	321,924	581,620	482,519

(i) The impairment loss on trade and other receivables is net of the write-off due to loss recorded against trade and other receivables for R\$33,392 for Individual and R\$44,364 for consolidated.

Management believes that the risk related to software trade and other receivables in general is mitigated by the fact that the customer portfolio of the Company and its subsidiaries are diluted and also throughout various operating segments. In general, the Company and its subsidiaries do not require any guarantee on installment sales.

9 Recoverable taxes

The amounts of recoverable taxes for the periods ended on September 30, 2022 and December 31, 2021 are as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Income tax to offset (i)	21,550	23,716	29,365	50,311
Social contribution tax to offset (i)	8,273	13,623	12,552	25,707
Other (ii)	8,819	9,873	48,113	14,464
	38,642	47,212	90,030	90,482
Current assets	38,642	47,212	71,953	90,482
Non-current assets	-	-	18,077	-

(i) Refers to withholding income and social contribution tax credits in the current year and income and social contribution tax credits to offset from previous years, as well as payments of estimated taxes in the current year. The decrease in the balances from income tax and social contribution to offset are regarding, mostly, by the Techfin Dimension as detailed in the note 4.

(ii) Contemplates extemporaneous credit for PIS and COFINS which will be offset over the years.

10 Income taxes

Current and deferred income and social contribution taxes were recorded pursuant to the current rates in force. Deferred income and social contribution taxes are calculated on income and social contribution tax losses carryforwards, respectively, as well as temporary differences.

10.1 Reconciliation of income tax expenses

The reconciliation of expenses calculated by applying the Income and Social Contribution Tax rates is as follows:

	Individual		Consolidated	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Income before taxes	390,175	271,277	500,234	338,860
Income and social contribution taxes at combined nominal rate of 34%	(132,660)	(92,234)	(170,080)	(115,212)
Adjustments for the statement of effective rate				
Share of profit/ (losses) of equity-accounted investees	56,417	44,994	-	-
Law No. 11196/05 (Incentive for research and development)	10,149	8,355	18,092	14,914
Interest on shareholders' equity	20,595	17,406	20,617	16,656
Effect of subsidiaries subject to special rates	-	-	(9,057)	(7,738)
Funding cost	26	12,279	26	12,279
Participation of Administrators	(1,652)	(1,247)	(3,429)	(1,389)
Workers' Meal Program (PAT)	541	314	1,665	1,136
Other	8,073	4,175	12,796	5,813
Income and social contribution tax expense	(38,511)	(5,958)	(129,370)	(73,541)
Current income taxes	(30,074)	(17,480)	(113,212)	(81,024)
Deferred income taxes	(8,437)	11,522	(16,158)	7,483
Effective rate	9.90%	2.2%	25.9%	21.7%

10.2 Breakdown of deferred income taxes

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Income tax losses	-	-	23,627	34,396
Deriving from temporary differences:				
Difference between tax and accounting bases of goodwill	1,352	4,184	11,815	16,135
Tax benefit from goodwill amortization	(108,300)	(104,927)	(171,271)	(163,635)
Intangible asset allocation	(1,317)	(2,471)	(6,943)	(8,727)
Intangible asset allocation – after Law No. 12973	24,687	22,954	41,693	67,172
Provision for commissions	19,066	18,129	21,878	21,544
Deferred income or revenues and/or to be invoice	6,161	12,422	10,930	19,585
Impairment loss on trade and other receivables	13,630	20,327	18,804	27,383
Provision for contingencies and other obligations	32,140	30,866	36,987	36,642
Provision for trade and other payables	16,572	14,947	20,235	19,617
Provision for share-based payments	30,608	25,950	34,136	28,912
Present value adjustment	1,000	890	22,654	13,256
Participation in profits and results	5,051	9,135	6,877	13,294
Other (i)	13,642	10,323	19,260	19,048
Net deferred income and social contribution taxes	54,292	62,729	90,682	144,622
Deferred tax assets	54,292	62,729	96,046	144,622
Deferred tax liabilities	-	-	5,364	-

(i) Contemplates deferred income and social taxes of temporary differences from leases.

Net deferred income taxes of the Company and its subsidiaries are presented net under non-current assets or non-current liabilities by legal entities.

Changes in deferred income taxes are as follows:

	Individual	Consolidated
Balance on December 31, 2021	62,729	144,622
Expense in statement of profit or loss	(8,437)	(16,158)
Techfin Dimension	-	(37,624)
Other	-	(158)
Balance on September 30, 2022	54,292	90,682

11 Related party balances and transactions

Related-parties transactions are carried out under conditions and prices established by the parties, and balances between the Individual and its subsidiaries are eliminated for purposes of consolidation.

11.1 Trade and other receivables and payables with subsidiaries and associates companies

The main balances of assets and liabilities on September 30, 2022 and December 31, 2021 and revenues and costs on September 30, 2022 and 2021 are presented:

Company	9/30/2022					12/31/2021			9/30/2021	
	Trade and other receivables	Other Assets (v)	Trade and other payables	Revenues	Costs	Trade and other receivables	Other Assets (v)	Trade and other payables	Revenues	Costs
TOTVS Large	17	-	-	127	-	-	-	-	1	-
Wealth Systems (i)	-	-	1	1,880	672	48	-	13	1,455	(29)
Supplier (ii)	-	709	-	1,520	3,687	-	265	195	1,316	2,153
Consinco (iii)	-	-	-	-	-	-	197	-	1,639	338
Tail	5	-	42	170	416	-	-	-	-	-
Dimensa (iv)	18	2,265	123	6,164	5,270	-	1,743	-	2,087	2,167
RD Station	-	-	9	532	13	-	-	-	181	-
Gesplan	-	-	65	-	292	-	-	-	-	-
Vadu	-	-	-	-	64	-	-	-	-	-
Hospitality	-	638	-	-	-	-	-	-	-	-
Eleve	5	-	-	18	-	-	-	-	-	-
Techfin	58	-	-	430	-	-	-	-	-	-
VT Comércio	-	-	-	114	-	-	-	-	-	-
Total	103	3,612	240	10,955	10,414	48	2,205	208	6,679	4,629

- (i) Refers to partnership contract between Wealth Systems and TOTVS for the sale of CRM ("Customer Relationship Management") solutions.
- (ii) Refers to partnership contract between Supplier and TOTVS for the sale of Techfin solutions, software licenses and contract of sharing costs and expenses.
- (iii) Merged company according to note 2.4.
- (iv) Refers to contract of sharing costs and expenses and contract of partnership for commercialization of solutions from Dimensa.
- (v) Refers to share-based compensation plans.

11.2 Transactions or relationships with shareholders and key Management personnel

The Company maintains property lease agreements with companies, in which some of the shareholders are key management members and also hold TOTVS shares, directly or indirectly. The amount paid as lease and condominium fees to related parties recognized for the nine-months period ended September 30, 2022 was R\$1,100 (R\$997 as of September 30,

2021). All lease agreements with related parties are subject to adjustments by reference to the IGP-M inflation rate, every 12 months.

