

TOTVS S.A.

Interim Financial Statements

September 30, 2020

and Independent auditor's report on review of interim financial information

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Consolidated Operating and Financial Performance

In this quarter, the data presented in this section consolidate the results for the months of July, August and September 2020 of Supplier S.A., which are shown in the Credit Products segment, as described below:

Technology Segment: it represents TOTVS's software businesses. This segment comprises the dimensions of Management, with the solutions of ERP, HR and Vertical, of Business Performance that started to be built with the solutions of CRM, *e-commerce*, among others that will be added to the portfolio, in addition to the Techfin solutions that do not involve the assumption of credit risk and/or the definition and/or application of credit policies, such as partnerships for payroll loans, EFT, Financial Panel, among others that will be added in the future.

Credit Products Segment - Supplier: it includes Supplier's businesses that involve, in addition to production, the assumption of some degree of credit risk and/or the definition and/or application of credit policies, such as the products known as "Supplier Card", "Antecipa", and "Mais Prazo". In this segment the results of the subordinated portion of FIDC (Purchase Card Supplier - Receivables' Investment Fund) are also consolidated, to which Supplier currently assigns the credits originated therefrom.

The table below shows the information by segment:

	3Q20		
	Technology	Credit Products	Consolidated
Net Revenues	629,209	48,557	677,766
(-) Costs	(188,895)	(16,313)	(205,208)
Gross Profit	440,314	32,244	472,558
(-) Operational Expenses	(297,278)	(19,332)	(316,610)
EBITDA	143,036	12,912	155,948
<i>EBITDA Margin</i>	22.7%	26.6%	23.0%
Extraordinary Items	5,474	-	5,474
Consolidated Adjusted Ebitda	148,510	12,912	161,422
<i>Consolidated Adjusted EBITDA Margin</i>	23.6%	26.6%	23.8%
(-) Depreciation and Amortization	(55,194)	(612)	(55,806)
(-) Financial Results	(10,477)	618	(9,859)
(-) Income Tax and Social Contribution	(7,510)	(3,918)	(11,428)
(-) Taxes on Extraordinary Items	(1,861)	-	(1,861)
Adjusted Net Earnings (Losses)	73,468	9,000	82,468
<i>Net Margin</i>	11.7%	18.5%	12.2%
Cash Earnings	87,790	9,000	96,790

(i) Net Income without the effects of expenses with amortization of intangibles arising from acquisitions

For comparison purposes between the periods of 2020 and 2019, the financial information of Consinco, Wealth Systems and Supplier has been consolidated from the respective acquisition dates.

Results from Technology

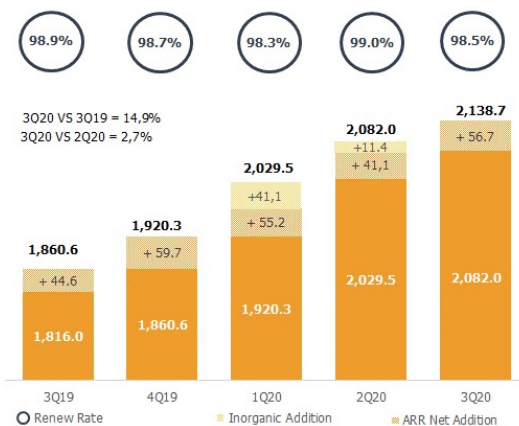
In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
Net Revenue	629,209	575,243	9.4%	600,735	4.7%	1,831,362	1,702,832	7.5%
Recurring	490,793	437,819	12.1%	484,704	1.3%	1,446,039	1,282,501	12.8%
Non Recurring	138,416	137,424	0.7%	116,031	19.3%	385,323	420,331	-8.3%
License	63,529	54,174	17.3%	47,111	34.8%	168,920	161,096	4.9%
Services	74,887	83,250	-10.0%	68,920	8.7%	216,403	259,235	-16.5%
Costs	(188,895)	(184,208)	2.5%	(173,577)	8.8%	(543,894)	(552,395)	-1.5%
Ajusted EBITDA	440,314	391,035	12.6%	427,158	3.1%	1,287,468	1,150,437	11.9%
<i>Gross Income</i>	<i>70.0%</i>	<i>68.0%</i>	<i>200 bp</i>	<i>71.1%</i>	<i>-110 bp</i>	<i>70.3%</i>	<i>67.6%</i>	<i>270 bp</i>
Total Expenses	(297,278)	(258,855)	14.8%	(290,132)	2.5%	(880,947)	(787,215)	11.9%
Research and Development	(105,532)	(97,229)	8.5%	(105,429)	0.1%	(316,850)	(292,839)	8.2%
Commercial and Marketing Expenses	(118,314)	(108,754)	8.8%	(99,176)	19.3%	(337,313)	(311,579)	8.3%
Allowance for Doubtful Accounts	(7,952)	(6,039)	31.7%	(19,528)	-59.3%	(33,039)	(23,885)	38.3%
General and Administrative Expenses	(57,123)	(44,472)	28.4%	(49,481)	15.4%	(156,523)	(137,430)	13.9%
Provision for Contingencies	(8,302)	(17,128)	-51.5%	(16,793)	-50.6%	(37,957)	(41,554)	-8.7%
Other Revenues (Expenses)	(55)	14,767	-100.4%	275	-120.0%	735	20,072	-96.3%
EBITDA	143,036	132,180	8.2%	137,026	4.4%	406,521	363,222	11.9%
<i>EBITDA Margin</i>	<i>22.7%</i>	<i>23.0%</i>	<i>-30 bp</i>	<i>22.8%</i>	<i>-10 bp</i>	<i>22.2%</i>	<i>21.3%</i>	<i>90 bp</i>
Extraordinary Items								
Expenses with M&A Transactions	5,474	-	-	-	-	5,878	-	-
Earns in Investments Sale	-	(11,697)	-100.0%	-	-	-	(11,697)	-100.0%
Ajusted EBITDA	148,510	120,483	23.3%	137,026	8.4%	412,399	351,525	17.3%
<i>EBITDA Margin</i>	<i>23.6%</i>	<i>20.9%</i>	<i>270 bp</i>	<i>22.8%</i>	<i>80 bp</i>	<i>22.5%</i>	<i>20.6%</i>	<i>190 bp</i>

Net Income - The net income from Technology grew 9.4% compared to 3Q19, mainly due to the 12.1% growth in Recurring Revenues, which represented 78.0% of total revenues in the quarter. Non-recurring Revenues, however, remained stable in the same period, with Revenues from Licenses having increased 17.3% in the period and Revenues from Service having decreased 10.0%, in line with the trend observed in previous quarters.



Recurring revenue - The growth of 12.1% year-over-year and 12.8% in 9M20 versus 9M19 in Recurring Revenue reflects: (i) sales growth, both for the existing client base and new clients; (ii) maintenance of the high level of client renewal rate (above 98%); (iii) updates for inflation at rates higher than those applied to contracts in the same period of the previous year; and (iv) the consolidation of Consinco and Wealth Systems results.

Organically, Recurring Revenue grew 8.2% compared to 3Q19. Such growth at a level lower than the 14.9% growth observed in the Annualized Recurring Revenue (ARR), as shown, is essentially associated with the greater volume of shortfalls granted for new sales made during the Covid-19 pandemic period, part of the important and successful sales strategy, already mentioned in 2Q20, to keep the pace of closing new businesses.



The net increase of ARR reached R\$ 56.7 million this quarter. This amount exceeded by 38.0% the organic net increase of R\$ 41.1 million achieved in 2Q20 and by 27.1% the net increase in 3Q19. This strong performance from ARR is a element that contributes positively for the Recurring Revenue in the coming quarters. In addition to sales of cloud solutions and solutions that help clients operate remotely, as noted in the previous quarter, sales of Consinco and Wealth Systems were also highlighted.

Non-recurring Revenue - In the year-over-year comparison, Non-recurring Revenues remained in line, despite the 17.3% increase in License Revenues, since Non-recurring Service Revenues decreased by 10.0% in the period, in line with the strategy of a greater share of franchises and other channels in the performance of implementation services, as well as the greater share of cloud-based products in the sales mix. For the same reasons pointed out above, in the accumulated result for the year, even with the 4.9% growth in License sales, the 16.5% drop in Non-recurring Services was the critical factor for non-recurring revenue to show a drop of 8.3% compared to the same period of the previous year.

Costs - Costs grew by 2.5% compared to 3Q19, due in part to the greater share of partner solutions in total sales in the period. However, as the cost structure grew at a slower pace than revenue growth, the Gross Margin increased 200 basis points. Such progress was mainly driven by the reduction in the service structure promoted in 4Q19 and by the greater share of Recurring Revenues associated with cloud-based solutions, which provides greater scalability.

Research and Development- Year-over-year, R&D expenses grew 8.5%, notably due to the following factors: (i) consolidation of Consinco and Wealth Systems results; (ii) greater provisioning of Bonuses/profit-sharing distribution due to the achievement of the targets set; and (iii) innovation investments in the period, especially in Techfin areas, which can be seen in the launch of new products and solutions mentioned in the "Recent Events" section. In the 9-month period, R&D expenses represented 21.9% of Recurring Revenue from Technology, compared to 22.8% in the same period of 2019, showing the gain in scale and efficiency in the allocation of R&D resources in the period, which is the result, for example, of the increasingly intense use of insights generated by the telemetry analysis of our solutions.

Sales and marketing expenses - The 8.8% year-on-year growth in Sales and Marketing Expenses resulted mainly from the performance of license sales and the higher share of franchises in the total sales mix in the quarter, in addition of the consolidation of the results from Consinco and Wealth Systems. These expenses represented 18.8% of Net Revenue from Technology in 3Q20, a reduction of 10 basis points over the same period of the previous year.

Allowance for Doubtful Accounts (PCLD) - In the 9-month period, the allowance for doubtful accounts represented 1.8% of Net Revenue from Technology, compared to 1.4% in the same period of 2019. This higher level reflects the increase in the average maturity of securities to mature and the volume of overdue securities in the receivables portfolio, especially in the initial ranges, i.e., those associated with customers with a lower propensity to pay and to sectors/segments most impacted by the Covid-19 pandemic.

General and Administrative Expenses and Provision for Contingencies - General and Administrative Expenses ("DGA"), together with the Provision for Contingencies, represented 10.4% of Net Revenue from Technology in 3Q20, 30 basis points lower than in 3Q19, chiefly due to the reduction in the volume of Provision for Contingencies. The growth in general and administrative expenses is mainly connected to: (i) an extraordinary expense of R\$ 5.6 million in expenses with M&A transactions, especially those related to the proposed business combination with Linx; (ii) increase in the provision for bonuses and for the long-term incentive plan (ILP); and (iii) consolidation of Consinco's and Wealth Systems's results. These same elements also substantially explain the 13.9% growth in General and Administrative Expenses in the 9-month period.

Other Operational Income (Expenses) - The year-on-year reduction in this line is mainly due to the net effect of the sale of CiaShop to VTEX for the amount of R\$ 11.7 million in 3Q19.

Result from Credit Products – Supplier

	3Q20
Credit Products Revenue - Supplier	48,557
(-) Credit Products Costs	(16,313)
Gross Revenue	32,244
<i>EBITDA Margin - Supplier</i>	66.4%
(-) Operational Expenses	(19,865)
(-) Provision for Bad Debts	533
EBITDA - Supplier	12,912
<i>EBITDA Margin - Supplier</i>	26.6%

Revenue from Credit Products - Revenue from Credit Products is earned from credit operations in the chains served by Supplier.

Costs of Credit Products - The costs of credit products, which include funding costs of senior and mezzanine quotas, credit insurance costs and the credit analysis structure.

Operating Expenses - Operating Costs, which include administrative, selling and technology expenses, which are business support areas.

Allowance for Doubtful Accounts (PCLD) - The allowance for doubtful accounts in 3Q20 had a positive effect of R\$ 0.5 million in the result, compared to a negative effect of R\$ 4.9 million in 2Q20. This behavior of allowance for doubtful accounts resulted from a more conservative posture adopted by Supplier in setting the limits for granting credit since the beginning of the Covid-19 pandemic. Such a position can be seen in the graph on the right, especially in the behavior of the portfolio up to 30 days late, which showed the highest increase in defaults in May and is currently below pre-Covid-19 levels. As already mentioned in 2Q20, Supplier's most valuable asset is the preservation of its credit history. With that clarity in mind, all decisions are made taking into account the best management of said indicator.

Considering the average portfolio term of about 60 days, Supplier has already turned over its portfolio 3 times during the pandemic period and, until this moment, the effective loss rate, which had increased at the beginning of the pandemic, is currently at a level lower than the low historical average of this indicator. This fact reiterates the resilience of Supplier's business model and its good discipline in granting credit.

