TOTVS S.A.

Individual and consolidated financial statements for the year ended December 31, 2023

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities Commission (CVM), 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)

Contents

Management Report and Comments on the Company's Performance

Dear Shareholders, in compliance with the legal provisions, TOTVS S.A., the Brazilian leader in the development and sales of management software, productivity and collaboration platforms, consulting, and related services, hereby submits for its shareholders, the Management Report and the corresponding Financial Statements, together with the audit report issued by the independent auditors, for the years ended December 31th, 2023 and 2022, with the Individual and Consolidated Financial Statements being prepared in accordance with the accounting practices adopted in Brazil and International Accounting Standards.

MESSAGE FROM THE BOARD

2023 was another intense and demanding year that presented both challenges and opportunities. On one hand, economic, environmental and social issues were addressed and we even made progress, but on the other hand it does not seem credible that in the 21st century we are still experiencing an escalation of wars and armed conflicts.

Here at TOTVS, we remained firm and nothing shook our confidence in Brazil's potential and in the resilience of Brazilian entrepreneurs. We remain an eternal unsatisfied team, working tirelessly to deliver an expanded value proposition to our customers: improving companies results through innovation and technology. Amid this scenario of frequent economic, political and technological changes, it is natural to create an environment of constant challenges for the 12 strategic industry sectors that we attend, connecting to our vision of the future: being our client's trusted advisor, building long-term relationships so that he can always navigate with security and stability, always being able to rely on an accessible business partner who he can trust.

Throughout the year, we have made consistent progress in this direction. We started the year by launching our Diversity and Inclusion Policy, showing TOTVS' true way of being and acting with people. We were then recognized as one of the 500 companies in America with the highest revenue growth between 2018 and 2021 by the ranking "The America's 500 fastest growing companies", we took the 6th place in the Merco Responsibility ESG ranking and, for the 4th consecutive year, we were in the GPTW ranking, which evaluates companies based on their work climate and culture. We carried out five acquisitions: we incorporated Lexos and Exact Sales in the Business Performance dimension, the TOTVS TRS Franchise, the IP Franchise and AHGORA in the Management dimension, in addition to the closing of the transaction of the Joint Venture (JV) with Itaú in the Techfin dimension.

From the first unicorn to the largest technology company in Brazil, TOTVS's history is intertwined with that of its customers. Since the beginning, I have had the privilege of witnessing the transformation of our company, the market and the maturity of business in Brazil. Our entrepreneurs are creative and innovative. They are used to dealing with challenging scenarios, constantly seeking new opportunities in an increasingly competitive market. We see technology as an essential factor in this equation. It is what has enabled our clients to leverage. The creation of the 3D ecosystem, TOTVS Techfin (JV with Itaú) for the development and distribution of financial services in the B2B market, solutions based on Artificial Intelligence, technological partnerships in ESG, evolution of the TOTVS Franchise System and data science in sales are some examples of the transformations and innovations that TOTVS has been promoting to the market.

In ESG (Environmental, Social and Governance), we continue on our journey with relevant deliveries and achievements. In pillar E, we carried out our second inventory of greenhouse gas emissions, advancing in the inclusion of international market, RD Station and Supplier operations and taking a first step in incorporating data related to scope 3. In pillar S, we continued consolidating our efforts on the education agenda, contributing to the training and employability of young people in situations of social vulnerability, through the Social Opportunity Institute (IOS) and the Start Tech Program. We entered in iDIVERSA B3, the first index in Latin America focused on diversity, we worked on implementing our Diversity and Inclusion Policy and launched a new edition of the Speed to Hero Program, focused on training people with disabilities to work in our commercial force. In pillar G, we highlight our efforts in information security, data protection and privacy initiatives; winning the " ANEFAC Transparency Trophy" for the third consecutive year, registering TOTVS among the companies that present the best financial disclosures; and the evolution of our MSCI score from "A" to "AA", positioning the Company among a select group of globally differentiated companies in the software sector. Finally, we sealed the period with the approval of TOTVS's Sustainability and ESG agenda for the three-year period 2024 - 2026. In this regard, it is worth special mention to obtain the "Pro-Ethics Company " seal, granted by the General Controllership of the Union (CGU). This recognition resulting from a rigorous and independent evaluation process, highlights TOTVS as a reference in best practices for preventing corruption, fraud and bribery, ratifying the relevance and effectiveness of the Company's Integrity Program in all its pillars, and is a reflection of the our commitment to the ESG agenda as well as demonstrating in practice that ethics is a non-negotiable value for us.

All these achievements reflect the essence of TOTVS, a company that challenges itself daily and surpasses itself at all times, delivering with mastery, consistency and efficiency. I attribute all this success to the strong culture and the qualified and engaged team of TOTVERs we have, in tune with the Company's strategy and working towards the same objectives, with the freedom to dare, innovate, transform and be who they want to be.

To all customers, partners and participants in our ecosystem who are with us on this journey, I would like to express our gratitude and hope that we have a great 2024, with more and more good stories from our customers' digitalization journey to tell and may they continue to serve as inspiration and fuel for the Brazilian economy. This is the Brazil we want, and this is the Brazil that makes it happen, that we believe in so much and that we will continue to invest in today, tomorrow and always. We are driven by results and will continue to work in this direction non-stop.

Laércio Cosentino, Chairman of the Board

MESSAGE FROM THE CEO

TOTVS ended 2023 with important advances. Our ecosystem has worked to expand our value proposition: to enhance companies' results, making them more competitive and relevant in their sectors and thus advancing our position as our customers' trusted advisor. We have made consistent progress in this direction, in all dimensions.

In Management, we maintained a healthy balance between revenue growth, close to 20%, despite a significant decrease in inflation (negative IGP-M for most of the year), and profitability, with an EBITDA margin of 26%, the highest level in recent years. These results were achieved through a record-breaking NPS, eNPS at excellence level, and investments in products.

In Business Performance, we had the successful succession at RD, the transition from a single to multi-product platform and acquisitions that complemented our portfolio. Revenue growth accelerated to over 40% and the EBITDA margin was close to 5%, even though the RD Summit doubled in size and was held in São Paulo for the first time.

In Techfin, the TOTVS Techfin joint venture was completed, enabling Supplier and the organic operation to have access to funding that is both broad, stable, and cost-competitive. A vast world of opportunities is open to be explored within the Management customer base.

In the corporate perspective, we created the new position of Vice President of Customer Journey, whose purpose is to identify and capitalize on opportunities for converging offers between dimensions, further accelerating cross-selling. At our strategic kick-off at the beginning of January, the slogan was: "3 Dimensions, one destination".

Hence, it was another year of achievements, in which we ended up in a competitive position and even stronger than when we began. Our differentials, combined with a recurring business model and high levels of renewal, which are a result of the relevance and quality we offer our customers, makes Management an extremely solid dimension and, with the new dimensions, which have significantly increased our addressable market, giving us a real chance to further increase these differentials, making us even more relevant. In other words, becoming trusted advisors, especially for the SMB. This is a privileged position. TOTVS stands out as a one-of-a-kind company, difficult to replicate.

In a year in which we have had so many changes, greater volatility in quarterly results was to be expected than we are used to. The world is still adjusting to the effects of the pandemic and in our specific case, the creation of the 3D ecosystem and M&As have been introducing new and different dynamics. Despite this, our strategy remains quite simple: to make the business dimensions solid and self-sustaining, all the while constructing an integrated customer journey.

The analysis of quarterly results and their variations holds great importance. As a publicly listed company, it is our standard practice to do this on a continuous basis. Nevertheless, there are instances when examining a longer time line can be more enlightening and can provide superior insights compared to focusing on a single quarter. We believe that it is the situation for the fourth quarter. It is because we had several elements that reduced the short-term result. They totaled around R$34 million. In Management, we had: (i) impacts on Dimensa, which delivered a weak quarter, with an EBITDA Margin of less than 5%, (ii) one-off fluctuations in the contingency line and (iii) the healthy "problem" of increased ILP (Long-Term Incentive) costs because of the appreciation of shares. In Business Performance, we held the RD Summit with great success, with a structure twice as large as in 2022, and provided with a series of innovations for RD Station and for the entire ecosystem. In Techfin, we experienced: (i) the convergence of historical seasonal factors associated with agricultural crops, and (ii) the impacts of adjustments in the funding framework which are typically advantageous, although they may present oscillations during this phase of construction.

Let me wrap up this message by discussing a little more about Techfin. Despite this business unit presenting a modest contribution for the consolidated result, it has a huge potential for business and both business units (Supplier and “organic Techfin”) are currently undergoing structural changes. We have full confidence that we are establishing a strong business. We communicated to the market that this construction requires additional investments, generating a kind of “J curve” in the results. This is exactly what we are observing. At the Supplier, in addition to margins that are already around 40%, we have favorable winds, as the Selic rate falls and a more flexible, efficient, and affordable funding structure is put in place (although this may cause some fluctuations in the initial quarters) and organic Techfin is diligently adhering to Opex guidance.

At TOTVS, our vision hasn't changed: To believe in a Brazil that makes it happen! With all this determination that we begin 2024, committed to continuing to invest in the transformational movement of expanding our unique and innovative 3D ecosystem, which is changing the rules of the competitive game. We continue to believe that everyone can grow, and that investing in technology is essential to turning challenges into opportunities.

Wishing all stakeholders a year of 2024 filled with good health and great accomplishments. I extend my thanks to each one of you for making 2023 a successful year.

Dennis Herszkowicz, CEO

ECONOMIC SCENARIO

The year 2023 was marked by new geopolitical instabilities on the international stage, with the emergence of new conflicts. It was also a year of resilient inflationary pressure around the world, resulting in contractionary monetary policies, even in developed countries. In Brazil, a new government took office, with a focus on the economic agenda, after presidential elections marked by strong polarization.

After an initial period of uncertainty, economic indicators ended the year with positive results. Estimates indicate that Brazilian GDP should register a growth of around 3% in 2023. For the first time since 2020, inflation was within the upper range of the target, with the IPCA ending the year at 4.62%, compared to 5.79% in 2022 and 10.6% in 2021. This slowdown allowed the beginning of the Selic rate reduction cycle by the Central Bank, which went from 13.75% at the beginning of the year to 11.75% at the end, with prospects of additional cuts at the next COPOM meetings, approved with the possible tendency to reduce interest rates also by the Federal Reserve, in the United States. The exchange rate, throughout the year, accelerated its appreciation trajectory, approaching R$4.80 in December 2023. Furthermore, the unemployment rate in Brazil fell to 7.5% in the quarter ended in November 2023, compared to 8.1% in the same period of the previous year. However, doubts persist about the continued evolution of these indicators for 2024.

The political scenario in Brazil in 2023 was guided by the centrality of the economic agenda. The approval of the fiscal rule allowed for greater predictability about economic policy in the new government. Brazil also approved, for the first time since the Constitution, a Tax Reform with the unification of consumption taxes, which will change the Brazilian economy and market. The Brazilian legislature also discussed a series of fiscal adjustment measures, as instruments for achieving the primary surplus targets set out in the new fiscal framework. In addition, the payroll tax exemption, a fundamental economic measure for the competitiveness of strategic sectors of the Brazilian economy, was extended for another four years. However, the continuity of the measure could be jeopardized to the detriment of the government's quest to reduce the public deficit by 2024. The year ended with significant results on the economic agenda, but also with progress on the agendas of sustainability, credit and guarantees, gender equality and racial diversity.

On the international scene, 2023 was not without its challenges, with the emergence of a new conflict in the Middle East between Israel and Palestine, the persistence of tensions between Russia and Ukraine and the increase in interest rates in the central economies as a measure to contain inflationary growth. As we enter 2024, uncertainty persists as to the impact of China's economic slowdown on the markets. Next year will also be marked by numerous presidential, legislative and European Union elections, the results of which could change international relations, with one of the main points of attention being the North American presidential elections, which tend to be marked by strong polarization and distrust of institutions.

In 2024, Brazil will also have elections at the center of its political agenda. The municipal dispute is expected to occupy a significant part of the year and strengthen the political polarization of previous elections, as well as putting pressure on institutions to take initiatives to combat disinformation. In the regulatory scenario, debates on the regulation of the recent Tax Reform and the beginning of discussions on the reform of income taxes could be central in the Brazilian Legislature.

By fostering a business environment conducive to the advancement of innovation and the development of human capital, with special emphasis on the digital economy, Brazil will be strategically positioned to lead the digital transformation process. To achieve this, it is essential to design and implement a country project that unites the efforts of the government, the productive sector and civil society, with a focus on sustainable economic development.

Consolidated Financial and Operational Results

Consolidated Result (in R$ thousand)	2023	2022	Δ
Net Revenue	**4,497,028**	**3,792,932**	**18.6%**
Management Revenue	4,074,224	3,492,143	16.7%
Business Performance Revenue	422,804	300,789	40.6%
Mgmt. + Biz Perform. Adjusted EBITDA	**1,076,236**	**909,558**	***18.3%***
Management Adjusted EBITDA	1,059,774	897,253	18.1%
Biz Performance Adjusted EBITDA	16,462	12,305	33.8%
% Adjusted EBITDA Margin	***23.9%***	***24.0%***	***-10 bp***
% Management Adjusted EBITDA	*26.0%*	*25.7%*	*30 bp*
% Biz Performance Adjusted EBITDA	*3.9%*	*4.1%*	*-20 bp*

Net Revenue

Consolidated Net Revenue for 2023 reached R$4.5 billion, an increase of 19% compared to the previous year, driven mainly by the 20% increase in Management and Business Performance Recurring Revenue, which together represent 86% of Net Revenue, an increase of 90 basis points compared to 2022.

Another highlight of 2023, which is also worth mentioning, is the result of Annualized Recurring Revenue (ARR), which ended 2023 at R$4.8 billion, with a consolidated Total Addition of R$760 million. This result is the result of the company's focus on Recurring Revenues, which brings resilience and predictability and establishes the basis for the year 2024 Recurring Revenue.

Adjusted EBITDA

In the accumulated figures of this year, the Adjusted EBITDA ended at a record number, approaching the R$1.1 billion mark, growing 18% over 2022. The consolidated EBITDA Margin ended the year at 23.9%, 10 basis points lower than 2022. This decrease in mainly associated to the reduction of 20 basis points in the Business Performance EBITDA Margin due to the investment in RD Summit and to the acquisitions of Lexos and Exact Sales, that still have lower margins to the dimension as a whole.

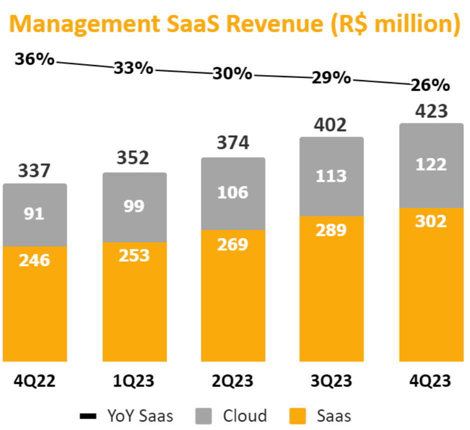
Management dimension results

The Management dimension represents the portfolio of solutions focused on the efficiency of our clients' back and middle office operations, through ERP/HR and Vertical solutions specialized in 12 industry sectors of the economy. It is worth mentioning that due to the strategic repositioning of Tail Target's operations, its results for 4Q23 and previous quarters are contained in the Management dimension.

Management Result (in R$ thousand)	2023	2022	Δ
Net Revenue	**4,074,224**	**3,492,143**	**16.7%**
Recurring	**3,478,627**	**2,951,162**	**17.9%**
Non Recurring	**595,597**	**540,981**	**10.1%**
License	241,576	226,705	6.6%
Services	354,021	314,276	12.6%
Adjusted Costs	**(1,147,600)**	**(996,900)**	**15.1%**
Adjusted Gross Profit	**2,926,624**	**2,495,243**	**17.3%**
Adjusted Gross Margin	*71.8%*	*71.5%*	*30 bp*
Research and Development	**(695,832)**	**(601,845)**	**15.6%**
Provision for Expected Credit Losses	**(28,401)**	**(22,004)**	**29.1%**
Adjusted Sales and Marketing Expenses	**(806,719)**	**(645,366)**	**25.0%**
Adjusted G&A Expenses and Others	**(335,898)**	**(328,775)**	**2.2%**
Management Adjusted EBITDA	**1,059,774**	**897,253**	**18.1%**
% Management Adjusted EBITDA	*26.0%*	*25.7%*	*30 bp*

Net Revenue

Management Net Revenue surpassed the R$4 billion threshold, 17% above the 2022 amount, mainly due to the growth of 18% of Recurring Revenue, which reached the level of R$3.5 billion.

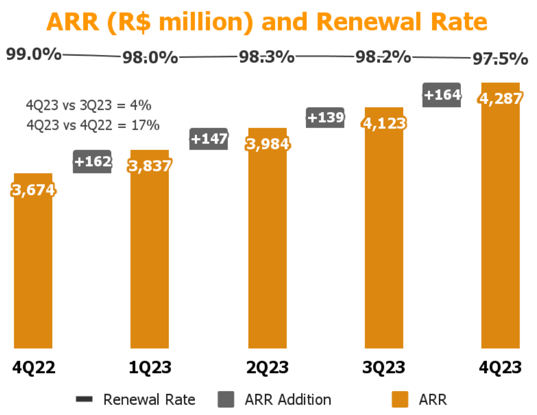


Recurring Revenue

Recurring Revenue ended 2023 with growth of 18% compared to 2022, mainly by the to sales performance, which reached historic levels and the maintenance of the Renewal Rate of approximately 98%, which has been compensating for the low inflation rates applied in readjustments of contracts with customers.

According to the emphasis of 2023, the strong performance of new signings has been driven mainly by: (i) the continuous evolution in commercial distribution productivity; (ii) the product quality, evidenced by the NPS (Net Promoter Score), which remains at high levels; (iii) the expansion of the portfolio, enabling an increase in take rate through cross and up-selling strategies; (iv) the reduction in Total Cost of Ownership (TCO) for the customer, achieved through constant product improvement, maintaining remote implementation rates above 90% and establishing specialized centers of excellence in strategic regions of the country; and (v) use of data science through Empodera (sales intelligence platform) and IMG

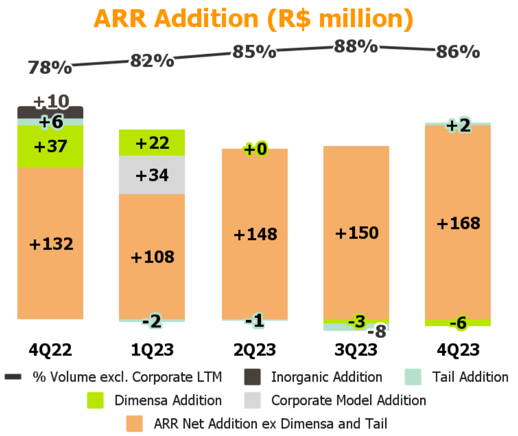
(Management Maturity Index), which allows us to increasingly explore opportunities with existing customers, increasing the average ticket and reaching the highest volume levels in the Company's history.



Management ARR (*Annual Recurring Revenue*) ended 2023 at approximately R$4.3 billion, with an organic Net Addition of R$612 million. This result is explained: (i) by maintaining the pace of sales within the base and to new customers, which has been compensating for low inflation rates; (ii) by the 157% increase in the Price component, compared to the previous quarter, due to the greater concentration of contracts celebrating their anniversary in the fourth quarter and the adjustment made to SaaS and Cloud contracts, to face the increase in infrastructure costs.

As a result, the Volume LTM component went from 88% in the previous quarter to 86% in 4Q23.

We can also highlight that, as mentioned in previous quarters, the highest concentration of Dimensa's customers generates a more volatile profile in terms of ARR addition. In this quarter, also mentioned previously, we transferred Tail to Management, remembering that it has an even more concentrated customer profile, with the same volatility. In the chart we can see the ARR Addition results with and without the impacts of these operations.



Non-Recurring Revenue

Non-Recurring Revenues showed an increase of 10% year-over-year, mostly associated with a greater volume of implementation services of 12.6% in the year-over-year comparison. On the other hand, the commercial focus on SaaS solutions, which require fewer non-recurring services for implementation, has been a keynote in the final stretch of 2023, especially in 4Q23.

Gross Margin

In R$ thousand	2023	2022	Δ
Net Revenue	**4,074,224**	**3,492,143**	**16.7%**
Gross Profit	**2,919,024**	**2,495,243**	**17.0%**
Gross Margin	*71.6%*	*71.5%*	*10 bp*
Oper. Restructuring Extraord. Adjustment	7,600	-	-
Adjusted Gross Profit	**2,926,624**	**2,495,243**	**17.3%**
Adjusted Gross Margin	*71.8%*	*71.5%*	*30 bp*

In 2023, the 30 basis points increase in the Management Gross Margin is mainly due to the advance of 18% of Recurring Revenue year-over-year, a more increased level than the 15% growth in Adjusted Costs.

Research & Development

Research and Development (R&D) expenses represented 20% of Recurring Revenue in 2023, 40 basis points lower than in 2022, demonstrating the capacity for expansion and the efficiency achieved in the distribution of organic investments dedicated to the development, modernization and expansion of the product portfolio.

In a constantly evolving scenario, TOTVS is continuing its process of investment, research and evaluation of the use of Artificial Intelligence (AI) in its operations, in view of the significant potential for applying AI in internal processes, together with the applicability of co-pilots to assist users in the use of software and the use of AI as a source of insights, improving the customer experience and strengthening decision-making capacity. However, these advances require, in the initial stages, a limited increase in the degree of investment in R&D to assess the applicability and evolution of these new technologies.

Provision for Expected Credit Losses

Provision for Expected Credit Losses corresponded to 0.7% of accumulated Net Revenue in 2023. This figure highlights the solidity of a business model centered on Recurring Revenue, backed by a broad, diversified, pulverized and resilient customer base, as mentioned in previous quarters.

Sales and Marketing Expenses

In R$ thousand	**2023**	2022	Δ
Adjusted Sales and Marketing Expenses	**(806,719)**	**(645,366)**	**25.0%**
% Net Revenue	*19.8%*	*18.5%*	*130 bp*
Sales and Marketing Expenses	(809,514)	(645,366)	25.4%
Oper. Restructuring Extraord. Adjustment	2,795	-	-

Adjusted Commercial and Marketing Expenses over Net Revenue ended the year at 19.8%. This growth of 130 basis points year on year is mainly associated with: (i) the return of face-to-face events in various segments and regions; including the enlargement of TOTVS Universe, an event that provided more than 250 pieces of content in a wide variety of areas, with the collaboration of more than 70 partner brands and presented a greater audience reach in 2023; and (ii) the increase in spending on variable remuneration and commissions, because of the strong performance of the new signings that reached record levels in 2023.

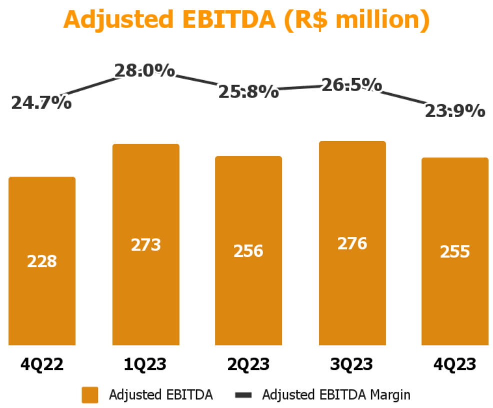
General Administrative Expenses and Others

In R$ thousand	2023	2022	Δ
Adjusted G&A Expenses and Others	**(335,898)**	**(328,775)**	**2.2%**
% Net Revenue	*8.2%*	*9.4%*	*-120 bp*
G&A Expenses and Others	**(361,450)**	**(358,588)**	**0.8%**
General and Administrative Expenses	(334,567)	(316,613)	5.7%
Provision for Contingencies	(23,079)	(31,953)	(27.8%)
Other Net Expenses	(3,804)	(10,022)	(62.0%)
Extraordinary Items	**25,552**	**29,813**	**(14.3%)**
Adjustment from Oper. Restructuring	2,145	-	-
M&A Adjustment at Fair Value (Contingencies)	2,543	-	-
M&A Adjustment at Fair Value	10,397	26,569	(60.9%)
Expenses with M&A Transactions	9,837	15,163	(35.1%)
Loss (Earns) in Disposed Assets	-	4,689	(100.0%)
Tax Credit	630	(16,608)	(103.8%)

General Administrative Expenses and Others net of extraordinary impacts finished 2023 in 8.2% of the dimension Net Revenue, reduction of 120 basis points, highlighting the constant pursuit for efficiency and dilution of expenses, remembering that corporate structures are fully reflected in this dimension.

EBITDA and EBITDA Margin

Management Adjusted EBITDA ended the year surpassing the mark of 1 billion, growth of 18% versus 2022, mostly related to the same 18% growth in Recurring Revenue year-over-year. The Adjusted EBITDA Margin of 26% represented an increase of 30 basis points over 2022 and it is at one of the highest levels of profitability in its history, which reflects the scalability of the dimension recurrence model.



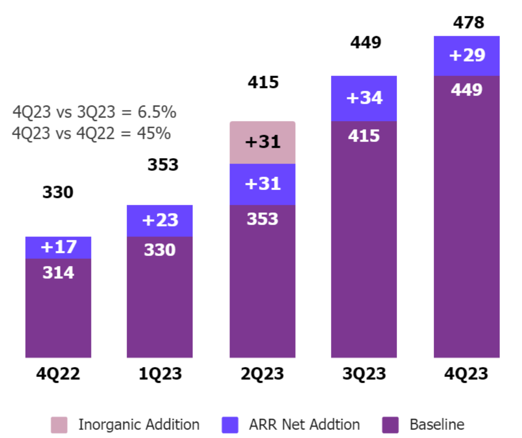
Business Performance dimension results

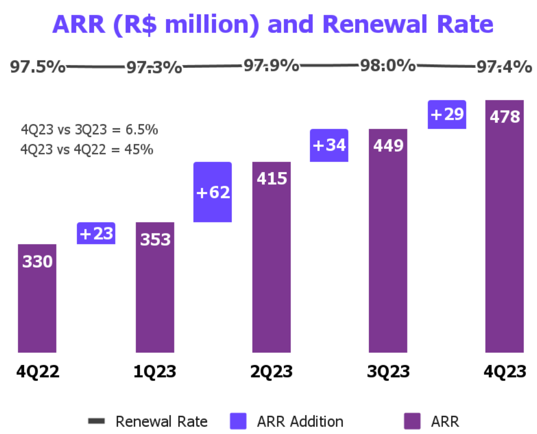
The Business Performance dimension encompasses a range of solutions aimed at boosting sales, competitiveness, and client performance through Digital Marketing, Sales/Digital Commerce, and CX - Customer Experience solutions. As mentioned at the beginning of the Financial and Operational Highlights section, the Tail Target operation is now part of the Management dimension.