The Company has software license agreements and commercial partnership with GoodData, which on September 30, 2022 represented the amount of R\$5,320 (R\$5,186 as of September 30, 2021). Through its subsidiary TOTVS Inc., the Company holds a minority interest in the GoodData capital, as well as a representative on the board. This investment was classified at fair value through profit or loss according to note 5.2.

The Company focuses its strategic social investment on the Instituto da Oportunidade Social (IOS), being the main sponsor of the Institute. Also, the Institute has the support of other partner companies and government partnerships. The amount of sponsorship in the nine-months period ended September 30, 2022 was R\$5,786 (R\$5,594 as of September 30, 2021), all of which with monetary resources.

Some of the Company's shareholders and key management personnel directly or indirectly hold 14.28% of the Company's shares as of September 30, 2022 (14.29% as of December 31, 2021). The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company and its subsidiaries also incurred small income during the period with related parties, where the total amount was R\$180.

11.3 Key management personal compensation

Expenses related to the Company's managing and statutory officers compensation are summarized as follows:

	Individual and Consolidated	
	<u>9/30/2022</u>	<u>9/30/2021</u>
Management compensation		
Salaries, fees and payroll charges	10,189	9,407
Direct and Indirect benefits (i)	1,394	1,619
Variable bonus	4,368	3,668
Share-based payments	22,318	17,482
Total	<u>38,269</u>	<u>32,176</u>

(i) Includes depreciation expense for vehicles on loan by some Management members.

12 Other assets

Breakdown of other assets at September 30, 2022 and December 31, 2021 is follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Prepaid expenses (i)	91,729	78,800	99,243	87,845
Franchises loan (ii)	34,701	67,022	34,806	67,122
Advances to employees (iii)	36,849	14,355	55,232	21,430
Advances to suppliers (iv)	6,202	817	22,311	4,520
Negotiation and intermediation – Supplier FIDC (v)	-	-	-	32,694
Dividends to receive	13,612	-	-	-
Receivables from investments disposed of (vi)	97	6,084	8,207	14,454
Other assets	1,644	861	3,115	5,744
Total	184,834	167,939	222,914	233,809
Current assets	119,561	84,841	152,408	143,474
Non-current assets	65,273	83,098	70,506	90,335

- (i) Includes the amounts of taxes paid and renewals of contracts with suppliers referring to expenses that will be incurred during next years;
- (ii) Most franchise loans are adjusted monthly by Interbank Deposit Certificate (CDI);
- (iii) 13th monthly salary advance, paid on June 30, 2022;
- (iv) Contemplates, mostly, expenses with RD Summit event which will occur in October 2022;
- (v) Variation by the turnover of the advance transfer for Supplier FIDC. This liability was classified as part of assets Techfin Dimension as mentioned in the note 4;
- (vi) Includes amounts receivable for the sale of hardware operation in 2019.

13 Equity-accounted investees

The investments of the Company and its subsidiaries are assessed under the equity method. Breakdown of equity-accounted investees in subsidiaries and associated companies is shown below:

13.1 Equity-accounted investees in subsidiaries

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Equity-accounted investees in subsidiaries and associates	3,974,182	3,689,623	3,036	3,075
Techfin Dimension	(624,231)	-	-	-
Appreciation of assets	34,067	40,709	-	-
	3,384,018	3,730,332	3,036	3,075

13.2 Equity-accounted investees changes

Changes in equity-accounted investees for the nine-months period ended September 30, 2022 were as follows:

	12/31/2021	Additions / (reductions)	Dividends (ii)	Equity pick-up		Total	Foreign exchange/ Inflation (i)	Techfin Dimension	9/30/2022
				Equity pick-up	Amortization of PPA				
TOTVS Large	2,257,289	7,428	(14,803)	68,640	(6,641)	61,999	(4,177)	-	2,307,736
TOTVS Tecnologia	586,316	93,077	(13,615)	50,932	-	50,932	-	(579,021)	137,689
TTS	294,786	356	(6,839)	25,166	-	25,166	-	-	313,469
TOTVS Inc.	100,118	10,623	-	(10,081)	-	(10,081)	(3,117)	-	97,543
TOTVS Hospitality	37,666	-	(1,818)	8,362	-	8,362	-	-	44,210
VT Digital	3,462	-	(3,084)	3,887	-	3,887	-	-	4,265
TOTVS México	8,381	8,620	-	(5,958)	-	(5,958)	(3,433)	-	7,610
TOTVS Argentina	17,085	-	-	(8,592)	-	(8,592)	3,655	-	12,148
Dimensa	421,797	(211)	-	32,000	-	32,000	-	-	453,586
Eleve	2,233	171	(387)	3,394	-	3,394	-	-	5,411
CMNet Argentina	1,134	780	-	(1,818)	-	(1,818)	190	-	286
NCC	65	-	-	-	-	-	-	-	65
Total	3,730,332	120,844	(40,546)	165,932	(6,641)	159,291	(6,882)	(579,021)	3,384,018

(i) Includes the inflation adjustments of Argentine subsidiaries.

(ii) The dividends received are presented in the Statements of Cash Flow from investments.

13.3 Direct subsidiaries information

	Summarized financial statements of subsidiaries as at September 30, 2022				
	Assets	Liabilities	Shareholders'	Net	Profit or loss of the
			Equity	revenue	period
TOTVS Large (i)	2,777,129	503,460	2,273,669	447,068	68,640
TOTVS Tecnologia	329,254	191,564	137,690	168,930	50,932
TTS	347,120	33,651	313,469	108,205	25,166
TOTVS Inc.	101,328	3,785	97,543	1,849	(10,081)
TOTVS Hospitality	75,094	15,513	59,581	52,051	11,269
VT Digital	4,946	681	4,265	5,897	3,887
TOTVS México	18,460	10,850	7,610	24,612	(5,958)
TOTVS Argentina	24,510	12,361	12,149	43,268	(8,592)
Dimensa	879,236	153,498	725,738	147,092	51,200
Eleve	7,425	2,014	5,411	10,307	3,394
CMNet Argentina	1,408	1,122	286	2,551	(1,818)
NCC	-	-	65	-	-

(i) Goodwill and intangibles in the amount of R\$34,067 from TOTVS Large are presented under Investments composition in the Individual.