CONSOLIDATED RESULTS AFTER EBITDA

Depreciation and amortization expenses -The growth in Depreciation expenses, both in the year-over-year comparison and in the 9-month comparison, is due to: (i) the consolidation of the results of Consinco, Wealth Systems, and Supplier; (ii) the greater depreciation in electronic processing equipment and greater depreciation of the right to use the properties, due to contractual updates. The increase in Amortization expenses was due to the beginning of the accounting amortization of intangibles, arising from the acquisitions of Consinco as of February, of Wealth Systems starting in April, and Supplier as of May 2020, which together had an impact of R\$ 19.9 million in 3Q20 and R\$ 14.4 million in 2Q20.

Financial Result - The drop in the Financial Result when compared to 3Q19 was motivated by the reduction in the volume of cash applied, compared to the same period of the previous year, since at that time the Company had a high volume of cash, resulting from the subsequent offering of shares (“*follow-on*”) that took place during 2Q19.

In the 9-month period, the lower level of indebtedness during the period resulted in a Financial Expense lower than that presented in the same period of the previous year.

Income tax and Social contribution - The year-over-year reduction in the Effective Rate is essentially connected: (i) to the higher amount of Interest on Equity distributed in 3Q20, given the higher level of taxable profit of the parent company in 2020; and (ii) the increase in R&D projects under tax incentive rules. In the first nine months, even with a higher tax incentive on R&D activities and a higher level of Interest on Equity, the tax benefit on expenses incurred in the subsequent issue of shares (*follow-on*) in 2019 caused the effective rate in 2020 to be 140 basis points higher than that presented in that period.

In R\$ thousand	3Q20	3Q19	Δ	2Q20	Δ	9M20	9M19	Δ
Net Income	79,311	87,471	-9.3%	57,993	36.8%	198,812	156,742	26.8%
<i>Net Margin</i>	11.7%	15.2%	-350 bp	9.2%	250 bp	10.4%	9.2%	120 bp
Income Tax and Social Contribution	11,428	15,697	-27.2%	25,989	-56.0%	68,683	57,214	20.0%
Financial Result	9,565	(6,780)	-241.1%	360	2556.9%	3,723	7,101	-47.6%
Depreciation and Amortization	55,806	36,073	54.7%	52,658	6.0%	147,252	110,222	33.6%
Net Income (Loss) from Discontinued Operation	(456)	(281)	62.3%	337	-235.3%	980	31,813	-96.9%
Equity Pickup	294	-	-	-	-	294	130	126.2%
EBITDA	155,948	132,180	18.0%	137,337	13.6%	419,744	363,222	15.6%
<i>EBITDA Margin</i>	23.0%	23.0%	0 bp	21.9%	110 bp	22.0%	21.3%	70 bp

EBITDA - EBITDA in 3Q20 grew 18,0% over 3Q19 and reached 23.0% EBITDA Margin, showing the Company's operational leverage capacity, as well as the scalability of its business model. In the accumulated result for the year, the EBITDA Margin grew 15.6%, expansion was 70 basis points, showing discipline in performing the strategy and the resilience of the Company's business model, even in an exceptionally challenging year.

(*)EBITDA is a non-accounting measure used by the Company and consists of net income from the period plus income tax, financial expenses net of financial income, and depreciation and amortization.



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

Independent auditor's report on review of quarterly information

To the Shareholders, Board of Directors and Officers

TOTVS S.A.

São Paulo - SP

Introduction

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

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

Scope of review

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



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Conclusion on the individual and consolidated interim financial information

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

Emphasis of a matter – restatement of the individual and consolidated interim financial information

We draw attention to Note 2.5 to the individual and consolidated interim financial information, which have been changed and restated to reflect improvements in the notes and reclassification of amounts, as described in the referred to note. On October 28, 2020 and November 4, 2019, we issued an unmodified review report on the Company's individual and consolidated interim financial information for the period ended September 30, 2020 and 2019, respectively, which are now restated. Our review report remains unmodified, since the individual and consolidated interim financial information and the corresponding prior-period figures have been changed retrospectively.

Other matters

Statements of value added

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

São Paulo, May 24, 2022.

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

Luiz Carlos Marques
Accountant CRC-1SP147693/O-5

TOTVS S.A.**Statement of financial position as at September 30, 2020 and December 31, 2019**

(In thousands of reais)

Assets	Individual		Consolidated		Liabilities and equity	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Current assets	887,743	1,440,458	2,592,932	2,004,275	Current liabilities	421,297	608,254	1,823,999	705,552
Cash and cash equivalents (Note 5)	483,096	1,106,888	999,800	1,538,156	Labor liabilities (Note 15)	157,682	144,399	238,636	193,472
Financial Investments (Note 6)	-	-	62,932	-	Trade and other payables	68,422	50,772	91,547	63,821
Escrow account (Note 20)	8,261	23,217	10,307	25,278	Taxes and contributions payable (Note 16)	59,992	40,192	89,580	55,203
Trade receivable (Note 7)	348,177	332,554	1,573,901	453,118	Commissions payable	44,438	40,405	53,831	46,035
Allowance for expected credit losses (Note 7)	(62,687)	(79,712)	(140,846)	(102,123)	Dividends payable (Note 24)	36,075	44,579	36,075	44,579
Taxes recoverable (Note 8)	13,081	20,893	22,384	29,662	Loans, financing and lease liabilities (Note 17)	39,094	44,322	46,785	55,623
Dividends receivable	44,500	-	-	-	Debentures (Note 18)	-	202,973	-	202,973
Other assets (Note 11)	53,315	36,618	64,454	60,184	Accounts payable from acquisition of subsidiaries (Note 20)	8,350	30,493	44,174	32,554
					Business partners payable (Note 19)	-	-	288,733	-
					Senior shares and mezzanine obligations (Note 22)	-	-	924,802	-
					Other liabilities	7,244	10,119	9,836	11,292
Noncurrent assets	2,413,696	1,962,475	2,320,799	1,531,652	Noncurrent liabilities	314,126	317,465	523,716	351,966
Escrow account (Note 20)	-	-	1,141	1,987	Loans, financing and lease liabilities (Note 17)	174,878	185,786	185,431	192,080
Trade receivable (Note 7)	51,727	29,695	57,679	31,627	Provision for contingencies (Note 21)	116,667	116,061	134,252	131,521
Receivables from related parties (Note 10)	294	12	-	-	Accounts payable from acquisition of subsidiaries (Note 20)	-	-	170,838	10,758
Taxes recoverable (Note 8)	-	-	8,024	-	Taxes and contributions payable (Note 16)	-	-	3,998	-
Deferred tax assets (Note 9.2)	40,262	50,330	96,481	100,380	Deferred tax liabilities	-	-	3,741	-
Investments at fair value (Note 4.2)	-	-	100,696	71,955	Other liabilities	22,581	15,618	25,456	17,607
Judicial deposits (Note 21)	42,345	48,642	48,789	65,059					
Other assets (Note 11)	48,775	56,919	59,154	57,395	Shareholders' equity (Note 23)	2,566,016	2,477,214	2,566,016	2,478,409
Investments (Note 12)	1,520,307	1,039,918	3,402	3,120	Capital	1,382,509	1,382,509	1,382,509	1,382,509
Property, plant and equipment (Note 13)	143,951	158,391	157,877	166,922	Treasury shares	(148,570)	(62,531)	(148,570)	(62,531)
Intangible assets (Note 14)	362,797	366,620	1,567,313	810,697	Capital reserves	887,095	875,979	887,095	875,979
Right of use (Note 13)	203,238	211,948	220,243	222,510	Other comprehensive income	51,524	22,051	51,524	22,051
					Reserve	393,458	234,389	393,458	234,389
					Proposed dividends	-	24,817	-	24,817
					Noncontrolling interests	-	-	-	1,195
Total assets	3,301,439	3,402,933	4,913,731	3,535,927	Shareholders' equity and liabilities	3,301,439	3,402,933	4,913,731	3,535,927

See the accompanying notes to the consolidated financial statements

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of profit or loss
Nine-month periods ended September 30, 2020 and 2019

(In thousands of reais, except for earnings per share)

	Individual				Consolidated			
	7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019
Software revenue (Note 28)	445,373	1,304,993	412,150	1,216,972	629,209	1,831,362	575,243	1,702,832
Credit products	-	-	-	-	48,557	75,221	-	-
Net revenue from services and sales	445,373	1,304,993	412,150	1,216,972	677,766	1,906,583	575,243	1,702,832
Cost of software	(155,645)	(452,832)	(154,991)	(449,766)	(206,456)	(595,525)	(203,208)	(602,159)
Cost of credit products	-	-	-	-	(16,313)	(25,870)	-	-
Gross profit	289,728	852,161	257,159	767,206	454,997	1,285,188	372,035	1,100,673
Operating income (expenses)								
Research and development expenses	(74,544)	(227,021)	(76,655)	(223,456)	(113,870)	(341,401)	(108,052)	(319,198)
Selling and marketing expenses	(102,067)	(293,628)	(90,775)	(272,415)	(134,772)	(396,013)	(119,922)	(348,566)
General and administrative expenses	(61,454)	(176,933)	(44,527)	(156,806)	(106,163)	(276,021)	(62,721)	(199,981)
Other operating income (expenses)	1,334	1,753	14,695	18,163	(50)	739	14,767	20,072
Operating profit	52,997	156,332	59,897	132,692	100,142	272,492	96,107	253,000
Finance income	4,538	25,000	22,512	41,783	8,214	40,371	25,654	51,264
Finance expenses	(9,242)	(29,137)	(16,243)	(50,010)	(17,779)	(44,094)	(18,874)	(58,365)
Equity pick-up	30,283	77,989	28,083	79,387	(294)	(294)	-	(130)
Profit before tax from continuing operations	78,576	230,184	94,249	203,852	90,283	268,475	102,887	245,769
Income tax and social contribution - current	(1,050)	(20,324)	(5,503)	(17,457)	(18,278)	(56,488)	(17,967)	(51,536)
Income tax and social contribution - deferred	1,329	(10,068)	(1,765)	1,798	6,850	(12,195)	2,270	(5,678)
Total of Income tax and social contribution	279	(30,392)	(7,268)	(15,659)	(11,428)	(68,683)	(15,697)	(57,214)
Profit for the period from continuing operations	78,855	199,792	86,981	188,193	78,855	199,792	87,190	188,555
Loss after tax for the period from discontinued operations	456	(980)	281	(31,813)	456	(980)	281	(31,813)
Profit for the period	79,311	198,812	87,262	156,380	79,311	198,812	87,471	156,742

Attributable to:								
Equity holders of the parent	79,311	198,812	87,262	156,380	79,311	198,812	87,262	156,380
Non-controlling interests	-	-	-	-	-	-	209	362
Earnings per share								
Basic earnings per thousand shares (in Reais)	0.13954	0.34980	0.16390	0.29380	0.13954	0.34980	0.16390	0.29380
Diluted earnings per thousand shares (in Reais)	0.13793	0.34576	0.16250	0.29120	0.13793	0.34576	0.16250	0.29120

See the accompanying notes to the consolidated financial statements

(A free translation of the original in Portuguese)

TOTVS S.A.
Statements of comprehensive income
Nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais)

	Individual			
	7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019
Profit for the year	79,311	198,812	87,262	156,380
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	1,051	29,473	5,679	4,428
Total comprehensive income for the year	80,362	228,285	92,941	160,808
	Consolidated			
	7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019
Profit for the year	79,311	198,812	87,471	156,742
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	1,051	29,473	5,679	4,428
Total comprehensive income for the year	80,362	228,285	93,150	161,170
Attributable to:				
Equity holders of the parent	80,362	228,285	92,941	160,808
Non-controlling interests	-	-	209	362

See the accompanying notes to the consolidated financial statements

TOTVS S.A.