Biz Performance Result (in R$ thousand)	2023	2022	Δ
Net Revenue	**422,804**	**300,789**	**40.6%**
Recurring	413,350	296,196	39.6%
Non Recurring	9,454	4,593	105.8%
Costs	(98,292)	(70,152)	40.1%
Gross Profit	**324,512**	**230,637**	**40.7%**
Gross Margin	*76.8%*	*76.7%*	*10 bp*
Research and Development	(101,461)	(76,628)	32.4%
Provision for Expected Credit Losses	(7,993)	(4,908)	62.9%
Sales and Marketing Expenses	(142,215)	(94,881)	49.9%
G&A Expenses and Others	(116,369)	(44,014)	164.4%
Biz Performance EBITDA	**(43,526)**	**10,206**	**(526.5%)**
% Biz Performance EBITDA	*-10.3%*	*3.4%*	*-1370 bp*
Extraordinary Items	**59,988**	**2,099**	>999%
M&A Adjustment at Fair Value	59,988	2,099	>999%
Biz Performance Adjusted EBITDA	**16,462**	**12,305**	**33.8%**
% Biz Performance Adjusted EBITDA	*3.9%*	*4.1%*	*-20 bp*

Net Revenue

In the accumulated of 2023, Net Revenue grew by 41%, which is mostly associated with the organic ARR net additions throughout 2023, as well as the acquisitions of Lexos and Exact Sale.





Gross Margin

Business Performance Gross Margin, in 2023, reached 76.8%, an increase of 10 basis points compared to 2022, a result that demonstrates the profitability potential of the SaaS model in this dimension, which offers solutions that require a lower level of implementation services for the client.

Research & Development

In 2023, R&D represented 25% of Recurring Revenue, being 130 basis points above the accumulated of 2022, due to investment in expanding the portfolio, improving functionalities and integrating the various Business Performance products, aiming to seize the available opportunities in this expanding market.

Provision for Expected Credit Losses

The Provision for Expected Business Performance Loss went from 1.6% in 2022 to 1.9% in 2023, but we do not consider this behavior as a trend, especially with the progress in the integration of new operations added to the dimension.

Sales and Marketing Expenses

Sales and Marketing Expenses over Net Revenue ended 2023 at 34%, a growth of 210 basis points, when compared to the previous year, mainly explained by the fact that this dimension is inserted in a young and emerging market, which it demands greater commercial effort, awareness and education about the benefits that the digitalization of sales operations can bring to customers. Furthermore, the changes promoted at the RD Summit event, held in 4Q23, incurred additional costs, compared to the previous year, of around R$6.4 million or 119%. This is the largest digital marketing event in Brazil, held for the first time in the city of São Paulo, attracting an average of 20 thousand participants daily, over the three days of the event, a growth of almost 54% compared to the event in last year. The edition featured a series of innovations, both for RD Station and for the entire Business Performance ecosystem, such as Mentor IA, which provides the customer with an assistant trained with personalized data, who answers questions from customers and users, and qualifies leads via integrated chat.

General Administrative Expenses and Others

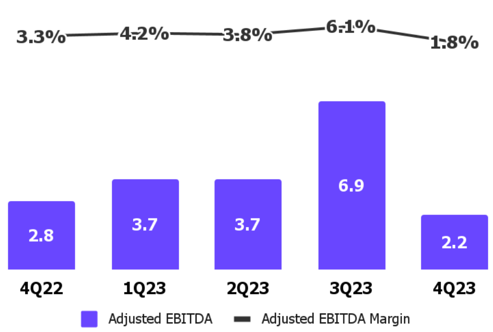
General Administrative and Other Expenses, adjusted by extraordinary items, ended 2023 at 13% of Net Revenue, a reduction of 60 basis points compared to 2022, demonstrating the scalability of the pure SaaS model of this dimension, even in the face of the addition of operations that were still loss-making throughout the year.

EBITDA and EBITDA Margin

In the 12-months accumulated, the Adjusted EBITDA Margin was 3.9%, 20 basis points lower than 2022, mainly due to the aforementioned increase in investment in RD Summit and the acquisitions of Lexos and Exact Sales, which still have lower margins than the dimension as a whole.

As already mentioned in previous quarters, this is a young and focused business dimension aimed at

Adjusted EBITDA (R$ million)



accelerating Recurring Revenue, which may require a higher level of investment, aiming to increase competitive differences, but it is already a profitable operation, with natural scalability of the SaaS model, which reinforces its high potential for generating value.

Management and Business Performance Below EBITDA Result

Depreciation and Amortization Expenses

In R$ thousand	2023	2022	Δ
Depreciation	(134,492)	(122,112)	10.1%
Amortization	(148,309)	(114,017)	30.1%
Depreciation and Amortization	**(282,801)**	**(236,129)**	**19.8%**

Depreciation and Amortization Expenses ended the year at R$283 million, 20% above 2022, mainly because the beginning of amortization of the operations of Tallos, RBM and Feedz, acquired at the end of 2022 and the operations of Lexos, Exact Sales and TRS, acquired throughout 2023, added to the adjustment in the consumption of software licenses in Cloud operations throughout 2023.

Financial Result

In R$ thousand	2023	2022	Δ
Financial Revenues	355,764	362,012	(1.7%)
Financial Expenses	(373,173)	(341,492)	9.3%
Financial Result	**(17,409)**	**20,520**	**(184.8%)**

The reduction of R$38 million in Financial Result in 2023 is mainly because of the increase in the PVA (Present Value Adjustment) of M&As earn-out carried out throughout the year, as well as the reduction of the Financial Revenues on financial investments, due to the reduction in the Selic rate.

Income Tax and Social Contribution

In R$ thousand	2023	2022	Δ
EBT	**680,091**	**661,595**	**2.8%**
Taxes at combined rate (34%)	(231,231)	(224,942)	2.8%
Law 11,196/05 - R&D Incentive	29,922	24,088	24.2%
Share Issue Expenses	-	26	(100.0%)
Interest on Equity	95,643	63,723	50.1%
Effect of Different Taxation in Subsidiaries	(21,641)	(17,555)	23.3%
Management Bonus	(4,198)	(4,087)	2.7%
Government Subsidies	3,578	1,910	87.3%
Other	(18,694)	15,633	(219.6%)
Income Tax and Social Contribution	**(146,620)**	**(141,204)**	**3.8%**
Current Income Tax and Social Contribution	(171,067)	(153,567)	11.4%
Deferred Income Tax and Social Contribution	24,447	12,363	97.7%
% Current Effective Tax Rate	*25.2%*	*23.2%*	*200 bp*
% Total Effective Tax Rate	*21.6%*	*21.3%*	*30 bp*

In the accumulated of 2023 the reduction of 30 basis points of the Total Effective Tax Rate is mainly associated with the 50% increase in the payment of Interest on Equity, which offset the negative variation in the Others line.

Techfin Dimension results

The Techfin dimension aims to simplify, expand, and democratize TOTVS' SMB clients' access to B2B financial services, comprising Supplier and Techfin consolidated under TOTVS Techfin. Supplier is a company with more than 20 years in the market, profitable and consolidated in its niche. Techfin was created just over 3 years ago and has been building its portfolio of solutions based on strong competitive advantages, such as the creation of ERP banking, which is the availability of financial services via integration with management softwares and intensive use of data available in these software for contextualized offers, in addition to being what we call it TOTVS-centric, that is, focused on SMB companies that are TOTVS' clients.

With the announcement of the closing of the transaction with Itaú, the Company started to hold a 50% stake in this operation from August/2023 and its results will not be consolidated in the Cash Flows and Balance Sheets, being the result of the TOTVS Techfin operation added to the proportion of 50% in the Equity Pickup line.

In order to preserve the analysis of this business dimension, we will maintain the disclosure of the results considering **50% in the Income Statement**.

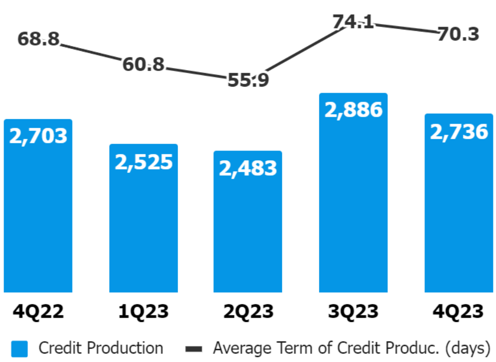
Techfin Results (in R$ thousand)	2023	2022	Δ
Techfin Net Revenue	**221,773**	**205,945**	**7.7%**
Funding Cost	(85,346)	(82,377)	3.6%
Techfin Revenue - Net of funding	**136,427**	**123,568**	**10.4%**
Operational Costs	(17,503)	(12,646)	38.4%
Gross Profit	**118,924**	**110,922**	**7.2%**
Research and Development	(24,664)	(15,662)	57.5%
Provision for Expected Credit Losses	(16,637)	(20,263)	(17.9%)
Sales and Marketing Expenses	(22,779)	(18,546)	22.8%
G&A Expenses and Others	(41,165)	(31,230)	31.8%
Techfin EBITDA	**13,679**	**25,221**	**(45.8%)**
% Techfin EBITDA	*10.0%*	*20.4%*	*-1040 bp*
Depreciation and Amortization	(20,476)	(23,295)	(12.1%)
Financial Result	4,679	160	>999%
Income Tax and Social Contribution	(124)	(631)	(80.3%)
Net Income (Loss) from Techfin Dimension	**(2,242)**	**1,455**	**(254.1%)**
% Net Income (Loss) from Techfin Dimension	*-1.6%*	*1.2%*	*-280 bp*

Techfin Revenue

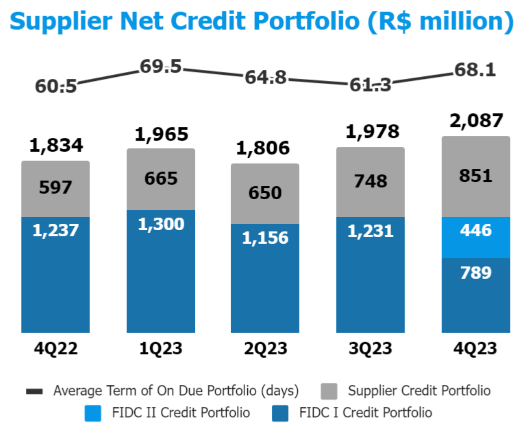
Techfin Revenue showed growth of 7.7%, when compared to 2022. This result is mainly related to the growth in credit production year-over-year and the performance of the Agribusiness segment, which extended the average credit production period by 1.5 day in 2023.

The Credit Portfolio, net of Provision for Expected Loss, grew 14% year-over-year, with an average term of 68.1 days, explained by the

Supplier Credit Production (R$ million)



increase in credit production, as mentioned above. When compared to 3Q23, the Credit Portfolio grew 5.5%, as seen in the chart on the side. The 4Q23 Portfolio already includes the participation of Supplier's FIDC II, which is the FIDC with an exclusive senior quota from Itaú, which has a lower funding cost than Supplier's FIDC I, in addition to shorter windows for adjusting the available capital, which significantly improves the efficiency of funding and, consequently, reduces its total cost.



The proportion of the portfolio allocated to Supplier (credit portfolio unassigned to FIDC) versus portfolio assigned to FIDC was 41% in the quarter, reflecting the mix of production carried out in this and last quarter, which has a greater concentration of Agribusiness, with longer contracts. This weighting takes into account the guidelines of the FIDC regulation, which establishes percentage limits for receivables with terms longer than 180 days, while also seeking to optimize the funding cost and efficiency in the use of Cash.

Techfin Revenue - Net of Funding

The 10% growth in Revenue Net Funding is associated with: (i) the 7.7% growth in Techfin Revenue, mainly due to the longer average production times throughout the year; and (ii) the increase in Funding Cost in a smaller proportion than revenue as a result of the initial benefits of the JV already in operation since August.

Operating Costs

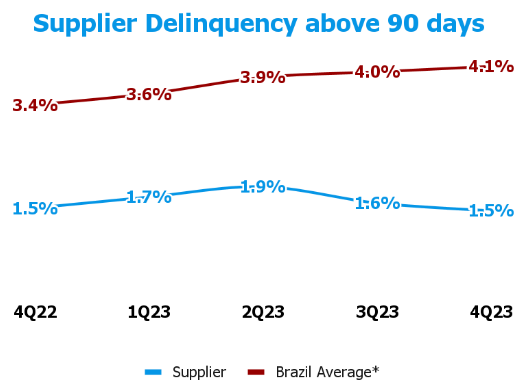
The 38% growth in this line in 2023 is mainly because of the increase in credit insurance premiums, due to the change in the portfolio's risk profile, which now has a greater representation of Agribusiness with contracts that have longer duration.

Research & Development

Research and Development (R&D) expenses represented 18% of Techfin Revenue Net of Funding, 5 percentage points higher than in 2022. The year-over-year growth was due to the expansion of investments in the development and integration of solutions of this dimension, with the objective of expanding the TOTVS Techfin portfolio.

Provision for Expected Credit Losses

The Provision for Expected Loss represented 1.6% of 2023 Credit Production, a reduction of 16%, when compared to the result of 2022, mainly reflecting: (i) the atypical impact occurred in 4Q22, due to the prepayment of receivables to a Supplier's affiliate, which subsequently entered in judicial reorganization and did not perform the prepaid receivables; and (ii) the improvement in Supplier's default rates, especially in credit contracts with a delay of 31 to 90 days, which are the main influencers on provisions.



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

Other Techfin Operating Expenses

Sales and Marketing Expenses over Revenue Net of Funding went from 15% in 2022 to 16.7% in 2023, while Administrative and Other Expenses went from 25.3% in 2022 to 30.2% in 2023. Both expansions corroborate the expansion of investments in Techfin, after the closing of the transaction with Itaú, aiming to accelerate TOTVS Techfin's strategy.

Techfin's EBITDA and EBITDA Margin

The 46% reduction in the dimension's EBITDA is directly associated with the increase in investments in the development of Techfin's portfolio. In fact, the OPEX of Techfin's organic operation (excluding Supplier) ended 4Q23 at R$26.2 million.

Techfin’s Net Income

Techfin ended the year with loss of R$2.4 million, due to the amortization of intangible assets arising from the acquisition of Supplier, which in addition not impact Techfin's cash, assisting in the decrease of the effective income tax rate, improving the result.

It is important to keep in mind that the Techfin dimension is constituted by the Supplier, a consolidated and profitable niche operation, and by the organic Techfin, which is still in the development stages and is the central point of the Joint Venture (JV). Organic Techfin requires investments to expand its portfolio and build competitive advantages, aiming to maximize value capture in the market opportunity. Additionally, Supplier will continue to preserve the quality of its credit portfolio, its most precious asset, and, if necessary, will maintain its conservative stance in granting credit limits, even if it momentarily impacts Production and, consequently, the level of revenue generation.

EBITDA and Net Income Reconciliation

In R$ thousand	2023	2022	Δ
Consolidated Net Income	**764,435**	**523,301**	**46.1%**
Net Margin	*17.0%*	*13.8%*	*320 bp*
(-) Net Loss (Income) from Techfin Dimension	(227,769)	(2,910)	>999%
(+) Depreciation and Amortization	282,801	236,129	19.8%
(+) Financial Result	17,409	(20,520)	(184.8%)
(+) Income Tax and Social Contribution	146,620	141,204	3.8%
EBITDA (1)	**983,496**	**877,204**	**12.1%**
% EBITDA Margin	*21.9%*	*23.1%*	*-120 bp*
(+) Techfin Dimension EBITDA	**13,679**	**25,220**	**(45.8%)**
(-) Equity Pickup	**3,195**	**(442)**	**(822.9%)**
(+) Extraordinary Items	**95,935**	**31,912**	**200.6%**
M&A Adjustment at Fair Value (Contingencies)	2,543	-	-
M&A Adjustment at Fair Value	70,385	28,668	145.5%
Oper. Restructuring Extraord. Adjustment	12,540	-	-
Loss (Earns) in Disposed Assets	-	4,689	(100.0%)
Expenses with M&A Transactions	9,837	15,163	(35.1%)
Tax Credit	630	(16,608)	(103.8%)
Adjusted EBITDA (1)	**1,089,915**	**934,778**	**16.6%**
% Adjusted EBITDA Margin (2)	*23.5%*	*23.9%*	*-40 bp*

(1) EBITDA and Adjusted EBITDA are separate non-accounting (unaudited) prepared by the Company and consist of Net Income for the year, plus income taxes, financial expenses net of financial income, discontinued operations and depreciation and amortization.

(2) The Adjusted EBITDA Margin is made up of Adjusted EBITDA over Revenue Net of Funding (Non-GAAP), considering Techfin results at 50% in all periods.

The non-financial data included in this report, such as ARR, churn, renewal rate, among others, are non-accounting measures and have not been examined by our independent auditors.

SECURITIES EXCHANGE MARKET

TOTVS ended the year with a capital stock of R$2.963 billion, composed of 617,183,181 common shares, 89% of its capital stock being free-float, represented by 13.3% composed of Brazilian investors and 86.7% by foreign investors. The calculation of the outstanding shares is based on all the Company's shares, excluding the interests held by Management members and related persons, as well as treasury shares.

In 2023, TOTVS shares (B3:TOTS3) showed a positive variation of 22%, while IBOVESPA showed an appreciation of 22%. The average financial volume in 2023 was R$130.9 million/day, versus R$146.1 million/day recorded in 2022.

Interest on net equity for the fiscal year 2023: On July 24th, 2023, the payment of interest on equity for the first half of the fiscal year 2023 was approved, in the total amount of R$138,872 thousand. All shareholders holding shares issued by the Company on the base date of July 27th, 2023 were entitled to interest on equity. Such interest on equity was paid on August 25th, 2023.

On November 29th, 2023, the payment of interest on equity in the total gross amount of R$126,798 thousand was approved. All shareholders holding shares issued by the Company on the base date of December 4th, 2022 were entitled to interest on equity. Such interest on equity was paid on December 22th, 2023. The amounts of interest on equity relating to the 2023 financial year were allocated to mandatory dividends.

Interest on equity for the fiscal year 2022: On August 1st, 2022, the payment of interest on equity for the first half of the fiscal year 2022 was approved, in the total amount of R$60,573 thousand. All shareholders holding shares issued by the Company on the base date of August 4th, 2022 were entitled to interest on equity. Such interest on equity was paid on September 23th, 2022.

On December 26th, 2022, the payment of interest on equity in the total gross amount of R$127,208 thousand was approved. All shareholders holding shares issued by the Company on the base date of December 29th, 2022 were entitled to interest on equity. Such interest on equity was paid on January 27th, 2023. The amounts of interest on equity relating to the fiscal year 2022 were allocated to mandatory dividends.

CORPORATE GOVERNANCE

New Market: TOTVS was the first Brazilian software company to adhere to the modality that meets the best corporate governance practices of B3 S.A. - Brasil, Bolsa, Balcão.

Management: TOTVS's Board of Directors is composed of 7 members, 6 of whom are independent, pursuant to the standards of the “Novo Mercado”. The Company's board of executive officers is composed of 8 directors. The list with the name, position description, and brief curriculum vitae of the directors and officers can be found on the Company's Reference Form and on the Investor Relations website (https://ri.totvs.com/).

Statutory Audit Committee: it is an advisory body that provides the Board of Directors with support, and its mission is to follow up, assess, and ensure the best operationalization of processes, the management of internal and external auditors, the mechanisms and controls connected to risk management and the consistency of financial policies with strategic guidelines and the business risk profile. Currently, the

Statutory Audit Committee is composed of 3 independent members, elected by the Board of Directors, and chaired by an independent member of the Board of Directors.

People and Compensation Committee: it provides the Board of Directors with advice in determining the compensation and benefits policies for directors and officers. The People and Compensation Committee is composed of 3 members, 2 of whom are independent, elected by the Board of Directors. The Company's Vice President of Human Relations and Marketing attends meetings as a permanent guest and does not have the right to vote.

Governance and Nomination Committee: it is composed of 3 members of the Board of Directors, 2 of whom are independent, its main duties are to promote developments in the Company's corporate governance, evaluate the adoption of good practices and select and appoint members to the Board of Directors.

Strategy Committee: it is composed of up to 3 members of the Board of Directors, 2 of whom are independent. The Company's Chief Executive Officer attends meetings as a permanent guest and has no voting right. The main duties of this Committee are to analyze and discuss issues that make feasible the construction of the Vision of the Future and the Strategic Planning, and to assess the Company's actual ability to deliver them.

Arbitration: under the "Novo Mercado" Regulation, and under the Company's Bylaws, the controlling shareholder, the administrators, the Company itself, and the members of the Fiscal Council must undertake to resolve any and all disputes or controversies connected to or arising from the "Novo Mercado" Regulation, the “Novo Mercado” Participation Agreement, the Arbitration Clauses, in particular as to their application, validity, effectiveness, interpretation, violation and their effects, through arbitration. Any disputes regarding the sale of the Company's Control will also be settled by arbitration.

Statement by the Board of Executive Officers: in accordance with item VI of Article 27 of CVM Resolution No. 80/22, the directors of TOTVS declare that they have reviewed, discussed and agreed with the financial statements referring to the fiscal year ended on December 31th , 2023. In compliance with item V of Article 27 of CVM Resolution No. 59/21, the directors of TOTVS declare that they discussed, reviewed and agreed with the opinions expressed in the independent auditors' report on the financial statements for the fiscal year ended on December 31th , 2023 .

RELATIONSHIP WITH INDEPENDENT AUDITORS

The Company's policy for retaining services not related to external audit with independent auditors is based on the principles that preserve their independence. Such principles consist of internationally-accepted standards, in which: (a) an auditor must not audit his own work; (b) an auditor must not hold a management role in his client; and (c) an auditor must not generate conflicts of interest with his clients

Procedures adopted by the Company pursuant to item 9.3, Art. 17, CVM Resolution No. 162/22: the Company and its subsidiaries adopt as a formal procedure, prior to retaining other professional services which non related to the external accounting audit, to consult with the independent auditors, in order to ensure that the provision of such other services will not affect their independence and objectivity that are required to provide independent audit services, as well as obtain approval from its Audit Committee. In addition, formal statements from such same auditors are required regarding their independence in providing non-audit services.

Services other than those related to the audit of the 2023 financial statements were provided. The fees for these services totaled R$368.7 thousand, representing 12.3% of the total fees related to external auditing.

ACKNOWLEDGEMENTS

We thank all those who contributed to the success of TOTVS in 2023, especially our clients, staff (TOTVERs), partners, and shareholders.

Independent auditors' report on the individual and consolidated financial statements

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

Opinion

We have examined the individual and consolidated financial statements of TOTVS S.A. (" the Company"), respectively, referred to as Individual and Consolidated, which comprise the statement of financial position as at December 31, 2023 and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the consolidated financial position of TOTVS S.A. as at December 31, 2023 and its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

<table>
<tr><th colspan="2">Revenue recognition - cut off</th></tr>
<tr><td colspan="2">See Notes 2.4 h) and 27 to the individual and consolidated financial statements</td></tr>
<tr><td>Key audit matters</td><td>How our audit addressed this matter</td></tr>
<tr><td>The revenue of the Company and its subsidiaries includes services called recurring software and nonrecurring software.

A nonrecurring software revenue from implementation and customization services, which contains specific contracts to meet the needs of each client.

The performance obligation of this type of revenue is over time when it is provided, based on the hours incurred and prices practiced in the respective contracts with its clients. According to each contract, such revenues may or may not have been invoiced.

Nonrecurring services occur in a high volume and rely on controls that determine the correct hours incurred, as well as ensure the correct measurement and recording of this revenue at the time the performance obligations of the contracts are satisfied.

For the reasons mentioned above, we considered this matter as a significant for our audit.</td><td>Our audit procedures included, among others:

i. Understanding of the design and effectiveness evaluation process of the relevant internal controls used by the Company and by its subsidiaries considered as significant, during the audit, related to the nonrecurring software revenue recognition;

ii. Tests on a sample basis of nonrecurring software revenue, in order to verify the contractual terms of the proposal of service rendered, the hours incurred in the projects and the measurement of these hours, to conclude on the adequate revenue recognition, including in relation of the correct period of competence (cut-off);

iii. Assessment of whether the disclosures in individual and consolidated financial statements include all relevant information, particularly in relation to the Company's accounting policies for recognition of revenue.