14 Property, plant and equipment

Property, plant and equipment of the Company and its subsidiaries are booked at the acquisition cost and depreciation of assets is calculated according to the straight-line method, and takes into consideration the estimated useful economic life of assets. The Company's property, plant and equipment is broken down as follow:

Individual

	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	Total
Cost								
Balance in 12/31/2021	245,007	12,217	27,063	26,927	95,421	281,917	8,603	697,155
Additions	48,972	6,739	455	989	5,919	41,722	39	104,835
Additions due to business combination	(409)	(992)	-	-	-	-	(46)	(1,447)
Write-offs	(4,064)	(2,420)	(231)	(11)	(5)	(11,333)	(298)	(18,362)
Balance in 09/30/2022	289,506	15,544	27,287	27,905	101,335	312,306	8,298	782,181
Depreciation								
Balance in 12/31/2021	(158,357)	(6,307)	(19,446)	(20,355)	(54,722)	(111,561)	(6,722)	(377,470)
Depreciation for the period (iv)	(24,401)	(3,237)	(1,713)	(1,384)	(7,574)	(36,296)	(991)	(75,596)
Additions due to business combination	186	577	-	-	-	-	33	796
Write-offs	3,923	2,298	221	10	-	11,333	278	18,063
Balance in 09/30/2022	(178,649)	(6,669)	(20,938)	(21,729)	(62,296)	(136,524)	(7,402)	(434,207)
Residual value								
Balance in 09/30/2022	110,857	8,875	6,349	6,176	39,039	175,782	896	347,974
Balance in 12/31/2021	86,650	5,910	7,617	6,572	40,699	170,356	1,881	319,685
Average annual depreciation rate	20% a 25%	33%	10% a 25%	6.7% a 25%	10% a 33%	10% a 33%	20%	

Consolidated

	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	Total
Cost								
Balance in 12/31/2021	282,962	15,605	35,512	33,039	124,515	359,382	9,996	861,011
Additions	53,117	7,719	519	1,022	6,232	46,978	145	115,732
Additions due to business combination	2,956	(438)	1,039	335	396	-	(34)	4,254
Techfin Dimension (ii)	(5,926)	(416)	(640)	(794)	-	(5,041)	(290)	(13,107)
Transfers	-	-	-	(10)	3	-	7	-
Exchange variation (iii)	410	(4)	45	3	93	(798)	22	(229)
Write-offs	(5,549)	(2,869)	(384)	(22)	(419)	(32,350)	(370)	(41,963)
Balance in 09/30/2022	327,970	19,597	36,091	33,573	130,820	368,171	9,476	925,698
Depreciation								
Balance in 12/31/2021	(181,175)	(7,322)	(24,621)	(23,203)	(69,818)	(142,292)	(7,711)	(456,142)
Depreciation for the period (iv)	(28,785)	(4,135)	(2,271)	(1,839)	(10,070)	(45,266)	(561)	(92,927)
Additions due to business combination	(1,220)	479	(220)	(28)	(38)	-	32	(995)
Techfin Dimension (ii)	3,994	-	404	611	12	1,504	(435)	6,090
Transfers	1	-	-	-	-	-	(1)	-
Exchange variation (iii)	(227)	2	(37)	(12)	(218)	207	1	(284)
Write-offs	5,183	2,392	257	14	414	25,738	339	34,337
Balance in 09/30/2022	(202,229)	(8,584)	(26,488)	(24,457)	(79,718)	(160,109)	(8,336)	(509,921)
Residual value								
Balance in 09/30/2022	125,741	11,013	9,603	9,116	51,102	208,062	1,140	415,777
Balance in 12/31/2021	101,787	8,283	10,891	9,836	54,697	217,090	2,285	404,869
Average annual depreciation rate	20% a 25%	33%	10% a 25%	6.7% a 25%	10% a 33%	10% a 33%	20%	

- (i) The Company and its subsidiaries applied exceptions to the standard for short-term and low value contracts, recorded in lease expenses in the amount of R\$2,505 in Individual and R\$3,968 in Consolidated as of September 30, 2022.
- (ii) Asset classified as Techfin Dimension according to note 4.
- (iii) Includes the inflation adjustments of Argentine subsidiaries.
- (iv) Depreciation and amortization lines in the Statement of Cash Flows and Statements of Value Added are presented net of PIS/ COFINS credits on depreciation of property, plant and equipment.

Breakdown of right of use and lease liabilities for the period ended September 30, 2022 is as follows:

	Consolidated			
	Right to use real estate	Right of use computers and equipments	Total assets	Lease liabilities
Balance on December 31, 2021	207,545	9,545	217,090	231,874
Contract Remeasurement (i)	46,897	82	46,979	46,979
Write-offs	(6,613)	-	(6,613)	(8,418)
Techfin Dimension	(3,537)	-	(3,537)	(3,755)
Amortization	(40,686)	(4,580)	(45,266)	-
Interest incurred and exchange variation	(569)	(22)	(591)	8,582
Interest paid	-	-	-	(9,684)
Principal paid	-	-	-	(41,613)
Balance on September 30, 2022	203,037	5,025	208,062	223,965

- (i) Represents the annual update of the leases applied to the right of use real estate according to the indexes established in contracts.

15 Intangible assets and Goodwill

Intangible assets and changes in balances are as follows:

	Individual						Total
	Software	Trademarks & patents	Customer portfolio (v)	R&D (i)	Other (ii)	Goodwill	
Cost							
Balance in 12/31/2021	422,194	63,150	252,058	39,439	19,786	292,873	1,089,500
Additions	21,703	-	29,952	16,419	-	-	68,074
Techfin spin-off	-	-	-	(19,175)	-	-	(19,175)
Write-offs	(326)	-	-	-	-	-	(326)
Balance in 09/30/2022	443,571	63,150	282,010	36,683	19,786	292,873	1,138,073
Amortization							
Balance in 12/31/2021	(358,572)	(56,428)	(219,710)	(4,678)	(19,786)	-	(659,174)
Amortization for the period	(18,112)	(3,151)	(9,031)	(4,493)	-	-	(34,787)
Techfin spin-off	-	-	-	1,835	-	-	1,835
Write-offs	326	-	-	-	-	-	326
Balance in 09/30/2022	(376,358)	(59,579)	(228,741)	(7,336)	(19,786)	-	(691,800)
Residual value							
Balance in 09/30/2022	67,213	3,571	53,269	29,347	-	292,873	446,273
Balance in 12/31/2021	63,622	6,722	32,348	34,761	-	292,873	430,326
Average annual amortization rates	10% a 20%	6.7% a 8%	10% a 12.5%	20% a 50%	10% a 50%		

	Consolidated						
	Software	Trademarks & patents	Customer portfolio (v)	R&D (i)	Other (ii)	Goodwill	Total
Cost							
Balance in 12/31/2021	798,263	172,224	604,702	56,691	96,157	2,831,714	4,559,751
Additions	23,535	4	29,953	17,984	-	36	71,512
Additions due to business combination	51,694	2,203	35,500	-	5,488	288,550	383,435
Techfin Dimension (iii)	(117,828)	(36,821)	(83,080)	(19,174)	(20,151)	(288,558)	(565,612)
Write-offs	(327)	-	-	-	(34)	(36)	(397)
Exchange variation (iv)	15	-	-	-	-	-	15
Balance in 09/30/2022	755,352	137,610	587,075	55,501	81,460	2,831,706	4,448,704
Amortization							
Balance in 12/31/2021	(457,174)	(106,082)	(325,274)	(17,008)	(67,971)	-	(973,509)
Amortization for the period	(39,836)	(8,254)	(28,708)	(5,377)	(1,510)	-	(83,685)
Additions due to business combination	(2,274)	(12)	-	-	-	-	(2,286)
Techfin Dimension (iii)	44,945	30,684	10,932	1,835	14,973	-	103,369
Transfers	(1)	1	-	-	-	-	-
Exchange variation (iv)	(13)	-	-	-	-	-	(13)
Write-offs	327	-	-	-	-	-	327
Balance in 09/30/2022	(454,026)	(83,663)	(343,050)	(20,550)	(54,508)	-	(955,797)
Residual value							
Balance in 09/30/2022	301,326	53,947	244,025	34,951	26,952	2,831,706	3,492,907
Balance in 12/31/2021	341,089	66,142	279,428	39,683	28,186	2,831,714	3,586,242
Average annual amortization rates	10% a 20%	6.7% a 8%	10% a 12.5%	20% a 50%	10% a 50%		