(A free translation of the original in Portuguese)

Statements of changes in shareholders' equity

Periods ended September 30, 2020 and December 31, 2019

(In thousands of reais)

	Attributable to the equity holders of the parent											
	Capital	Transaction between shareholders	Capital Reserve	Legal Reserve	Profit Reserve	Treasury shares	Other comprehensive income	Retained earnings	Proposed additional dividend	Total Equity	Non-controlling interests	Total shareholders' equity
As at January 1, 2019	1,041,229	(25,518)	195,425	86,996	38,232	(70,026)	20,704				1,178	1,288,220
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	-	-	4,263	-	4,263	13	4,276
Capital transactions with shareholders												
Issuance of share capital, net of issuance costs	341,280	-	696,278	-	-	-	-	-	-	1,037,558	-	1,037,558
Share-based compensation plan	-	-	13,504	-	-	-	-	-	-	13,504	-	13,504
Sale of consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	(354)	(354)
Dividends	-	-	-	-	-	-	-	(24,817)	24,817	-	(494)	(494)
Interest on shareholders' equity	-	-	-	-	-	-	-	(80,081)	-	(80,081)	-	(80,081)
Treasury shares	-	-	(3,710)	-	-	7,495	-	-	-	3,785	-	3,785
Total comprehensive income	-	-	-	-	-	-	1,347	209,796	-	211,143	852	211,995
Profit for the year	-	-	-	-	-	-	-	209,796	-	209,796	852	210,648
Cumulative adjustment for currency exchange	-	-	-	-	-	-	2,291	-	-	2,291	-	2,291
Post-employment benefit	-	-	-	-	-	-	(944)	-	-	(944)	-	(944)
Appropriation of retained earnings	-	-	-	10,490	98,671	-	-	(109,161)	-	-	-	-
As at December 31, 2019	1,382,509	(25,518)	901,497	97,486	136,903	(62,531)	22,051	-	24,817	2,477,214	1,195	2,478,409
Capital transactions with shareholders												
Share-based compensation plan	-	-	16,888	-	-	-	-	-	-	16,888	-	16,888
Prior-year dividends	-	-	-	-	-	-	-	-	(24,817)	(24,817)	-	(24,817)
Acquisitions of non-controlling interests	-	1,195	-	-	-	-	-	-	-	1,195	(1,195)	-
Disposal of shares on a share-based payment	-	-	(6,967)	-	-	8,695	-	-	-	1,728	-	1,728
Purchases of treasury shares	-	-	-	-	-	(94,734)	-	-	-	(94,734)	-	(94,734)
Interest on shareholders' equity	-	-	-	-	-	-	-	(39,743)	-	(39,743)	-	(39,742)
Total comprehensive income	-	-	-	-	-	-	29,473	198,812	-	228,285	-	228,285
Profit for the period	-	-	-	-	-	-	-	198,812	-	198,812	-	198,812
Cumulative adjustment for currency exchange	-	-	-	-	-	-	29,473	-	-	29,473	-	29,473
As at September 30, 2020	1,382,509	(24,323)	911,418	97,486	136,903	(148,570)	51,524	159,069	-	2,566,016	-	2,566,016

See the accompanying notes to the consolidated financial statements

(A free translation of the original in Portuguese)

TOTVS S.A.

Statements of cash flows

Nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais)

	Individual		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Operating activities				
Profit before tax from continuing operations	230,184	203,852	268,475	245,769
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortization (Notes 13 and 14)	93,057	88,171	147,252	110,222
Share-based compensation plan (Note 25)	16,888	9,180	16,888	9,180
Losses on disposal of fixed assets and investments	(1,621)	(12,630)	(1,427)	(13,318)
Allowance for expected credit losses (Note 7)	22,917	16,719	37,409	23,885
Equity pick-up (Note 12)	(77,989)	(79,387)	294	130
Provisions for contingencies, net of reversals (Note 21)	29,939	36,997	37,957	41,554
Provision for (reversal of) other obligations and others	(786)	(94)	(720)	(94)
Senior shares and mezzanine remuneration (FIDC)	-	-	16,295	-
Interest monetary variations and net foreign exchange	20,598	39,924	29,918	41,517
Working capital adjustments:				
Trade receivable	(77,597)	(36,571)	(322,290)	(72,231)
Recoverable taxes	7,812	15,794	11,533	20,361
Judicial deposits	6,910	(5,826)	17,072	(5,595)
Other assets	(13,554)	(16,610)	(21,339)	(17,191)
Labor liabilities	13,283	37,478	26,491	49,179
Trade and other payables	17,651	(18,143)	22,337	(14,725)
Commissions payable	4,033	2,978	6,822	3,570
Taxes and contributions payable	11,468	(3,209)	21,529	(6,421)
Business partners payable	-	-	111,532	-
Other liabilities	(29,168)	(36,553)	(44,229)	(39,500)
Cash flow from operations	274,025	242,070	381,799	376,292
Interest paid	(16,466)	(112,210)	(18,753)	(113,250)
Income and social contribution taxes paid	(11,992)	(8,440)	(47,924)	(35,224)
Net cash flows from operating activities	245,567	121,420	315,122	227,818
Investing activities				
Capital contributions in subsidiaries (Note 12)	(417,211)	70,778	-	-
Dividends received	-	66,034	-	-
Purchases of intangible assets (Note 14)	(24,087)	(20,844)	(25,698)	(20,859)
Payments from acquisitions of subsidiaries (Note 20)	(7,121)	-	(7,121)	(5,433)
Purchases of property, plant and equipment (Note 13)	(23,199)	(17,670)	(25,036)	(19,008)
Acquisitions of subsidiaries, net of cash obtained in the acquisitions	-	-	(321,895)	-
Proceeds from sale of subsidiaries	5,000	7,531	19,695	7,531
Proceeds from sale of property, plant and equipment	1,931	2,186	2,239	2,441
Financial investments	-	-	158,165	-
Net cash flows from (used in) investing activities	(464,687)	108,015	(199,651)	(35,328)
Financing activities				
Payment of principal on loans and financing	-	(127,825)	(174,858)	(135,963)
Payment of principal portion of lease liabilities	(35,244)	(41,218)	(40,925)	(45,056)
Payment of debentures	(400,000)	-	(400,000)	-
Issuance of debentures, net of issuance costs	196,924	-	196,924	-
Issuance of share capital, net of issuance costs	-	1,037,652	-	1,037,652
Receivables from related companies	(282)	4,655	-	-
Dividends and Interest on shareholders' equity paid	(73,064)	(17,133)	(73,064)	(17,792)
Treasury share	(93,006)	3,572	(93,006)	3,572
Application (Redemption) of senior and mezzanine shares	-	-	(68,898)	-
Net cash flow from/(used in) financing activities	(404,672)	859,703	(653,827)	842,413
Increase (decrease) in cash and cash equivalents	(623,792)	1,089,138	(538,356)	1,034,903
Cash and cash equivalents at beginning of period	1,106,888	228,571	1,538,156	452,799
Cash and cash equivalents at end of period	483,096	1,317,709	999,800	1,487,702

See the accompanying notes to the consolidated financial statements.

TOTVS S.A.
Statements of Value Added
Nine-month periods ended September 30, 2020 and 2019
(In thousands of Reais)

	Individual		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
1 – REVENUES	1,448,828	1,375,656	2,097,287	1,914,699
1.1 Sales of goods, products and services	1,470,311	1,373,261	2,134,430	1,917,132
1.2 Other revenue	1,434	19,114	266	21,452
1.3 Allowance for doubtful accounts – recording	(22,917)	(16,719)	(37,409)	(23,885)
2 - RAW MATERIALS ACQUIRED FROM THIRD PARTIES (includes ICMS and IPI taxes)	(455,802)	(484,276)	(593,964)	(596,790)
2.1 Cost of goods and services sold	(77,863)	(66,779)	(111,967)	(73,906)
2.2 Materials, energy, outsourced services and other	(376,959)	(385,684)	(481,017)	(491,071)
2.3 Loss / Recovery of assets	(980)	(31,813)	(980)	(31,813)
3 - GROSS VALUE ADDED (1-2)	993,026	891,380	1,503,323	1,317,909
4 - DEPRECIATION AND AMORTIZATION	(93,057)	(88,171)	(147,252)	(110,222)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)	(899,969)	803,209	1,356,071	1,207,687
6 - VALUE ADDED RECEIVED IN TRANSFERS	102,989	121,170	40,077	51,134
6.1 Equity pick-up	77,989	79,387	(294)	(130)
6.2 Finance income	25,000	41,783	40,371	51,264
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	1,002,958	924,379	1,396,148	1,258,821
8 - VALUE ADDED DISTRIBUTION	1,002,958	924,379	1,396,148	1,258,821
8.1 Personnel	554,305	519,617	811,482	732,744
8.1.1 Direct compensation	458,370	422,989	672,076	601,826
8.1.2 Benefits	61,810	61,472	90,651	81,972
8.1.3 FGTS (Unemployment Compensation Fund)	34,125	35,156	48,755	48,946
8.2 Taxes and contributions	220,228	197,384	340,302	309,349
8.2.1 Federal	180,903	159,912	284,305	255,652
8.2.2 State	32	32	1,208	951
8.2.3 Local	39,293	37,440	54,789	52,746
8.3 Interest and rent	29,613	50,998	45,552	59,986
8.3.1 Interest	29,137	50,010	44,094	58,365
8.3.2 Rent	476	988	1,458	1,621
8.4 Equity remuneration	198,812	156,380	198,812	156,742
8.4.1 Interest on shareholders' equity	39,743	36,224	39,743	36,224
8.4.2 Retained profits / loss for the year	159,069	120,156	159,069	120,156
8.4.3 Non-controlling interests in retained profits	-	-	-	362

See the accompanying notes to the consolidated financial statements

TOTVS S.A.

Notes to the interim financial statements

(In thousands of Reais, unless otherwise stated)

1. The Company and its operations

a) General Information

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

b) 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 and collaboration platforms, 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.

On April 30, 2020, the Company completed the acquisition of Supplier Participações S.A. (“Supplier”). Supplier is a business to business company focused on development of solutions for the relationship between customers and suppliers. In addition, with the acquisition of Supplier, the Company began operating in the financial services, issuance and credit card management business, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated quotas of a securitization fund known as Fundo de Investimento em Direitos Creditórios (“Supplier FIDC”), which purchases, sales and securitizase own or third-party credit rights. The investment in FIDC has been included in Company consolidated financial statements. See Note 3.1 (c).

Until 2019, the Company, through certain subsidiaries, performed hardware manufacturing and sale activities, combining specialized solutions for system management, points of sale (“POS”), commercial automation and tax solutions. Strategically aiming to focus on the software business, the Company decided to sell these subsidiaries in the first quarter of 2019, a process that was concluded during the year.

c) Impacts of the Covid-19 pandemic

The Company is monitoring the impacts of the COVID-19 pandemic and has been taking preventive and mitigating measures in line with the guidelines set forth by health authorities regarding the safety of its employees (TOTVERS) and the continuity of its operations.

The main actions adopted by the Company were: (i) the establishment of a Crisis Committee which developed several actions for its ecosystem in the period, promoting social responsibility with the industry, society and employees; (ii) adoption of remote work (home office) practice for all its units, and an evaluation of the possibility of gradual and voluntary return of the TOTVERS who did not declare themselves as part of high risk groups to the offices in safety, based on official health guidelines of the cities in which we have operations; (iii) suspension of international travelling and restrictions on domestic travelling; and (iv) implementation, together with our health

plan operator, of a 24-hour telephone assistance service for TOTVERS.

It is important to mention that the Company did not reduce wages and the working hours of its employees during the period, or promote headcount reductions outside the normal course of its operations.

Impact analyses on interim financial information – individual and consolidated

In view of the current uncertain economic scenario, caused by the Covid-19 pandemic and in compliance with Official Letters CVM/SNC/SEP/No.02/2020 and No.03/2020, the Company reviewed the main accounting estimates used in the explanatory notes, as follows:

- (i) **Assessment of the allowance for expected credit losses:** The Company assesses the variables that make up the methodology for measuring estimated losses, through the projected rolling of each portfolio range, capturing the estimated reflexes in default and credit recovery for the following months, which resulted an increase in coverage of estimated losses in the portfolios in general, as can be seen in note 29. On the other hand, in the third quarter of 2020, the Company observed a significant improvement compared with the second quarter of 2020, both in e timely payment of customers and in decrease in estimated losses. It's important to mention that Management continues monitoring the economic scenario and assessing any possible impacts on the measurement of estimated losses.
- (ii) **Impairment testing of intangible assets with an indefinite useful live:** The Company assessed the recoverability of its assets through a sensitivity analysis of cash-generating units and did not detect the need for a provision for loss in its interim financial information at September 30, 2020.
- (iii) **Volume of credit originating from subsidiary Supplier:** The Company observed a temporary decrease in the volume of credit rights of the subsidiary Supplier in the second quarter, due to the economic scenario impacted by the Covid-19 pandemic, with recovery during the third quarter of 2020.
- (iv) **Non recurring service revenue:** Revenues from software implementation and customization services had little impact, since the vast majority of our customers accepted the performance of services remotely.
- (v) **Recoverability of deferred taxes:** Recoverability of deferred tax assets is reviewed annually or when the availability of future taxable profits for the recovery of the asset, in total or in part, is not probable. In the management view, the current scenario impacted by Covid-19 pandemic did not affect projections of future taxable income and allows recoverability of credits in a period not exceeding 10 years.
- (vi) **Debentures:** On April 22, 2020, the Company approved the issuance of debentures in the total amount of R\$200,000, to cover eventual cash needs during the Covid-19 pandemic. On August 10, 2020, the Company opted for early redemption, with the debt settled in this quarter (note 18).

In addition to the items highlighted above, the Company has been closely monitoring liquidity and credit risks as mentioned in note 4.6.

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

2.1. Statement of compliance

The individual and consolidated interim financial information was prepared and is presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), and Brazil's Financial Accounting Standards Board (CPC) pronouncements, guidance and interpretations, 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 interim financial information, and solely such information, is disclosed and corresponds to that used by Company management.

2.2. Basis of presentation

All amounts presented in this interim financial information are expressed in thousands of reais, unless otherwise indicated.

TOTVS's individual and consolidated Interim Financial Information was approved at the Board of Directors' Meeting held on October 28, 2020, after a recommendation by the Audit Committee at a meeting held on October 26, 2020. The restatement of these individual and consolidated Interim Financial Information previously issued were approved by the Board of Directors on May 24, 2022, after recommendation by the Audit Committee at a meeting held in the same date as described in the Note 2.5.