Based on the audit evidence obtained through above-summarized audit procedures, we consider the amounts recognized related to nonrecurring software revenue are acceptable, as well as related disclosures, in the context of the individual and consolidated financial statements as a whole</td></tr>
</table>

Business combination	
See Notes 2.4 g) and 4 to the individual and consolidated financial statements	
Key audit matters	**How our audit addressed this matter**
During 2023, the direct subsidiary TOTVS Large Enterprise Tecnologia S.A. acquired the control of the company Lexos Soluções em Tecnologia Ltda.; the indirect subsidiary of RD Gestão e Sistemas S.A. acquired the control of the company Exact Desenvolvimento e Programação de Software S.A.; and the direct subsidiary Soluções em Software e Serviços TTS Ltda. acquired the control of the company TRS Gestão e Tecnologia S.A.. The accounting process in the business acquisition involves relevant estimates and judgments, such as determining the fair value of the consideration transferred, identification and measurement of assets acquired and liabilities assumed and the determination of goodwill based on future profitability expectation. Due to the complexity, judgment and relevance of the amounts involved in the acquisition accounting process, we considered this matter as significant for our audit.	Our audit procedures included, among others: i. Obtaining and analyzing the signed contracts and evaluating the consideration transferred in the business; ii. With the assistance of our corporate finance specialists, we evaluated the criteria and assumptions adopted in determining the fair values of assets acquired and liabilities assumed of the company acquired, for subsequent allocation of the price acquisition. The main assumptions evaluated refer to the business growth rate, cash flow projections and the respective discount rates, and comparison of the assumptions used by the Company, when available, with data obtained from external sources, such as projected economic growth and discount rates; iii. Assessment of whether the disclosures in the individual and consolidated financial statements include all relevant information. Based on the audit evidence obtained through above-summarized audit procedures, we consider the amounts recognized related to business combination are acceptable, as well as related disclosures, in the context of the individual and consolidated financial statements as a whole.

<table>
<tr><th colspan="2">Impairment of Goodwill</th></tr>
<tr><td colspan="2">See Notes 2.4 d) and 15.2 to the individual and consolidated financial statements</td></tr>
<tr><td>Key audit matters</td><td>How our audit addressed this matter</td></tr>
<tr><td>The consolidated financial statements include the amount of R$ 1,729,953 related to the goodwill allocated to the cash generating unit (CGU) of RD from business combination, whose realization is supported by future profitability expectation, according to the business plan prepared by the Company.

For the annual assessment of the recoverability of such assets, the Company evaluates the probability of occurrence of future earnings and assumptions and judgments used in determining the estimates of future earnings of cash generating units, which include revenue growth, discount rate, inflation rate, among others.

Due to the relevance and degree of judgment involved in the process of determining the Company's estimates of future profitability, inherent to the process of determining the estimates of future cash flows, we considered this matter as significant for our audit.</td><td>Our audit procedures included, among others:

i. Understanding of the preparation and review of business plan process, budgets and impairment analysis of cash generating unit of RD available by the Company;

ii. Evaluation of reasonability for the determination of cash generating unit (CGU) for impairment test;

iii. With the assistance of our corporate finance specialists, for the CGU of RD, we evaluated the criteria and assumptions adopted by the Company, especially those related to business growth rates, cash flow projections and the respective discount rates, and comparison of the assumptions used by the Company, when available, with data obtained from external sources, such as projected economic growth and discount rates;

iv. Assessment of whether the disclosures in the consolidated financial statements include all relevant information.

Based on the audit procedures performed to impairment test of the goodwill of RD's CGU and on the results obtained, we consider them are acceptable, in the context of the consolidated financial statements as a whole.</td></tr>
</table>

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2023, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed with the audit of Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Value Added. In our opinion, these statements of value added have been fairly prepared, in all material respects, in accordance with the criteria defined in the Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

- Identified and assess the risks of material misstatement in the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

São Paulo, February 6, 2024

KPMG Auditores Independentes Ltda.

CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Bottino

Accountant CRC 1SP196907/O-7

TOTVS S.A.
Individual and Consolidated Statement of Financial Position
For the year ended December 31, 2023 and 2022
(In thousands of reais)

		Individual		Consolidated	
Assets	**Note**	**2023**	**2022**	**2023**	**2022**
Current assets		**1,998,329**	**2,673,554**	**3,906,298**	**6,230,161**
Cash and cash equivalents	7	1,466,321	1,709,966	3,129,162	2,735,765
Escrow account	20	6,915	9,587	13,175	10,391
Trade accounts and other receivable	8	367,725	339,263	538,528	475,648
Recoverable taxes	9	44,305	57,123	87,838	87,932
Other assets	12	113,063	100,259	137,595	96,447
Assets from Techfin Dimension	5	-	457,356	-	2,823,978
Non-current assets		**5,492,876**	**4,420,574**	**4,922,562**	**4,386,032**
Achievable in the long term		**242,406**	**217,478**	**514,482**	**463,392**
Escrow account	20	-	-	116,759	73,766
Trade accounts and other receivable	8	10,959	31,330	16,496	38,419
Receivables from related parties	11	8,563	4,037	3,787	905
Investments at fair value	6.2	43,051	18,074	127,483	111,231
Deferred tax assets	10	87,710	68,455	147,426	119,048
Judicial deposits	21	29,423	30,220	33,832	34,244
Recoverable taxes	9	-	-	-	14,216
Other assets	12	62,700	65,362	68,699	71,563
Equity-accounted investees	13	4,352,257	3,394,027	323,367	-
Property, plant and equipment	14	358,254	352,134	413,486	416,875
Intangible assets	15	539,959	456,935	3,671,227	3,505,765
Total assets		**7,491,205**	**7,094,128**	**8,828,860**	**10,616,193**

		Individual		Consolidated	
Liabilities and equity	**Note**	**2023**	**2022**	**2023**	**2022**
Current liabilities		**636,034**	**667,495**	**1,348,729**	**3,336,366**
Labor liabilities	16	224,268	192,616	375,960	317,684
Trade and other payable		113,276	97,467	155,266	128,647
Taxes and contributions liabilities	17	69,293	58,841	107,427	95,042
Commissions payable		52,967	53,159	62,610	65,518
Dividends payable	23	1,781	128,477	1,781	130,363
Loans and lease liabilities	18	81,799	45,633	90,701	57,455
Debentures	19	55,208	58,701	55,208	58,701
Accounts payable from acquisition of subsidiaries	20	7,004	9,676	421,803	52,700
Other liabilities		30,438	22,925	77,973	66,657
Liabilities related to the assets from Techfin Dimension	5	-	-	-	2,363,599
Non-current liabilities		**2,134,597**	**2,118,017**	**2,467,460**	**2,694,978**
Loans and lease liabilities	18	96,906	132,999	106,663	155,078
Debentures	19	1,491,495	1,488,308	1,491,495	1,488,308
Provision for contingencies	21	89,240	84,649	111,990	107,491
Accounts payable from acquisition of subsidiaries	20	-	-	272,135	511,519
Call option of non-controlling interests		412,655	383,004	412,655	383,004
Other liabilities		44,301	29,057	72,522	49,578
Shareholders' equity	**22**	**4,720,574**	**4,308,616**	**5,012,671**	**4,584,849**
Share Capital		2,962,585	2,962,585	2,962,585	2,962,585
Treasury shares		(283,445)	(217,671)	(283,445)	(217,671)
Capital reserves		738,293	723,183	738,293	723,183
Profit Reserves		1,262,719	793,569	1,262,719	793,569
Carrying value adjustments		40,422	46,950	40,422	46,950
Non-controlling interests		-	-	292,097	276,233
Total shareholders' equity and liabilities		**7,491,205**	**7,094,128**	**8,828,860**	**10,616,193**

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

TOTVS S.A.
Individual and Consolidated Statements of Profit or Loss
For the year ended December 31, 2023 and 2022
(In thousands of reais, except for earnings per share)

		Individual		Consolidated	
	Note	2023	2022	2023	2022
Net revenue	27	2,826,107	2,419,195	4,497,028	3,792,932
Cost of software	28	(906,919)	(750,012)	(1,361,034)	(1,145,269)
Gross profit		**1,919,188**	**1,669,183**	**3,135,994**	**2,647,663**
Operating income (expenses)					
Research and development expenses	28	(513,979)	(451,704)	(844,764)	(719,806)
Selling and marketing expenses	28	(651,341)	(551,025)	(1,025,483)	(799,504)
Administrative expenses	28	(294,208)	(284,604)	(502,234)	(474,658)
Other operating income/ (expenses)	28	451	235	(66,013)	(12,178)
Operating profit		**460,111**	**382,085**	**697,500**	**641,517**
Finance income	29	202,361	215,189	355,764	362,012
Finance expenses	29	(272,335)	(257,338)	(373,173)	(341,492)
Share of profit/ (loss) of equity-accounted investees	13	147,816	182,448	3,195	(442)
Profit before income and social contribution taxes		**537,953**	**522,384**	**683,286**	**661,595**
Income tax and social contribution - current		(50,440)	(33,640)	(171,067)	(153,567)
Income tax and social contribution - deferred		19,538	6,482	24,447	12,363
Total of Income tax and social contribution taxes	10	**(30,902)**	**(27,158)**	**(146,620)**	**(141,204)**
Net profit from continuing operations		**507,051**	**495,226**	**536,666**	**520,391**
Net profit from Techfin Dimension (discontinued operation)	5	227,769	2,910	227,769	2,910
Net profit for the year		**734,820**	**498,136**	**764,435**	**523,301**
Net profit attributable to shareholders of the Company		**734,820**	**498,136**	**734,820**	**498,136**
Net profit attributable to non-controlling		**-**	**-**	**29,615**	**25,165**
Basic earnings per share (in Reais)	26			1.21680	0.82092
Diluted earnings per share (in Reais)	26			1.19830	0.80916

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

TOTVS S.A.
Individual and Consolidated Statements of Comprehensive Income
For the year ended December 31, 2023 and 2022
(In thousands of Reais)

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Net profit for the year	**734,820**	**498,136**	**764,435**	**523,301**
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations - foreign currency translation adjustments	(7,078)	(9,976)	(7,078)	(9,976)
Items that will not be reclassified to profit or loss				
Post-employment benefit	550	1,469	550	1,469
Post-employment benefit	832	*2,226*	832	*2,226*
Income tax and social contribution post-employment benefit	(282)	*(757)*	(282)	*(757)*
Other comprehensive income	**(6,528)**	**(8,507)**	**(6,528)**	**(8,507)**
Total comprehensive income for the year, net of tax	**728,292**	**489,629**	**757,907**	**514,794**
Total comprehensive income attributable to:				
Shareholders of the Company	728,292	489,629	728,292	489,629
Non-controlling interests	-	-	29,615	25,165

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

TOTVS S.A.
Individual and Consolidated Statements of Changes in Shareholders' Equity
For the year ended December 31, 2023 and 2022
(In thousands of reais)

				Capital Reserves		Profit reserves			Carrying value adjustments			
	Note	**Capital**	**Treasury shares**	**Transaction between shareholders**	**Capital Reserve**	**Legal Reserve**	**Retaining earnings**	**Accumulated earnings**	**Other comprehensive income**	**Total Equity**	**Non-controlling interests**	**Total shareholders' equity**
Balances at January 1, 2023		**2,962,585**	**(217,671)**	**(24,323)**	**747,506**	**155,566**	**638,003**	**-**	**46,950**	**4,308,616**	**276,233**	**4,584,849**
Capital transactions with shareholders		**-**	**(65,774)**	**-**	**15,110**	**-**	**-**	**(265,670)**	**-**	**(316,334)**	**(13,751)**	**(330,085)**
Share-based compensation plan	22	-	-	-	61,612	-	-	-	-	61,612		61,612
Disposal of treasury shares	22	-	43,617	-	(43,617)	-	-	-	-	-	-	-
Purchase of treasury shares	22	-	(109,391)	-	-	-	-	-	-	(109,391)	-	(109,391)
Interest on shareholders' equity	23	-	-	-	-	-	-	(265,670)	-	(265,670)	-	(265,670)
Goodwill special reserve due to merger		-	-	-	(2,885)	-	-	-	-	(2,885)	-	(2,885)
Non-controlling interests		-	-	-	-	-	-	-	-	-	(13,751)	(13,751)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**734,820**	**(6,528)**	**728,292**	**29,615**	**757,907**
Profit for the year		-	-	-	-	-	-	734,820	-	734,820	29,615	764,435
Cumulative adjustment for currency exchange		-	-	-	-	-	-	-	(7,078)	(7,078)	-	(7,078)
Post-employment benefit		-	-	-	-	-	-	-	550	550	-	550
Appropriation of retained earnings		**-**	**-**	**-**	**-**	**36,747**	**432,403**	**(469,150)**	**-**	**-**	**-**	**-**
Balance at December 31, 2023		**2,962,585**	**(283,445)**	**(24,323)**	**762,616**	**192,313**	**1,070,406**	**-**	**40,422**	**4,720,574**	**292,097**	**5,012,671**

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

			Capital Reserves		Profit reserves			Carrying value adjustments			
	Capital	**Treasury shares**	**Transaction between shareholders**	**Capital Reserve**	**Legal Reserve**	**Retaining earnings**	**Accumulated earnings**	**Other comprehensive income**	**Total Equity**	**Non-controlling interests**	**Total shareholders' equity**
Balances at January 1, 2022	**2,962,585**	**(133,195)**	**(24,323)**	**889,191**	**130,659**	**352,555**	**-**	**55,457**	**4,232,929**	**253,079**	**4,486,008**
Capital transactions with shareholders	**-**	**(84,476)**	**-**	**(141,685)**	**-**	**-**	**(187,781)**	**-**	**(413,942)**	**(2,011)**	**(415,953)**
Share-based compensation plan	-	-	-	53,130	-	-	-	-	53,130	(127)	53,003
Disposal of treasury shares	-	24,491	-	(24,491)	-	-	-	-	-	-	-
Purchase of treasury shares	-	(108,967)	-	-	-	-	-	-	(108,967)	-	(108,967)
Non-controlling interests	-	-	-	-	-	-	-	-	-	(1,884)	(1,884)
Share issue expenses	-	-	-	(75)	-	-	-	-	(75)	-	(75)
Interest on shareholders' equity	-	-	-	-	-	-	(187,781)	-	(187,781)	-	(187,781)
Goodwill special reserve due to merger		-	-	(170,249)	-	-	-	-	(170,249)	-	(170,249)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**498,136**	**(8,507)**	**489,629**	**25,165**	**514,794**
Profit for the year	-	-	-	-	-	-	498,136	-	498,136	25,165	523,301
Cumulative adjustment for currency exchange	-	-	-	-	-	-	-	(9,976)	(9,976)	-	(9,976)
Post-employment benefit	-	-	-	-	-	-	-	1,469	1,469	-	1,469
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**24,907**	**285,448**	**(310,355)**	**-**	**-**	**-**	**-**
Balance at December 31, 2022	**2,962,585**	**(217,671)**	**(24,323)**	**747,506**	**155,566**	**638,003**	**-**	**46,950**	**4,308,616**	**276,233**	**4,584,849**

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

TOTVS S.A.
Individual and Consolidated Statement of Cash Flows
For the year ended December 31, 2023 and 2022
(In thousands of Reais)

		Individual		Consolidated	
	Note	2023	2022	2023	2022
Cash flow from operating activities					
Profit before income and social taxes		**537,953**	**522,384**	**683,286**	**661,595**
Adjustments for:					
Depreciation and amortization	14/ 15	184,487	146,676	282,801	236,128
Share-based payments transactions	24	64,355	53,130	64,324	53,130
Losses (gain) on write-off/ sale of property, plant and equipment and intangible assets		1,489	(2,674)	1,404	(1,499)
Impairment loss on trade and other receivables	8	19,076	17,172	36,394	26,912
Share of profit/ (losses) of equity-accounted investees	13	(147,816)	(182,448)	(3,195)	442
Provision for contingencies, net of reversals	21	20,356	24,408	23,079	31,994
Provisions on other obligations and others		-	65	70,660	28,255
Interest and monetary variations and exchange variations differences, net		252,558	238,029	300,297	284,588
		932,458	**816,742**	**1,459,050**	**1,321,545**
Changes in operating assets and liabilities					
Trade and other receivables		(27,167)	(65,841)	(70,565)	(93,445)
Recoverable taxes		(25,814)	(45,404)	(46,227)	(75,436)
Judicial deposits		(4,557)	(2,289)	(5,462)	(2,953)
Other assets		(8,737)	(14,049)	(37,668)	(26,941)
Labor liabilities		64,817	50,674	96,950	73,552
Trade and other payables		11,719	21,698	19,706	21,774
Commissions payable		(192)	6,367	(2,908)	7,361
Taxes and contributions payable		(17,165)	11,383	(27,271)	(7,469)
Other liabilities		(12,550)	(31,925)	(18,966)	(11,450)
Cash generated from operating activities		**912,812**	**747,356**	**1,366,639**	**1,206,538**
Interest paid		(223,345)	(173,996)	(224,921)	(176,390)
Tax paid		(85,469)	(22,263)	(189,611)	(114,588)
Net cash from operating activities		**603,998**	**551,097**	**952,107**	**915,560**
Cash flow generated by investing activities					
Capital increase in subsidiaries/ associates	13.2	(562,869)	(132,543)	-	-
Dividends received		94,343	37,525	9,073	-
Acquisition of property, plant and equipment	14	(105,046)	(93,113)	(123,260)	(100,938)
Acquisition of intangible assets	15	(149,038)	(75,862)	(153,940)	(80,185)
Franchises loan		13,902	24,257	13,150	24,257
Acquisitions of subsidiaries, net of cash acquired		-	-	(88,867)	(180,750)
Payments from acquisitions of subsidiaries		-	-	(43,496)	(209,262)
Proceeds from sale of subsidiaries, net of cash		54	6,519	54	6,519
Proceeds from sale of property, plant and equipment		1,642	3,069	3,508	3,069
Fundo CVC investment		(24,836)	(20,081)	(24,836)	(20,081)
Cash generated by/ (used in) from Techfin Dimension		405,223	(26,219)	405,223	(169,090)
Net cash used in investing activities		**(326,625)**	**(276,448)**	**(3,391)**	**(726,461)**
Cash flow (used in the) /generated by financing activities					
Payment of principal of loans		-	-	(10,957)	(7,184)
Payment of principal of debentures		-	(1,500,000)	-	(1,500,000)
Payment of principal of lease liabilities		(49,656)	(45,406)	(59,054)	(55,495)
Proceeds from debentures and loans		32,083	1,487,791	32,083	1,488,256
Investment in non controlling		-	-	4,164	-
Share issue expenses		-	(75)	-	(75)
Receivables from related companies		(1,688)	(1,832)	-	(905)
Dividends and interest on shareholders' equity paid		(392,365)	(139,456)	(412,163)	(140,036)
Treasury shares, net		(109,392)	(108,967)	(109,392)	(108,967)
Net cash used in the financing activities		**(521,018)**	**(307,945)**	**(555,319)**	**(324,406)**
Net (Decrease) Increase in cash and cash equivalents		**(243,645)**	**(33,296)**	**393,397**	**(135,307)**
Cash and cash equivalents at beginning of the year		1,709,966	1,743,262	2,735,765	2,871,072
Cash and cash equivalents at the end of the year		1,466,321	1,709,966	3,129,162	2,735,765

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

TOTVS S.A.
Individual and Consolidated Statements of Value Added
For the year ended December 31, 2023 and 2022
(In thousands of Reais)

	Individual		Consolidated	
	2023	2022	2023	2022
1 – REVENUES	**3,178,675**	**2,722,931**	**5,019,915**	**4,290,543**
1.1 Sales of goods, products and services	3,191,000	2,730,249	5,047,338	4,257,494
1.2 Other revenue	6,751	9,854	8,971	59,961
1.3 Impairment loss on trade and other receivables (recording)	(19,076)	(17,172)	(36,394)	(26,912)
2 - RAW MATERIALS ACQUIRED FROM THIRD-PARTIES (includes ICMS and IPI taxes)	**(703,985)**	**(791,967)**	**(1,124,424)**	**(1,168,499)**
2.1 Cost of goods and services sold	(157,391)	(137,084)	(180,858)	(159,571)
2.2 Materials, energy, outsourced services and other	(774,363)	(657,793)	(1,171,335)	(1,011,838)
2.3 Other	227,769	2,910	227,769	2,910
3 - GROSS VALUE ADDED (1+2)	**2,474,690**	**1,930,964**	**3,895,491**	**3,122,044**
4 - DEPRECIATION AND AMORTIZATION	**(184,487)**	**(146,676)**	**(282,801)**	**(236,128)**
5 - NET VALUE ADDED PRODUCED BY THE COMPANY (3+4)	**2,290,203**	**1,784,288**	**3,612,690**	**2,885,916**
6 - VALUE ADDED RECEIVED THROUGH TRANSFERS	**350,177**	**397,637**	**358,959**	**361,570**
6.1 Share of profit/ (losses) of equity-accounted investees	147,816	182,448	3,195	(442)
6.2 Finance income	202,361	215,189	355,764	362,012
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**2,640,380**	**2,181,925**	**3,971,649**	**3,247,486**
8 - VALUE ADDED DISTRIBUTION	**2,640,380**	**2,181,925**	**3,971,649**	**3,247,486**
8.1 Personnel	**1,186,986**	**1,040,283**	**2,022,490**	**1,680,291**
8.1.1 Direct Compensation	987,394	873,792	1,693,980	1,420,217
8.1.2 Benefits	133,251	107,290	214,488	165,035
8.1.3 FGTS (Unemployment fund)	66,341	59,201	114,022	95,039
8.2 Taxes and contributions	**444,449**	**383,392**	**806,236**	**697,441**
8.2.1 Federal	359,538	310,208	672,417	582,792
8.2.2 State	214	199	4,062	2,914
8.2.3 Local	84,697	72,985	129,757	111,735
8.3 Interest and rent	**274,125**	**260,114**	**378,488**	**346,453**
8.3.1 Interest	272,335	257,338	373,173	341,492
8.3.2 Rents	1,790	2,776	5,315	4,961
8.4 Equity remuneration	**734,820**	**498,136**	**764,435**	**523,301**
8.4.1 Interest on shareholders' equity	239,612	187,781	281,303	187,781
8.4.3 Retained profit for the year	495,208	310,355	453,517	310,355
8.4.4 Non-controlling interest in retained profits	-	-	29,615	25,165

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

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, 1.000, in the city and state of São Paulo, whose shares are traded on the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão (“B3”), under the code TOTS3.

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 Joint Venture TOTVS Techfin, provides financial services, issuance and credit card management business, including credit analysis and intermediation of financing requests in its businesses, with a light and smart business model, that unites data science, integration with ERPs and wide distribution, in addition to access to efficient funding to support the expansion of the operation.

2. Basis of accounting

2.1. Statement of compliance

The individual and consolidated financial statements were 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), Brazil´s Financial Accounting Standards Board (CPC) pronouncements, guidance and interpretations and by the arrangements contained in the statutoty law (Lei das Sociedades por Ações), which are in conformity with the standards and procedures of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

All significant information in the individual and consolidated financial statements, and solely such information, is disclosed and corresponds to that used by Management of the Company and its subsidiaries.

The financial statements presented in this document were approved at the Board of Directors’ Meeting held on February 6, 2024, after a recommendation by the Audit Committee and observance from Fiscal Council at a meeting held on February 1st, 2024.

2.2. Basis of preparation

The individual and consolidated financial statements were prepared on the historical cost basis, except for the valuation of certain assets and liabilities, such as from business combinations and financial instruments, which are measured at their fair value. The individual and consolidated financial statements present comparative information in relation to the previous year.

2.3. Consolidation basis

The individual and consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2023. Control is achieved when the Company and its subsidiaries are exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights (investor).

The Company assesses whether or not it controls an investee company if facts and circumstances indicate that there are changes to one or more of the three elements of control previously mentioned. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses such control. Assets, liabilities and profit or loss of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date it ceases to control it.

Investments in associates are accounted for under the equity method and are, initially, recognized at cost. Associates are those entities in which the Group, directly or indirectly, has significant influence, but not control or joint control, over financial and operational policies.

Profit or loss and each component of Other Comprehensive Income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intercompany assets and liabilities, profit or loss, income, expenses and cash flows relating to transactions between members of the Company and its subsidiaries are eliminated in full in the consolidation.

Non-controlling interests (NCI)

Non-controlling interests are measured, by the Company and its subsidiaries, initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Company’s interest in a subsidiary that do not result in a loss of control are recorded as shareholders’ equity transactions.

Loss of control

When the entity loses control over a subsidiary, the Company and its subsidiaries derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. If the Company and its subsidiaries retain any interest in the former subsidiary, this interest is measured at fair value at the date when control is lost.