- (i) The development capitalization totaled R\$17,984 in the nine-months period ended September 30, 2022, that majority are related to the Company's strategic plan. The assets development amortization starts when development is completed and the asset is available for use or sale.
- (ii) Includes primarily non-compete rights arising from the purchase price allocation from business combinations.
- (iii) Asset classified as held for sale according to note 4.
- (iv) Includes the inflation adjustments of Argentine subsidiaries.
- (v) Over the period of nine months ended on September 30, 2022, the Company acquired customer portfolio from franchises in the amount of R\$26,673, in which R\$10,350 was paid in cash and the remainder was offset with balances of mutual between the parties.

Amortization of intangible assets is based on their estimated useful lives. Intangible assets identified, the amounts recognized, and useful lives of assets resulting from a business combination are premised on a technical study by an independent specialist firm.

15.1 Changes in goodwill

The breakdown of goodwill as of September 30, 2022 and December 31, 2021 is as follows:

	12/31/2021	Business combination	Techfin Dimension	9/30/2022
Inovamind Tech (i)	-	18,095	-	18,095
Mobile2You (i)	-	31,045	-	31,045
Credit Core (Vadu) (i)	-	60,226	-	60,226
Gesplan (i)	-	28,325	-	28,325
RBM (i)	-	49,999	-	49,999
Feedz (i)	-	93,701	-	93,701
Other goodwill	800,089	-	-	800,089
CGU Technology	800,089	281,391	-	1,081,480
Supplier (ii)	288,558	-	(288,558)	-
CGU Credit Products - Supplier	288,558	-	(288,558)	-
RD Station	1,729,952	-	-	1,729,952
Tail	13,115	-	-	13,115
Tallos (i)	-	7,159	-	7,159
Total	2,831,714	288,550	(288,558)	2,831,706

- (i) Acquisition of InovaMind, Mobile2you, Vadu, Gesplan, Tallos, RBM and Feedz as mentioned in note 3.
(ii) Classified as assets held for sale according to note 4.

15.2 Impairment of assets

The Company annually tests goodwill for impairment using the “value in use” methodology, through the discounted cash flow model of cash generating units, which represent the tangible and intangible assets used in the development and sale of different solutions for its clients.

In the nine-months period ended September 30, 2022, the Management from the Company evaluated assumptions used on December 31, 2021 for the recoverability of its assets and did not identify the need for a provision for loss in the condensed individual and consolidated interim financial statements.

16 Labor liabilities

Balances of salaries and charges payable are broken down as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Labor liabilities:				
Salaries payable	36,398	32,503	64,257	57,772
Vacation payable	83,491	73,732	137,237	119,135
13th monthly salary payable	40,660	-	67,413	-
Profit sharing and bonus	15,622	29,167	21,950	51,351
Withholding Income Tax (IRRF) payable	17,673	18,096	28,316	30,087
Actuarial liabilities due to health care plan and retirement benefits (i)	4,910	4,559	4,910	4,559
Other	2,825	2,581	5,209	4,462
	201,579	160,638	329,292	267,366
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable	4,173	6,044	7,123	9,698
INSS (Social Security Tax) payable	7,064	6,551	12,977	12,225
	11,237	12,595	20,100	21,923
Total	212,816	173,233	349,392	289,289

- (i) Refers to the actuarial provision for the health care plan of the participants who contributed or still contribute with fixed installments to the plan costing and salary allowance provided for in union agreements, who will be entitled to remain in the plan after retirement.

17 Taxes and contributions liabilities

Taxes and contributions liabilities are broken down as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Federal Social Security Tax on Gross Revenue (CPRB)	18,397	16,560	25,654	23,279
Service Tax (ISS) payable	6,673	6,066	10,393	9,106
PIS and COFINS payable	28,402	22,583	37,433	30,907
IRPJ and CSLL payable	-	-	7,499	31,132
Withholding IR and CSLL	1,176	1,048	3,689	3,653
Other taxes	2,591	(415)	5,503	1,390
Total	57,239	45,842	90,171	99,467
Current liabilities	57,239	45,842	87,792	96,790
Non-current liabilities (i)	-	-	2,379	2,677

- (i) Non-current liabilities correspond to installment payment of federal taxes of the acquired.

18 Loans and lease liabilities

Loans are initially recognized at fair value, net of transaction costs incurred, and are shown at amortized cost. Any difference between the borrowed amounts (net of transaction costs) and the total amount payable is recognized in the statement of profit or loss during the period when the loans are due, using the effective interest rate method.

The loan and financing transactions are as follows:

	Annual financial charges	Individual		Consolidated	
		9/30/2022	12/31/2021	9/30/2022	12/31/2021
Leases	2.00% to 16.98% p.a. (i)	189,536	182,547	223,965	231,874
Working capital	100% CDI	-	-	586	103,740
Guaranteed accounts and other	-	-	-	472	-
		189,536	182,547	225,023	335,614
Current liabilities		45,769	39,637	56,892	156,306
Non-current liabilities		143,767	142,910	168,131	179,308

- (i) Rates for the lease of real property right of use range from 2.00% to 16.98%(nominal interest rate) and 7.82% to 15.25% for the lease of the right to use electronic equipment.