Significant accounting policies adopted in preparing this interim financial information have been consistently applied to the years presented. This interim financial information does not include all the requirements for annual or complete financial statements, and therefore should be read together with the Company's complete financial statements for the year ended December 31, 2019.

2.3. Basis of preparation

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

(a) Individual and consolidated interim financial information

The individual and consolidated interim financial information was prepared in accordance with CPC 21 (R1) and IAS 34, which are applicable to the preparation of interim financial information, and in a manner consistent with accounting practices adopted in Brazil, including the standards issued by the CVM and pronouncements of the Accounting Pronouncements Committee (CPC) and in accordance with the IFRS issued by the IASB.

(b) Changes in accounting policies and disclosures

There are no new standards, amendments and interpretations of standards issued as of January 1, 2020 that, in Management's opinion, may have a significant impact on P&L or equity disclosed by the Company.

2.4. Consolidation basis

The consolidated interim financial information includes the operations of the Company and the following subsidiaries and associates. The percentages of the interests held by the Company at the statement of financial position date are summarized below:

Direct interest:				% Interest		
Corporate Name	Head office	Name used	Note	9/30/2020	12/31/2019	
Soluções em Software e Serviços TTS Ltda.	BRA	TTS		100.00	100.00	
TOTVS Tecnologia em Software de Gestão Ltda	BRA	TOTVS Tecnologia em Software		100.00	100.00	
TOTVS Hospitality Ltda.	BRA	TOTVS Hospitality		74.20	74.20	
VT Comércio Digital S.A.	BRA	VT Digital		50.00	50.00	
TOTVS Argentina S.A.	ARG	TOTVS Argentina		100.00	100.00	
Datasul Argentina S.A.	ARG	Datasul Argentina	(v)	100.00	100.00	
TOTVS México S.A.	MEX	TOTVS México		100.00	100.00	
Datasul S.A. de CV.	MEX	Datasul México	(v)	100.00	100.00	
TOTVS Corporation	BVI	TOTVS Corporation	(v)	100.00	100.00	
TOTVS Incorporation	EUA	TOTVS Inc.		100.00	100.00	
Neolog Consultoria e Sistemas S.A.	BRA	Neolog	(i)	100.00	60.00	
TOTVS Large Enterprise Tecnologia S.A.	BRA	TOTVS Large		100.00	100.00	
TFS Soluções em software Ltda.	BRA	TFS		100.00	100.00	
CM Soluciones – Argentina	ARG	CMNet Argentina		100,00	100,00	
TOTVS Serviços de Desenvolvimento e Consultoria em Tecnologia da Informação Ltda.	BRA	Eleve		100.00	100.00	
Katrina Participações S.A.	BRA	Katrina	(ii)	100,00	-	

Indirect Interest:				% Interest		
Corporate Name	Head office	Name used	Investor	Note	6/30/2020	12/31/2019
DTS Consulting Partner, SA de CV	MEX	Partner	TOTVS México	(v)	100.00	100.00
TOTVS Reservas Ltda.	BRA	TOTVS Reservas	TOTVS Hospitality		100.00	100.00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	TOTVS Large		100.00	100.00
Bematech Argentina S.A.	ARG	Bematech Argentina	TOTVS Large	(v)	100.00	100.00
CMNet Participações S.A.	BRA	CMNet Participações	TOTVS Large		100.00	100.00
TOTVS Hopitality Technology Portugal, Lda (formerly CMDIR - Soluções Informática, Lda – Portugal	PRT	CMNet Portugal	CMNet Participações		100.00	100.00
CM Soluciones – Chile	CHL	CMNet Chile	CMNet Participações		100.00	100.00
CMNet Espanha	ESP	CMNet Espanha	CMDIR - Soluções	(v)	100.00	100.00
RJ Participações S.A.	BRA	RJ Participações	TOTVS Large		100.00	100.00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações		100.00	100.00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações		100.00	100.00
Consinco S.A.	BRA	Consinco	TTS	(iii)	100.00	-
Weath Systems Informática Ltda.	BRA	WS	TOTVS Large	(iii)	100.00	-
Supplier Investimentos Ltda.	BRA	Supplier Investimentos	TOTVS Tecnologia em Software	(iii)	100.00	-

Supplier Participações S.A.	BRA	Supplier Participações	TOTVS Tecnologia em Software	(iii)	51.27	-
Supplier Participações S.A.	BRA	Supplier Participações	Supplier Investimentos Ltda.	(iii)	37.48	-
Supplier Administradora de Cartão de Crédito S.A.	BRA	Supplier Administradora	Supplier Participações	(iii)	88.75	-
TOTVS Hospitality Ltda.	BRA	TOTVS Hospitality	TOTVS Large		25.80	25.80
National Computer Corporation	RUS	JV Russia	TOTVS México		19.00	19.00
Cartão de compra Supplier Fundo de Investimento em Direitos Creditórios	BRA	Supplier FIDC	Supplier Participações	(iv)	-	-

- (i) On January 28, 2020, the Company acquired the remaining 40% interest in the capital of subsidiary Neolog for R\$7,121. The share purchase option was recorded under the “Liabilities due to investment acquisitions”.
- (ii) Company created on July 20, 2020 with the purpose of assisting in the business combination between TOTVS and Linx S.A. (“Linx”), according to the proposal submitted on August 14, 2020.
- (iii) Companies acquired in 2020, as mentioned in Note 3.
- (iv) The consolidated Interim financial information includes the Supplier FIDC, since the Company acquired subordinated quotas, which maintain most of the Fund’s risk and rewards.
- (v) Dormant companies that will be closed.

All balances and transactions between subsidiaries were eliminated in the consolidated financial statement.

The main activities for Supplier companies, including the Supplier FIDC, refer to financial services and credit products. RJ Participações S.A. and CMNet Participações S.A. are primarily engaged in holding interests and investing in other companies as a holding. All other TOTVS’ subsidiaries, stated above, main activities refers to software business.

Comparing the consolidated profit or loss between 2020 and 2019, the acquisition dates of each subsidiary must be considered. Thus, the interim financial information as at September 30, 2019 does not include the profit or loss of subsidiaries Consinco, Weath Systems and Supplier, which were included in the consolidated financial statements as from the date of their acquisition.

Joint operations are accounted for in the financial statements to represent the Company's contractual rights and obligations. Accordingly, assets, liabilities, revenues and expenses related to their interests in joint operations are accounted for individually in the consolidated financial statements.

Investments in associates are accounted for under the equity method and are initially recognized at cost.

2.5. Changes in the comparative and restated amounts

During the year of 2021, the company identified the necessity to change the presentation criteria of depreciation and amortization criteria, as well as, the Provision for expected credit losses in according to CPC 26/IAS 41. The purpose of this change is adjust the headings described above by function in the Statement of Profit or Loss, which in the Management understanding, better informs to the users of these individual and consolidated interim financial statements.

The rubric “Depreciation and amortization” were reclassified by line from the Statement of Profit or Loss considering the follow criteria:

- (i) Facilities, furnitures and fixtures, rights of use and improvements according to use by the areas;
- (ii) Computers and electronic equipments were allocated according to use by the professional, except cloud equipments which were allocated in the rubric “Cost of services”, because are directly related to rendered services for the customer;
- (iii) The intangibles amortization originated by price purchase allocation of business combination were reclassified for rubric “Administrative expenses”.

Lastly, the rubric Impairment loss on trade and other receivables were reclassified for the rubric “Selling and marketing expenses”.

In accordance to CPC 23/ IAS 8, the Company is presenting the impacts and restating the individual and consolidated interim financial information regarding the periods ended September 30, 2020 and 2019 and respectively note affected by the reclassification proceeded (note 28 – operating segments). The reclassifications were realized as follows:

- (i) Individual and consolidated Interim financial information from the period ended on September 30, 2020 and period ended comprehended from July 01 and September 30, 2020 :

	Individual					
	7/1/2020 to 9/30/2020	Reclassification	Restated - 7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	Reclassification	Restated- 1/1/2020 to 9/30/2020
Software revenue	445,373	-	445,373	1,304,993	-	1,304,993
Credit products	-	-	-	-	-	-
Net revenue from services and sales	445,373	-	445,373	1,304,993	-	1,304,993
Cost of software	(139,555)	(16,090)	(155,645)	(405,475)	(47,357)	(452,832)
Cost of credit products	-	-	-	-	-	-
Gross profit	305,818	(16,090)	289,728	899,518	(47,357)	852,161
Operating income (expenses)						
Research and development expenses	(68,192)	(6,352)	(74,544)	(207,616)	(19,405)	(227,021)
Selling and marketing expenses	(91,024)	(11,043)	(102,067)	(257,122)	(36,506)	(293,628)
General and administrative expenses	(57,266)	(4,188)	(61,454)	(164,227)	(12,706)	(176,933)
Depreciation and amortization	(31,232)	31,232	-	(93,057)	93,057	-
Provision for expected credit losses	(6,441)	6,441	-	(22,917)	22,917	-
Other operating income (expenses)	1,334	-	1,334	1,753	-	1,753
Operating profit	52,997	-	52,997	156,332	-	156,332

(A free translation of the original in Portuguese)

	Consolidated					
	7/1/2020 to 9/30/2020	Reclassification	Restated - 7/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	Reclassification	Restated- 1/1/2020 to 9/30/2020
Software revenue	629,209	-	629,209	1,831,362	-	1,831,362
Credit products	48,557	-	48,557	75,221	-	75,221
Net revenue from services and sales	677,766	-	677,766	1,906,583	-	1,906,583
Cost of software	(188,895)	(17,561)	(206,456)	(543,894)	(51,631)	(595,525)
Cost of credit products	(16,313)	-	(16,313)	(25,870)	-	(25,870)
Gross profit	472,558	(17,561)	454,997	1,336,819	(51,631)	1,285,188
Operating income (expenses)						
Research and development expenses	(106,337)	(7,533)	(113,870)	(318,358)	(23,043)	(341,401)
Selling and marketing expenses	(122,155)	(12,617)	(134,772)	(343,452)	(52,561)	(396,013)
General and administrative expenses	(80,649)	(25,514)	(106,163)	(218,595)	(57,426)	(276,021)
Depreciation and amortization	(55,806)	55,806	-	(147,252)	147,252	-
Provision for expected credit losses	(7,419)	7,419	-	(37,409)	37,409	-
Other operating income (expenses)	(50)	-	(50)	739	-	739
Operating profit	100,142	-	100,142	272,492	-	272,492

(ii) Individual and consolidated Interim financial information from the period ended on September 30, 2019 and period ended comprehended from July 01 and September 30, 2019:

	Individual					
	7/1/2019 to 9/30/2019	Reclassification	Restated - 7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	Reclassification	Restated - 1/1/2019 to 9/30/2019
Software revenue	412,150	-	412,150	1,216,972	-	1,216,972
Credit products	-	-	-	-	-	-
Net revenue from services and sales	412,150	-	412,150	1,216,972	-	1,216,972
Cost of software	(137,410)	(17,581)	(154,991)	(404,454)	(45,312)	(449,766)
Cost of credit products	-	-	-	-	-	-
Gross profit	274,740	(17,581)	257,159	812,518	(45,312)	767,206
Operating income (expenses)						
Research and development expenses	(67,230)	(9,425)	(76,655)	(201,317)	(22,139)	(223,456)
Selling and marketing expenses	(81,221)	(9,554)	(90,775)	(243,739)	(28,676)	(272,415)
General and administrative expenses	(47,524)	2,997	(44,527)	(148,043)	(8,763)	(156,806)
Depreciation and amortization	(28,809)	28,809	-	(88,171)	88,171	-
Provision for expected credit losses	(4,754)	4,754	-	(16,719)	16,719	-
Other operating income (expenses)	14,695	-	14,695	18,163	-	18,163
Operating profit	59,897	-	59,897	132,692	-	132,692

	Consolidated					
	7/1/2019 to 9/30/2019	Reclassification	Restated - 7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	Reclassification	Restated - 1/1/2019 to 9/30/2019
Software revenue	575,243	-	575,243	1,702,832	-	1,702,832
Credit products	-	-	-	-	-	-
Net revenue from services and sales	575,243	-	575,243	1,702,832	-	1,702,832
Cost of software	(184,208)	(19,000)	(203,208)	(552,395)	(49,764)	(602,159)
Cost of credit products	-	-	-	-	-	-
Gross profit	391,035	(19,000)	372,035	1,150,437	(49,764)	1,100,673
Operating income (expenses)						
Research and development expenses	(97,229)	(10,823)	(108,052)	(292,839)	(26,359)	(319,198)
Selling and marketing expenses	(108,754)	(11,168)	(119,922)	(311,579)	(36,987)	(348,566)
General and administrative expenses	(61,600)	(1,121)	(62,721)	(178,984)	(20,997)	(199,981)
Depreciation and amortization	(36,073)	36,073	-	(110,222)	110,222	-
Provision for expected credit losses	(6,039)	6,039	-	(23,885)	23,885	-
Other operating income (expenses)	14,767	-	14,767	20,072	-	20,072
Operating profit	96,107	-	96,107	253,000	-	253,000

The individual and consolidated interim financial information were published originally on October 29, 2020.