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose percentages of the interests at the reporting date are summarized below:

Corporate Names	Head office	Interest	Main activity	% Interest 2023	% Interest 2022
Soluções em Software e Serviços TTS Ltda. ("TTS")	BRA	Direct	Software Operation	100.00%	100.00%
TRS Gestão e Tecnologia S.A. ("TRS") (vi)	BRA	Indirect	Software Operation	100.00%	-
TOTVS Tecnologia em Software de Gestão Ltda. ("TOTVS Tecnologia")	BRA	Direct	Software Operation	100.00%	100.00%
Gesplan S.A. ("Gesplan")	BRA	Indirect	Software Operation	100.00%	100.00%
Wizco Sistemas Ltda. ("Wizco")	BRA	Indirect	Software Operation	100.00%	100.00%
Feedz Tecnologia S.A. ("Feedz")	BRA	Indirect	Software Operation	60.00%	60.00%
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 Colômbia SAS ("TOTVS Colômbia")	COL	Indirect	Software Operation	100.00%	100.00%
TOTVS Incorporation ("TOTVS Inc.")	EUA	Direct	Software Operation	100.00%	100.00%
Dimensa S.A. ("Dimensa")	BRA	Direct	Software Operation	62.50%	62.50%
InovaMind Tech Ltda. ("InovaMind") (iv)	BRA	Indirect	Software Operation	-	62.50%
Mobile2you Ltda. (“Mobile2you”) (iv)	BRA	Indirect	Software Operation	-	62.50%
Credit Core Tecnologia de Crédito Ltda. (“Vadu”)	BRA	Indirect	Software Operation	62.50%	62.50%
Cobu Consulting & Business Ltda. (“Cobu”)	BRA	Indirect	Software Operation	62.50%	62.50%
RBM Web - Sistemas Inteligentes Ltda. ("RBM Web")	BRA	Indirect	Software Operation	62.50%	62.50%
TOTVS Hospitality Technology Argentina S.A. (former CM Soluciones Informatica S.A.) ("TOTVS Hospitality Argentina")	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 Reservas Ltda. ("TOTVS Reservas")	BRA	Indirect	Software Operation	100.00%	100.00%
TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large")	BRA	Direct	Software Operation	100.00%	100.00%
Tail Target Tecnologia de Informação Ltda. ("Tail") (i)	BRA	Indirect	Software Operation	-	100.00%
TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Direct	Software Operation	74.20%	74.20%
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%
Wealth Systems Informática Ltda. ("WS")	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 Chile ("TOTVS Chile")	CHL	Indirect	Software Operation	100.00%	100.00%

TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Indirect	Software Operation	25.80%	25.80%
Datasul S.A. de CV. ("Datasul México") (ii)	MEX	Direct	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%
TOTVS Hospitality Techonology Portugal Lda. - Sociedade em Liquidação (former TOTVS Hospitality Techonology Portugal Lda.) ("TOTVS Portugal") (ii)	PRT	Indirect	Software Operation	100.00%	100.00%
TOTVS Corporation ("TOTVS BVI") (iii)	BVI	Direct	Software Operation	-	100.00%
Datasul Argentina S.A. ("Datasul Argentina") (iii)	ARG	Direct	Software Operation	-	100.00%
VT Comércio Digital S.A. ("VT Comércio") (v)	BRA	Direct	Software Operation	50.00%	50.00%
RD Gestão e Sistemas S.A. (“RD Station”)	BRA	Indirect	Software Operation	92.04%	92.04%
RD Station Colômbia SAS (“RD Colômbia”) (iii)	COL	Indirect	Software Operation	-	92.04%
Tallos Tecnologia Integrada E Assessoria em Negocios S.A ("Tallos")	BRA	Indirect	Software Operation	92.04%	92.04%
Lexos Solução em Tecnologia Ltda. (“Lexos”) (vi)	BRA	Indirect	Software Operation	100.00%	-
Exact Desenvolvimento e Programação de Software Ltda. (“Exact Sales”) (vi)	BRA	Indirect	Software Operation	92.04%	-
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%

(i) On January 1, 2023, the subsidiary Tail was merged by the, also subsidiary TOTVS Large by the net assets of R$3,266 in which were evaluated by experts which issued the accounting evaluation report of the Shareholders’ equity in the base date on October 31, 2022. The variations in the accounts occurred after the base date until the data of effective merger were absorbed by the TOTVS Large.
(ii) Dormant companies that will be closed.
(iii) Closed company.
(iv) On January 2, 2023, the subsidiaries Inovamind and Mobile2you were merged by the, also subsidiary Dimensa by the net assets of R$3,191 and R$1,757, respectively. These companies were evaluated by experts which issued the accounting evaluation reports of the Shareholders’ equity in the base date on October 31, 2022. and their variations in the accounts occurred after the base date until the data of effective merger were absorbed by the Dimensa.
(v) On August 30, 2023 occurred the dissolution from VT Comércio, joint operation between TOTVS and VTEX, in which the closing process is in progress.
(vi) Companies acquired in 2023 in accordance with note 4.

Comparing the consolidated profit or loss between 2023 and 2022, must be considered the acquisition date of each subsidiary. Thus, the individual and consolidated financial statements for the year ended on December 31, 2022 does not include the profit or loss of subsidiaries Lexos, Exact and TRS which were included in the consolidation from the date of their respective acquisition in 2023.

2.4. Significant accounting practices

Follow a summary of key accounting practices adopted by the Company and its subsidiaries, highlighting only information considered relevant by Management.

a) Functional currency and presentation currency

These Financial Statements are presented in Reais, which is the functional currency of the Company and its subsidiaries domiciled in Brazil, the same currency used in the preparation and presentation of the individual and consolidated financial statements. All balances have been rounded to the nearest thousand, unless otherwise indicated.

Regarding subsidiaries located abroad considered independent by the Management as they have administrative, financial and operating autonomy, their assets and liabilities are translated into

Brazilian Real at the foreign exchange rate on statement of financial position closing dates and their profit or loss are translated into Brazilian Real at the average monthly rates of the periods. Adjustments to investments arising from foreign exchange are recognized as cumulative translation adjustments under equity.

b) Fair value measurement

The Company and its subsidiaries measure financial instruments at fair value on each reporting date of the Statement of Financial Position. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability through an unforced transaction between market players on the measurement date.

Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liabilities will take place: (i) in the main market for the asset or liability; or (ii) In the absence of a main market, in the most advantageous market for the asset or the liability. The main or most advantageous market must be accessible by the Company.

The measurement of the fair value of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset to its best possible use or by selling it to another market participant who would use the asset to its best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy, based on the lowest-level information that is significant for the measurement of the fair value as a whole:

• Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities recognized at fair value in the financial statements on a recurring basis, the Company and its subsidiaries determine whether transfers have occurred between levels of the hierarchy of fair value, at the end of the period of financial statements in which the changes occurred.

c) Financial Instruments

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income , and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model of the Company and its subsidiaries for managing them. A financial asset (unless it is a trade and other receivables without a financing significant component) or financial liability is initially measured at fair value, more or less, for an item not measured at fair value through profit or loss, the transaction costs which are directly attributable to its acquisition or issue. A trade and other receivables without a significant financing component is measured initially at the operation price, as disclosed in note 8.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is performed at an instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

The business model of the Company and its subsidiaries for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business plan with the objective of holding financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company and its subsidiaries commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The financial assets of the Company and its subsidiaries at amortized cost includes cash and cash equivalents and bank balances, escrow account, trade and other receivables, franchises loan and receivables from investments disposed of included in other current assets (note 12).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. TOTVS holds investments in companies, whose interest is held indirectly through venture capital organization and which are measured at fair value through profit or loss.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or

- The Company and its subsidiaries have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and its subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, the Company and its subsidiaries evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all risks and rewards of the asset, nor transferred control of the asset, the Company and its subsidiaries continue to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company and its subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its subsidiaries have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying: (i) amount of the asset; and (ii) the maximum amount of consideration that the Company could be required to repay (guarantee amount).

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – note 3; and
- Trade and other receivables – note 8.

The Company and its subsidiaries recognize an impairment loss on trade and other receivables for all debt instruments not held at fair value through profit or loss. Impairment loss on trade and other receivables are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and its subsidiaries expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of guarantees held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables and contract assets, the Company and its subsidiaries apply a simplified approach in calculating impairment loss on trade and other receivables. Therefore, the Company and its subsidiaries do not track changes in credit risk, but instead recognize a loss allowance based on lifetime impairment loss on trade and other receivables at each reporting date. The Company and its subsidiaries have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

All financial liabilities are recognized initially at fair value and, more or less, in the case of a financial liability other than at fair value through profit or loss, transaction costs that are directly attributable to the issuance of the financial liability. The financial liabilities of the Company and its subsidiaries include trade and other payables, loans and financing, lease liabilities, debentures and accounts payable from acquisition of subsidiaries.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortized cost; and,
- Financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

This is the most relevant category for the Company and its subsidiaries. After initial recognition, the loans and debentures borrowed and lended are subject to interest are measured, subsequently, at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The amortization of effective interest rate is included as finance expense in the statement of profit or loss. This category usually applies to loans and financing, debentures and leases borrowed and lended, subject to interest. For more information see notes 18 and 19.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CPC 48/ IFRS 9 are satisfied. The Company and its subsidiaries have designated some accounts payable from acquisition of subsidiaries (see note 20) of financial liability at fair value through profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective book value is recognized in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the individual and consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

d) Provision for impairment of assets

Management annually reviews the net book values of assets with a view to evaluating the impact of events or economic, operational and technological changes that may indicate deterioration or impairment. When such evidence is identified and the net book value exceeds the recoverable amount, a provision is established for the impairment, adjusting the net book value to the recoverable amount.

Goodwill paid for expected future profitability is tested annually for impairment or when circumstances indicate a loss due to the depreciation of its book value (see note 15.2).

e) Leases

The Company and its subsidiaries apply a single approach for recognition and measurement of all leases, except for short-term leases and low-value assets. On the initial date of the lease, the lessee recognizes the lease liabilities measured at present value of the payments to be made over the term of the lease and the right-of-use assets representing the right to use the underlying asset.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets and also are subject to impairment.

At the commencement date of the lease, the Company and its subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company and its subsidiaries use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the book value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company and its subsidiaries's lease liabilities are included in Loans and lease liabilities (see Note 18).

f) Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are monetarily restated and therefore adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recorded, if it is considered relevant in relation to the financial statements taken as a whole. Based on the analysis made and management's best estimates, the Company and its subsidiaries concluded that the adjustment to present value of current monetary assets and liabilities is immaterial in relation to the financial statements taken as a whole and, therefore, did not record any adjustments.

g) Intangible assets and Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. After the initial recognition, intangible assets are carried at cost, less any accumulated amortization and accumulated impairment losses. Intangibles internally generated, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the period or amortization method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Business combination and goodwill

The Company and its subsidiaries account the business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured in the acquisition date at fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Company and its subsidiaries elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirer’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in expenses.

When the Company and its subsidiaries acquire a business, they assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration considered an asset or liability are recognized pursuant to CPC 48/ IFRS 9 in the statement of profit or loss.

Goodwill is initially measured as the excess of the consideration transferred in relation to net assets acquired (net identifiable assets acquired and liabilities assumed). If the consideration is lower than the fair value of net assets acquired, the difference is recognized as a gain in the profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of testing the recoverable amount, the goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Company and its subsidiaries that are expected to benefit from the combination's synergies, regardless of other assets or liabilities of the acquiree to be attributed to these units.

When goodwill is part of a cash-generating unit and a portion of that unit is disposed of, the goodwill associated with the disposed portion must be included in the cost of the operation when determining the gain or loss on the disposal. The goodwill sold in these circumstances is calculated based on the proportional values of the portion sold in relation to the cash-generating unit maintained.

Research and development

Research and development costs are recognized in the profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and if the Company and its subsidiaries intend to and have sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. After initial recognition, capitalized development expenditure is measured at cost less accumulated amortization and any impairment losses.

Amortization begins when the development is complete and the asset is available for use over the period of future economic benefit. The useful life of research and development assets reflects the financial return period for each project. During the development period, the asset is tested for impairment on an annual basis.

The capitalized development expenditures, when the criteria described above are met, include the cost of labor that are directly attributable to preparation of the asset. Development activities involve a desired plan or project for the production of new products for sale or the intention to complete the asset to figure it out.

The activity of the Company and its subsidiaries presuppose continuous development, and in this context, projects are being developed, mostly focused on the three business dimensions of the Company and its subsidiaries: Management, Techfin and Business Performance.

h) Revenues and expenses

Revenues are recognized when there is a contract with the customer, the performance obligations are identified, the transaction price is reliably measurable and allocated, and when the control of the goods or services are transferred to the customer. Revenues are presented net of taxes, returns, allowances and discounts, when applicable. The Company and its subsidiaries segregate revenues in recurring revenues and non-recurring revenues as following:

Recurring software revenue

Recurring software revenue comprises revenue from: (i) software subscription, in which customers have access to the software on multiple devices simultaneously in its latest version; (ii) maintenance, including technical support and software upgrade; and (iii) services, including cloud computing and customer service.

Recurring software revenue is recognized in the statement of profit or loss over time, on a monthly basis, as the services are provided, starting on the date on which services and software are made available to the client and all other revenue recognition criteria are met.

The Company and its subsidiaries capitalize the cost of variable compensation paid for the sale of software subscription and amortize such cost based on the average period customers remain with the company.

Non-recurring software revenue

Non-recurring software revenue comprises revenue from: (i) software licensing fees, which it transfers to the right of use of software by undetermined time ; and (ii) implementation and customization services, consulting services and training.

(i) Revenue from software licensing fee is recognized at the point in time when all risks and rewards inherent in the license are transferred to the customer, upon software delivery, and the amount can be reliably measured and it is likely that economic benefits will be generated for the Company and its subsidiaries.

(ii) Revenues from implementation and customization services represent a performance obligation distinct from other services, billed separately and recognized over time as costs are incurred in relation to the total expected costs, realized according to the performance schedule and when there is a valid expectation of receipt from the customer. Billed revenues that do not meet the recognition criteria are not included in the respective revenue accounts and accounts receivable. Revenue from advisory and training services is recognized as the services are provided.

Costs and expenses

Software costs consist mainly by salaries of consulting, support, and includes costs of acquisition of databases and the price of licenses paid to third parties, for resold software, as well depreciation and amortization of assets related to the software costs.

Expenses with research and development incurred by the software development area, related to new software versions and upgrades of existing software, that do not meet the capitalization criteria, are recognized as expenses, for the year in which they are incurred and stated separately from selling and marketing expenses, administrative expenses and other expenses in the operating expenses's group.

i) Taxation

Sales taxes

Revenues from sales and services are subject to the following taxes and contributions at the following basic rates:

- Contribution tax on Gross Revenue for Social Integration Program (PIS) 0.65% and 1.65%;
- Contribution tax on Gross Revenue for Social Security Financing (COFINS) 3.0% and 7.6%;
- Service Tax (ISS) between 2% and 5%;
- Pension Contribution on Gross Income (CPRB) of 4.5%; and
- State value-added tax (ICMS) between 4% and 12%.

These charges are accounted for as sales deductions in the statement of profit or loss.

Income and social contribution taxes – current and deferred

The taxation on income includes Income and Social Contribution Taxes, which stand at the nominal rate of 34% on taxable profit, recognized using the accrual basis of accounting. Income taxes are recognized in the statement of profit or loss, except if related to items directly recognized in shareholders' equity or comprehensive income. In this case, the tax is also recognized in shareholders' equity or comprehensive income.

Deferred tax assets and/or liabilities are recognized only in proportion to the expectation that future taxable income is available and against which temporary differences can be used.

j) Hyperinflationary economy in Argentina

The Company has subsidiaries in Argentina, a country with hyperinflationary economy and pursuant to IAS 29/ CPC 42, non-monetary assets and liabilities, shareholders' equity items and the statements of profit or loss of subsidiaries in Argentina, whose functional currency is the Argentine Peso, are being restated for the change in the general purchasing power of the functional currency, applying the Consumer Price Index (IPC) of the local market.

For the purposes of converting the foreign currency to a non-hyperinflationary economy such as the Real, the comparative amounts are presented as current year amounts in the financial statements for the prior year.

The effects of hyperinflation resulting from changes in the general purchasing power from January 1, 2023 and 2022, were reported in the statements of profit or loss in a specific account for hyperinflation adjustment, in financial income (expenses). The effect in net losses for the year ended December 31, 2023 was R$11,437 (Net loss of R$13,188 as of December 31, 2022).

k) Share-based compensation plan

Executives, members of the Board of Directors and some employees of the Company and its subsidiaries receive compensation in the form of share-based payments, whereby employees render services in exchange for equity instruments (equity-settled transactions). The compensation expense of share-based payments to employees is based on the fair value of the award at the grant date using an appropriate valuation model, further details of which are given in note 24.

This cost is recognized as expenses with employee benefits together with the corresponding increase in shareholders' equity (in capital reserves), over the period in which the service is rendered and, where applicable, the performance conditions are fulfilled (acquisition period or vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the Company and its subsidiaries on the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for the period represents the changes in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/ or service conditions have not been met. When awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, since all other performance and/ or service conditions are satisfied.

When the terms of an equity-settled award are modified (due to changes in the plan, for instance), the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. When an award is canceled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

l) Assets held for sale

Non-current assets which are classified as held for sale have high probability to be recovered through the sale instead of their continued use. The losses by impairment determined in the initial classification as held for sale or for distribution and gains and losses from subsequent remeasurements are recognized in profit or loss.

m) New standards in effect from January 01, 2023

Following we present revisions and amendments in certain standards, for annual periods beginning on January 01, 2023, which do not have significant impact in the Financial Statements from the Company and its subsidiaries:

- CPC 26/ IAS 1 and CPC 23/ IAS 8 - Classification of Liabilities as Current or Non-current;
- IFRS 17 - Insurance Contracts and amendments;
- CPC 26/ IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies;
- CPC 23/ IAS 8 - Definition of Accounting Estimates;
- CPC 32/ IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

The Company and its subsidiaries have decided to not early adopt any other standard, interpretation or amendment that has been issued, but not yet in force.

n) New standards, amendments and interpretations to standards issued but not yet in force

The standards, amendments and interpretations of standards issued, but not yet in force until the issue of these financial statements, in which the Company and its subsidiaries do not expect significant impacts in the application of these amendments or do not apply, are shown below:

- Amendment to IFRS 10/ CPC 36 (R3) and IAS 28/ CPC 18 (R2) - Sale or contribution in the form of assets between an investor and its associate or joint arrangements;
- Amendment to IAS 1/ CPC 26 (R1) - Classification of Liabilities as Current or Non-current/ Non-current liabilities with *Covenants*;
- Amendment to IAS 7/ CPC 03 and IFRS 7/ CPC 40 - Supplier finance;
- Amendment to IFRS 16/ CPC 06 - Leases on sale and leaseback;
- Amendment to IAS 21/ CPC 02 - Lack of exchangeability.

There are no other standards, amendments and interpretations for standards issued by the IASB and CPC but not effective, in Management's opinion, may have a significant impact in the individual and consolidated financial statements disclosed by the Company and its subsidiaries.

3. Significant accounting judgments, estimates and assumptions

The preparation of individual and consolidated financial statements requires the use of certain critical accounting estimates and the exercise of judgment by Company Management in applying the accounting policies of TOTVS S.A. and its subsidiaries.

3.1 Judgments

In the process of applying consolidated accounting policies, Management made the following judgements that could have a significant effect on the amounts recognized in the individual and consolidated financial statements:

(i) Revenue recognition: judgements in identifying the performance obligations for sales of software, which include licensing fees, monthly software services and implementation/ customization services, that can have significant effects while recognizing revenue from contracts with customers. The Company and its subsidiaries have concluded that such performance obligations are distinct as they are sold separately. The implementation and customization services are offered by other suppliers.

(ii) Lease term: the Company and its subsidiaries determine the lease term as the non-cancelable contractual term, together with the periods included in a possible option for renewal as this renewal is assessed as reasonably likely to occur and with periods covered by a contract rescission option as it can also be determined as reasonably likely to occur.

3.2 Estimates and assumptions

The estimates and assumptions that represent a significant risk and which need a greater level of judgment and complexity for the financial statements of the Company and its subsidiaries are:

(i) Impairment loss on trade and other receivables - the Company and its subsidiaries use a provision matrix based on the historical loss rates observed by the Company and its subsidiaries to calculate the impairment loss on trade and other receivables. The evaluation of the correlation between the observed historical loss rates, the projected economic conditions and the expected credit losses represents a significant estimate. The volume of impairment loss on trade and other receivables is sensitive to changes in the predicted economic conditions and circumstances. The Company and its subsidiaries' historical experience of credit loss and the projection of economic conditions may also not represent the customer's real situation in the future. Information on expected credit losses on accounts receivables is described in Note 8.

(ii) Recoverable amount of tangible and intangible assets, including goodwill – an impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher between the net fair value of selling expenses and the value in use. The main assumptions used to determine the recoverable amount of cash generating units, are detailed in Note 15.2.

(iii) Fair value measurement of financial instruments – when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. Contingent consideration, resulting from business combinations, is measured at fair value on the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently revalued at fair value at each reporting date. The fair value is based on the discounted cash flow. The main assumptions consider the probability of reaching each objective and the discount factor (see Note 20 for more details).

(iv) Deferred taxes – deferred tax assets are recognized for all tax losses not used to the extent that it is probable that there is taxable income available to allow the use of said losses. Significant judgment from Management is required to determine the value of the deferred tax asset that may be recognized, based on the probable period and level of future taxable income, coupled with future tax planning strategies. For more details, see Note 10.3.

(v) Provision for contingencies – the evaluation of probability of loss includes assessing the available evidence, hierarchy of laws, available case law, the most recent court rulings and their relevance in the legal system, as well as the opinion of external counsel. Provisions are reviewed and adjusted to account for changes in circumstances, such as applicable limitation periods, conclusion of tax audits or additional exposures identified based on new matters or court rulings. Further details in Note 21.

(vi) Non-recurrent revenue – the recognition of revenue from software implementation and customization services requires the use of estimates to projection the total costs required to comply with the contractual performance obligation with the client. The Company and its subsidiaries periodically reassess these estimates and re-plan the contractual margins whenever necessary.

Settlement of the transactions involving these estimates could result in amounts that differ significantly from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company and its subsidiaries review their estimates at least annually.

More information on the estimates and assumptions used in the items mentioned above is provided in the respective notes.

4. Business combination

The acquisitions of the Company and its subsidiaries reinforce the software strategy to develop an ecosystem represented by three dimensions: (i) Management - ERP, HR and vertical solutions; (ii) Techfin - integrated credit solutions and payments based in Big Data for PME customers; and (iii) Business Performance - solutions with focus to increase the sales, competitiveness and customer performance, through digital marketing platform, sales/ digital commerce and customer experience.

4.1 Business combination concluded in 2023 and 2022

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 provided 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 complying with other conditions in the amount of R$3,661. 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 provided the payment of complementary purchase price in the amount of R$12,486, subject to the achievement of certain performance targets established related to the years of 2022 and 2023. 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 provides innovative solutions and 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, including price adjustment was R$18,485. The transaction closing occurred on September 23, 2022.

RBM provides 100% SaaS solutions in core banking of easy implementation with focus in fintech 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, including the price adjustment was in the amount of R$59,959, in addition to the withheld amount of R$6,500 for eventual 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.

Lexos

On May 15, 2023, the Company celebrated a quota sale and purchase agreement for the acquisition of 100% of quotas of Capital from Lexos Soluções em Tecnologia Ltda., by the subsidiary TOTVS Large Enterprise Tecnologia S.A.. The paid amount in cash, including the price adjustment was in the amount of R$9,479. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of targets established for Lexos related to the years of 2024 and 2025 and the fulfillment of other conditions.

Lexos develops solutions focused on the integration of physical and virtual retail, marketplaces and e-commerce, facilitating multichannel sales, and helping customers to scale its sales in the main marketplaces in Brazil.

Exact

On June 5, 2023, the Company celebrated a share sale and purchase agreement for the acquisition of 100% of shares of Share Capital from Exact Desenvolvimento e Programação de Software S.A., by the subsidiary RD Gestão e Sistemas S.A.. The paid amount in cash, including the price adjustment was in the amount of R$33,618. In addition, the agreement provides the payment of complementary purchase price, subject to the fulfillment of some conditions.

Exact Sales, a leading company in the Sales Engagement segment, offers solutions aimed at prospecting and qualifying companies' potential customers (prospects).

TRS

On July 3, 2023, the Company celebrated a share sale and purchase agreement for the acquisition of 100% of shares of Share Capital from the franchise TRS Gestão e Tecnologia S.A., by the subsidiary Soluções em Software e Serviços Ltda.. The total amount was R$78,834, being the amount paid in cash, including the price adjustment, in the amount of R$58,246.

With this move, TOTVS now has a direct action in Brazil's South Region which allows it to accelerate the capture of the great economic potential of this region and to support the franchises' operation in neighboring territories.

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

		Acquired companies in 2023			
In thousands of reais	**Note**	**Lexos**	**Exact**	**TRS**	**Total**
Cash payment		8,704	31,482	55,490	95,676
Contingent consideration	20	9,066	36,250	-	45,316
Amount withheld	20	2,000	4,500	20,844	27,344
Price adjustment		775	2,136	2,756	5,667
Total consideration		**20,545**	**74,368**	**79,090**	**174,003**

		Companies acquired in 2022							
In thousands of reais	**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	3,661	12,486	23,237	14,260	34,414	10,509	56,831	155,398
Amount withheld	20	4,476	7,333	12,216	4,408	1,275	794	6,500	37,002
Price adjustment		310	(168)	1,035	2,174	-	(1,515)	1,959	3,795
Total consideration		**23,583**	**37,135**	**73,988**	**51,091**	**42,289**	**29,788**	**123,290**	**381,164**

	Acquired companies in 2023			
Acquisition cash flow analysis	**Lexos**	**Exact**	**TRS**	**Total**
Cash paid amount	9,479	33,618	58,246	101,343
Net (cash)/ debt acquired from subsidiary	21	(1,458)	(11,039)	(12,476)
Acquisition net cash flow	**9,500**	**32,160**	**47,207**	**88,867**

Acquisition cash flow analysis	Companies acquired in 2022							
	InovaMind	**Mobile2you**	**Vadu**	**Gesplan**	**Tallos**	**RBM**	**Feedz**	**Total**
Cash paid amount	15,446	17,316	38,535	32,423	6,600	18,485	59,959	188,764
Net cash acquired from subsidiary	(1,608)	-	(924)	(2,617)	(191)	(105)	(2,569)	(8,014)
Acquisition net cash flow	**13,838**	**17,316**	**37,611**	**29,806**	**6,409**	**18,380**	**57,390**	**180,750**

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 consolidated financial statements position as at December 31, 2023:

Preliminary fair value	Companies acquired in 2023			
	Lexos	**Exact**	**TRS**	**Total**
At acquisitions date	*05/15/2023*	*06/5/2023*	*07/3/2023*	
Current assets	**155**	**3,172**	**17,326**	**20,653**
Cash and cash equivalents	(21)	1,458	11,039	12,476
Trade accounts and other receivable	165	1,159	5,492	6,816
Other current assets	11	555	795	1,361
Non-current assets	**4,426**	**19,229**	**22,603**	**46,258**
Property, plant and equipment	53	1,327	595	1,975
Software	2,496	17,818	86	20,400
Client portfolio	865	-	18,309	19,174
Trademark	211	-	-	211
Non-compete	801	-	82	883
Other non-current assets	-	84	3,531	3,615
Current liabilities	**3,116**	**6,510**	**13,667**	**23,293**
Labor liabilities	519	3,186	8,600	12,305
Other liabilities	2,597	3,324	5,067	10,988
Non-current liabilities	**-**	**11,359**	**2,618**	**13,977**
Net assets and liabilities	**1,465**	**4,532**	**23,644**	**29,641**
Cash payment	9,479	33,618	58,246	101,343
Long-term portion (i)	11,066	40,750	20,844	72,660
Goodwill	**19,080**	**69,836**	**55,446**	**144,362**

Preliminary fair value	Companies acquired in 2022							
	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz	Total
At acquisitions date	*01/7/2022*	*01/31/2022*	*03/29/2022*	*04/2/2022*	*08/1/2022*	*09/23/2022*	*08/31/2022*	
Current assets	**2,648**	**609**	**1,814**	**7,133**	**359**	**1,064**	**2,934**	**16,561**
Cash and cash equivalents	1,608	-	924	2,617	191	105	2,569	8,014
Trade accounts and other receivable	133	394	874	2,199	119	835	235	4,789
Other current assets	907	215	16	2,317	49	124	130	3,758
Non-current assets	**8,348**	**8,654**	**17,277**	**24,500**	**5,463**	**10,535**	**33,879**	**108,656**
Property, plant and equipment	8	487	205	445	247	1,315	485	3,192
Software	3,497	3,477	8,916	9,329	5,008	7,349	16,836	54,412
Client portfolio	4,288	3,864	7,980	12,302	205	1,850	12,398	42,887
Trademark	-	8	-	1,179	-	-	1,010	2,197
Non-compete	555	818	-	730	-	-	3,147	5,250
Other non-current assets	-	-	176	515	3	21	3	718
Current liabilities	**5,552**	**1,348**	**1,195**	**7,649**	**783**	**2,363**	**2,765**	**21,655**
Labor liabilities	-	564	575	1,444	449	1,651	1,717	6,400
Other liabilities	5,552	784	620	6,205	334	712	1,048	15,255
Non-current liabilities	**2**	**-**	**-**	**1,218**	**385**	**784**	**-**	**2,389**
Net assets and liabilities	**5,442**	**7,915**	**17,896**	**22,766**	**4,654**	**8,452**	**34,048**	**101,173**
Cash payment	15,446	17,316	38,535	32,423	6,600	18,485	59,959	188,764
Short-term portion	1,790	6,738	10,543	4,591	-	-	-	23,662
Long-term portion (i)	6,347	13,081	24,910	14,076	35,689	11,303	63,330	168,736
Goodwill	**18,141**	**29,220**	**56,092**	**28,324**	**37,635**	**21,336**	**89,241**	**279,989**

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

The assets acquired and liabilities assumed at fair value presented from Lexos, Exact and TRS 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 calculated in 2023 totaling R$144,362, being R$55,446 regarding to Management Dimension and R$88,916 regarding Business Performance Dimension, comprises the value of future economic benefits of synergies arising from the acquisitions and are align with the strategy of the Company and its subsidiaries.