Amounts recorded in non-current liabilities as at September 30, 2022 and December 31, 2021 have the following maturity schedule:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
2023	11,976	39,260	15,922	53,185
2024	46,941	37,127	57,578	49,109
2025	42,770	33,896	51,235	41,494
2026 onwards	42,080	32,627	43,396	35,520
Non-current liabilities	143,767	142,910	168,131	179,308

Below is the breakdown of loans and financing as of September 30, 2022:

	9/30/2022	
	Individual	Consolidated
Opening balance	182,547	335,614
Additions from right of use leases	41,721	46,978
Additions from loans and financing	-	465
Addition due to business combination	-	7,341
Techfin Dimension	-	(107,495)
Interest incurred	7,963	8,583
Write-offs of right-of-use leases	(891)	(8,417)
Interest amortization	(7,963)	(9,693)
Principal amortization	(33,841)	(48,353)
Closing balance	189,536	225,023

a) Lease liabilities

Lease obligations are guaranteed by chattel mortgage of leased assets. The table below shows gross liabilities of finance leases as of September 30, 2022 and December 31, 2021:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Gross lease liabilities – minimum lease payments				
Less than one year	54,732	48,101	67,737	64,115
More than one year and less than five years	150,373	153,367	175,966	191,680
More than five years	6,289	4,825	6,507	5,302
	211,394	206,293	250,210	261,097
Future financing charges on finance leases	(21,858)	(23,746)	(26,245)	(29,223)
Present value of lease liabilities	189,536	182,547	223,965	231,874
Current liabilities	45,769	39,637	56,549	52,566
Non-current liabilities	143,767	142,910	167,416	179,308

19 Debentures

On September 12, 2021, the Company approved the 4th issue of simple debentures, non-convertible, unsecured debentures, in a single series for public distribution with restricted placement efforts in the total amount of R\$1,500,000, at face value of R\$1. The Unit Face Value or the Unit Face Value leftover, as the case may be, will bear interest corresponding to 100.00% of the accumulated variation of the average daily rates of the DI Interbank Deposits – DI, “over extra-group” plus an exponential spread equivalent to 1.35% per year on a 252 Business Day basis.

The 3rd Issue of debentures on May 21, 2021 had its early redemption on September 20, 2022 in the total amount of R\$1,579,575. The cost of funding and the premium for early redemption from debentures in the amount of R\$9,726 were classified as part of necessary costs for 4th issue of debentures, in accordance to CPC38/ IFRS9.

19.1 Composition

At September 30, 2022, the balance was broken down as follows:

Description	Debentures	Unit Price	Annual financial charges	Maturity	Individual and Consolidated	
					9/30/2022	12/31/2021
4th Issue of Debentures - Single Series	1,500,000	1	100% from CDI + Spread 1.35%	09/12/2027	1,492,844	-
3rd Issue of Debentures - Single Series	1,500,000	1	100% from CDI + Spread 1.90%	05/21/2024	-	1,509,126
Total					1,492,844	1,509,126
Current liabilities					5,151	385,988
Non-current liabilities					1,487,693	1,123,138

19.2 Changes

	Individual and Consolidated 9/30/2022
Opening Balance	1,509,126
Debentures issuance	1,500,000
(-) Funding costs	(5,916)
Interest incurred	159,511
(-) Interest amortization	(169,877)
(-) Principal payment	(1,500,000)
Ending balance	1,492,844

The maturities of redemption in non-current liabilities are presented as follows:

Maturity	Individual and Consolidated	
	9/30/2022	12/31/2021
2023	-	373,501
2024	-	749,637
2025	-	-
2026	739,312	-
2027	748,381	-
Non-current liabilities	1,487,693	1,123,138

19.3 Covenants

The debentures have redeemed in advance clauses ("covenants") normally applicable to these types of operations related to compliance with economic-financial ratios. The financial index applied to this deed derives from the coefficient of dividing the net debt by the Adjusted

EBITDA, which must be equal to or less than 4 times. This indicator does not consider the debt and EBITDA of TOTVS Techfin S.A. and its subsidiaries.

These restrictive clauses, no audited, have been complied with and do not limit the ability to conduct the normal course of operations.

20 Accounts payable from acquisition of subsidiaries

Accounts payable from the acquisitions of subsidiaries refer to amounts due to the previous shareholders of the acquired companies, with payment in installments or guarantees given. These amounts are recorded in current and non-current liabilities, as follows:

	Individual					
	9/30/2022			12/31/2021		
	Contingent payments	Other amounts payable	Total	Contingent payments	Other amounts payable	Total
Datasul MG	-	5,480	5,480	-	5,042	5,042
Seventeen	-	3,527	3,527	-	3,253	3,253
Other	-	448	448	-	412	412
Total	-	9,455	9,455	-	8,707	8,707
Current liabilities	-	9,455	9,455	-	8,707	8,707

	Consolidated					
	9/30/2022			12/31/2021		
	Contingent payments	Other amounts payable	Total	Contingent payments	Other amounts payable	Total
RD Station	223,853	32,375	256,228	212,777	35,427	248,204
Supplier	27,256	18,390	45,646	155,547	-	155,547
Vadu	26,205	17,200	43,405	-	-	-
RBM	25,000	5,000	30,000	-	-	-
Mobile2you	22,546	941	23,487	-	-	-
Gesplan	14,948	4,533	19,481	-	-	-
InovaMind	10,186	-	10,186	-	-	-
Feedz	59,642	8,401	68,043	-	-	-
Tail	7,350	500	7,850	16,368	-	16,368
Other	7,644	20,604	28,248	35,865	9,430	45,295
Total	424,630	107,944	532,574	420,557	44,857	465,414
Current liabilities	34,479	25,386	59,865	138,741	15,098	153,839
Non-current liabilities	390,151	82,558	472,709	281,816	29,759	311,575

The maturity of non-current liabilities is shown below:

Year	Consolidated	
	9/30/2022	12/31/2021
2023	9,000	5,509
2024	290,620	212,777
2025	77,286	-
2026	39,433	63,530
2027	31,728	29,759
2028 onwards	24,642	-
Non-current liabilities	472,709	311,575

As of September 30, 2022 and December 31, 2021, the liabilities for the acquisition of investments had guarantees in the form of marketable securities, which consisted of CDB operations in the following amounts:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Escrow account - current	9,366	8,618	11,652	9,341
Escrow account - non-current	-	-	43,875	35,427
Total	9,366	8,618	55,527	44,768

21 Provision for contingencies

In the ordinary course of their operations, the Company and its subsidiaries are parties to various legal proceedings relating to tax, social security, labor and civil matters. Provision for contingencies is set up by Management, supported by its legal counsel and an analysis of judicial proceedings pending judgment, has constituted at an amount considered sufficient to cover probable losses on the outcome of ongoing actions. The provisioned amounts reflect the best current estimate from the Management of the Company and its subsidiaries.

The amount of provisions set up as at September 30, 2022 and December 31, 2021 are as follows:

	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Tax	9,188	7,360	11,282	9,090
Labor	57,102	61,741	65,100	72,913
Civil	28,239	21,681	32,404	25,643
	94,529	90,782	108,786	107,646

a) Changes in provisions

Changes in provisions for the nine-months period ended September 30, 2022 are as follows:

	Individual			
	Tax	Labor	Civil	Total
Balances at December 31, 2021	7,360	61,741	21,681	90,782
(+) Additional provision	1,409	14,834	12,174	28,417
(+) Monetary adjustment	421	773	2,609	3,803
(-) Reversal of provision	-	(8,343)	(1,619)	(9,962)
(-) Write-off due to payment	(2)	(11,903)	(6,606)	(18,511)
Balances at September 30, 2022	9,188	57,102	28,239	94,529

	Consolidated			
	Tax	Labor	Civil	Total
Balances at December 31, 2021	9,090	72,913	25,643	107,646
(+) Additional provision	1,778	16,093	12,852	30,723
(+) Monetary adjustment	517	2,484	2,994	5,995
(+) Acquisition of subsidiaries	-	-	2	2
(-) Techfin Dimension	-	(425)	(282)	(707)
(-) Reversal of provision	(31)	(9,612)	(1,956)	(11,599)
(-) Write-off due to payment	(72)	(16,353)	(6,849)	(23,274)
Balances at September 30, 2022	11,282	65,100	32,404	108,786

The provisions reflect Management's best current estimate, which is based on information, external counsel has updated analyses and outcomes of previous legal proceedings in which the Company and its subsidiaries was defendant. TOTVS's risk monitoring and control constantly review this estimate.