3. Business combinations

The Company maintains its focus and strategy on software, consolidating its position in different segments of the economy, and bringing new solutions to TOTVS's customers through portfolio diversification with niche-specific solutions.

On August 14, 2020, the Company sent a business combination proposal to the Board of Directors of Linx S.A., that aims at combining the businesses of the two companies, with the consolidation of the shareholding bases of TOTVS, which will remain a publicly-held corporation with shares traded on B3 S.A. – Brasil, Bolsa, Balcão's Novo Mercado listing segment. The Transaction, if approved, will result in the receipt by Linx shareholders of 1 (one) TOTVS share and R\$ 6.20 (six reais and twenty cents) for each Linx share, considering the fully diluted shareholding bases of both companies. In case approved, Linx shareholders will become holders of shares representing approximately 24% of TOTVS total voting capital.

3.1 Acquisition of subsidiaries

(a) Consinco acquisition

On January 30, 2020, the Company through its subsidiary Soluções em Software e Serviços TTS Ltda, completed the acquisition of 100% of the capital of Consinco S.A., under the terms of the contract signed on December 27, 2019, for a total amount of approximately R\$240,636, of which R\$197,000 were paid in cash upon closing of the

transaction. The contract included a price adjustment after acquisition that resulted in an amount subsequently received of R\$5,624. In addition, the contract provides for payment of a contingent consideration of up to R\$55,000, whose estimated fair value amounted to R\$49,260 as of the acquisition date, subject to the achievement of goals established for the acquiree for 2020 and 2021 and compliance with other conditions.

(b) Wealth Systems acquisition

On April 8, 2020, the Company acquired 100% of the share capital of Wealth Systems Ltda., through its subsidiary TOTVS Large for R\$27,000, of which R\$11,750 million were paid immediately to the sellers, and the residual amount of R\$2,994 will be paid based on achievement of goals established for Wealth Systems in 2023.

(c) Supplier acquisition

On April 30, 2020, after all conditions precedent were complied with, the Company completed the acquisition of 88.75% of the capital of Supplier in the amount of R\$458,405, through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda. Supplier focuses on the provision of B2B credit facilities between customers and suppliers. The transaction began on October 28, 2019 and was approved by the Brazilian Antitrust Enforcement Agency (CADE) in December 2019.

Additionally, the transaction also provides for put and call options of the remaining shares of the capital of that can be exercised from 2022 to 2026. The exercise price of the options will be measured based on multiples applied by Supplier's performance for each year.

Considering that the put and call options of additional interests issued in favor of non-controlling interest was agreed up in conjunction with the business combination, the fair value of the put and call option was determined when control of Supplier was obtained and recorded in "Accounts payable from acquisition of subsidiaries".

Supplier includes Supplier FIDC in its consolidated financial statements, which is legally an investment fund authorized by the Brazilian Monetary Council, and specifically designed as investment vehicle for Brazilian credit receivables.

In accordance with CPC 36(R3)/IFRS 10, the Company includes FIDC in the consolidated financial statements. Senior and mezzanine shares are accounted for as a financial liability under "Senior shares and mezzanine obligations" and the remuneration payable to the holders of senior and mezzanine shares is recorded as operating costs.

3.2 Identifiable assets acquired and goodwill

Information on identifiable assets acquired and liabilities assumed prior to their fair value, goodwill and cost of interests that had an impact on the consolidated financial information as at September 30, 2020 is as follows:

Preliminary fair value	Consinco	WS	Supplier	Total
<i>At acquisitions date</i>	<i>1/31/2020</i>	<i>4/8/2020</i>	<i>4/30/2020</i>	
Current assets	13,093	2,300	1,372,888	1,388,281
Cash and cash equivalents (Note 5)	9,570	160	329,906	339,636
Financial investments (Nota 6)	-	-	219,460	219,460
Trade receivable (Note 7)	1,146	1,296	820,789	823,231
Taxes recoverable (Note 8)	1,994	724	1,367	4,085
Other current assets (Note 11)	383	120	1,366	1,869
Noncurrent assets	75,968	16,057	270,604	362,629
Deferred tax (Note 9.2)	1,108	21	4,629	5,758
Property, plant and equipment (Note 13)	3,479	2,877	4,265	10,621
Other non-current assets (Note 11)	130	2	8,244	8,376
Brands	4,837	2,870	36,821	44,528
Software	26,427	8,843	113,266	148,536
Client portfolio	31,672	-	83,485	115,157
Non-compet	8,315	1,444	19,894	29,653
Current liabilities	8,441	13,468	1,338,886	1,360,795
Labor liabilities (Note 15)	6,449	6,162	6,062	18,673
Business partners payable (Note 19)	-	-	177,201	177,201
Other liabilities	1,992	7,306	179,855	189,153
Senior shares and mezzanine obligations (Note 22)	-	-	975,768	975,768
Noncurrent liabilities	420	7,479	386	8,285
Net assets and liabilities	80,200	(2,590)	304,220	381,830
Cash payment	191,376	11,750	458,405	661,531
Long-term portion (i)	49,260	2,994	134,227	186,481
Goodwill on operation	160,436	17,334	288,412	466,182

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

The acquired companies were included in the TOTVS management model and channels and contributed with a net consolidated revenue of R\$148,610 and net profit of R\$16,712 in the period ended September 30, 2020, after each acquisition date mentioned above.

4 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.

4.1 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:

	Fair Value through profit or loss		Amortized cost	
	9/30/2020	31/12/2019	9/30/2020	31/12/2019
Cash and cash equivalents (Note 5)	-	-	999,800	1,538,156
Financial investments (Note 6)	-	-	62,932	-
Escrow account (Note 20)	-	-	11,448	27,265
Trade receivables (Note 7)	-	-	1,490,734	382,622
Franchises loan (Note 11)	-	-	19,553	24,703
Receivables for investments sold (Note 11)	-	-	20,055	37,619
Investments at fair value (Note 4.3)	100,696	71,955	-	-
Financial Instruments receivable	100,696	71,955	2,604,522	2,010,365
Loans, financing and lease liabilities (Note 17)	-	-	232,216	247,703
Debentures (Note 18)	-	-	-	202,973
Trade and other payables	-	-	271,033	209,638
Business partners payable (Note 19)	-	-	288,733	-
Accounts payable from acquisition of subsidiaries (Note 20)	161,044	15,959	53,968	27,353
Other liabilities	-	-	35,292	28,899
Financial liabilities	161,044	15,959	881,242	716,566

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 receivables, other accounts receivable, trade accounts payable and other short-term liabilities approximate their respective carrying amounts mainly due to the short-term maturities of these instruments.
- Financial assets at fair value not traded in an active market are estimated using a valuation technique, such as discounted cash flow or multiple revenues, considering the reasonableness of the range of values indicated thereby.
- Loans, financing and lease liabilities and debentures are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost.
- 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.

4.2 Measurement of fair value

The table below presents the carrying amount of the consolidated assets and liabilities as at September 30, 2020 and December 31, 2019:

	Classification	9/30/2020			12/31/2019		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
Cash and cash equivalents (Note 5)	Amortized cost	-	980,222	-	-	1,526,057	-
Financial investments (Note 6)	Amortized cost	9,059	53,873	-	-	-	-
Investments at fair value (Note 4.3)	Fair value	-	-	100,696	-	-	71,955
Financial Liabilities							
Loans, financing and lease liabilities (Note 17)	Amortized cost	-	232,216	-	-	247,703	-
Debentures (Note 18)	Amortized cost	-	-	-	-	202,973	-
Accounts payable from acquisition of subsidiaries (Note 20)	Amortized cost	-	53,968	-	-	27,353	-
Accounts payable from acquisition of subsidiaries (Note 20)	Fair value	-	-	161,044	-	-	15,959

The amounts recognized in the statement of financial position regarding trade receivables, escrow account, labor liabilities, trade and other accounts payable, dividends payable at amortized cost, do not significantly differ from their fair values, thus, they are not presented in the table above.

There were no transfers between levels 1, 2 and 3 in the nine-month period ended September 30, 2020.

4.3 Financial assets

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. As at September 30, 2020, these investments amounted to R\$100,696 (R\$71,955 as at December 31, 2019).

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.

4.4 Sensitivity analysis of financial assets and liabilities

The financial instruments of Company and its subsidiaries are represented by cash and cash equivalents, accounts receivable, accounts payable, debentures, and loans and financing, which are recorded at cost plus income or charges incurred or at fair value, where applicable, as at September 30, 2020 and December 31, 2019.

The main risks related to the Company's operations are linked to the variation of Brazilian Interbank Deposit Floating Rate (CDI) for short-term investments, fixed-income investments funds and debentures issued in 2017.

a) Financial assets

In order to check the sensitivity of the index in the short-term investments to which the Company was exposed as of September 30, 2020, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 1.90% for 2020, which was defined as a probable scenario (scenario I). Based thereon, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each of these scenarios the "gross finance income" was estimated, with taxes on investment returns not

included. The reference date for the portfolio was September 30, 2020, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Balances at 9/30/2020	Risk Reduction	Probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments consolidated	R\$1,042,723	CDI	1.90%	1.43%	0.95%
Estimated finance income			R\$ 19,812	R\$ 14,911	R\$ 9,906

b) Financial liabilities

The debentures linked to the CDI and financing from the National Bank for Economic and Social Development (BNDES) linked to the TJPL were settled for nine-month period ended September 30, 2020. More detailed see notes 17 and 18.

4.5 Changes in liabilities from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were or will be classified in the statement of cash flows as cash flows from financing activities. The following is a breakdown of liabilities arising from financing activities for the nine-month period ended September 30, 2020:

	Consolidated							9/30/2020
	12/31/2019	Cash flow from financing activities		Non-cash items			Others	
		Principal	Interest paid	Addition/ (Write off)	Interest incurred	Acquisition of subsidiaries		
Loans and financing	6,363	(174,858)	(1,665)	-	440	169,720	-	-
Leases	241,340	(40,925)	(9,313)	25,238	12,120	3,756	-	232,216
Debentures	202,973	(203,076)	(7,775)	-	7,878	-	-	-
Dividends payable and other	44,579	(73,064)	-	-	-	-	64,560	36,075
Senior shares and mezzanine obligations	-	(68,898)	-	-	16,295	975,768	1,637	924,802
Total	495,255	(560,821)	(18,753)	25,238	36,733	1,149,244	66,197	1,193,093

4.6 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 Group does not expect to have a significant impact on liquidity and cash flow resulting from the Covid-19 pandemic and 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.

Typically, the Company ensures that it has 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 has access to a sufficient variety of funding sources.

b. Credit risk

Credit risk is the risk relating to exposure to default, deriving from noncompliance by a counterparty or customers with pecuniary obligations.

Regarding the credit risk associated with financial institutions, the Company and its subsidiaries operates in order to spread this exposure among financial institutions in the market. Financial investments must be made in institutions whose risk rating is equal to or lower than the Sovereign Risk (Brazil Risk) assigned by rating agencies Standard & Poor's, Moody's or Fitch. The amount allocated to each institution cannot exceed 30% of the total balances in bank accounts plus short-term investments or correspond to more than 5% of the equity of the financial institution.

The exposure of the Company to credit risk is also influenced also by the individual characteristics of each client. The Company established a credit policy whereby every new client has its credit capacity individually analyzed prior to the standard payment terms and conditions. The Company has a very diversified client portfolio with low concentration level. The Company establishes an estimated provision for losses that represents its estimate of losses incurred in relation to trade receivables (Additional disclosures are provided in Note 7). The main component of this allowance is specific and related to significant individual risks.

In addition, due to the Covid-19 pandemic, the Company closely monitors the behavior and active management of the default in its customer portfolio through policies related to the sale of services and software licenses. No significant impacts are expected, in addition the provision for losses presented in note 7.

c. Market risk

i) Interest rate and inflation risk: interest rate risk arises from the portion of the debt related to Long-term Interest Rate (TJLP) and CDI, as well as financial investments in CDI, which can adversely affect the finance income or expenses in the event of unfavorable changes in the interest rate and inflation.

ii) Currency 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 accounts receivable in foreign currency.

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

The Company ensures that its net exposure is maintained at an acceptable level in accordance with the policies and limits defined by Management and is monitoring the possible impacts of the Covid-19 pandemic in each of these companies. In the period ended September 30, 2020, the balance of assets exceeds the negative balances exposed, as follows:

September 30, 2020						
Company	Accounts payable	Cash and cash equivalents	Accounts receivable	Other assets	Net exposure	Currency
RJ Consultores México	(75)	1,448	791	-	2,164	Peso (MXN)
CMNet Participações S.A.	(271)	848	745	-	1,322	Peso (CLP and ARS)
TOTVS S.A.	(6,945)	-	-	-	(6,945)	USD
TOTVS Large	-	-	-	8,461	8,461	USD
TOTVS México	(1,916)	3,232	5,943	-	7,259	Peso (MXN)
TOTVS Argentina	(1,940)	6,552	9,570	-	14,182	Peso (ARS)
TOTVS Incorporation	(2,182)	1,146	-	100,696	99,660	USD
Total	(13,129)	13,226	17,049	109,157	126,103	

d. Derivatives

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

4.7 Capital management

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

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

The Company's net debt structure includes loans, financing and lease, debentures, accounts payable from acquisitions of subsidiaries, and senior shares and mezzanine obligations, less financial investments of Supplier FIDC, escrow account and cash and cash equivalents.