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

In the consolidated financial statements for year ended on December 31, 2023, the acquired companies Lexos and Exact, were included in the Business Performance segment in line with the TOTVS group's strategy and contributed with a net consolidated revenue from services of R$19,793 and net loss of R$7,522, considering the period after each acquisition date mentioned above. TRS came to incorporate the Management Dimension and has contributed with net revenue from sale and services of R$30,822 and a net profit of R$1,079 for the year ended on December 31, 2023, after the acquisition date mentioned above.

If the acquisition had taken place on January 01, 2023, the Management estimates that the consolidated net revenue from services and sales would have been R$97,934 and loss of R$277.

4.2 Business combination in progress

<u>IP São Paulo</u>

On October 30, 2023 the subsidiary Soluções em Software e Serviços TTS Ltda.,entered into an Agreement for the Sale and Purchase to acquire the entire social capital of IP São Paulo Sistemas de Gestão Empresarial Ltda. franchise, in the amount of R$137,600. The closing of the acquisition depended on the approval of the Administrative Council for Economic Defense (CADE), as well as the checking of other usual conditions for this type of operation, which was concluded on January 31, 2024.

Ahgora

On November 30, 2023 the subsidiary Soluções em Software e Serviços TTS Ltda.,entered into an Agreement for the Sale and Purchase to acquire all shares of Ahgora HCM S.A and quotas of Webtraining Ltda. ("Webtraing" and jointly with HCM, "Ahgora") in the amount of R$380,000, subject to adjustment, to be paid in the closing date, following the conclusion of the corporate reorganization, through which Ahgora Sistemas S.A. will transfer to HCM the software operation by it on this date. The closing of this transaction depends on the approval of the Administrative Council for Economic Defense (CADE), the conclusion of the corporate reorganization mentioned and the verification of other usual conditions for this type of transaction.

The transaction cost involving the acquisitions of these companies for the year ended December 31, 2023 was R$1,533, recognized in profit or loss as general and administrative expenses.

5. Techfin Dimension

Techfin Dimension aims to simplify, expand and democratize the access of the SMB (Small Mid-sized Businesses) 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.

On June 22, 2023, Banco Central do Brasil (BACEN) issued a document, approving the change of corporate control from Supplier Sociedade de Crédito Direto S.A. as a consequence to Itaú Unibanco S.A. entry, which will be effective with the closing.

On July 31, 2023, after compliance with all applicable conditions precedent, occurred the closing of the Operation, , in which TOTVS and Itaú will hold, each one, 50% of interest in the Share Capital from JV.

For purposes of development of activities from JV, TOTVS and Itaú assumed, in special, the following obligations:

(i) TOTVS contributed 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, contributing 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 compromised to pay for TOTVS until R$860,000 by the shares from JV, in which, R$410,000 were 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.

We present following the assets and liabilities involved disclosed in segregated lines in the Statement of Financial Position in the period ended on July 31, 2023 and December 31, 2022 and results from Techfin Dimension disclosed as "Profit from Techfin Dimension (Discontinued operation)" in the Statements of Profit or Loss from the Company on July 31, 2023 and December 31, 2022, in which in accordance with CPC 31/ IFRS 5, met the criteria of hold for sale:

	Consolidated			Consolidated	
ASSETS	**07/31/2023**	**12/31/2022**	**LIABILITIES**	**07/31/2023**	**12/31/2022**
Current assets	**2,302,286**	**2,519,863**	**Current liabilities**	**1,932,518**	**2,358,728**
Cash and cash equivalents	267,913	164,755	Labor liabilities	23,217	23,088
Financial Investments	76,371	461,895	Trade accounts and other payable	12,130	9,478
Trade accounts and other receivable	1,929,288	1,836,965	Taxes and contributions liabilities	2,939	2,636
Recoverable taxes	10,409	4,078	Commissions payable	3,873	1,873
Other assets	18,305	52,170	Loans and lease liabilities	251,634	1,159
			Business partners payable	748,542	678,215
			Senior shares and mezzanine obligations	881,560	1,638,887
			Other liabilities	8,623	3,392
Non-current assets	**284,110**	**304,115**	**Non-current liabilities**	**13,536**	**4,871**
Deferred tax assets	51,731	47,290	Loans and lease liabilities	2,325	1,749
Judicial deposits	578	465	Provision for contingencies	2,670	1,166
Other assets	-	32	Payables from related parties	7,410	937
Property, plant and equipment	7,036	6,406	Other liabilities	1,131	1,019
Intangible assets	224,765	249,922			
Total assets from Techfin Dimension	**2,586,396**	**2,823,978**	**Total liabilities related to the assets from Techfin Dimension**	**1,946,054**	**2,363,599**

	Consolidated	
	01/01 to 07/31/2023	**2022**
Net revenue	**229,547**	**411,884**
(-) Costs	(120,374)	(192,815)
Gross profit	**109,173**	**219,069**
Research and development expenses	(27,978)	(40,300)
Selling and marketing expenses	(46,170)	(80,913)
Administrative expenses (i)	(55,414)	(96,657)
Other operating income, net	3,162	2,652
(Loss) Profit before income and social contribution taxes	**(17,227)**	**3,851**
Finance results	562	317
Income tax and social contribution	5,792	(1,258)
(Loss) Net Profit from Techfin Dimension	**(10,873)**	**2,910**
Gain generated by the JV Techfin business combination (iii)	238,642	-
Net Profit from Techfin Dimension (ii)	**227,769**	**2,910**

(i) It contemplates amortization of intangibles allocated in the Supplier's acquisition in the amount of R$18,481 from January 1 to July 31, 2023 (R$37,567 from January 1 to December 31, 2022).
(ii) The rubric "Profit from Techfin Dimension" in the table above is disclosed in only one line in the rubric "Net income from discontinued operation" in the Statements of Profit or Loss, as CPC 31/ IFRS 5 determine.
(iii) The gain generated by the JV Techfin business combination is composed as follows:

Gain by the participation dilution due to primary capital contribution on 07/31/2023 (a)	**95,052**
Acquisition price	410,000
(-) Cost from write-off of assets after dilution of primary capital contribution	(215,210)
(=) Gross gain of capital	**194,790**
(-) Income tax and social contribution	(66,229)
(=) Gain of net capital by the acquisition of 50% on 07/31/2023 (b)	**128,561**
(=) Net price adjustment (c)	**15,029**
(=) Gain generated by the business combination JV Techfin (a+b+c)	**238,642**

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

	Consolidated	
	01/01 to 07/31/2023	**2022**
Operating activities	125,521	78,666
Investing activities	406,418	(23,129)
Financing activities	(428,781)	(26,090)
Net cash generated by Techfin Dimension	**103,158**	**29,447**

6. 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.

6.1. Financial instruments by category

The table below compares the financial instruments of the Company and its subsidiaries by class, as presented in the financial statements:

Consolidated	Note	Classification by category	2023	2022
Cash and cash equivalents	7	Fair Value through profit or loss	3,099,642	2,696,169
Cash and cash equivalents	7	Amortized cost	29,520	39,596
Escrow account	20	Amortized cost	129,934	84,157
Trade accounts and other receivable	8	Amortized cost	555,024	514,067
Franchises loan	12	Amortized cost	13,855	32,225
Receivables for investments sold	12	Amortized cost	22,788	54
Investments at fair value	6.2	Fair Value through profit or loss	127,483	111,231
Financial Instruments assets			**3,978,246**	**3,477,499**
Loans (i)	18	Amortized cost	32,083	575
Debentures	19	Amortized cost	1,546,703	1,547,009
Trade accounts and other payable (ii)		Amortized cost	219,657	324,528
Accounts payable from acquisition of subsidiaries	20	Fair Value through profit or loss	543,358	454,367
Accounts payable from acquisition of subsidiaries	20	Amortized cost	150,580	109,852
Call option of non-controlling interests (iii)		Fair Value through profit or loss	412,655	383,004
Other liabilities		Amortized cost	32,344	18,364
Financial liabilities			**2,937,380**	**2,837,699**

(i) Leases are not included in accordance with CPC 06 (R2)/ IFRS 16.
(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 (note 6.2).

- Loans 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 and debentures. The values recognized in the statement of financial position of loans and debentures do not differ significantly from their fair values.

- 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 (note 20).

6.2. Investments at fair value

We present, the composition of investments at fair value and respective balances on December 31, 2023 and December 31, 2022:

	Individual		Consolidated	
	2023	2022	2023	2022
CV Idexo Fundo de Investimento	43,051	18,074	43,051	18,074
GoodData	-	-	84,408	93,144
Other	-	-	24	13
Total	**43,051**	**18,074**	**127,483**	**111,231**

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, is 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.

6.3. Sensitivity analysis of financial assets and liabilities

The financial instruments of the Company and its subsidiaries are represented by trade and other receivables, trade and other payables, loans and debentures, which are recorded at cost plus income or charges incurred or at fair value, where applicable, as at December 31, 2023 and December 31, 2022.

The main risks related to the operations of the Company and its subsidiaries 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 December 31, 2023, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 13.21% p.a., 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 December 31, 2023, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Note	Balances at 2023	Risk	Probable Scenario I	Scenario II	Scenario III
Consolidated financial investments	7	3,115,741	Reduction CDI	13.21%	9.91%	6.61%
Estimated finance income				**411,589**	**308,770**	**205,950**

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 December 31, 2023, three different scenarios were created. Based on CDI rates in force on this date, the most probable scenario (scenario I) was determined for 2023 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 2023. The reference date used for the debentures was December 31, 2023, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Note	Balances at 2023	Risk	Probable Scenario I	Scenario II	Scenario III
			Increase CDI	13.21%	16.51%	19.82%
Debentures	19	1,546,703		204,319	255,361	306,557
Estimated finance expense				**204,319**	**255,361**	**306,557**

6.4. Changes in liabilities from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were or will be classified in the 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 year ended on December 31, 2023 and 2022:

Consolidated	Note	2022	Cash flow from financing activities (i)	Non-cash items: Addition/ (Write off)	Non-cash items: Interest incurred	Non-cash items: Acquisition of subsidiary	2023
Loans	18	575	21,041	-	-	10,467	32,083
Leases	18	211,958	(69,441)	12,257	9,719	788	165,281
Debentures	19	1,547,009	(214,449)	-	214,143	-	1,546,703
Dividends and Interest on shareholders' equity payable	23	130,363	(412,163)	283,581	-	-	1,781
Total		**1,889,905**	**(675,012)**	**295,838**	**223,862**	**11,255**	**1,745,848**

Consolidated	Note	2021	Cash flow from financing activities	Non-cash items: Addition/ (Write off)	Non-cash items: Interest incurred	Non-cash items: Acquisition of subsidiaries	Non-cash items: Techfin Dimension (ii)	2022
Loans	18	103,740	(6,749)	-	21	7,303	(103,740)	575
Leases	18	231,874	(68,272)	40,458	11,653	-	(3,755)	211,958
Debentures	19	1,509,126	(175,792)	-	213,675	-	-	1,547,009
Dividends payable	23	80,153	(140,036)	189,664	-	582	-	130,363
Senior shares and mezzanine obligations		1,372,726	-	-	-	-	(1,372,726)	-
Total		**3,297,619**	**(390,849)**	**230,122**	**225,349**	**7,885**	**(1,480,221)**	**1,889,905**

(i) Includes interest paid allocated in the cash flow from operating activities.

(ii) Liabilities related to Techfin operation were classified as held for sale.

6.5. 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 reinforces 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.

The following table analyzes non-derivative financial liabilities of the Company and its subsidiaries, by maturity corresponding to the remaining period between the statement of financial position date and the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	Consolidated			
	Less than one year (i)	**Between one and two years (i)**	**Between two and five years (i)**	**More than 5 years**
As at December 31, 2023				
Trade accounts and other payable	155,266	-	-	-
Loans and lease liabilities	98,344	58,247	54,320	430
Accounts payable from acquisition of subsidiaries	379,018	137,775	105,245	2,812
Debentures	58,394	750,000	750,000	-
Finance liabilities	-	-	412,655	-
Other liabilities	77,970	63,833	-	-
As at December 31, 2022				
Trade accounts and other payable	128,647	-	-	-
Loans and lease liabilities	67,905	119,320	41,883	6,506
Accounts payable from acquisition of subsidiaries	50,199	332,395	138,052	22,671
Debentures	61,825	-	1,500,000	-
Finance liabilities	-	-	383,004	-
Other liabilities	66,658	47,573	-	-

(i) As the amounts included in the table are the undiscounted cash flows, these amounts will not be reconcilable with the amounts disclosed in the balance sheet for loans, debentures and other obligations.

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, if necessary.

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, whose allocation of resources should be, exclusively, in public titles and/ or private credit bank, in this last case, limited to 15% of Shareholder's equity from the Fund. The amount allocated to each issuer, except Union/ Federal Government Bonds, cannot exceed 30% of the total balances in current accounts plus financial investments, and also not correspond to more than 5% of the shareholders' equity of the issuer or investment fund.

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, has a very diversified customer portfolio with low concentration level and establishes 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.

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.

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 economics and political factors in each of these companies. In the year ended in December 31, 2023 and 2022, the balance of assets exceeds the negative balances exposed, as follows:

2023						
Company	**Trade and other payables**	**Cash and cash equivalents**	**Trade and other receivables**	**Other assets**	**Net exposure**	**Currency exposure**
RJ Consultores México	(958)	583	2,811	94	2,530	Peso (MXN)
CMNet Participações	(25)	565	291	10	841	Peso CLP
TOTVS S.A.	(101)	91	1,920	-	1,910	USD
TOTVS Large	(299)	-	17	-	(282)	USD
TOTVS México	(3,738)	885	4,094	634	1,875	Peso (MXN)
TOTVS Argentina	(3,288)	5,758	6,387	235	9,092	Peso (ARS)
TOTVS Colômbia	(3,242)	4,423	4,424	815	6,420	Peso (COP)
TOTVS Incorporation (i)	(226)	-	-	84,408	84,182	USD
RD Colômbia	-	406	-	-	406	Peso (COP)
RD Station	(110)	-	-	-	(110)	USD
Total	**(11,987)**	**12,711**	**19,944**	**86,196**	**106,864**	

2022						
Company	**Trade and other payables**	**Cash and cash equivalents**	**Trade and other receivables**	**Other assets (i)**	**Net exposure**	**Currency**
RJ Consultores México	(28)	1,296	517	-	1,785	Peso (MXN)
CMNet Participações	(26)	300	126	106	506	Peso (CLP) and EUR
CMNet Argentina	(45)	1,352	248	-	1,555	Peso (ARS)
TOTVS S.A.	(6,136)	125	-	-	(6,011)	USD
TOTVS México	(2,892)	1,613	9,238	-	7,959	Peso (MXN)
TOTVS Argentina	(2,907)	5,851	10,255	-	13,199	Peso (ARS)
TOTVS Incorporation	(337)	1,572	697	93,144	95,076	USD
RD Colômbia	(27)	1,165	-	-	1,138	Peso (COP)
RD Station	(93)	-	-	-	(93)	USD
Feedz Tecnologia S.A	(28)	-	-	-	(28)	USD
Total	**(12,519)**	**13,274**	**21,081**	**93,250**	**115,086**	

(i) The amount of R$84,408 on December 31, 2023 (R$93,144 on December 31, 2022) refers to financial investments of the Company as described in note 6.2.

d. Derivatives

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

6.6. Capital management

The capital management of the Company is intended to ensure a strong credit rating with institutions and an optimal capital ratio in order to drive the businesses of the Company 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 and issue debentures.

The Company and its subsidiaries compose the net debt structure includes loans, debentures, and acquisition payable from subsidiaries, less the balance of cash and cash equivalents and escrow account.

	Note	Individual		Consolidated	
		2023	2022	2023	2022
Loans and lease liabilities	18	178,705	178,632	197,364	212,533
Debentures	19	1,546,703	1,547,009	1,546,703	1,547,009
Accounts payable from acquisition of subsidiaries	20	7,004	9,676	693,938	564,219
(-) Cash and cash equivalents	7	(1,466,321)	(1,709,966)	(3,129,162)	(2,735,765)
(-) Escrow account	20	(6,915)	(9,587)	(129,934)	(84,157)
Net debt/ (cash)		**259,176**	**15,764**	**(821,091)**	**(496,161)**
Shareholders' equity		4,720,574	4,308,616	4,720,574	4,308,616
Non-controlling interests		-	-	292,097	276,233
Shareholders' equity and net debt		**4,979,750**	**4,324,380**	**4,191,580**	**4,088,688**

7. 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	
	2023	2022	2023	2022
Cash and banks	487	184	13,421	17,273
Cash equivalents	**1,465,834**	**1,709,782**	**3,115,741**	**2,718,492**
Investment fund	1,465,834	1,709,782	3,099,642	2,696,169
CDB	-	-	4,077	5,734
Others	-	-	12,022	16,589
	1,466,321	**1,709,966**	**3,129,162**	**2,735,765**

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 93.99% of the CDI for the year ended on December 31, 2023 (106.91% as of December 31, 2022).

The following is the breakdown of the exclusive investment fund portfolio:

	2023	2022
Post interest		
Cash and CPR (i)	59.10%	41.37%
Private credit	4.11%	33.73%
Public titles	36.66%	20.62%
FIDC	-	2.42%
Derivatives	0.11%	2.01%
Pre interest		
Public titles	-	1.60%
Private credit	0.13%	0.26%
Derivatives	-0.11%	-2.01%
Total	**100.00%**	**100.00%**

(i) CPR: committed operation backed by public securities.

8. Trade accounts and other receivable

Trade accounts and other receivable amounts in the domestic and foreign market are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Domestic market	418,536	411,091	603,083	563,740
Foreign market	1,920	1,823	14,144	12,878
Trade of domestic and foreign market	**420,456**	**412,914**	**617,227**	**576,618**
(-) Impairment loss on trade and other receivables	(41,772)	(42,321)	(62,203)	(62,551)
Total trade accounts and other receivable	**378,684**	**370,593**	**555,024**	**514,067**
Current assets	367,725	339,263	538,528	475,648
Non-current assets (i)	10,959	31,330	16,496	38,419

(i) Long-term trade accounts and other receivable refer basically to the sales of software licenses, software implementation and customization services, and are presented net of adjustment to present value.

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

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**42,321**	**59,784**	**62,551**	**159,110**
Additional allowance	19,076	17,172	36,394	26,912
Write-off of impairment loss	(19,625)	(34,635)	(38,328)	(47,926)
Acquisition of subsidiaries	-	-	1,586	182
Techfin Dimension	-	-	-	(75,727)
Ending balance	**41,772**	**42,321**	**62,203**	**62,551**

8.1. Aging list of domestic and foreign market

Aging list of amounts trade accounts and other receivable at December 31, 2023 and 2022, are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Falling due	308,074	318,822	450,898	432,349
Unbilled	45,133	30,174	69,035	49,970
Overdue				
1 to 30 days	13,285	12,101	20,499	18,544
31 to 60 days	5,857	5,183	9,112	8,158
61 to 90 days	4,239	3,411	6,482	5,322
91 to 180 days	7,176	8,638	11,890	12,600
181 to 360 days	10,969	12,401	15,467	17,711
More than 361 days	25,723	22,184	33,844	31,964
Gross trade and other receivables	**420,456**	**412,914**	**617,227**	**576,618**
(-) Impairment loss on trade and other receivables (i)	(41,772)	(42,321)	(62,203)	(62,551)
Net trade and other receivables	**378,684**	**370,593**	**555,024**	**514,067**

(i) The impairment loss on trade accounts and other receivable, on December 31, 2023, is net of the write-off due to loss recorded against trade accounts and other receivable for R$19,625 (R$34,635 on December 31, 2022) for Individual and R$38,328 (R$47,926 on December 31, 2022) for consolidated.

Management believes that the risk related to technology trade accounts and other receivable in general is mitigated by the fact that the customer portfolio of the Company and its subsidiaries are diluted in quantity 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 year ended on December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Income tax to offset (i)	27,006	36,592	50,722	44,230
Social contribution tax to offset (i)	8,562	11,475	14,935	14,187
Others (ii)	8,737	9,056	22,181	43,731
	44,305	**57,123**	**87,838**	**102,148**
Current assets	44,305	57,123	87,838	87,932
Non-current assets	-	-	-	14,216

(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.
(ii) Contemplates extemporaneous credit for PIS and COFINS which was offset in 2023 and over the years of 2024.

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 accumulated tax losses and social contribution negative basis, 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	
	2023	**2022**	**2023**	**2022**
Income before taxes	**537,953**	**522,384**	**683,286**	**661,595**
Income and social contribution taxes at combined nominal rate of 34%	(182,904)	(177,611)	(232,317)	(224,942)
Adjustments for the statement of effective rate				
Share of profit/ (losses) of equity-accounted investees	53,268	65,043	1,087	-
Law No. 11196/05 (Incentive for research and development)	16,989	14,052	29,922	24,088
Interest on shareholders' equity	81,468	63,845	95,643	63,723
Effect of subsidiaries subject to special rates	-	-	(21,641)	(17,555)
Participation of Administrators	(3,190)	(2,121)	(4,198)	(4,087)
Workers' Meal Program (PAT)	2,265	605	3,578	1,910
Others (i)	1,202	9,029	(18,694)	15,659
Income and social contribution tax expense	**(30,902)**	**(27,158)**	**(146,620)**	**(141,204)**
Current income taxes	(50,440)	(33,640)	(171,067)	(153,567)
Deferred income taxes	19,538	6,482	24,447	12,363
Effective rate	**5.7%**	**5.2%**	**21.5%**	**21.3%**

(i) The line "Other" consolidated on December 31, 2023 was impacted by the account payable from acquisition complement of the subsidiary Tallos, company acquired by RD in 2022, in the amount of R$20,531, in which RD does not recognize the deferred taxes in its financial statements due to it is unlikely the future taxable income. On December 31, 2022, it was impacted due to the discontinued operation and monetary update gain by tax credits

10.2. Breakdown of deferred income tax and social contribution

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Income tax losses	**-**	**-**	**10,208**	**20,903**
Deriving from temporary differences:				
Difference between tax and accounting bases of goodwill	27,576	25,750	68,280	54,228
Tax benefit from goodwill amortization	(110,435)	(110,356)	(198,099)	(180,517)
Provision for commissions	18,290	19,244	21,163	22,497
Deferred income or revenues and/or to be invoice	4,166	10,011	12,497	18,255
Impairment loss on trade and other receivables	14,202	14,389	19,510	19,551
Provision for contingencies and other obligations	30,341	28,781	38,039	36,547
Provision for trade and other payables	26,417	18,413	34,189	24,932
Provision for share-based payments	46,033	36,120	53,173	40,875
Present value adjustment	376	846	42,984	26,597
Participation in profits and results	12,607	11,601	16,008	15,528
Others (i)	18,137	13,656	20,827	19,029
Net deferred income and social contribution taxes	**87,710**	**68,455**	**138,779**	**118,425**
Deferred tax assets	87,710	68,455	147,426	119,048
Deferred tax liabilities (ii)	-	-	8,647	623

(i) Contemplates deferred income and social taxes of temporary differences from leases and others.
(ii) Included in "other liabilities" in the non-current liability.

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

Changes in deferred income taxes are as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**68,455**	**62,729**	**118,425**	**144,622**
Expense in statement of profit or loss	19,538	6,482	24,447	12,363
Other comprehensive income	(282)	(757)	(282)	(757)
Techfin Dimension	-	-	-	(38,380)
Others (i)	(1)	1	(3,811)	577
Ending balance	**87,710**	**68,455**	**138,779**	**118,425**

(i) Regarding the changes from the subsidiary in Argentina and utilization of tax credits for contingence payments of the same nature.