Further information regarding other significant ongoing lawsuits is provided in Note 22 to the financial statements as of December 31, 2021.

b) Judicial deposits

Judicial deposits linked or not to the provision for contingencies, are stated below and are recorded under non-current assets:

Judicial deposits	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Tax	13,062	12,421	13,730	13,065
Labor	12,314	9,980	14,096	12,127
Civil	3,859	3,550	4,796	4,466
	29,235	25,951	32,622	29,658

21.1 Contingent Liabilities

The Company and its subsidiaries are parties to other lawsuits whose risk of loss, according to evaluation of legal advisors, validated by internal legal and Company Management, are classified as possible losses and no provision was recognized, as follows:

Nature	Individual		Consolidated	
	9/30/2022	12/31/2021	9/30/2022	12/31/2021
Tax	187,162	141,661	226,915	187,354
Labor	62,846	78,925	74,516	94,934
Civil	195,811	193,421	218,873	214,658
	445,819	414,007	520,304	496,946

Follow the summary of the ongoing tax lawsuit, whose communication occurred in 2022:

The Company received a communication from Receita Federal informing the non-approval of requests for compensation made with a negative balance of IRPJ for the year of 2018, calculation period 2017. It was presented the impugnation alleging that the withholdings

incurred by the Company compose the totality of the negative balance of the period, which is insufficient to pay the debts. The case is awaiting judgment at the first administrative level. The amount involved on September 30, 2022 is R\$17,238.

The breakdown of the other significant ongoing lawsuits are detailed in Note 22.2 to the financial statements for the year ended December 31, 2021.

22 Shareholders' equity

a) Share Capital

As at September 30, 2022 the Company's share capital was composed of 617,183,181 registered common shares issued and fully paid, with no par value (617,183,181 as of December 31, 2021), as follows:

Shareholder	9/30/2022		12/31/2021	
	Shares	%	Shares	%
LC EH Participações e Empreendimentos S/A	80,282,970	13.01%	80,282,970	13.01%
GIC Private Limited	37,359,646	6.05%	39,308,774	6.37%
Canada Pension Plan	32,754,201	5.31%	32,754,201	5.31%
BlackRock Inc.	31,632,336	5.13%	29,695,310	4.81%
Laércio José de Lucena Cosentino	5,960,935	0.97%	6,631,704	1.07%
CSHG Senta Pua Fia	144,800	0.02%	144,800	0.02%
Other	417,600,958	67.66%	419,260,546	67.93%
Outstanding shares	605,735,846	98.15%	608,078,305	98.52%
Treasury shares	11,447,335	1.85%	9,104,876	1.48%
Total in units	617,183,181	100.00%	617,183,181	100.00%

b) Capital reserves

The balance of capital reserves at September 30, 2022 and December 31, 2021 was broken down as follows:

	9/30/2022	12/31/2021
Goodwill reserve (i)	824,480	824,480
Goodwill reserve due to merger	14,330	14,330
Premium on acquisition of non-controlling interests	(24,323)	(24,323)
Debentures converted into shares	44,629	44,629
Share-based compensation plan	94,170	83,921
Share issue expenses	(69,396)	(69,321)
Dilution of interest	352,540	352,540
Call option of non-controlling interests	(361,388)	(361,388)
	875,042	864,868

(i) Goodwill reserve is composed of R\$31,557 regarding integralization occurred in 2005 and R\$67,703 regarding societary reorganization with Bematech. In 2019 had an increase of goodwill reserve of R\$725,220 regarding the amount of capital contribution destined to the capital reserve.

c) Treasury shares

As at September 30, 2022, changes in "Treasury Shares" were as follows:

	Number of shares (Units)	Value (in Thousand)	Average price per share (in Reais)
Balance as at December 31, 2021	9,104,876	R\$ 133,195	R\$ 14.63
Repurchase	4,000,000	R\$ 108,967	R\$ 27.24
Used	(1,657,541)	R\$ (24,270)	R\$ 14.64
Balance as at September 30, 2022	11,447,335	R\$ 217,892	R\$ 19.03

On May 10, 2022 was approved in the meeting of Board of Directors, the program of repurchase of shares of issue from the own Company, until the limit of 4,000,000 common shares, to face the Share-based compensation plan from the Company, with the purpose of maximize the generation of value in long term for the shareholder through the efficient capital management, it can, still, be held in treasury, sold or canceled under the law terms. Up to June 30, 2022, the Company repurchased the limit of 4,000,000 common shares.

During the nine-months period ended September 30, 2022, 1,657,541 treasury shares were used by the stock options and restricted share plans, which consumed R\$24,271 from the capital reserve.

23 Dividends and Interest on shareholders' equity

The Company's bylaws provide for mandatory minimum dividend equivalent to 25% of net income for the year, adjusted by the amount of the legal reserve set up, pursuant to Brazilian Corporation Law.

On August 01, 2022, the Board of Directors approved the deliberation and payment of Interest on shareholders' equity (JCP) in the amount of R\$0.10 per share, totalling R\$60,575. The payment occurred from September 23, 2022.

The balance of dividends and interest on equity payable in the Statement of Financial Position amounted to R\$1,270 as at September 30, 2022 (R\$80,153 as of December 31, 2021).

24 Share-based compensation plan

The main events associated with the stock option plan from the Company are described in Note 26 to the Financial Statements for the year ended December 31, 2021.

In the period of nine-months periods ended September 30, 2022, occurred three new grants of the current share-based compensation plan, which had the following assumptions:

Fair Value Assumptions					
Plans	Date	Market Value	Expectation of dividends	Vesting period	Fair value
Master	04/29/2022	R\$ 32.87	1.23%	5 years	R\$ 30.90
Performance	04/29/2022	R\$ 32.87	1.23%	3 years	R\$ 31.67
Destaques	04/29/2022	R\$ 32.87	1.23%	3 years	R\$ 31.67

Changes in restricted shares for the period as follows:

Restricted shares	
	Amount (units)
Opening balance	8,411,454
Transactions:	
Exercised	(2,270,790)
Granted	2,812,847
Cancelled	(200,126)
Added (i)	1,188
Closing balance	8,754,573

(i) Addition generated by performance evaluation result regarding to grants granted in the previous years.

The cumulative effect on Shareholders' Equity in the nine-month period ended September 30, 2022 was R\$34,393 (R\$29,135 as of September 30, 2021), recorded as share-based payment expenses.