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Loans, financing and lease liabilities	213,972	230,108	232,216	247,703
Debentures	-	202,973	-	202,973
Senior shares and Mezzanine obligations	-	-	924,802	-
Accounts payable from acquisition of subsidiaries	8,350	30,493	215,012	43,312
(-) Cash and cash equivalents	(483,096)	(1,106,888)	(999,800)	(1,538,156)
(-) Financial investments (i)	-	-	(62,932)	-
(-) Escrow account	(8,261)	(23,217)	(11,448)	(27,265)
Net (cash) debt	(269,035)	(666,531)	297,850	(1,071,433)
Shareholders' equity	2,566,016	2,477,214	2,566,016	2,478,409
Shareholders' equity and net debt	2,296,981	1,810,683	2,863,866	1,406,976

(i) Represent financial investments in investment funds and national treasury bills for restricted use of Supplier FIDC and are not available to the Company.

5 Cash and cash equivalents

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

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Cash and banks	653	323	20,009	12,099
Cash equivalents	482,443	1,106,565	979,791	1,526,057
Investment fund	353,529	927,178	654,232	1,330,500
CDB	128,914	148,586	325,559	162,826
Repurchase agreements	-	30,801	-	32,731
	483,096	1,106,888	999,800	1,538,156

The Company's short-term investments policies are based on low risk marketable securities and investments in first-tier institutions.

The Company concentrates its investments in an investment fund for TOTVS and its subsidiaries. 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 Company's investments are substantially remunerated, by reference to the CDI variation, which monthly averaged 90.5% of the CDI for the period ended September 30, 2020 (96.7% as of December 31, 2019).

6 Financial investments

The following amounts refer to investment funds and financial government bonds redeemable from Supplier FIDC that are not available to the Company.

	Consolidated
	9/30/2020
Government bonds	9,059
Investment funds (i)	53,873
	62,932

(i) Investment funds shares pegged to DI.

7 Trade receivable

Consolidated amounts receivable are as follows:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Domestic market	398,990	360,858	545,406	478,035
Foreign market	914	1,391	7,295	6,710
Credit rights receivable (i)	-	-	1,078,879	-
Gross trade receivables	399,904	362,249	1,631,580	484,745
(-) Allowance for expected credit losses	(62,687)	(79,712)	(140,846)	(102,123)
Net trade accounts receivable	337,217	282,537	1,490,734	382,622
Current assets	285,490	252,842	1,433,055	350,995
Noncurrent assets (ii)	51,727	29,695	57,679	31,627

- (i) The credit rights belong to Supplier FIDC and refer to securities assigned arising from Supplier's credit purchases at partner establishments.
- (ii) Noncurrent accounts receivable basically refer to the sale of software license, software implementation and customization services, and are presented net of present value adjustment.

Changes in the allowance for expected credit losses are as follows:

	9/30/2020	
	Individual	Consolidated
Opening Balance at December 31, 2019	79,712	102,123
Acquisition of subsidiaries	-	57,012
Additional allowance in the period	22,917	37,409
Credit recovery and/or (write-off) off due to use	(39,942)	(55,698)
Balance at September 30, 2020	62,687	140,846

Management believes that the risk related to trade accounts receivable in general is mitigated by the fact that the Company's customer portfolio is diluted and also by the various operating segments. In general, the Company does not require any guarantee on installment sales.

7.1 Aging list of trade receivable from technology segment

Aging list of amounts receivable at September 30, 2020 and December 31, 2019, is as follows:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Falling due	274,015	226,681	359,099	297,354
Unbilled	35,282	32,666	64,344	49,238
Overdue				
1 to 30 days	9,836	10,869	19,046	16,909
31 to 60 days	5,248	4,946	9,307	8,548
61 to 90 days	4,521	5,075	7,467	7,661
91 to 180 days	12,114	9,809	18,388	15,239
181 to 360 days	11,307	15,594	13,963	22,288
More than 360 days	47,581	56,609	56,201	67,508
Gross trade receivables	399,904	362,249	547,815	484,745
(-) Allowance for expected credit losses (i)	(62,687)	(79,712)	(81,277)	(102,123)
Net trade receivables	337,217	282,537	466,538	382,622

(i) The allowance for expected credit losses is net of the write-off due to loss recorded against accounts receivable for R\$39,942 for the Individual and R\$55,698 for consolidated.

7.2 Credit rights and trade receivable from Credit product segment - Supplier

The following are the credit rights and the trade receivable balance of the credit product segment - Supplier:

	Consolidated
	9/30/2020
Trade receivable	4,886
Credit rights receivable (a)	1,078,879
(-) Allowance for expected credit losses	(59,569)
Net credit rights	1,024,196

The aging list from credit rights and trade receivable from credit product segment – Supplier as of September 30, 2020:

	Consolidated
Falling due	1,016,758
Overdue	
1 to 30 days	4,007
31 to 60 days	1,242
61 to 90 days	879
91 to 180 days	10,676
181 to 360 days	9,215
More than 360 days	40,988
Gross accounts receivable	1,083,765
(-) Provision for expected credit losses	(59,569)
Total	1,024,196

As of September 30, 2020, approximately 41% of the portfolio's contracts are insured by policies that cover an average of 90% of the outstanding balance of operations.

The provision amount was calculated based on the analysis of losses due to credit harvests that follow the assumptions of Supplier FIDC Regulation. Delay in operations was used as the main indicator of impairment.

8 Taxes recoverable

The amounts of recoverable taxes are as follows:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Income tax to offset (a)	8,667	11,526	21,564	17,581
Social contribution tax to offset (a)	4,414	9,367	7,681	11,170
Other	-	-	1,163	911
	13,081	20,893	30,408	29,662
Current assets	13,081	20,893	22,384	29,662
Noncurrent assets	-	-	8,024	-

- (a) 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.

9 Income taxes

Current and deferred income and social contribution taxes were recorded pursuant to the current rates in force.

Deferred income and social contribution taxes are calculated on income and social contribution tax losses carryforwards, respectively, as well as temporary differences.

9.1 Reconciliation of income and social contribution tax expenses

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

	Individual		Consolidated	
	9/30/2020	6/30/2019	9/30/2020	6/30/2019
Income before taxes	230,184	203,852	268,475	245,769
Income and social contribution taxes at combined nominal rate of 34%	(78,263)	(69,310)	(91,282)	(83,561)
Adjustments for the statement of effective rate				
Equity pick-up	28,973	29,866	-	(44)
Law No. 11196/05 (Incentive for research and development)	6,840	5,382	12,430	9,578
Interest on shareholders' equity	13,513	11,708	13,448	12,317
Share issue costs	-	9,840	-	9,840
Effect of subsidiaries subject to special rates	-	-	(4,538)	(7,173)
Workers' Meal Program (PAT)	365	314	1,001	884
Other	(1,820)	(3,459)	258	945
Income and social contribution tax expense	(30,392)	(15,659)	(68,683)	(57,214)
Current income and social contribution taxes	(20,324)	(17,457)	(56,488)	(51,536)
Deferred income and social contribution taxes	(10,068)	1,798	(12,195)	(5,678)
Effective rate	13.2%	7.7%	25.6%	23.3%

9.2 Breakdown of deferred income and social contribution taxes

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Income and social contribution tax losses	-	-	59,932	63,563
Deriving from temporary differences:				
Difference between tax and accounting bases of goodwill	8,997	12,102	25,402	30,502
Tax benefit from goodwill amortization	(99,577)	(96,145)	(154,363)	(145,736)
Intangible asset allocation	(4,455)	(5,708)	(11,935)	(12,073)
Intangible asset allocation – after Law No. 12973	19,604	17,147	31,046	17,147
Provision for commissions	17,037	14,789	20,082	16,566
Deferred income or revenues	4,648	9,211	4,669	10,336
Allowance for expected credit losses	21,314	27,102	25,437	32,474
Provision for contingencies and other obligations	39,667	39,461	45,301	44,717
Provision for trade accounts payable	14,743	9,610	17,752	12,432
Provision for share-based payments	12,652	8,530	13,527	8,898
Present value adjustment	552	3,055	3,374	5,142
Other	5,080	11,176	12,516	16,412
Net deferred income and social contribution taxes	40,262	50,330	92,740	100,380
Deferred tax assets	40,262	50,330	96,481	100,380
Deferred tax liabilities	-	-	3,741	-

Net deferred income and social contribution taxes of the Company and its subsidiaries are presented under noncurrent assets or noncurrent liabilities by legal entity.

Changes in deferred income and social contribution taxes are as follows:

	Individual	Consolidated
At December 31, 2019	50,330	100,380
Expense in statement of profit or loss	(10,068)	(12,195)
Acquisitions of subsidiaries	-	5,758
Other	-	(1,203)
At September 30, 2020	40,262	92,740

10 Related-party balances and transactions

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

10.1 Accounts receivable from and payable to subsidiaries and associates companies

As of September 30, 2020, main assets, liabilities, revenues and costs are as follows:

September 30, 2020					
Company	Trade accounts receivable	Other assets (i)	Liabilities	Revenues	Costs
Totvs Large	-	283	-	-	-
TTS	-	11	-	-	-
Neolog (ii)	-	-	1,468	-	1,012
Weath Systems (iii)	13	-	622	70	2,273
Supplier	8	-	-	23	-
Total	21	294	2,090	93	3,285

(i) Refer to short-term current account operations, without remuneration.

(ii) Refer to costs incurred for the sale of Neolog solutions by TOTVS.

(iii) Refer to partnership contract between Wealth Systems and TOTVS for the sale of CRM ("Customer Relationship Management") solutions.

10.2 Transactions or relationships with shareholders and key management personnel

The Company maintains property lease agreements with companies, in which some of the shareholders are key management members and also hold TOTVS shares, directly or indirectly.

The amount paid as lease and condominium fees to related parties recognized for nine-month period ended September 30, 2020 was R\$920 (R\$20,646 as at September 30, 2019). All lease agreements with related parties are subject to restatement by reference to the IGP-M inflation rate, every 12 months. On December 4, 2019, the lease agreement of the Company's headquarters ceased to be recorded as a related party, since VIP VII – Empreendimentos e Participações S.A. changed its ownership structure and is no longer owned by the shareholders and management members of TOTVS, which reduced the amount of leases paid to related parties compared with the previous year.

Some of the Company's shareholders and key management personnel directly or indirectly hold 15.15% of the Company's shares as of September 30, 2020 (15.04% as of December 31, 2019). The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The Company incurred intercompany expenses and revenues of low value over the nine-month period with related parties, with expenditures amounting to R\$218 and receipts to R\$200.

10.3 Management fees

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

	Individual	
	9/30/2020	9/30/2019
Management compensation		
Salaries, fees and payroll charges	9,019	8,832
Direct and indirect benefits	730	635
Variable bonus	2,617	3,716
Share-based payments (i)	13,091	6,208
	25,457	19,391

(i) Includes the impact of R\$3,721 referring to the withholding tax at market value for the transfer of shares through payroll for the 2016 and 2017 grants.

Some management members also use vehicles on loan that are replaced every 3 years. The depreciation expenses of vehicles granted to management members for the period ended September 30, 2020 was R\$575 (R\$509 as of September 30, 2019).

11 Other assets

Breakdown of other assets at September 30, 2020 and December 31, 2019 is follows:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Prepaid expenses (i)	48,513	40,038	52,811	41,072
Franchises loan (ii)	19,453	24,703	19,553	24,703
Advances to employees (iii)	21,419	8,366	28,293	8,862
Advances to suppliers	495	678	1,396	1,053
Receivables from investments disposed of (iv)	11,594	16,716	20,055	37,619
Other assets	616	3,036	1,500	4,270
	102,090	93,537	123,608	117,579
Current assets	53,315	36,618	64,454	60,184
Noncurrent assets	48,775	56,919	59,154	57,395

- (i) Includes the amounts of taxes paid and renewals of contracts with suppliers referring to expenses that will be incurred during the year.
- (ii) Most franchises loans are adjusted monthly by CDI or IPCA
- (iii) On June 30, 2020, the Company paid the 13th salary advance to employees.

(iv) Includes amounts receivable for the sale of Ciashop and hardware operation in 2019.