10.3. Realization of deferred taxes

The deductible temporary differences and income and social contribution tax loss carry forward do not expire in accordance with current tax legislation. Deferred tax assets were recognized in relation to these items, as it is probable that future taxable profits will be available so that the Company and its subsidiaries can use the related benefits. The use of income and social contribution tax loss carry forward is limited to 30% of the taxable profit for the year in which it will be used.

11. Related party balances and transactions

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

11.1. Trade and other receivables and payable to subsidiaries and joint arrangements

As of December 31, 2023 and 2022, the main balances of assets, liabilities, revenues and costs are as follows:

	2023					
Company	**Trade and other receivables**	**Other Assets (iv)**	**Trade and other payables**	**Other Liabilities**	**Revenues**	**Costs**
TRS	17	-	2,170	-	34	12,264
Supplier (ii)	-	-	-	-	433	2,936
Dimensa (iii)	315	2,459	170	-	13,474	1,927
RD Station	35	2,190	54	-	943	1,104
Wealth Systems (i)	-	-	-	-	2,099	1,019
TOTVS Large	23	-	42	-	269	534
Gesplan	-	-	4	-	323	524
Vadu	-	-	38	-	-	491
RJ Consultores	-	-	-	-	2,049	184
Techfin	-	3,787	-	-	2,605	97
Others	50	127	38	19	153	576
Total	**440**	**8,563**	**2,516**	**19**	**22,382**	**21,656**

Company	2022 Trade and other receivables	Other Assets (iv)	Trade and other payables	Revenues	Costs
Dimensa (iii)	18	2,485	74	8,378	6,392
Supplier (ii)	-	937	-	1,811	4,290
Wealth Systems (i)	158	-	-	2,620	942
Gesplan	-	-	28	3	386
Vadu	-	-	-	132	96
RD Station	-	-	15	727	52
TOTVS Large	11	2	-	166	-
Techfin	14	-	-	608	-
RJ Consultores	60	-	-	60	-
Others	19	613	1	350	845
Total	**280**	**4,037**	**118**	**14,855**	**13,003**

(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) Refers to contract of sharing costs and expenses and contract of partnership for commercialization of solutions from Dimensa.
(iv) “Other assets” refers to share-based compensation plans.

11.2. Transactions or relationships with shareholders and key Management personnel

The Company and its subsidiaries maintain 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 on December 31, 2023 was R$1,573 (R$1,486 as of December 31, 2022) in the individual and consolidated. All lease agreements with related parties are subject to adjustments by reference to the IGP-M inflation rate, every 12 months, whose term will be until May 31, 2024.

The Company has software license agreements and commercial partnerships with GoodData, which on December 31, 2023 represented the amount of R$6,492 (R$6,820 as of December 31, 2022) in the individual and consolidated. Through its subsidiary TOTVS Inc., the Company holds a non-controlling interest in GoodData's capital, as well as a representative on the board. This investment was classified at fair value through profit or loss according to note 6.2.

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 year ended December 31, 2023 was R$5,380 in the individual (R$4,045 as of December 31, 2022) and R$8,121 in the consolidated (R$7,705 as of December 31, 2022), all of which with monetary resources.

Some of the Company’s shareholders and key management personnel directly or indirectly hold 8.84% of the Company’s shares as of December 31, 2023 (14.24% as of December 31, 2022). The indirect interest is held through LC-EH Empreendimentos e Participações S.A..

The Company and its subsidiaries also incurred small expenses and income during the year with related parties, where the total amount of expenses related to licenses services and software maintenance in the individual was R$396 and revenues of R$178, basically, by services of software and cloud, and R$396 and R$223, respectively, in the consolidated.

11.3. Key management personal compensation

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

	Individual and Consolidated	
	2023	**2022**
Management compensation		
Salaries, fees and payroll charges	15,221	13,677
Direct and Indirect benefits (i)	2,190	1,969
Variable bonus	11,401	5,440
Share-based payments	27,607	30,189
Total	**56,419**	**51,275**

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

12. Other assets

Breakdown of other assets at December 31, 2023 and 2022 are follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Prepaid expenses (i)	112,965	88,939	121,002	95,885
Franchises loan (ii)	13,855	32,175	13,855	32,225
Advances to employees	19,205	17,737	31,939	29,003
Advances to suppliers	6,312	1,167	14,528	4,538
Dividends to receive	-	23,629	-	-
Receivables from investments disposed of (iii)	22,788	-	22,788	-
Other assets	638	1,974	2,182	6,359
Total	**175,763**	**165,621**	**206,294**	**168,010**
Current assets	113,063	100,259	137,595	96,447
Non-current assets	62,700	65,362	68,699	71,563

(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) Price adjustment in the joint arrangement business combination

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 joint arrangements is shown follow:

13.1. Equity-accounted investees in subsidiaries and joint arrangements

	Individual		Consolidated	
	2023	2022	2023	2022
Equity-accounted investees in subsidiaries and joint arrangements (i)	4,329,259	3,819,530	323,367	-
Techfin Dimension	-	(457,356)	-	-
Appreciation of assets	22,998	31,853	-	-
	4,352,257	**3,394,027**	**323,367**	**-**

(i) In December 2022 was registered the provision for investment losses.

13.2. Equity-accounted investees changes

Changes in equity-accounted investees for the year ended December 31, 2023 and 2022 were as follows:

				Equity pick-up					
	2022	Additions / (reductions)	Dividends (ii)	Equity pick-up	Amortization of PPA	Total	Foreign exchange/ Inflation (i)	Techfin Dimension	2023
TOTVS Large (iii)	2,293,797	6,051	-	(5,719)	(8,855)	(14,574)	90	-	2,285,364
TOTVS Tecnologia	154,606	16,996	(16,283)	95,290	-	95,290	-	-	250,609
TOTVS Techfin	-	-	-	3,195	-	3,195	-	320,172	323,367
TTS	315,168	507,466	(6,216)	30,291	-	30,291	-	-	846,709
TOTVS Inc.	95,179	12,428	-	(15,654)	-	(15,654)	(6,439)	-	85,514
TOTVS Hospitality	47,232	-	(10,818)	13,001	-	13,001	-	-	49,415
VT Digital	6,093	-	(5,715)	5,046	-	5,046	-	-	5,424
TOTVS México	3,615	12,066	-	(10,900)	-	(10,900)	(196)	-	4,585
TOTVS Argentina	9,569	6,541	-	(8,154)	-	(8,154)	(1,660)	-	6,296
Dimensa	460,388	6,941	(29,858)	49,358	-	49,358	-	-	486,829
Eleve	6,613	312	(3,600)	4,422	-	4,422	-	-	7,747
CMNet Argentina	1,767	1,009	-	(3,505)	-	(3,505)	1,127	-	398
Total	**3,394,027**	**569,810**	**(72,490)**	**156,671**	**(8,855)**	**147,816**	**(7,078)**	**320,172**	**4,352,257**

				Equity pick-up					
	2021	Additions / (reductions)	Dividends (ii)	Equity pick-up	Amortization of PPA	Total	Foreign exchange/ Inflation (i)	Techfin Dimension	2022
TOTVS Large (iii)	2,257,289	8,279	(32,268)	73,540	(8,855)	64,685	(4,188)	-	2,293,797
TOTVS Tecnologia	586,316	93,282	(13,615)	68,723	-	68,723	-	(580,100)	154,606
TTS	294,786	1,049	(6,839)	26,172	-	26,172	-	-	315,168
TOTVS Inc.	100,118	14,709	-	(13,229)	-	(13,229)	(6,419)	-	95,179
TOTVS Hospitality	37,666	-	(1,821)	11,387	-	11,387	-	-	47,232
VT Digital	3,462	-	(3,084)	5,715	-	5,715	-	-	6,093
TOTVS México	8,381	11,512	-	(11,958)	-	(11,958)	(4,320)	-	3,615
TOTVS Argentina	17,085	1,549	-	(13,420)	-	(13,420)	4,355	-	9,569
Dimensa	421,797	(211)	(3,140)	41,942	-	41,942	-	-	460,388
Eleve	2,233	267	(387)	4,500	-	4,500	-	-	6,613
CMNet Argentina	1,134	2,106	-	(2,069)	-	(2,069)	596	-	1,767
NCC (iv)	65	(65)	-	-	-	-	-	-	-
Total	**3,730,332**	**132,477**	**(61,154)**	**191,303**	**(8,855)**	**182,448**	**(9,976)**	**(580,100)**	**3,394,027**

(i) Includes the inflation adjustments of Argentina subsidiaries.
(ii) The dividends received are presented in the Statements of Cash Flows, on Cash Flow of investing.
(iii) The goodwill and intangibles in the value of R$22,998 on December 31, 2023 (R$31,853 on December 31, 2022) from TOTVS Large are presented in the investment composition of the individual. The amortization in the year of 2023 and 2022 was R$8,855.
(iv) The value of R$65 is regarding provision for investment losses of NCC and is presented in the Statements of Cash Flow as Provision (reversion) of other obligations and others.

13.3. Direct subsidiaries and joint arrangements information

	Summarized financial statements as at December 31, 2023				
	Assets	**Liabilities**	**Shareholders' Equity**	**Net revenue**	**Profit or loss of the year**
TOTVS Large	2,967,526	705,160	2,262,366	774,909	(5,719)
TOTVS Tecnologia	438,371	187,762	250,609	289,739	95,290
TOTVS Techfin	2,900,803	2,254,070	646,733	214,000	6,390
TTS	928,633	81,924	846,709	195,797	30,291
TOTVS Inc.	88,366	2,852	85,514	3,556	(15,654)
TOTVS Hospitality	80,983	14,384	66,599	78,476	17,521
VT Digital	5,904	480	5,424	7,471	5,046
TOTVS México	17,784	13,199	4,585	37,204	(10,900)
TOTVS Argentina	13,735	7,439	6,296	77,333	(8,154)
Dimensa	878,577	99,651	778,926	237,384	78,973
Eleve	9,820	2,073	7,747	13,172	4,422
CMNet Argentina	943	545	398	4,541	(3,505)

	Summarized financial statements of subsidiaries as at December 31, 2022				
	Assets	**Liabilities**	**Shareholders' Equity**	**Net revenue**	**Profit or loss of the year**
TOTVS Large	2,793,172	531,228	2,261,944	610,714	73,540
TOTVS Tecnologia	337,458	182,852	154,606	233,721	68,723
TTS	354,603	39,435	315,168	146,741	26,172
TOTVS Inc.	98,828	3,649	95,179	2,652	(13,229)
TOTVS Hospitality	79,713	16,054	63,659	71,175	15,347
VT Digital	6,967	874	6,093	8,592	5,715
TOTVS México	14,801	11,186	3,615	30,489	(11,958)
TOTVS Argentina	21,568	11,999	9,569	59,128	(13,420)
Dimensa	880,093	143,472	736,621	202,164	67,107
Eleve	8,640	2,027	6,613	13,782	4,500
CMNet Argentina	2,957	1,190	1,767	3,655	(2,069)

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 property, plant and equipment of the Company is broken down as follow:

	Individual							
	Computers and electronic equipment	**Vehicles**	**Furniture and fixtures**	**Facilities machinery and equipment**	**Leasehold improvements**	**Rights of use (i)**	**Others**	**Total**
Cost								
Balances in 2021	**245,007**	**12,217**	**27,063**	**26,927**	**95,421**	**281,917**	**8,603**	**697,155**
Additions	72,174	9,018	1,135	1,175	8,122	43,646	1,489	136,759
Techfin Dimension (ii)	(409)	(992)	-	-	-	-	(46)	(1,447)
Transfers	87	-	4	(30)	(61)	-	-	-
Write-offs	(4,563)	(4,774)	(705)	(39)	(1,567)	(13,975)	(497)	(26,120)
Balances in 2022	**312,296**	**15,469**	**27,497**	**28,033**	**101,915**	**311,588**	**9,549**	**806,347**
Additions	91,247	6,937	356	742	3,062	20,224	2,702	125,270
Write-offs	(5,820)	(2,905)	(208)	(226)	(226)	(15,847)	(215)	(25,447)
Balances in 2023	**397,723**	**19,501**	**27,645**	**28,549**	**104,751**	**315,965**	**12,036**	**906,170**
Depreciation								
Balances in 2021	**(158,357)**	**(6,307)**	**(19,446)**	**(20,355)**	**(54,722)**	**(111,561)**	**(6,722)**	**(377,470)**
Depreciation for the year (iv)	(33,367)	(4,626)	(2,224)	(1,792)	(10,292)	(47,964)	(1,277)	(101,542)
Techfin Dimension (ii)	186	577	-	-	-	-	33	796
Write-offs	4,245	4,385	656	23	1,448	12,779	467	24,003
Balances in 2022	**(187,293)**	**(5,971)**	**(21,014)**	**(22,124)**	**(63,566)**	**(146,746)**	**(7,499)**	**(454,213)**
Depreciation for the year (iv)	(44,256)	(5,730)	(2,337)	(1,781)	(10,389)	(49,959)	(1,849)	(116,301)
Write-offs	5,358	2,211	464	357	226	13,780	202	22,598
Balances in 2023	**(226,191)**	**(9,490)**	**(22,887)**	**(23,548)**	**(73,729)**	**(182,925)**	**(9,146)**	**(547,916)**
Net amount								
Balances in 2023	**171,532**	**10,011**	**4,758**	**5,001**	**31,022**	**133,040**	**2,890**	**358,254**
Balances in 2022	**125,003**	**9,498**	**6,483**	**5,909**	**38,349**	**164,842**	**2,050**	**352,134**
Average annual depreciation rate	20% to 25%	33%	10% to 25%	6.7% to 25%	10% to 33%	10% to 33%	20%	

	Consolidated							
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Others	Total
Cost								
Balances in 2021	**282,962**	**15,605**	**35,512**	**33,039**	**124,515**	**359,382**	**9,996**	**861,011**
Additions	77,266	10,991	1,231	1,285	8,510	50,495	1,655	151,433
Additions due to business combination	2,956	(577)	1,039	335	396	-	(34)	4,115
Techfin Dimension (ii)	(5,926)	(411)	(640)	(794)	-	(5,041)	(290)	(13,102)
Exchange variation (iii)	(59)	(31)	(11)	(2)	(7)	(1,219)	10	(1,319)
Transfers	86	-	4	(40)	(57)	-	7	-
Write-offs	(6,614)	(5,767)	(1,301)	(92)	(1,981)	(35,904)	(578)	(52,237)
Balances in 2022	**350,671**	**19,810**	**35,834**	**33,731**	**131,376**	**367,713**	**10,766**	**949,901**
Additions	102,300	10,727	515	1,120	4,829	23,444	3,769	146,704
Additions due to business combination	1,734	-	897	196	1,040	1,099	-	4,966
Exchange variation (iii)	(1,830)	(210)	(184)	(60)	(598)	(874)	(95)	(3,851)
Transfers	(155)	(2)	157	-	-	-	-	-
Write-offs	(7,789)	(5,193)	(1,157)	(638)	(2,452)	(38,317)	(255)	(55,801)
Balances in 2023	**444,931**	**25,132**	**36,062**	**34,349**	**134,195**	**353,065**	**14,185**	**1,041,919**
Depreciation								
Balances in 2021	**(181,175)**	**(7,322)**	**(24,621)**	**(23,203)**	**(69,818)**	**(142,292)**	**(7,711)**	**(456,142)**
Depreciation for the year (iv)	(39,150)	(5,849)	(2,972)	(2,364)	(13,605)	(59,907)	(939)	(124,786)
Additions due to business combination	(1,237)	578	(227)	(28)	(39)	-	30	(923)
Techfin Dimension (ii)	3,994	-	404	611	12	1,504	(435)	6,090
Exchange variation (iii)	247	21	12	(6)	(97)	474	15	666
Transfers	(5)	(4)	-	6	(1)	-	4	-
Write-offs	6,052	4,795	1,052	32	1,862	27,741	535	42,069
Balances in 2022	**(211,274)**	**(7,781)**	**(26,352)**	**(24,952)**	**(81,686)**	**(172,480)**	**(8,501)**	**(533,026)**
Depreciation for the year (iv)	(50,731)	(7,286)	(3,043)	(2,501)	(13,975)	(59,548)	(2,380)	(139,464)
Additions due to business combination	(1,211)	-	(591)	(83)	(795)	(311)	-	(2,991)
Exchange variation (iii)	2,239	350	569	49	595	537	131	4,470
Transfers	108	(7)	(5)	7	(91)	-	(12)	-
Write-offs	7,016	3,107	854	582	2,041	28,751	227	42,578
Balances in 2023	**(253,853)**	**(11,617)**	**(28,568)**	**(26,898)**	**(93,911)**	**(203,051)**	**(10,535)**	**(628,433)**
Net amount								
Balances in 2023	**191,078**	**13,515**	**7,494**	**7,451**	**40,284**	**150,014**	**3,650**	**413,486**
Balances in 2022	**139,397**	**12,029**	**9,482**	**8,779**	**49,690**	**195,233**	**2,265**	**416,875**
Average annual depreciation rate	20% to 25%	33%	10% to 25%	6.7% to 25%	10% to 33%	10% to 33%	20%	

(i) The Company and its subsidiaries applied exceptions to the standard for short-term and low value contracts, recorded in lease expenses on December 31, 2023 in the amount of R$1,790 (R$2,776 as of December 31, 2022) in Individual and R$5,326 (R$4,961 as of December 31, 2022) in Consolidated.
(ii) Asset classified as Techfin Dimension according to note 5.
(iii) Includes the inflation adjustments of Argentina subsidiaries.
(iv) Depreciation and amortization amounts in the Statements of Cash Flows and Statements of Value Added are presented net of PIS/ COFINS credits on depreciation of property, plant and equipment, in the value of R$4,983 (R$2,665 on December 31, 2022).

Annually, the Company and its subsidiaries evaluate indicators that may impact the estimated useful lives of its assets, being in the year ended on December 31, 2023 and 2022 there were no signs of significant changes.

Breakdown of right of use for the year ended December 31, 2023 and 2022 are as follows:

	Consolidated		
	Right to use real estate	Right of use computers and equipments	Total assets
Balances in 2021	**207,545**	**9,545**	**217,090**
Contract Remeasurement (i)	49,876	619	50,495
Write-offs	(8,163)	-	(8,163)
Techfin Dimension	(3,537)	-	(3,537)
Amortization	(54,356)	(5,551)	(59,907)
Interest incurred and exchange variation	(720)	(25)	(745)
Balances in 2022	**190,645**	**4,588**	**195,233**
Contract Remeasurement (i)	8,426	15,018	23,444
Write-offs	(9,573)	7	(9,566)
Additions due to business combination	788	-	788
Amortization	(52,464)	(7,084)	(59,548)
Interest incurred and exchange variation	(339)	2	(337)
Balances in 2023	**137,483**	**12,531**	**150,014**

(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

Intangible assets and changes in balances of this group are as follows:

	Individual						
	Software (vi)	Trademarks & patents	Customer portfolio (v)	R&D (i)	Others (ii)	Goodwill	Total
Cost							
Balances in 2021	**422,194**	**63,150**	**252,058**	**39,439**	**19,786**	**292,873**	**1,089,500**
Additions	29,747	4,691	31,360	26,388	-	-	92,186
Techfin Dimension (iii)	-	-	-	(19,175)	-	-	(19,175)
Write-offs	(326)	-	-	(640)	-	-	(966)
Balances in 2022	**451,615**	**67,841**	**283,418**	**46,012**	**19,786**	**292,873**	**1,161,545**
Additions	97,017	-	18,940	43,104	-	-	159,061
Write-offs	-	-	-	(3,238)	-	-	(3,238)
Balances in 2023	**548,632**	**67,841**	**302,358**	**85,878**	**19,786**	**292,873**	**1,317,368**
Amortization							
Balances in 2021	**(358,572)**	**(56,428)**	**(219,710)**	**(4,678)**	**(19,786)**	**-**	**(659,174)**
Amortization for the year	(24,110)	(4,201)	(12,585)	(6,903)	-	-	(47,799)
Techfin Dimension (iii)	-	-	-	1,829	-	-	1,829
Write-offs	326	-	-	208	-	-	534
Balances in 2022	**(382,356)**	**(60,629)**	**(232,295)**	**(9,544)**	**(19,786)**	**-**	**(704,610)**
Amortization for the year	(41,424)	(2,521)	(17,235)	(11,989)	-	-	(73,169)
Write-offs	2	-	(1)	369	-	-	370
Balances in 2023	**(423,778)**	**(63,150)**	**(249,531)**	**(21,164)**	**(19,786)**	**-**	**(777,409)**
Net amount							
Balances in 2023	**124,854**	**4,691**	**52,827**	**64,714**	**-**	**292,873**	**539,959**
Balances in 2022	**69,259**	**7,212**	**51,123**	**36,468**	**-**	**292,873**	**456,935**
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	20% to 50%	10% to 50%		

	Consolidated						
	Software (vi)	Trademarks & patents	Customer portfolio (v)	R&D (i)	Others (ii)	Goodwill	Total
Cost							
Balances in 2021	**798,263**	**172,224**	**604,702**	**56,691**	**96,157**	**2,831,714**	**4,559,751**
Additions	31,580	4,698	31,360	28,871	-	-	96,509
Additions due to business combination	58,634	2,204	42,454	-	5,251	293,501	402,044
Techfin Dimension (iii)	(117,828)	(36,821)	(83,080)	(17,812)	(20,151)	(288,558)	(564,250)
Exchange variation (iv)	(13)	-	-	-	-	-	(13)
Write-offs	(326)	(8)	-	(2,003)	(36)	-	(2,373)
Balances in 2022	**770,310**	**142,297**	**595,436**	**65,747**	**81,221**	**2,836,657**	**4,491,668**
Additions	97,107	-	18,942	47,914	-	-	163,963
Additions due to business combination	15,415	220	21,503	-	883	130,850	168,871
Exchange variation (iv)	(99)	-	-	-	-	-	(99)
Write-offs	(7)	-	1	(3,238)	(6)	(15,102)	(18,352)
Balances in 2023	**882,726**	**142,517**	**635,882**	**110,423**	**82,098**	**2,952,405**	**4,806,051**
Amortization							
Balances in 2021	**(457,174)**	**(106,082)**	**(325,274)**	**(17,008)**	**(67,971)**	**-**	**(973,509)**
Amortization for the year	(53,037)	(11,143)	(39,760)	(8,047)	(2,021)	-	(114,008)
Additions due to business combination	(2,274)	(12)	-	-	-	-	(2,286)
Techfin Dimension (iii)	44,945	30,684	10,932	1,427	14,973	-	102,961
Exchange variation (iv)	6	1	-	-	-	-	7
Write-offs	327	-	-	605	-	-	932
Balances in 2022	**(467,207)**	**(86,552)**	**(354,102)**	**(23,023)**	**(55,019)**	**-**	**(985,903)**
Amortization for the year	(75,413)	(9,087)	(47,981)	(13,314)	(2,525)	-	(148,320)
Additions due to business combination	(513)	-	(565)	-	-	-	(1,078)
Exchange variation (iv)	103	-	-	-	-	-	103
Write-offs	8	(2)	(1)	369	-	-	374
Balances in 2023	**(543,022)**	**(95,641)**	**(402,649)**	**(35,968)**	**(57,544)**	**-**	**(1,134,824)**
Net amount							
Balances in 2023	**339,704**	**46,876**	**233,233**	**74,455**	**24,554**	**2,952,405**	**3,671,227**
Balances in 2022	**303,103**	**55,745**	**241,334**	**42,724**	**26,202**	**2,836,657**	**3,505,765**
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%	20% to 50%	10% to 50%		

(i) The development capitalization totaled R$47,914 during the year ended December 31, 2023 (R$28,871 on December 31, 2022), that majority are related to the strategic plan of the Company and its subsidiaries. R&D 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.
(i) Asset classified as held for sale according to note 5.
(iii) Includes the inflation adjustments of Argentina subsidiaries.
(iv) Over the year ended on December 31, 2023, the Company acquired customer portfolio from franchises in the amount of R$18,942 (R$28,082 on December 31, 2022), in which R$11,192 (R$11,758 on December 31, 2022) were 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 December 31, 2023 and 2022 are as follows:

	2021	Business combination	Techfin Dimension	2022	Business combination	Impairment provision	2023
Gesplan (i)	-	28,325	-	28,325	-	-	28,325
Feedz (i)	-	92,328	-	92,328	(3,087)	-	89,241
Other goodwill	813,204	-	-	813,204	-	-	813,204
CGU Management	**813,204**	**120,653**	**-**	**933,857**	**(3,087)**	**-**	**930,770**
CGU Inovamind (i)	-	18,141	-	18,141	-	(9,963)	8,178
CGU Mobile2you (i)	-	29,220	-	29,220	-	(5,139)	24,081
CGU Vadu (i)	-	56,092	-	56,092	-	-	56,092
CGU RBM (i)	-	33,542	-	33,542	(12,206)	-	21,336
CGU Dimensa	**-**	**136,995**	**-**	**136,995**	**(12,206)**	**(15,102)**	**109,687**
CGU RD Station	1,729,952	-	-	1,729,952	-	-	1,729,952
CGU Tallos (i)	-	35,853	-	35,853	1,781	-	37,634
CGU Credit Products - Supplier (ii)	288,558	-	(288,558)	-	-	-	-
Lexos (iii)	-	-	-	-	19,080	-	19,080
Exact (iii)	-	-	-	-	69,836	-	69,836
TRS (iii)	-	-	-	-	55,446	-	55,446
Total	**2,831,714**	**293,501**	**(288,558)**	**2,836,657**	**130,850**	**(15,102)**	**2,952,405**

(i) Acquisition of InovaMind, Mobile2you, Vadu, Gesplan, Tallos, RBM and Feedz during 2022.
(ii) Classified as assets from Techfin Dimension according to note 5.
(iii) Acquisitions from the year 2023 as mentioned in note 4.