RD Station has an individual share based compensation plan whose expense is recognized in the period by the rendered services was R\$3,268 in the nine-months period ended September 30, 2022.

25 Operating Segments

The presentation of information by operating segment is consistent with the internal report provided to the main operational decision-makers of the Company and its subsidiaries in three reportable segments.

Management segment: represents TOTVS software operation. This segment comprises the dimensions of management software, with ERP, HR and Vertical.

Business Performance segment: includes solutions focused on generating opportunities and converting customer sales, such as sales, digital marketing and customer experience.

Techfin segment: includes the business of providing financial services, such as technology products aimed at financial services, partnerships, products with assumption of some degree of credit risk and/or the definition and/or application of credit policies. This segment also consolidates the results of the subordinated shares of the Supplier FIDC, to which Supplier currently assigns the originated credits. According to the mention in the note 4, the creation of the JV with Itaú has resulted in a classification of assets from Techfin operation as held for sale, and then, are presented in a only one line in the Statements of Profit or Loss in the rubric "Net income from Discontinued Operations" as CPC 31/ IFRS 5 determine.

The statement of profit or loss for the period ended September 30, 2022 for these three reportable segments is as follows:

	Management		Business Performance		Techfin		Consolidated	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Statement of profit or loss								
Net revenue from services	2,559,136	2,057,786	228,733	90,668	293,958	189,715	3,081,827	2,338,169
(-) Costs	(726,983)	(580,696)	(56,875)	(26,588)	(140,809)	(71,994)	(924,667)	(679,278)
Gross profit	1,832,153	1,477,090	171,858	64,080	153,149	117,721	2,157,160	1,658,891
(+) Research and development expenses	(437,697)	(355,499)	(56,234)	(18,774)	(22,940)	(16,187)	(516,871)	(390,460)
(+) Impairment loss on trade and other receivables	(18,320)	(16,030)	(3,446)	(2,196)	(24,516)	(10,247)	(46,282)	(28,473)
Margin contribution	1,376,136	1,105,561	112,178	43,110	105,693	91,287	1,594,007	1,239,958
(-) Operating expenses	-	-	-	-	-	-	(902,572)	(670,546)
(-) Depreciation and amortization	-	-	-	-	-	-	(210,927)	(190,378)
(-) Share of profit / (loss) of equity-accounted investees	-	-	-	-	-	-	7	(526)
(-) Finance income (expenses) and share of losses of equity-accounted investees	-	-	-	-	-	-	15,761	(56,842)
(-) Income tax expenses	-	-	-	-	-	-	(126,390)	(73,458)
Profit for the period	-	-	-	-	-	-	369,886	248,208

The Company and its subsidiaries have disclosed information above for each reportable segment, as this information is regularly reviewed by the chief operating decision maker.

The following table conciliate the segments model presented above with the Statement of Profit or Loss for the periods ended on September 30, 2022 and 2021:

Statement of profit or loss	9/30/2022				9/30/2021			
	Statement of Profit or Loss	Reclassification (i)	Techfin (ii)	Consolidated segments	Statement of Profit or Loss	Reclassification (i)	Techfin (ii)	Consolidated segments
Net revenue from services	2,787,869	-	293,958	3,081,827	2,148,454	-	189,715	2,338,169
(-) Costs	(841,887)	58,032	(140,812)	(924,667)	(662,051)	54,768	(71,995)	(679,278)
Gross profit	1,945,982	58,032	153,146	2,157,160	1,486,403	54,768	117,720	1,658,891
(+) Research and development expenses	(524,377)	30,446	(22,940)	(516,871)	(400,708)	26,436	(16,188)	(390,460)
(+) Impairment loss on trade and other receivables	-	(21,766)	(24,516)	(46,282)	-	(18,226)	(10,247)	(28,473)
Margin contribution	1,421,605	66,712	105,690	1,594,007	1,085,695	62,978	91,285	1,239,958
(-) Operating expenses	(936,966)	108,149	(73,755)	(902,572)	(690,588)	81,298	(61,256)	(670,546)
(-) Depreciation and amortization	-	(174,861)	(36,066)	(210,927)	-	(144,276)	(46,102)	(190,378)
(-) Share of profit / (loss) of equity-accounted investees	7	-	-	7	(526)	-	-	(526)
(-) Finance income (expenses) and share of losses of equity-accounted investees	15,588	-	173	15,761	(55,721)	-	(1,121)	(56,842)
(-) Income tax expenses	(129,370)	-	2,980	(126,390)	(73,541)	-	83	(73,458)
Profit for the period	370,864	-	(978)	369,886	265,319	-	(17,111)	248,208

(i) Reclassification of depreciation and amortization, according to CPC 26;

(ii) Contemplates the Profit or Loss from Techfin Dimension which was classified as held for sale, according to the note 4, therefore, the profit or loss allocated in only one line of "Net income from discontinued operations" in the Statement of Profit or Loss.

26 Earnings per share

The tables below show earnings and share data used to calculate basic and diluted earnings per share:

Basic earnings per share	3Q22	9/30/2022	3Q21	9/30/2021
Profit or loss for the period				
Continuing operations	135,446	351,664	96,352	265,319
Techfin Dimension	13,392	(978)	(7,432)	(17,111)
Profit attributable to the owners of the Company	148,838	350,686	88,920	248,208
Denominator (in thousands of shares)				
Weighted average number of common shares outstanding	605,735	607,161	574,357	570,199
Basic earnings per share (in Reais)	0.24571	0.57758	0.15482	0.43530
Basic earnings per share - continuing operations (in Reais)	0.22361	0.57919	0.16776	0.46531

Diluted earnings per share	3Q22	9/30/2022	3Q21	9/30/2021
Profit or loss for the period				
Continuing operations	135,446	351,664	96,352	265,319
Techfin Dimension	13,392	(978)	(7,432)	(17,111)
Profit attributable to the owners of the Company	148,838	350,686	88,920	248,208
Denominator (in thousands of shares)				
Weighted average number of common shares outstanding	605,735	607,161	574,357	570,199
Weighted average number of stock options/restricted shares	8,773	8,862	8,502	7,745
Weighted average number of common shares adjusted according to dilution effect	614,508	616,023	582,859	577,944
Diluted earnings per share (in Reais)	0.24221	0.56927	0.15256	0.42947
Diluted earnings per share - continuing operations (in Reais)	0.22041	0.57086	0.16531	0.45907

There were no other transactions involving common shares or potential common shares between the reporting date and the date when these condensed individual and consolidated interim financial statements were concluded.