12 Investments

Breakdown of investments in subsidiaries and associated companies is shown below:

	Summarized financial statements of associated companies and subsidiaries as at September 30, 2020					Equity pick-up (Individual) for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Equity	Gross revenue	Profit or loss	9/30/2020	9/30/2019	9/30/2020	12/31/2019
TOTVS Large (i)	521,655	56,186	465,469	159,683	32,925	26,970	8,754	517,278	490,215
TOTVS Tecnologia	717,060	205,087	511,973	119,981	31,960	31,960	31,937	511,972	133,254
TTS	330,033	55,416	274,617	18,132	10,359	10,359	6,686	274,618	264,259
TOTVS Inc.	107,191	7,114	100,077	472	(14,890)	(14,890)	(15,286)	100,077	72,666
Neolog	5,435	2,240	3,195	7,624	207	(84)	(809)	18,788	17,677
TOTVS Hospitality	51,745	14,437	37,308	44,652	4,920	3,651	4,493	27,681	24,030
VT Digital	584	156	428	653	154	154	73	428	274
TOTVS México	15,387	8,703	6,684	15,403	(5,188)	(5,188)	(6,291)	6,684	3,454
TOTVS Argentina	20,641	8,570	12,071	33,492	6,062	6,062	1,908	12,072	3,713
TFS	73,548	23,997	49,551	101,562	18,874	18,874	20,641	49,552	30,311
Eleve	238	207	31	98	30	30	-	30	-
CMNet Argentina	1,729	667	1,062	2,298	91	91	-	1,062	-
TOTVS Serviços	-	-	-	-	-	-	27,310	-	-
Ciashop	-	-	-	-	-	-	(29)	-	-
NCC	-	-	-	-	-	-	-	65	65
						77,989	79,387	1,520,307	1,039,918

(i) Goodwill from acquiree TOTVS Large is recorded under Investments in the Individual. The difference between the profit and loss of the acquiree and equity pick-up balance refers to the amortization of intangible assets allocated in determining the fair value of assets.

Changes in investment for the nine-month period ended September 30, 2020 were as follows:

	Equity pick-up								
	12/31/2019	Additions / (reductions)	Dividends	Equity pick-up	Amortization of PPA	Total	Foreign exchange/ inflation (i)	Discontinued operation	9/30/2020
TOTVS Large	490,215	504	-	33,905	(6,935)	26,970	569	(980)	517,278
TOTVS Tecnologia	133,254	391,258	(44,500)	31,960	-	31,960	-	-	511,972
TTS	264,259	-	-	10,359	-	10,359	-	-	274,618
TOTVS Inc.	72,666	13,697	-	(14,890)	-	(14,890)	28,604	-	100,077
Neolog	17,677	1,195	-	207	(291)	(84)	-	-	18,788
TOTVS Hospitality	24,030	-	-	3,651	-	3,651	-	-	27,681
VT Digital	274	-	-	154	-	154	-	-	428
TOTVS México	3,454	6,791	-	(5,188)	-	(5,188)	1,627	-	6,684
TOTVS Argentina	3,713	3,895	-	6,062	-	6,062	(1,598)	-	12,072
TFS	30,311	367	-	18,874	-	18,874	-	-	49,552
Eleve	-	-	-	30	-	30	-	-	30
CMNet Argentina	-	700	-	91	-	91	271	-	1,062
NCC	65	-	-	-	-	-	-	-	65
Total Investments	1,039,918	418,407	(44,500)	85,215	(7,226)	77,989	29,473	(980)	1,520,307

(i) Includes the inflation adjustments of Argentine subsidiaries.

13 Property, plant and equipment

The Company's property, plant and equipment is broken down as follows:

	Individual							Total
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	
Cost								
As at December 31, 2019	193,667	10,764	25,853	26,826	90,120	236,972	9,873	594,075
Additions	19,204	1,481	1,210	210	3,570	19,107	4	44,786
Transfers	(6,842)	(682)	-	8	492	7,657	(3,113)	(2,480)
Write-offs	(11,530)	(574)	(438)	(306)	(36)	(1,343)	(24)	(14,251)
As at September 30, 2020	194,499	10,989	26,625	26,738	94,146	262,393	6,740	622,130
Depreciation								
As at December 31, 2019	(120,454)	(4,286)	(14,013)	(14,955)	(31,407)	(32,075)	(6,546)	(223,736)
Depreciation for the period	(20,883)	(2,700)	(2,338)	(2,305)	(8,073)	(27,765)	(1,081)	(65,145)
Transfers	605	-	-	-	(1,466)	(605)	1,466	-
Write-offs	11,420	498	429	281	2	1,290	20	13,940
As at September 30, 2020	(129,312)	(6,488)	(15,922)	(16,979)	(40,944)	(59,155)	(6,141)	(274,941)
Residual value								
As at September 30, 2020	65,187	4,501	10,703	9,759	53,202	203,238	600	347,189
As at December 31, 2019	73,213	6,478	11,840	11,871	58,713	204,897	3,327	370,339
Average annual depreciation rate	20% a 25%	33%	10% a 25%	6.7% a 25%	10% a 33%	10% a 33%	20%	

	Consolidated							Total
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	
Cost								
As at December 31, 2019	209,160	11,895	29,759	28,206	99,866	251,996	10,539	641,421
Additions	20,231	1,798	1,326	240	3,908	26,245	13	53,761
Acquisitions of subsidiaries	8,406	258	1,813	2,175	854	5,438	463	19,407
Transfers	(6,842)	(702)	110	8	577	7,656	(3,287)	(2,480)
Write-offs	(12,303)	(714)	(527)	(331)	(37)	(4,889)	(38)	(18,839)
Exchange variation (ii)	1,063	37	136	90	449	1,859	12	3,646
As at September 30, 2020	219,715	12,572	32,617	30,388	105,617	288,305	7,702	696,916
Depreciation								
As at December 31, 2019	(131,820)	(4,836)	(16,721)	(15,890)	(40,340)	(36,536)	(5,846)	(251,989)
Depreciation for the period	(22,899)	(2,938)	(2,678)	(2,548)	(8,830)	(32,912)	(1,228)	(74,033)
Acquisitions of subsidiaries	(4,731)	(67)	(732)	(799)	(130)	(2,152)	(174)	(8,785)
Transfers	605	-	-	-	(298)	(605)	298	-
Write-offs	11,927	537	430	281	4	3,812	34	17,025
Exchange variation (ii)	(773)	5	(54)	(97)	(400)	331	(26)	(1,014)
As at September 30, 2020	(147,691)	(7,299)	(19,755)	(19,053)	(49,994)	(68,062)	(6,942)	(318,796)
Residual value								
As at September 30, 2020	72,024	5,273	12,862	11,335	55,623	220,243	760	378,120
As at December 31, 2019	77,340	7,059	13,038	12,316	59,526	215,460	4,693	389,432
Average annual depreciation rate	20% to 25%	20% a 33%	10% to 25%	6.7% to 25%	10% to 33%	10% to 33%	20%	

(i) Line "Additions" includes annual restatement of leases applied to the rights of use according to the index established in the agreement in the amount of R\$ 18,680. The Company applied exceptions to the standard for short-term and low value contracts, recorded in lease expenses in the amount of R\$475 and R\$1,457 in the Individual and Consolidated, respectively as of September 30, 2020.

(ii) Includes the inflation adjustments of Argentine subsidiaries.

Breakdown of right of use and lease liabilities for the period ended September 30, 2020 is as follows:

	Consolidated			
	Right to use real estate	Right of use computers and equipments	Total assets	Lease liabilities
As at December 31, 2019	215,460	7,051	222,510	241,340
Additions	19,963	6,282	26,245	26,245
Business combinations	3,285	-	3,285	3,756
Write-offs	(1,064)	(12)	(1,076)	(1,007)
Amortization	(30,824)	(2,088)	(32,911)	-
Interest incurred and exchange variation	2,190	-	2,190	12,120
Interest paid	-	-	-	(9,313)
Principal paid	-	-	-	(40,925)
As at September 30, 2020	209,010	11,233	220,243	232,216

14 Intangible assets

Intangible assets and changes in balances are as follows:

	Individual					Total Intangible assets	
	Software	Trademarks & patents	Customer portfolio	R&D	Other (ii)		Goodwill
Cost							
As at December 31, 2019	350,049	60,998	216,368	-	18,627	280,308	926,350
Additions	9,668	-	3,734	8,207	-	-	21,609
Transfers	2,480	-	-	-	-	-	2,480
Write-offs	6,989	2,151	166	-	123	-	9,429
As at September 30, 2020	369,186	63,149	220,268	8,207	18,750	280,308	959,868
Amortization							
As at December 31, 2019	(283,634)	(45,874)	(211,595)	-	(18,627)	-	(559,730)
Amortization for the period	(22,861)	(3,151)	(1,900)	-	-	-	(27,912)
Write-offs	(6,989)	(2,151)	(166)	-	(123)	-	(9,429)
As at September 30, 2020	(313,484)	(51,176)	(213,661)	-	(18,750)	-	(597,071)
Residual value							
As at September 30, 2020	55,702	11,973	6,607	8,207	-	280,308	362,797
As at December 31, 2019	66,415	15,124	4,773	-	-	280,308	366,620
Average annual amortization rates	10% to 20%	6.7% to 8%	10% to 12.5%				
	Consolidated						
	Software	Trademarks & patents	Customer portfolio	R&D	Other (ii)	Goodwill	Total Intangible assets
Cost							
As at December 31, 2019	389,795	83,279	364,118	13,890	49,725	665,942	1,566,749
Additions	15,165	-	3,734	9,648	-	-	28,547
Acquisitions of subsidiaries	148,536	44,528	115,157	-	29,653	466,182	804,056
Transfers	2,480	-	-	538	(538)	-	2,480
Exchange variation (i)	180	4	-	-	2	-	186
As at September 30, 2020	556,156	127,811	483,009	24,076	78,842	1,132,124	2,402,018
Amortization							
As at December 31, 2019	(322,441)	(59,232)	(272,716)	(8,472)	(49,580)	(43,611)	(756,052)
Amortization for the period	(39,201)	(12,711)	(15,398)	(1,067)	(4,842)	-	(73,219)
Acquisitions of subsidiaries	(5,339)	-	-	-	-	-	(5,339)
Transfers	-	-	-	(535)	535	-	-
Exchange variation (i)	(95)	-	-	-	-	-	(95)
As at September 30, 2020	(367,076)	(71,943)	(288,114)	(10,074)	(53,887)	(43,611)	(834,705)
Residual value							
As at September 30, 2020	189,080	55,868	194,895	14,002	24,955	1,088,513	1,567,313
As at December 31, 2019	67,354	24,047	91,402	5,418	145	622,331	810,697
Average annual amortization rates	10% to 20%	6.7% to 8%	8% to 12.5%	20%	10% to 50%		

(i) Includes the inflation adjustments of Argentine subsidiaries.

- (ii) Includes primarily non-compete rights arising from the purchase price allocation from business combinations.

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.

14.1 Changes in goodwill

The breakdown of goodwill as of September 30, 2020 and December 31, 2019 is as follows:

	Consolidated		
	12/31/2019	Additions	9/30/2020
TOTVS Large (formerly Bematech) (i)	220,298	-	220,298
Supplier	-	288,412	288,412
Consinco	-	160,436	160,436
RM	90,992	-	90,992
W&D	64,070	-	64,070
Virtual Age	46,497	-	46,497
RMS	35,740	-	35,740
SRC	33,688	-	33,688
Datasul	30,084	-	30,084
WS	-	17,334	17,334
Gens FDES	16,340	-	16,340
Seventeen	15,463	-	15,463
TOTVS Agroindústria	13,128	-	13,128
Neolog	12,565	-	12,565
BCS	11,821	-	11,821
Other	31,645	-	31,645
	622,331	466,182	1,088,513

(i) Goodwill arising from the acquisition of the software operation of TOTVS Large (formerly Bematech S.A.)

14.2 Impairment of assets

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

In the nine-month period ended September 30, 2020, Company’s management tested its assets for impairment considering the possible impacts caused by the Covid-19 pandemic fort the nine-month period ended September 30, 2020 and did not detect the need for a provision for loss in the interim financial statements.

15 Labor liabilities

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

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Labor liabilities:				
Salaries payable	22,789	21,090	38,136	28,810
Vacation payable	64,519	55,976	95,213	76,235
13th monthly salary payable	30,505	-	45,396	31
Profit sharing and bonus (i)	12,812	40,710	19,857	51,107
Withholding Income Tax (IRRF) payable	9,715	13,291	13,181	17,600
Actuarial liabilities due to health care plan and retirement benefits (ii)	2,192	2,024	2,192	2,024
Other	1,923	1,703	3,344	4,075
	144,455	134,794	217,319	179,882
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable (iii)	7,413	4,525	11,036	6,062
INSS (Social Security Tax) payable	5,814	5,080	10,281	7,528
	13,227	9,605	21,317	13,590
Total	157,682	144,399	238,636	193,472

- (i) On September 30, 2020, the Company paid the profit sharing and bonus related the first half of 2020.
- (ii) 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 who will be entitled to remain in the plan after retirement.
- (iii) According to Provisional Executive Order nº 927/2020, the Company opted to postpone the payment of FGTS.