15.2. Impairment of assets analysis

The Cash Generated Units (CGU) from TOTVS' Group are defined from the business vision which the Management has under its business, considering the companies acquisitions over the year.

On December 31, 2023, the CGUs are defined as follows:

CGU Management (former CGU Technology) - Software operation that comprehends TOTVS and its subsidiaries TOTVS Large Enterprise, Soluções em Software e Serviços TTS, TOTVS Hospitality, TOTVS Tecnologia, Wealth System, Gesplan, Feedz and International Market operation (MI), composed by TOTVS Argentina and Mexico; which are software operations and with synergies of costs from back office and sales areas;

CGU RD - includes RD Station operations;

CGU Tallos - includes Tallos operations, subsidiary from RD Station;

CGU Dimensa - Dimensa subsidiary became a separated CGU from Management in 2023 and is presented by 4 assets which are tested individually: Inovamind, Mobile2you, Vadu and RBM.

As mentioned in the note 5, the **CGU Techfin (former Credit Products - Supplier)** had the liquidity event in which TOTVS sold 50% of interest from TOTVS Techfin for Itau S.A. resulting in the TOTVS Techfin. The amount negotiated for this transaction is higher than the amount of its assets, and so, was not subject to impairment test.

For impairment testing purposes, premise for future cash flow projections are based on the business plan of the Company and its subsidiaries, approved annually by Management, as well as on comparable market information, and represent Management's best estimates of the economic conditions that will exist during the useful life of these assets for different cash generating units. Future cash flows were discounted based on the representative rate of cost of capital.

Consistently with the economic valuation techniques, value in use is determined by a period of 5 to 10 years. Projection periods of longer than 5 years are justified by strong revenue growth in the first years of projections for these CGUs. From then on, considering the perpetuity of assumptions, in view of the ability to continue as a going concern for an indefinite period. Flow growth projections were made in nominal terms.

The main premise used in the estimate of value in use are:

- **Discount rate** – represents the assessment of risks in the current market, specific to each cash generating unit, considering the value of money over time and the individual risks of related assets that were not incorporated into the premise included in the cash flow model. Calculation of the discount rate is based on the specific circumstances of each CGU. Estimated future cash flows were discounted at a nominal rate between 13.20% p.a. (pre-tax) and 15.58% p.a. (pre-tax).

- **Perpetuity** – the growth rates used to extrapolate the projections was between 5% and 5.5%.

The annual impairment test of intangible assets and goodwill of the Company and its subsidiaries, performed annually, resulted in any provision for loss in the consolidated financial statements for companies acquired by the subsidiary Dimensa, in the amount of R$15,102, since the estimated recoverable amount of each cash generating unit was higher than the net book value on December 31, 2023. On December 31, 2022 there was no need to establish a provision for loss.

16. Labor liabilities

On December 31, 2023 and 2022 the balances of salaries and charges payable are broken down as follows:

	Individual		**Consolidated**	
	2023	**2022**	**2023**	**2022**
Labor liabilities:				
Salaries payable	34,538	33,821	66,537	59,893
Vacation payable	96,140	82,650	161,185	135,370
Profit sharing and bonus	40,717	35,958	59,231	53,421
Withholding Income Tax (IRRF) payable	24,910	21,299	44,341	36,197
Actuarial liabilities due to health care plan and retirement benefits (i)	2,309	2,785	2,309	2,785
Others (ii)	9,817	2,319	12,312	4,688
	208,431	**178,832**	**345,915**	**292,354**
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable	7,577	6,603	14,099	11,024
INSS (Social Security Tax) payable	8,260	7,181	15,946	14,306
	15,837	**13,784**	**30,045**	**25,330**
Total	**224,268**	**192,616**	**375,960**	**317,684**

(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 even salary allowance provided for in union agreements, which the beneficiaries will be entitled after retirement.

(ii) Including union contribution and unapproved dispute provision.

17. Taxes and contributions liabilities

On December 31, 2023 and 2022 the balances of taxes and contributions liabilities are broken down as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Federal Social Security Tax on Gross Revenue (CPRB)	21,617	19,406	28,543	27,562
Service Tax (ISS) payable	7,980	7,132	11,882	11,071
PIS and COFINS payable	36,720	29,220	49,080	38,878
IRPJ and CSLL payable	-	-	11,886	12,496
Withholding IR and CSLL	1,302	1,155	3,538	3,369
Other taxes	1,674	1,928	2,540	3,047
Total	**69,293**	**58,841**	**107,469**	**96,423**
Current liabilities	69,293	58,841	107,427	95,042
Non-current liabilities (i)	-	-	42	1,381

(i) Correspond to the installment payment of federal taxes of the acquired and are inserted in the line other liabilities.

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 lease liabilities transactions are as follows:

		Individual		Consolidated	
	Annual financial charges	2023	2022	2023	2022
Leases	2.00% to 16.98% (i)	146,622	178,632	165,281	211,958
Working capital	100% CDI	-	-	-	318
Guaranteed accounts and other	-	32,083	-	32,083	257
		178,705	**178,632**	**197,364**	**212,533**
Current liabilities		81,799	45,633	90,701	57,455
Non-current liabilities		96,906	132,999	106,663	155,078

(i) Rates for the lease of real property right of use range from 2,00% to 16.98% p.a. (nominal interest rate) and 7.82% to 15.25% p.a. for the lease of the right to use electronic equipment.

Amounts recorded in non-current liabilities as at December 31, 2023 and 2022 have the following maturity schedule:

	Individual		Consolidated	
	2023	2022	2023	2022
2024	-	47,342	-	58,466
2025	47,631	43,163	55,003	51,844
2026 onwards	49,275	42,494	51,660	44,768
Non-current liabilities	**96,906**	**132,999**	**106,663**	**155,078**

Below is the breakdown of loans and lease liabilities as of December 31, 2023 and 2022:

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**178,632**	**182,547**	**212,533**	**335,614**
Additions from right of use leases	20,225	43,646	23,444	50,495
Additions from loans	32,083	-	32,083	465
Addition due to business combination	-	-	11,255	7,303
Techfin Dimension	-	-	-	(107,495)
Interest incurred	8,896	10,414	9,719	11,674
Write-offs of right-of-use leases	(2,579)	(2,155)	(11,187)	(10,037)
Interest amortization	(8,896)	(10,414)	(10,472)	(12,807)
Principal amortization	(49,656)	(45,406)	(70,011)	(62,679)
Closing balance	**178,705**	**178,632**	**197,364**	**212,533**

a) Lease liabilities

Lease obligations are guaranteed by chattel mortgage of leased assets. The table below shows gross liabilities of finance leases as of December 31, 2023 and 2022:

	Individual		Consolidated	
	2023	2022	2023	2022
Gross lease liabilities – minimum lease payments				
Less than one year	56,303	53,900	66,260	67,735
More than one year and less than five years	102,275	137,549	112,567	160,873
More than five years	430	6,305	430	6,506
	159,008	**197,754**	**179,257**	**235,114**
Future financing charges on finance leases	(12,386)	(19,122)	(13,976)	(23,156)
Present value of lease liabilities	**146,622**	**178,632**	**165,281**	**211,958**
Current liabilities	49,716	45,633	58,618	57,285
Non-current liabilities	96,906	132,999	106,663	154,673

19. Debentures

On September 12, 2022, 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.

19.1. Composition

At December 31, 2023 and 2022, the balances were broken down as follows:

					Individual and Consolidated	
Description	**Debentures**	**Unit Price**	**Annual financial charges**	**Maturity**	**2023**	**2022**
4th Issue of Debentures - Single Series	1,500,000	1	100% from CDI + Spread 1.35%	09/12/2027	1,546,703	1,547,009
Total					**1,546,703**	**1,547,009**
Current liabilities					55,208	58,701
Non-current liabilities					1,491,495	1,488,308

19.2. Changes

	Individual and Consolidated	
	2023	**2022**
Opening Balance	**1,547,009**	**1,509,126**
Debentures issuance	-	1,500,000
(-) Funding costs	-	(12,209)
Interest incurred	214,143	213,675
(-) Interest amortization	(214,449)	(163,583)
(-) Principal payment	-	(1,500,000)
Ending balance	**1,546,703**	**1,547,009**

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

	Individual and Consolidated	
	2023	**2022**
Maturity		
2026	743,690	740,503
2027	747,805	747,805
Non-current liabilities	**1,491,495**	**1,488,308**

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 the TOTVS Techfin S.A. and its subsidiaries.

These restrictive clauses (unaudited by the independent auditors), 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					
	2023			**2022**		
	Contingent payments	**Other amounts payable**	**Total**	**Contingent payments**	**Other amounts payable**	**Total**
Datasul MG	-	6,190	6,190	-	5,609	**5,609**
Seventeen	-	308	308	-	3,608	**3,608**
Other	-	506	506	-	459	**459**
Total	**-**	**7,004**	**7,004**	**-**	**9,676**	**9,676**
Current liabilities	-	7,004	7,004	-	9,676	**9,676**

	Consolidated					
	2023			2022		
	Contingent payments	**Other amounts payable**	**Total**	**Contingent payments**	**Other amounts payable**	**Total**
RD Station	252,375	32,366	**284,741**	224,337	33,141	**257,478**
Tallos	101,227	1,413	**102,640**	35,453	1,309	**36,762**
Feedz	65,000	7,668	**72,668**	61,176	7,030	**68,206**
Supplier	23,816	19,156	**42,972**	19,924	19,155	**39,079**
Exact	37,758	4,756	**42,514**	-	-	**-**
Vadu	15,186	17,567	**32,753**	25,882	15,634	**41,516**
Gesplan	21,439	5,332	**26,771**	27,446	4,323	**31,769**
TRS	-	22,124	**22,124**	-	-	**-**
Mobile2you	7,975	10,190	**18,165**	22,835	853	**23,688**
Lexos	9,923	2,160	**12,083**	-	-	**-**
Other	8,659	27,848	**36,507**	37,314	28,407	**65,721**
Total	**543,358**	**150,580**	**693,938**	**454,367**	**109,852**	**564,219**
Current liabilities	398,201	23,602	**421,803**	28,603	24,097	**52,700**
Non-current liabilities	145,157	126,978	**272,135**	425,764	85,755	**511,519**

The fair value of contingent payments presented a complement of R$57,445 over the year , due to the performance analysis from acquired companies regarding the business plan initially elaborated. The fair value of contingent payments was recorded in the rubric “Other operating income (expenses)” in the year ended December 31, 2023.

The installments recorded in the non-current liabilities have maturity as shown below:

	Consolidated	
Year	**2023**	**2022**
2024	-	344,798
2025	74,151	76,159
2026	86,430	34,467
2027	35,337	32,577
2028 onwards	76,217	23,518
Non-current liabilities	**272,135**	**511,519**

Below we present the retained amounts of accounts payable from acquisition of subsidiaries on December 31, 2023 and 2022, which are updated by the CDI (see note 7) until the release schedule or its offset as defined in the contract:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Escrow account - current	6,915	9,587	13,175	10,391
Escrow account - non-current	-	-	116,759	73,766
Total	**6,915**	**9,587**	**129,934**	**84,157**

21. Provision for contingencies

21.1. Ongoing proceedings with recorded provision for contingencies and legal liabilities related to legal proceedings

The Company and its subsidiaries, in the ordinary course of their operations, are parties to various legal proceedings relating to tax, social security, labor and civil matters. The Management, supported by its legal counsel and analysis of judicial proceedings pending judgment,constituted provision at an amount considered sufficient to cover probable losses in the outcome of ongoing lawsuits.The provisioned amount reflects the best current estimate of the Company's Management and its subsidiaries.

The amount of constituted provisions as at December 31, 2023 and 2022 are as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Tax	8,025	9,933	10,206	11,881
Labor	48,819	46,716	64,673	62,463
Civil	32,396	28,000	37,111	33,147
	89,240	**84,649**	**111,990**	**107,491**

Follow we present the mainly natures of the lawsuits from the Company and its subsidiaries:

- **Tax:** Regarding to collection of tax credits (city/state/federal) that the Company and its subsidiaries consider undue;
- **Labor:** Regarding lawsuits filed by former employees of the Company and its subsidiaries seeking labor dues, as well as service provider companies, seeking recognition of both employment relationship and other labor dues;
- **Civil:** Regarding, mainly, lawsuits filed by customers alleging certain problems with the delivery of products and/ or services, application of the default increment, grace period in terminated contracts and undue collections.

Labor

The Company has provision related to the lawsuit, filed by a private entity claiming the refund of amounts paid under the health plan. This lawsuit is in the execution phase. On December 31, 2023, the constituted provision for this demand totaled R$9,372 (R$2,863 as of December 31, 2022).

The other lawsuits in the consolidated classified as probable losses of tax, labor and civil nature in the total amount of R$102,618 on December 31, 2023 (R$104,628 as of December 31, 2022): don't have any process of value individually relevant.

a) Changes in provisions

Changes in provisions for the year ended December 31, 2023 and 2022 are as follows:

	Individual				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balances in 2021	**7,360**	**61,741**	**21,681**	**90,782**	**9,090**	**72,913**	**25,643**	**107,646**
(+) Additional provision	949	18,527	24,229	**43,705**	1,344	26,354	25,754	**53,452**
(+) Monetary adjustment	593	(523)	4,738	**4,808**	726	3,691	5,264	**9,681**
(+) Acquisition of subsidiaries	-	-	-	**-**	-	-	2	**2**
(-) Techfin Dimension	-	-	-	**-**	-	(425)	(283)	**(708)**
(-) Reversal of provision	-	(16,916)	(2,381)	**(19,297)**	(110)	(18,627)	(2,721)	**(21,458)**
(-) Write-off due to payment	1,031	(16,113)	(20,267)	**(35,349)**	831	(21,443)	(20,512)	**(41,124)**
Balances in 2022	**9,933**	**46,716**	**28,000**	**84,649**	**11,881**	**62,463**	**33,147**	**107,491**
(+) Additional provision	182	18,748	17,389	**36,319**	3,943	19,909	19,122	**42,974**
(+) Monetary adjustment	449	3,470	2,371	**6,290**	487	4,097	2,692	**7,276**
(+) Acquisition of subsidiaries	-	-	-	**-**	-	999	-	**999**
(-) Reversal of provision	(652)	(7,331)	(7,980)	**(15,963)**	(1,532)	(9,063)	(9,300)	**(19,895)**
(-) Write-off due to payment	(1,887)	(12,784)	(7,384)	**(22,055)**	(4,573)	(13,732)	(8,550)	**(26,855)**
Balances in 2023	**8,025**	**48,819**	**32,396**	**89,240**	**10,206**	**64,673**	**37,111**	**111,990**

The provisions reflect Management's best current estimate, and its continuous review is the result of monitoring and risk control from TOTVS. The provision is based on information, external counsel, validated by the legal of the Company and its subsidiaries, and experience acquired related to the outcomes of previous legal proceedings in which the Company and its subsidiaries were defendants.

b) Judicial deposits

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

	Individual				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balances in 2021	**12,421**	**9,980**	**3,550**	**25,951**	**13,065**	**12,127**	**4,466**	**29,658**
(+) Addition in guarantees	-	3,763	3,875	**7,638**	-	6,410	3,884	**10,294**
(+) Monetary adjustment	989	884	107	**1,980**	1,019	885	151	**2,055**
(-) Write-off for loss	-	(1,963)	(1,081)	**(3,044)**	-	(3,815)	(1,086)	**(4,901)**
(-) Reversion by devolution	(155)	(1,974)	(176)	**(2,305)**	(173)	(2,090)	(176)	**(2,439)**
(-) Techfin Dimension	-	-	-	**-**	-	(408)	(15)	**(423)**
Balances in 2022	**13,255**	**10,690**	**6,275**	**30,220**	**13,911**	**13,109**	**7,224**	**34,244**
(+) Addition in guarantees	-	1,954	3,425	**5,379**	348	2,741	3,425	**6,514**
(+) Monetary adjustment	1,056	(1,340)	471	**187**	1,112	(1,276)	501	**337**
(-) Write-off for loss	(16)	(4,840)	(685)	**(5,541)**	(16)	(5,428)	(767)	**(6,211)**
(-) Reversion by devolution	(295)	(428)	(99)	**(822)**	(300)	(594)	(158)	**(1,052)**
Balances in 2023	**14,000**	**6,036**	**9,387**	**29,423**	**15,055**	**8,552**	**10,225**	**33,832**

21.2. Contingent liabilities

The Company and its subsidiaries are parties to other lawsuits whose risk of loss, in accordance to the assessment of its legal advisors, validated by internal legal and Management of the Company is classified as possible losses and for which no provision has been recognized, as follows:

	Individual		Consolidated	
Nature	**2023**	**2022**	**2023**	**2022**
Tax	166,014	200,153	216,101	246,265
Labor	44,998	53,525	60,904	65,063
Civil	165,581	204,543	192,113	229,794
	376,593	**458,221**	**469,118**	**541,122**

The summary of main proceedings ongoing is presented as follows:

Tax

In 2015, the Company received a tax enforcement notice to pay excise tax (ISS) in the period between 1996 and 2001. Embargoes were filed alleging prescription of collection and the records are awaiting for the completion of the expert phase for judgment at the first administrative level. The amount involved as of December 31, 2023 is R$16,608 (R$14,897 as at December 31, 2022).

In 2019, the Company was fined for allegedly underpaying excise tax (ISS) in the 2014 calendar year, alleging an error in the attribution of the rates for the services it provides, assessed with possible risk of loss.. The defense was deemed unfavorable at first instance and the Company filed an appeal at the second administrative level, which was judged partially favorable. The Company proceeded with the discussion at the judicial level with the offer of guarantee insurance. In September 2022, the expert phase was concluded and in December 2022, there was a partially favorable judgment in the first judicial instance. The Company filed an appeal to the second instance to remedy defects and omissions in the decision, which is awaiting judgment. The amount involved as of December 31, 2023 is R$26,102 (R$24,897 as at December 31, 2022).

In 2021, 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 period of 2015. 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 as of December 31, 2023 is R$20,889 (R$18,817 as at December 31, 2022).

In 2021, 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 period of 2016. 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 as of December 31, 2023 is R$16,060 (R$14,822 as at December 31, 2022).

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 2017. On

December 31, 2022, the amount involved was R$17,594. On August 3, 2023, there was a partial decision in the first instance, in a decision order from the Company, which definitely reduced the possible contingent remaining R$2,720, which was the subject of a voluntary appeal.

The remaining tax cases assessed as possible losses deal with tax credits (city/state/federal) collection, which the Company and its subsidiaries consider them to be undue. The values of these lawsuits totalling R$136,442 as at December 31, 2023 (R$155,238 as at December 31, 2022), there being no other process of value individually relevant.

Labor

The labor lawsuits classified as possible losses totaled R$44,998 as at December 31, 2023 (R$65,063 as at December 31, 2022), there being no other process of value individually relevant.

Civil

The civil proceedings classified as possible loss are individually relevant:

(i) Civil lawsuit filed by a customer alleging problems resulting from the product implemented, which would have caused material damages. The case is in the appeal phase of a partial decision on the merits, given after the presentation of the defense.. The amount involved as at December 31, 2023 was R$13,629 (R$16,154 as at December 31, 2022).

The other lawsuits totaled R$178,484 as at December 31, 2023 (R$213,640 as at December 31, 2022), there being no other individually significant cases.

22. Shareholders' equity

a) Share Capital

As at December 31, 2023 and December 31, 2022 the Company’s share capital was composed of 617,183,181 registered common shares issued and fully paid, with no par value , as follows:

	2023		**2022**	
Shareholder	**Shares**	**%**	**Shares**	**%**
LC EH Participações e Empreendimentos S.A.	50,682,639	8.21%	80,282,970	13.01%
GIC Private Limited	37,582,739	6.09%	37,582,739	6.09%
Canada Pension Plan	32,754,201	5.31%	32,754,201	5.31%
BlackRock Inc.	31,632,336	5.13%	31,632,336	5.13%
Laércio José de Lucena Cosentino	1,545,336	0.25%	5,734,635	0.93%
CSHG Senta Pua Fia	144,800	0.02%	144,800	0.02%
Other	449,464,231	72.82%	417,615,746	67.66%
Outstanding shares	**603,806,282**	**97.83%**	**605,747,427**	**98.15%**
Treasury shares	13,376,899	2.17%	11,435,754	1.85%
Total in units	**617,183,181**	**100.00%**	**617,183,181**	**100.00%**

b) *Capital reserves*

The balance of capital reserves at December 31, 2023 and 2022 was broken down as follows:

	2023	2022
Goodwill reserve (i)	665,676	668,561
Premium on acquisition of non-controlling interests	(24,323)	(24,323)
Debentures converted into shares	44,629	44,629
Share-based compensation plan	130,555	112,560
Share issue expenses	(69,396)	(69,396)
Dilution of interest	352,540	352,540
Call option of non-controlling interests	(361,388)	(361,388)
	738,293	**723,183**

(i) Goodwill reserve is composed of R$31,557 addition occurred in 2005 and R$67,703 regarding to statutory reorganization with Bematech.

c) *Treasury shares*

As at December 31, 2023 and 2022, the account "Treasury Shares" had the following changes :

	Number of shares (Units)	Value (in Thousand)	Average price per share (in Reais)
Balance on January 1st, 2022	**9,104,876**	**R$ 133,195**	**R$ 14.63**
Repurchase	4,000,000	R$ 108,967	R$ 27.24
Used	(1,669,122)	R$ (24,491)	R$ 14.67
Balance on December 31, 2022	**11,435,754**	**R$ 217,671**	**R$ 19.03**
Repurchase	4,000,000	R$ 109,391	R$ 27.35
Used	(2,058,855)	R$ (43,617)	R$ 21.19
Balance on December 31, 2023	**13,376,899**	**R$ 283,445**	**R$ 21.19**

On February 16, 2023 the Board of Directors approved the share buyback program for the shares issued by the Company up to the limit of 4.000.000 common shares, to meet the grant of the Company's Share-Based Incentive Plan and to maximize the generation of long-term shareholder value through efficient management of the capital structure; and may also be held in treasury, sold or canceled in accordance with the law. In the period ended on September 30, 2023, all shares had already been repurchased.

On November 7, 2023 the Board of Directors approved the share buyback program for the shares issued by the Company up to the limit of 18.000.000 common shares, to maximize the generation of shareholder value, promote the efficient allocation of capital; may be held in treasury, canceled or sold in accordance with the law. The share buyback program will be finished until November 8, 2024. In the year ended on December 31, 2023, no shares had been repurchased.

During the year ended December 31, 2023, 2,058,855 (1,669,122 on December 31, 2022) treasury shares were used by the restricted share plans, which consumed R$43,617 (R$24,491 on December 31, 2022) from capital reserve.

23. Dividends and Interest on Shareholders' Equity

	Individual	
	2023	**2022**
Net income for the year - Individual company	734,820	498,136
Accrual of legal reserve (article 193 of Law No, 6404)	(36,747)	(24,907)
Net income after legal reserve allocation	**698,073**	**473,229**
Mandatory minimum dividend – 25%	174,518	118,307
Dividends paid in excess of the mandatory minimum	91,152	69,474
Total paid dividends	**265,670**	**187,781**
Payment:		
Interest on Shareholders' Equity	265,670	187,781
	265,670	**187,781**
Number of outstanding shares at December 31	603,806,282	605,747,427
Dividend and Interest on Shareholders' Equity per share - in Reais	**0.44**	**0.31**

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.

	Individual	**Consolidated**
Balances of dividends payable on December 31, 2022	128,477	130,363
(+) Deliberation interest on shareholders' equity - July 2023	138,872	138,872
(+) Deliberation interest on shareholders' equity - November 2023	126,798	126,798
(-) Payments	(392,366)	(394,252)
Balances of dividends payable on December 31, 2023	**1,781**	**1,781**

Interest on shareholders' equity is a part of dividends, which is deductible for purposes of Brazilian tax law. Therefore, reported in different lines in order to show the income tax effect.

Mandatory minimum dividends are shown in the statement of financial positions as legal obligations in the rubric dividends payable.

23.1 Profit reserves

The capital budget proposed for 2023 to be submitted to the Annual Shareholders Meeting, allocates the balance in the amount of R$432,403 from retained earnings to the following:

	2024
Investments:	
Investments in property, plant and equipment and intangible assets	213,072
Investments in strategic projects	219,331
Total investments	**432,403**

24. Share-based compensation plan

The Company and its subsidiaries measure the cost of transactions settled with shares to its employees based on the fair value of the shares on the grant date.

The Incentive Plan based on Shares of the Company and its subsidiaries established rules for certain employees and directors of TOTVS or other companies under its control so they can acquire shares of the Company through the grant of shares, thereby aligning over the medium and long terms, interests of the beneficiaries and shareholders' interests, broaden the sense of ownership and commitment of the executives through the concept of investment and risk. The Plan is administered by the Board of Directors of the Company, which establishes grant programs annually, and according to the rules of the Code of Ethics of the Company and its subsidiaries, the managers do not participate in the decisions of the plan that directly benefit them.

The restricted shares plan granted to beneficiaries until 2021 three types of programs:

(i) Regular restricted shares: the eligible participants shall have the right to receive the Restricted Shares of the Regular Program at the end of the vesting period. During the vesting period of the Regular Program, participants will not be entitled to receive dividends or Interest on Shareholders' Equity, in connection with the Restricted Shares.

(ii) Partner program: the eligible participants in this plan shall have the right to receive the Restricted Shares of the Partner Program at the end of the vesting period, provided the Participant has and maintains, on the date of granting of Restricted Shares on a continuous and uninterrupted basis, including on the date of delivery of the Restricted shares an amount equal to twelve (12) fixed monthly gross salaries invested in Company shares. During the vesting period of the Partner Program, participants will not be entitled to receive dividends or Interest on Shareholders' Equity in connection with the Restricted Shares.

(iii) Discretionary Bonus in Restricted Shares: this plan enables the Board, within the established limit for dilution of shares, in order to attract and retain certain key personnel of the Company and/or its subsidiaries, at its sole discretion, to use any remaining balance of Restricted Shares under this Plan for additional grants to participants.