27 Gross sales revenue

Gross revenue and deductions used for the calculation of net revenue presented in the Company's statement of profit and loss for the three and nine-months periods ended September 30, 2022 and 2021 were as follows:

	Individual				Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Recurring software	598,451	1,703,682	469,781	1,342,456	945,152	2,675,856	734,434	2,001,014
Nonrecurring software	104,331	327,302	94,845	278,731	156,661	479,318	148,813	434,817
License fees	43,442	158,224	44,266	139,169	59,354	204,653	58,531	184,075
Nonrecurring services	60,889	169,078	50,579	139,562	97,307	274,665	90,282	250,742
Operating revenue	702,782	2,030,984	564,626	1,621,187	1,101,813	3,155,174	883,247	2,435,831
Sales canceled	(4,672)	(16,758)	(3,343)	(15,599)	(8,089)	(25,450)	(5,978)	(23,306)
Sales taxes	(79,521)	(229,326)	(63,878)	(182,866)	(118,933)	(341,855)	(95,888)	(264,071)
Deductions	(84,193)	(246,084)	(67,221)	(198,465)	(127,022)	(367,305)	(101,866)	(287,377)
Total net revenue	618,589	1,784,900	497,405	1,422,722	974,791	2,787,869	781,381	2,148,454

28 Costs and expenses by nature

The Company and its subsidiaries present below the information on operating expenses and costs by nature for the three and nine-months periods ended September 30, 2022 and 2021.

Nature	Individual				Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Salaries, benefits and payroll charges	269,489	772,219	221,622	636,699	433,385	1,229,352	342,416	946,706
Outsourced services and other inputs	129,907	376,452	103,337	296,057	195,926	563,093	156,702	403,839
Commissions	60,091	185,465	53,296	156,712	71,167	217,749	63,330	180,730
Depreciation and amortization	36,939	108,632	32,572	99,219	59,636	174,861	55,610	144,277
Provision for contingencies	3,603	18,455	7,897	21,233	5,501	19,124	10,614	24,504
Impairment loss on trade and other receivables	5,402	13,695	5,742	12,190	8,577	21,765	8,368	18,226
Other	13,565	37,600	8,450	16,808	25,525	77,286	15,637	35,065
Total	518,996	1,512,518	432,916	1,238,918	799,717	2,303,230	652,677	1,753,347

Occupation	Individual				Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Cost of softwares	192,753	554,711	165,244	470,218	295,089	841,887	239,372	662,051
Research and Development Expenses	114,255	329,648	88,731	259,125	181,779	524,377	146,755	400,708
Selling and Marketing Expenses	139,917	416,610	116,990	325,697	205,246	590,859	169,086	443,637
Administrative Expenses	71,285	210,269	63,917	195,887	118,175	338,958	101,493	264,236
Other Operating Expenses	786	1,280	(1,966)	(12,009)	(572)	7,149	(4,029)	(17,285)
Total	518,996	1,512,518	432,916	1,238,918	799,717	2,303,230	652,677	1,753,347

29 Finance income and expenses

Finance income and costs incurred for the three and nine-months periods ended September 30, 2022 and 2021 were as follows:

	Individual				Consolidated			
	3Q22	9/30/2022	3Q21	9/30/2021	3Q22	9/30/2022	3Q21	9/30/2021
Finance income								
Short-term investment yield	55,661	153,797	6,243	13,612	90,545	246,677	10,318	22,937
Interest received	2,332	7,541	1,313	3,063	2,657	8,245	1,469	3,628
Inflation adjustment gains	948	4,076	546	3,146	1,224	4,814	570	3,462
Adjustment to present value	790	2,132	458	1,357	1,133	2,738	518	1,519
Foreign exchange gains	37	345	(39)	248	927	3,668	985	3,041
Other finance income (i)	(2,725)	(7,677)	(379)	(919)	(3,662)	3,226	(563)	(1,329)
	57,043	160,214	8,142	20,507	92,824	269,368	13,297	33,258
Finance expenses								
Interest expense	(63,425)	(167,828)	(29,191)	(42,858)	(64,962)	(173,921)	(30,962)	(45,520)
Inflation adjustment losses	(2,117)	(6,839)	(3,592)	(10,236)	(4,558)	(11,642)	(4,298)	(12,457)
Bank expenses	(992)	(3,115)	(898)	(3,552)	(1,269)	(3,818)	(1,108)	(4,131)
Adjustment to present value of liabilities	14,545	(718)	(171)	(481)	5,595	(27,897)	(9,319)	(19,192)
Foreign exchange losses	(67)	(397)	(132)	(1,441)	1,539	(2,967)	(370)	(3,823)
Other finance expenses (ii)	(22,601)	(22,815)	(52)	(160)	(26,360)	(33,535)	(1,286)	(3,856)
	(74,657)	(201,712)	(34,036)	(58,728)	(90,015)	(253,780)	(47,343)	(88,979)
Net finance income (expenses)	(17,614)	(41,498)	(25,894)	(38,221)	2,809	15,588	(34,046)	(55,721)

(i) Includes the amounts of PIS e COFINS on finance income.

(ii) Includes inflation adjustments of Argentine subsidiaries

30 Private pension plan – defined contribution

The Company and its subsidiaries offer the TOTVS Private Pension Plan, currently managed by Bradesco Seguros, which receives contributions from the employees and the Company and its subsidiaries, as described in the Program Membership Agreement. The contributions are segregated in:

- Basic Contribution – contribution made by employee, corresponds to 2% of his salary; in the case of executive officers, the contribution ranges from 2% to 5%.
- Voluntary Contribution – made exclusively by employees, with no matching contribution by the Company.
- Company Contribution – corresponds to 100% of the basic contribution. The Company is allowed to make extraordinary contributions, at the amounts and frequency it chooses.

The private pension expenses for the nine-months period ended September 30, 2022 was R\$6,403 (R\$4,931 as of September 30, 2021).

31 Insurance coverage

Based on the opinions of their advisors, the Company and its subsidiaries maintain insurance coverage at amounts deemed sufficient to cover risks on their own, rent and leased assets, and civil liability risks. Insured assets include owned and leased vehicles, and the buildings where the Company and its subsidiaries operate.

On September 30, 2022, the mainly insurance coverage contracted are:

Type	Insurance Company	Effective		Maximum limit of Responsibility
		From	To	
Business Comprehensive	Mitsui	July/2022	July/2023	R\$260,182
General Liability	Chubb Seguros	June/2022	June/2023	R\$8,000
Vehicles (i)	Porto Seguro	January/2022	January/2023	(*) FIPE
D&O Directors and Officers Liability (ii)	AIG Seguros/Star/Zurich	July/2022	July/2023	R\$100,000
E&O – Errors and Omissions	AIG Seguros	July/2022	July/2023	R\$5,000
Cyber - Comprehensive Cyber Risks (iii)	AIG Seguros/Tokio Marine	July/2022	September/2023	R\$45,000

(i) Market amount determined by FIPE - Fundação Instituto de Pesquisas Econômicas;

(ii) For Mexico, Argentina and United States operations, the local insurance policy is issued in each country with a coverage amount of USD1,000;

(iii) Coverage contracted for TOTVS S.A. effective until September 2023 and Tail effective until July 2023..

32 Subsequent events

On November 1st, 2022, CADE (Administrative Council for Economic Defense) approved, definitely, the Joint Venture “TOTVS Techfin S.A.” creation, between the Company and Itau Unibanco S.A.. The closing of the transaction is subject to compliance with other precedent conditions, including approval by the Central Bank of Brazil.