From 2022, a new plan of restricted shares came into force, granting beneficiaries four types of program:

(i) ILP Destaques Program
(ii) ILP Master Program
(iii) ILP Performance Program

For the three programs listed above, the eligibles will have rights to receive the restricted shares to the end of the grace period and during the grace period, the participants will not be entitled to receive dividends, nor interest on shareholders' equity, related to the restricted shares. The definition of each program is available in the website from RI TOTVS (https://ri.totvs.com/esg/estatuto-politicas-e-regimento/).

(iv) Discretionary Bonus in Restricted Shares: this plan enables the Board, within the established limit for dilution of shares, in order to attract and retain certain key personnel of the Company and/ or its subsidiaries, at its sole discretion, to use any remaining balance of Restricted Shares under this Plan for additional grants to participants.

The fair value of restricted shares is the market value of each one on the grant date.

The main events relating to plans in force, the variables used in the calculations and the results are:

				Fair Value Assumptions	
				Expectation:	
Date	Plans	Number of options/shares	Fair value of shares	Dividends	Term maturity
05/7/2021	Regular	1,999,900	R$ 29.39	1.31%	3 years
05/7/2021	Sócios	1,257,680	R$ 29.39	1.31%	3 years
04/29/2022	Destaques	637,338	R$ 31.67	1.23%	3 years
04/29/2022	Master	399,283	R$ 30.90	1.23%	5 years
04/29/2022	Performance	1,776,226	R$ 31.67	1.23%	3 years
05/5/2023	Conselho	20,180	R$26.84	1.10%	3 years
05/5/2023	Destaques	1,350,716	R$26.84	1.10%	3 years
05/5/2023	Master	467,455	R$26.21	1.13%	5 years
05/5/2023	Performance	2,363,319	R$26.84	1.10%	3 years

Changes in restricted shares are as follows:

	Individual and Consolidated	
	December 31, 2023	December 31, 2022
	Number (in units)	
Opening balance	**8,678,658**	**8,411,454**
Transactions:		
Exercised	(2,824,155)	(2,286,716)
Granted	4,201,670	2,812,847
Cancelled	(519,792)	(260,115)
Added (i)	-	1,188
Closing balance	**9,536,381**	**8,678,658**

(i) Addition generated by the performance appraisal result referring to grants already granted in previous years;

The cumulative effect in the year ended December 31, 2023 was R$61,612 (R$53,130 as of December 31, 2022), recorded as share-based payment expenses.

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. According to the mention in the note 5, the creation of the JV with Itaú has resulted in a classification in only one line in the Statements of Profit or Loss in the rubric "Net Profit from Techfin Dimension" as CPC 31/ IFRS 5 determine until July 31,2023. With the transaction conclusion, TOTVS takes share control of this operation and from August 1, 2023, reflects the results of this operation in share of profit/ (loss) of equity-accounted investees line, proportional to its participation in the Share Capital from the Company.

The consolidated statements of profit or loss for the year ended December 31, 2023 and 2022 for these three reportable segments is as follows:

	Management		**Business Performance**		**Techfin (i)**		**Consolidated**	
Statement of profit or loss	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net revenue	4,074,224	3,492,143	422,804	300,789	221,773	205,945	4,718,801	3,998,877
(-) Costs	(1,155,200)	(996,900)	(98,292)	(70,152)	(102,849)	(95,023)	(1,356,341)	(1,162,075)
Gross profit	**2,919,024**	**2,495,243**	**324,512**	**230,637**	**118,924**	**110,922**	**3,362,460**	**2,836,802**
(+) Research and development expenses	(695,832)	(601,845)	(101,461)	(76,628)	(24,664)	(15,662)	(821,957)	(694,135)
(+) Impairment loss on trade and other receivables	(28,401)	(22,004)	(7,993)	(4,908)	(16,637)	(20,262)	(53,031)	(47,174)
Margin contribution	**2,194,791**	**1,871,394**	**215,058**	**149,101**	**77,623**	**74,998**	**2,487,472**	**2,095,493**
(-) Operating expenses	-	-	-	-	-	-	(1,493,492)	(1,192,628)
Selling and marketing expenses	-	-	-	-	-	-	*(974,508)*	*(758,793)*
Administrative expenses	-	-	-	-	-	-	*(454,261)*	*(422,981)*
Other operating income (expenses)	-	-	-	-	-	-	*(64,723)*	*(10,854)*
(-) Depreciation and amortization	-	-	-	-	-	-	(303,277)	(259,419)
(-) Share of profit / (loss) of equity-accounted investees	-	-	-	-	-	-	-	(442)
(-) Finance income (expenses)	-	-	-	-	-	-	(12,730)	20,678
(-) Income tax expenses	-	-	-	-	-	-	(146,744)	(141,836)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**531,229**	**521,846**

(i) The amount from Techfin Dimension in the year of 2022 and until July 2023 are presented pro forma considering just 50% from operation.

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 consolidated Statements of Profit or Loss for the year ended on December 31, 2023 and 2022:

	2023				
Statement of profit or loss	**Consolidated Statement of Profit or Loss**	**Reclassification (i)**	**(Loss) from Techfin Dimension (ii)**	**(Loss) from Techfin Dimension (iii)**	**Consolidated segments**
Net revenue	4,497,028	-	114,773	107,000	4,718,801
(-) Costs	(1,361,034)	107,542	(58,663)	(44,186)	(1,356,341)
Gross profit	**3,135,994**	**107,542**	**56,110**	**62,814**	**3,362,460**
(+) Research and development expenses	(844,764)	47,471	(10,644)	(14,020)	(821,957)
(+) Impairment loss on trade and other receivables	-	(36,394)	(8,904)	(7,733)	(53,031)
Margin contribution	**2,291,230**	**118,619**	**36,562**	**41,061**	**2,487,472**
(-) Operating expenses	(1,593,730)	164,182	(33,092)	(30,852)	(1,493,492)
Selling and marketing expenses	*(1,025,483)*	*73,754*	*(12,361)*	*(10,418)*	*(974,508)*
Administrative expenses	*(502,234)*	*90,428*	*(22,314)*	*(20,141)*	*(454,261)*
Other operating income (expenses)	*(66,013)*	*-*	*1,583*	*(293)*	*(64,723)*
(-) Depreciation and amortization	-	(282,801)	(12,084)	(8,392)	(303,277)
(-) Share of profit / (loss) of equity-accounted investees	3,195	(3,195)	-	-	-
(-) Finance income (expenses)	(17,409)	-	281	4,398	(12,730)
(-) Income tax expenses	(146,620)	-	2,896	(3,020)	(146,744)
Profit (loss) for the year	**536,666**	**(3,195)**	**(5,437)**	**3,195**	**531,229**

	2022			
Statement of profit or loss	**Consolidated Statement of Profit or Loss**	**Reclassification (i)**	**(Loss) from Techfin Dimension (iv)**	**Consolidated segments**
Net revenue	3,792,932	-	205,945	3,998,877
(-) Costs	(1,145,269)	78,217	(95,023)	(1,162,075)
Gross profit	**2,647,663**	**78,217**	**110,922**	**2,836,802**
(+) Research and development expenses	(719,806)	41,333	(15,662)	(694,135)
(+) Impairment loss on trade and other receivables	-	(26,912)	(20,262)	(47,174)
Margin contribution	**1,927,857**	**92,638**	**74,998**	**2,095,493**
(-) Operating expenses	(1,286,340)	143,490	(49,778)	(1,192,628)
Selling and marketing expenses	*(799,504)*	59,257	*(18,546)*	*(758,793)*
Administrative expenses	*(474,658)*	84,233	*(32,556)*	*(422,981)*
Other operating income (expenses)	*(12,178)*	-	*1,324*	*(10,854)*
(-) Depreciation and amortization	-	(236,128)	(23,291)	(259,419)
(-) Share of profit / (loss) of equity-accounted investees	(442)	-	-	(442)
(-) Finance income (expenses)	20,520	-	158	20,678
(-) Income tax expenses	(141,204)	-	(632)	(141,836)
Profit (loss) for the year	**520,391**	**-**	**1,455**	**521,846**

(i) Reclassification of depreciation, amortization and Impairment loss on trade and other receivables in highlighted lines;
(ii) Discontinued operation represents the profit or loss from January 1 to July 31, 2023, pro forma of 50%;
(iii) Opening share of profit/ (loss) of equity-accounted investees line from August 1 to December 31, 2023;
(iv) Discontinued operation represents the profit or loss from January 1 to December 31, 2022, pro forma of 50%.

26. Earnings per share

Basic earnings per share is calculated by dividing net income for the year, attributed to the Individual's common shareholders, by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income attributed to the holders of the Individual's common shares by the weighted average number of common shares available during the year, plus the weighted average number of common shares that would be issued if all the potentially diluted common shares are converted into common shares.

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

Basic earnings per share	**2023**	**2022**
Profit or loss for the year		
Continuing operations	507,051	495,226
Techfin Dimension	227,769	2,910
Profit attributable to the owners of the Company	**734,820**	**498,136**
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	603,896	606,803
Basic earnings per share (in Reais)	**1.21680**	**0.82092**
Basic earnings per share - continuing operations (in Reais)	**0.83963**	**0.81612**

Diluted earnings per share	**2023**	**2022**
Profit or loss for the year		
Continuing operations	507,051	495,226
Techfin Dimension	227,769	2,910
Profit attributable to the owners of the Company	**734,820**	**498,136**
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	603,896	606,803
Weighted average number of stock options/restricted shares	9,322	8,821
Weighted average number of common shares adjusted according to dilution effect	**613,218**	**615,624**
Diluted earnings per share (in Reais)	**1.19830**	**0.80916**
Diluted earnings per share - continuing operations (in Reais)	**0.82687**	**0.80443**

27. Gross sales revenue

Gross revenue and deductions used for the calculation of net revenue presented in the statement of profit and loss of the Company and its subsidiaries for the year ended December 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Recurring software	**2,771,986**	**2,324,896**	**4,392,722**	**3,663,208**
Nonrecurring software	**445,958**	**429,652**	**693,532**	**631,149**
License fees	197,967	200,711	276,304	262,111
Nonrecurring services	247,991	228,941	417,228	369,038
Operating revenue	**3,217,944**	**2,754,548**	**5,086,254**	**4,294,357**
Sales canceled	(26,944)	(24,299)	(38,915)	(36,863)
Sales taxes	(364,893)	(311,054)	(550,311)	(464,562)
Deductions	**(391,837)**	**(335,353)**	**(589,226)**	**(501,425)**
Total net revenue	**2,826,107**	**2,419,195**	**4,497,028**	**3,792,932**

28. Costs and expenses by nature

The Company and its subsidiaries present information about operating costs and expenses by nature for the year ended December 31, 2023 and 2022.

	Individual		Consolidated	
Nature	2023	2022	2023	2022
Salaries, benefits and payroll charges	1,186,986	1,040,283	2,022,490	1,680,291
Outsourced services and other inputs	618,417	513,690	941,007	784,469
Commissions	278,195	247,028	321,205	292,307
Depreciation and amortization	184,487	146,676	282,801	236,129
Provision for contingencies	20,356	24,408	23,079	31,994
Impairment loss on trade and other receivables	19,076	17,172	36,394	26,912
Others (i)	58,479	47,853	172,552	99,313
Total	**2,365,996**	**2,037,110**	**3,799,528**	**3,151,415**

	Individual		Consolidated	
Occupation	2023	2022	2023	2022
Cost of softwares	906,919	750,012	1,361,034	1,145,269
Research and development expenses	513,979	451,704	844,764	719,806
Selling and marketing expenses	651,341	551,025	1,025,483	799,504
Administrative expenses	294,208	284,604	502,234	474,658
Other operating revenues/ (expenses) (i)	(451)	(235)	66,013	12,178
Total	**2,365,996**	**2,037,110**	**3,799,528**	**3,151,415**

(i) In the year ended on December 31, 2023, the consolidated includes the earn-out complement due to performance above than expected in the total of R$57,445.

29. Finance income and expenses

Finance income and expenses incurred for the year ended December 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Finance income				
Short-term investment yield	197,813	207,821	339,787	335,275
Interest received	6,480	9,511	9,197	10,604
Monetary gains	7,528	4,875	13,486	20,624
Adjustment to present value	2,609	2,882	4,647	3,792
Foreign exchange gains	130	415	7,263	7,965
Other finance income (i)	(12,199)	(10,315)	(18,616)	(16,248)
	202,361	**215,189**	**355,764**	**362,012**
Finance expenses				
Interest expense	(224,544)	(225,267)	(237,300)	(239,223)
Monetary losses	(10,789)	(9,310)	(17,743)	(17,400)
Bank expenses	(3,666)	(4,128)	(4,816)	(5,110)
Adjustment to present value of liabilities	(30,303)	(17,785)	(87,849)	(58,243)
Foreign exchange losses	(437)	(414)	(7,533)	(6,714)
Other finance expenses (ii)	(2,596)	(434)	(17,932)	(14,802)
	(272,335)	**(257,338)**	**(373,173)**	**(341,492)**
Net finance results	**(69,974)**	**(42,149)**	**(17,409)**	**20,520**

(i) Includes the amounts of PIS e COFINS on finance income.
(ii) Includes inflation adjustments of Argentina subsidiaries (see note 2.4 (j) for more information).

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 – Corresponds to 2% of the employee’s salary; in 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 year ended December 31, 2023 was R$10,349 (R$8,735 as of December 31, 2022).

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 December 31, 2023, the mainly insurance coverage contracted are:

Type	Insurance Company	Effective		Maximum limit of Responsibility
		From	To	
Business Comprehensive	Mitsui	July/2023	July/2024	259,282
General Liability	Chubb Seguros	June/2023	June/2024	R$8,000
Vehicles (i)	Porto Seguro	January/2023	January/2024	(*) FIPE
D&O Directors and Officers Liability (ii)	AIG Seguros/Star/Zurich	July/2023	July/2024	150,000
E&O – Errors and Omissions	AIG Seguros	July/2023	July/2024	5,000
Cyber - Comprehensive Cyber Risks (iii)	AIG Seguros/Tokio Marine	August/2023	September/2024	50,000
Cyber - Comprehensive Cyber Risks (iv)	AIG Seguros	July/2023	July/2024	5,000

(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 USD1,000,000.00.
(iii) Coverage contracted for TOTVS S.A. effective until September 2024;
(iv) Coverage for the subsidiary TOTVS Large - unit Pinheiros (Tail).

32. Subsequent events

On January 31, 2024, the subsidiary Soluções em Software e Serviços TTS Ltda. completed, after all applicable precedent conditions have been met, including, without limitation, the approval of CADE, the acquisition of the entire Share Capital of IP São Paulo Sistemas de Gestão Empresarial Ltda. franchise, and paid the amount of R$137,600, subject to adjustments as set forth in the Agreement for the Sale and Purchase executed by and between the parties.

On february 1, 2024, the subsidiary Dimensa S.A. entered into an Agreement for the Sale and Purchase for the acquisition of the entire capital of Quiver Desenvolvimento e Tecnologia Ltda. for the amount of R$115,000. In addition, the Agreement provides for the payment of a complementary purchase price subject to compliance with certain conditions. In business since 1992, Quiver serves the main insurers, brokers and banks for sale and policy management. Its portfolio is divided into software for insurance and benefits brokers, calculation solutions and data sales.

Guidances Tracking

The financial projection disclosed in the Material Fact dated August 8th, 2023 and reflected below ("Projections") were an estimate and involved market and other factors beyond Company's control and did not constitute a promise of performance by its management, and may be subject to change.

OPEX TOTVS TECHFIN

The following results consider the operating costs and expenses (OPEX) of TOTVS TECHFIN only, not including any information or data (present or estimated) relating to its subsidiary Supplier Administradora de Cartão de Crédito S.A. The same methodology was used for the Projections.

TOTVS TECHFIN's OPEX consists of the lines of Operating Costs, Research and Development, Sales and Marketing Expenses and Administrative and Other Expenses.

TOTVS Techfin	3Q23		4Q23	4Q24
	Projected	Actual[1]	Actual[1]	Projected
Operating Costs and Expenses (OPEX)[2]	**R$24 to 30 million**	**R$20.2 million**	**R$26.2 million**	**R$32 to 40 million**

[1] Realized value (not a projection) reflected in the published results.
[3] OPEX consists of the lines of Operating Costs, Research and Development, Sales and Marketing Expenses and Administrative and Other Expenses.

As of today, the Company has not identified any reasons to modify the projection for the fourth quarter of 2024 (4Q24).

Report from the Statutory Audit Committee

The Audit Committee (“COAUD”) of TOTVS was created on May 28th, 2007, being provided for in the Company's Bylaws on April 5th, 2018. The Company's Board of Directors gave their approval on November 4th, 2021, for a new Charter for this Committee, which is now referred to as the Statutory Audit Committee ("CAE"). Under the Company's Bylaws and the Charter of the Statutory Audit Committee, the Committee's responsibilities are to ensure the suitable operation of the internal and external audit processes and management, mechanisms and controls connected to risk management, and the consistency of financial policies with strategic guidelines and the business risk profile. The CAE is also responsible for ensuring the quality, integrity, and compliance of the Company's financial statements, making recommendations to the Management regarding the approval of financial reports and any actions aimed at improving internal controls and reducing risks.

In 2023, the Committee met twelve times, with eleven ordinary meetings and one extraordinary meeting, and its Coordinator reported the Committee's activities and recommendations at all ordinary meetings of the Board of Directors.

The CAE was composed of three members. Among these members were Gilberto Mifano (Coordinator) and Tania Sztamfater Chocolat, who served as independent directors, as well as Lavínia Moraes de Almeida Nogueira Junqueira, an independent external member elected by the Board of Directors. The election of all of them took place on April 19th, 2022, and their term of office will last until the first meeting of the Board of Directors following the Company's 2024 Annual General Meeting.

Among the various subjects and topics addressed and discussed by the CAE to be recommended to the Management, the following ones are worth highlighting: **(i) Independent Auditors:** deliberating on the service agreement for retaining independent auditors, which outlines the required scope and ultimately advises the Board of Directors to renew the contract with the audit firm in 2023; discussion of the planning, scope, and main conclusions reached in the quarterly financial statements (ITRs), besides an opinion for preparing and issuing the 2023 financial statements (DFs 2023); discussion of any weaknesses, deficiencies, and recommendations for improvement pointed out in the Internal Controls Opinion, as well delving into the action plans put forth by the internal teams to address these issues and the specific topics that require correction or enhancement; knowledge of the preview and final results of the ISAE 3402/2023 report; discussion and approval of the Independent Auditors' Work Plan; review and recommendations to the Board of Directors regarding the independent auditing company's provision of additional services; monitoring of payments to independent auditors (audit fees, audit-related fees, and non-audit fees); discussions and monitoring on the notes of general information technology controls (ITGC), access profiles, and segregation of duties; and annual assessment of the independent auditors' performance. **(ii) Internal Audit:** discussion of the Company's risk matrix as it relates to the Internal Audit activities and approval of the audit work scheduled for 2023; review and discussion of the reports of the Internal Auditors' work issued for the key processes, own units and franchises, including any deficiencies found, justifications, and corrective actions; follow-up the corrective actions for the audit findings identified by the Internal Auditors; monitoring of compliance with the schedule for the year 2023, the scope of hours, as well as the results of investigations carried out in special works; review and recommendation of the 2023 Internal Auditors' Activity Report (RAINT); review of the proposed Budget for the Internal Audit area for the fiscal year 2024; monitoring and recommendations of the review process of the Corporate Internal Audit Regulation; and annual assessment process of the area and the performance of the head of the Internal Auditors department, as well as setting goals for the year 2024. The Committee has also validated the goals of the Internal Auditors team, which is accountable to the Executive Manager of Internal Audit. **(iii) Internal Controls, Corporate Risk**

Management, and Compliance: assessment and discussion of the Company's priority risk matrix, which rates risks based on their impact and likelihood of occurrence, monitoring of the corresponding risk mitigation plans by those responsible for their execution, in order to update the Reference Form with updated risk factors; follow-up of the risk management monitoring cycle, recommending process improvements, establishing contact points between the Board of Executive Officers and the Board of Directors; discussion of the Internal Controls Report (CCI) issued by the independent auditors, and monitoring of the corresponding action plans, as well as submitting the document to the Board of Directors; monitoring and scheduling the execution of action plans in 2024 to ensure compliance with the Company's Management's Compliance Program; monitoring and enforcing compliance with Company policies and practices; review and provide recommendations on the conditions for contracting the Civil Liability Insurance for the Management members (D&O) and its renewal in year 2023 for approval by the Board of Directors; monitoring of the Business Continuity Plan, including the Business Impact Analysis (BIA); and taking part in anti-corruption training as part of the Company's Compliance Program. **(iv) Financial Management, Allowances, Provisions, and Indicators:** review and provide an opinion to be approved by the Board of Directors of the quarterly and annual Financial Statements, holding joint sessions with the Company's Fiscal Council; discussing the terms and conditions outlined in the Earnings Release, which aims to inform the market about the Company's annual and quarterly results; review and provide recommendations for the approval of proposals regarding the statement and distribution of interest on stockholders' equity; discussion and follow-up of procedures adopted to review the annual impairment tests and recoverability of deferred tax assets; follow-up of the enforcement of the allowance for expected credit losses policy; follow-up of the capitalization of investments in research and development (P&D); periodic follow-up of activities and review of topics discussed by the Tax Affairs Committee and the Labor Affairs Committee; monitoring and advising the Board of Directors and the Board of Executive Officers on Due Diligence reports, valuation assumptions, and operational risks related to mergers and acquisitions (M&A), as well as the establishment of commercial alliances like Joint Ventures and wholly-owned subsidiaries, in compliance with the required procedures set forth for these transactions; follow-up of any earn-out additional payments planned for the companies purchased; monitoring of the credit risk and liquidity indicators of the subsidiary Supplier Administradora de Cartões de Crédito S.A., as well as track the progress of its Credit Rights Investment Fund (FIDC) and the Direct Credit Company (SCD). Once the joint venture TOTVS Techfin S.A. was established, the Committee began monitoring additional indicators related to this operation, in addition to those of Supplier; follow-up the NPS (Net Promoter Score) survey results, economic churn indicator, and implementing strategies to enhance customer satisfaction and retention, while considering potential financial implications for the Company; and monitoring of realized and unrealized risks of civil, labor and tax litigation, and the respective allowances for labor, civil, and tax contingencies. **(v) Information Security and Data Privacy**: follow-up of action plans to improve general information technology controls (ITGC), access profiles, and segregation of functions; monitoring and discussion events related to information security, data privacy, and cybersecurity, as well as the development and implementation of action plans; monitoring and recommendations as part of the Cyber Security insurance renewal process; and follow-up and discussion on the General Data Protection Law, and follow-up of the project of compliance with/adherence to the requirements of the Law. **(vi) Corporate Governance:** discussion, follow-up of the processes for updating the Reference Form, the Report of the Brazilian Code of Corporate Governance, and the Integrated Report, for recommending their approval to the Board; overseeing the preparation process for the 2023 Annual General Meeting, including the required documents for shareholder resolutions; provide a follow-up on the questions posed and answers received from the Management concerning official letters from regulatory agencies and self-regulatory entities; review and improvements to the standards for triggering the crisis management plan; discussion and recommendations regarding the approval and disclosure by the Board of Directors of the revision to the following normative documents: Litigation Management Policy, Information Disclosure and Securities Trading Policy, Risk Management Policy, Internal Controls and Compliance, Treasury Management Policy, Credit and Collection, Charters of the Board of Directors and Advisory Committees, Code of Ethics and Conduct, Charter of the Ethics and Conduct Committee;

recommendations for the Committee's Budget approval, which include expenses related to this body, Independent Audit services, Internal Audit expenses, and budget estimate for potential hiring of external experts in accordance with CVM Resolution 23/2021; analysis and recommendation of the appointment of members to form the Ethics Committee for Board approval; monthly follow-up of of complaints and activities of the Ethics and Conduct Committee's activities, as well as the investigations and actions taken by the Management, reporting them to the Board of Directors; review of the Greenhouse Gas Emissions Inventory Project Report and recommendation for approval; participation of the CAE Coordinator in the Annual General Meeting to address any queries shareholders may have; assess transactions carried out with related parties and make recommendations to the Board of Directors; and conduct the Committee's annual self-assessment process.

2023 Annual Financial Statements:

In the execution of their legal obligations and responsibilities outlined in the Statutory Audit Committee's Charter, the members of TOTVS S.A.'s Statutory Audit Committee conducted an examination and review of the financial statements, with the preliminary opinion from the independent auditors and the Management's annual report for the fiscal year ending December 31, 2023 (referred to as the "2023 Annual Financial Statements"), in consideration of the information provided by the Company's Management and KPMG Auditores Independentes Ltda., it has been unanimously advised that the Company's Board of Directors give their approval to said documents, which must be formally submitted at the Annual Shareholders' Meeting in compliance with the Brazilian Corporations Act.

São Paulo, February 1st, 2024.

Gilberto Mifano

Coordinator of the Statutory Audit Committee and member of the Board of Directors

Tania Sztamfater Chocolat

Member of the Statutory Audit Committee and of the Board of Directors

Lavínia Moraes de Almeida Nogueira Junqueira

External Member of the Statutory Audit Committee

Fiscal Council Report

The members of the Fiscal Council of TOTVS S.A., in the performance of their legal and statutory duties, examined the Management Report and the Financial Statements for the fiscal year ended December 31st, 2023. Hence, based on the analysis carried out, considering the opinion from KPMG Auditores Independentes Ltda., and the information and clarifications received in the course of the fiscal year, the Fiscal Council's opinion is that the aforementioned documents are suitable to be submitted to the Annual General Meeting for approval by the Company's shareholders.

São Paulo, February 06, 2024.

Luiz Gotardo Furlan

Member of the Fiscal Council

Fernando Heitor Baptista Vaccari

Member of the Fiscal Council

Guillermo Oscar Braunbeck

Member of the Fiscal Council