16 Taxes and contributions payable

Taxes and contributions payable are broken down as follows:

	Individual		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Federal Social Security Tax on Gross Revenue (CPRB) (i)	28,427	14,221	37,204	17,552
Service Tax (ISS) payable	7,895	7,628	10,184	9,588
PIS and COFINS payable (i)	20,763	15,484	28,406	18,486
IRPJ and CSLL payable	-	-	7,373	4,238
Withholding IR and CSLL	780	796	2,629	2,677
Other taxes	2,127	2,063	7,782	2,662
Total	59,992	40,192	93,578	55,203
Current liabilities	59,992	40,192	89,580	55,203
Noncurrent liabilities	-	-	3,998	-

- (i) The maturity of social security contributions, PIS and Cofins for March, April and May 2020 were extended by the Federal Revenue Service due to the Covid-19 pandemic. These amounts will be in October and November 2020.

17 Loans, financing and lease liabilities

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

The loan and financing transactions are as follows:

	Annual financial charges	Individual		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
BNDES PROSOFT	TJLP + 1.5 to 1.52% p.a.	-	-	-	3,232
BNDES PSI	3.5% to 4.0% p.a.	-	-	-	2,227
Leases (i)	8.55% to 17.24% p.a (i)	213,972	230,108	232,216	241,340
BNDES Inovação	TJLP + 0.52% p.a.	-	-	-	888
Secured accounts and other		-	-	-	16
		213,972	230,108	232,216	247,703
Current liabilities		39,094	44,322	46,785	55,623
Noncurrent liabilities		174,878	185,786	185,431	192,080

- (i) Rates for the lease of real property right of use range from 8.55% to 10.16% (nominal interest rate) and 15.12% to 17.24% for the lease of the right to use electronic equipment.

Amounts recorded in noncurrent liabilities as at September 30, 2020 and December 31, 2019 have the following maturity schedule:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
2021	9,322	33,120	11,736	36,628
2022	35,902	32,032	39,770	33,834
2023	33,022	29,770	35,728	30,754
2024	32,497	30,725	33,416	30,725
2025 onwards	64,135	60,139	64,781	60,139
Noncurrent liabilities	174,878	185,786	185,431	192,080

Below is the breakdown of loans and financing as of September 30, 2020:

	9/30/2020	
	Individual	Consolidated
Opening balance	230,108	247,703
Acquisition of subsidiaries	-	173,476
Additions to right of use leases	19,109	25,238
Interest incurred	8,690	12,560
Write-offs of right-of-use leases	-	-
Interest amortization	(8,691)	(10,978)
Principal amortization	(35,244)	(215,783)
Closing balance	213,972	232,216

a) Leases

Lease obligations are guaranteed by chattel mortgage of leased assets. The table below shows gross liabilities of finance leases as at September 30, 2020 and December 31, 2019:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Gross lease liabilities – minimum lease payments				
Less than one year	48,546	55,050	56,764	60,304
More than one year and less than five years	164,580	150,524	175,451	157,011
More than five years	33,409	63,460	33,783	63,460
	246,535	269,034	265,998	280,775
Future financing charges on finance leases	(32,563)	(38,926)	(33,782)	(39,435)
Present value of lease liabilities	213,972	230,108	232,216	241,340
Current liabilities	39,094	44,322	46,785	49,260
Noncurrent liabilities	174,878	185,786	185,431	192,080

18 Debentures

As of September 30, 2020 and December 31, 2019, balances were broken down as follows:

Issue	Debentures	Annual financial charges	Unit price		Individual and Consolidated	
					9/30/2020	12/31/2019
Single series	200,000	105.95% of CDI	1.00	(a)	-	202,973
		102.65% of CDI			-	-
		Total current liabilities			-	202,973

Debentures 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, using the effective interest rate method.

a) Changes in debentures

Debentures	Individual and Consolidated	
	9/30/2020	12/31/2019
Balance at beginning of year/period	202,973	277,188
Issue of Debentures	196,924	-
Interest incurred	7,878	21,987
Amortization of interest	(7,775)	(13,124)
Payment of principal	(400,000)	-
Payment of premium due to non-conversion	-	(83,078)
Balance at end of year/period	-	202,973

b) Issue of debentures

Debentures issued in 2017: Fund-raising R\$200,000 through the issue of 200,000 simple, unsecured, nonconvertible debentures of the Company at the face value of R\$1, in a single series, which were subject to public distribution with restricted efforts. For legal purposes the issue date of the debentures was September 15, 2017. The debentures will fall due on September 15, 2020, except in the event of early maturity. The Debentures will bear interest corresponding to 105.95% of the accumulated variation of the daily average DI (interbank) rates. Interest will be paid semiannually. The debentures matured on September 15, 2020 and were settled for the amount of R\$ 202,838.

Debentures issued in 2020: On April 22, 2020, the Company approved the 2nd issue of Simple, non-convertible, unsecured debentures, in a single series for public distribution with restricted placement efforts in the total amount of R\$200,000, at face value of R\$1,000.00. The Unit Face Value will bear interest corresponding to 100.0% of the accumulated variation of the average daily rates of the DI (Interbank Deposits), based on 252 business days, plus a spread equivalent to 2.65% per year. On August 10, 2020, the Company redeemed all debentures for R\$203,219. These debentures would mature on April 22, 2021 and the optional early redemption took place under the terms of the Indenture for the 2nd Issue of Debentures, by means of payment of the debt balance at unit face value and conventional interest corresponding to 100.0% of the accumulated variation of average DI daily rates, based on 252 business days, plus spread equivalent to 2.65% p.a. calculated on a pro-rata basis from debenture settlement date to effective payment date, plus a premium corresponding to 0.10%.

19 Business partners' payables

Basically, refers to the amount of outstanding receivables acquired from the establishments affiliated with Supplier Administradora de Cartões de Crédito S.A. in the amount of R\$288,733, with maturities within 30 days.

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 noncurrent liabilities, as follows:

	Individual			Individual		
	9/30/2020			12/31/2019		
	Contingent payments	Other	Total	Contingent payments	Other	Total
Datasul MG	-	4,800	4,80	-	4,695	4,695
Seventeen	-	3,103	3,10	-	3,039	3,039
Virtual Age	-	55	55	-	15,187	15,187
Neolog	-	-	-	7,187	-	7,187
Other	-	392	392	-	385	385
Total	-	8,350	8,35	7,187	23,306	30,493
Current liabilities	-	8,350	8,35	7,187	23,306	30,493

	Consolidated					
	9/30/2020			12/31/2019		
	Contingent payments	Other	Total	Contingent payments	Other	Total
Supplier	139,659	-	139,659	-	-	-
Consinco	8,779	42,431	51,210	-	-	-
Wealth System	3,574	-	3,574	-	-	-
RJ Participações	9,032	-	9,032	8,772	-	8,772
Datasul MG	-	4,800	4,800	-	4,695	4,695
Seventeen	-	3,103	3,103	-	3,039	3,039
RMS	-	1,919	1,919	-	1,930	1,930
Virtual Age	-	55	55	-	15,187	15,187
Neolog	-	-	-	7,187	-	7,187
Other	-	1,660	1,660	-	2,502	2,502
Total	161,044	53,968	215,012	15,959	27,353	43,312
Current liabilities	12,606	31,568	44,174	7,187	25,367	32,554
Noncurrent liabilities	148,438	22,400	170,838	8,772	1,986	10,758

The maturity of non-current liabilities is shown below:

Year	Consolidated
2022	113,141
2023	1,141
2024	47,732
2025	-
2026	8,824
Noncurrent liabilities	170,838

As of September 30, 2020 and December 31, 2019, the liabilities for the acquisition of investments had guarantees in the form of marketable securities, which consisted of CDB operations in the following amounts:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Investment guarantees - current	8,261	23,217	10,307	25,278
Investment guarantees - noncurrent	-	-	1,141	1,987
Total	8,261	23,217	11,448	27,265

21 Provision for contingencies

In the ordinary course of their operations, the Company and its subsidiaries are parties to various legal proceedings relating to tax, social security, labor and civil matters. Provision for contingencies is set up by management, supported by its legal counsel and an analysis of judicial proceedings pending judgment, at an amount considered sufficient to cover probable losses, as shown below:

	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax	5,875	5,797	7,415	7,671
Labor	78,786	78,848	91,470	87,988
Civil	32,006	31,416	35,367	35,862
	116,667	116,061	134,252	131,521

Changes in provisions for the nine-month period ended September 30, 2020 are as follows:

	Individual			
	Tax	Labor	Civil	Total
Balances at December 31, 2019	5,797	78,848	31,416	116,061
(+) Additional provision	-	29,791	7,687	37,478
(+) Monetary restatement (reversal)	78	2,066	2,499	4,643
(-) Reversal of unused provision	-	(6,072)	(1,467)	(7,539)
(-) Write-off due to payment	-	(25,847)	(8,129)	(33,976)
Balances at September 30, 2020	5,875	78,786	32,006	116,667

	Consolidated			
	Tax	Labor	Civil	Total
Balances at December 31, 2019	7,671	87,988	35,862	131,521
(+) Additional provision	84	38,219	8,620	46,923
(+) Monetary restatement (reversal)	112	3,842	2,691	6,645
(-) Reversal of unused provision	(61)	(6,378)	(2,527)	(8,966)
(-) Write-off due to payment	(391)	(32,676)	(9,487)	(42,554)
(+) Acquisitions of subsidiary	-	475	51	526
(+) Exchange rate	-	-	157	157
Balances at September 30, 2020	7,415	91,470	35,367	134,252

Further information regarding other significant ongoing lawsuits is provided in Note 22 to the financial statements as of December 31, 2019.

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

Judicial deposits	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax (i)	12,050	11,833	12,632	21,554
Labor	14,672	22,677	19,728	28,552
Civil	15,623	14,132	16,429	14,953
	42,345	48,642	48,789	65,059

- (i) Two judicial deposits withdrawn in favor of the Company in the amount of R\$9,205 due to favorable res judicata decision of the lawsuit that discussed the exclusion of ICMS from the PIS and COFINS tax base.

21.1 Contingent liabilities

The Company and its subsidiaries are parties to other lawsuits which, based on the opinion of Company management and its legal advisors, are classified as possible losses and for which no provision has been recognized, as follows:

Nature	Individual		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax	101,076	109,268	141,855	137,180
Labor	97,922	77,458	113,052	90,509
Civil	160,667	255,345	178,304	271,647
	359,665	442,071	433,211	499,336

Civil suit for damages due to termination of an agency agreement, in addition to pain and suffering and property damage. The proceeding is its initial phase, and during the expert review phase, the technicians together with our legal advisors revised the lawsuit calculations and concluded that the risk of possible loss at September 30, 2020 was of R\$ 1,970 (R\$ 104,361 at 31 December 2019).

The breakdown of the other significant ongoing lawsuits at September 30, 2020 is in Note 22.2 to the financial statements for the year ended December 31, 2019.

22 Senior shares and mezzanine obligations - Consolidated

Financial liabilities amount to R\$924,802 and fully comprise Supplier FIDC's senior shares and mezzanine obligations. The index used for the profitability of senior shares is CDI + 2.5%, for mezzanine I shares, it is CDI + 3%, and for mezzanine II shares, CDI + 4%.

23 Shareholders' equity

a) Capital

As at September 30, 2020 the Company's capital was composed of 577,913,181 registered common shares issued and fully paid, with no par value (577,913,181 as of December 31, 2019), as follows:

Shareholder	9/30/2020		12/31/2019	
	Shares	%	Shares	%
LC EH Participações e Empreendimentos S/A	80,282,970	13.89%	80,282,970	13.89%
Constellation Investimentos e Participações	38,965,739	6.74%	20,965,266	3.63%
Laércio José de Lucena Cosentino	6,376,005	1.10%	6,161,670	1.07%
CSHG Senta Pua Fia	144,000	0.02%	136,200	0.02%
Other	441,988,637	76.49%	464,510,718	80.38%
Outstanding shares	567,757,351	98.24%	572,056,824	98.99%
Treasury shares	10,155,830	1.76%	5,856,357	1.01%
Total in units	577,913,181	100.00%	577,913,181	100.00%

On April 27, 2020, the Company's Extraordinary Shareholders Meeting approved the of the stock split of all the common shares issued by the Company at the ratio of one common share to three (1:3) of the same type without any change in capital. Consequently, the number of common shares into which the Company's capital is divided changed from 192,637,727 to 577,913,181 shares. For comparative purposes, the number of shares on the base date of December 31, 2019 is presented considering the effect of the share split.

b) Capital reserves

The balance of capital reserves at September 30, 2020 and December 31, 2019 was broken down as follows:

	<u>9/30/2020</u>	<u>12/31/2019</u>
Goodwill reserve (i)	795,538	795,538
Goodwill reserve due to merger	14,330	14,330
Premium on acquisition of non-controlling interests	(24,323)	(25,518)
Debentures converted into shares	44,629	44,629
Stock option plan	56,921	47,000
	<u>887,095</u>	<u>875,979</u>

- (i) The goodwill reserve amount of R\$99,260 is composed of R\$31,557 relating to payments made in 2005 and R\$67,703 relating to corporate restructuring with Bematech. The increase in goodwill reserve of R\$696,278 in 2019, refers to the amount of capital contribution allocated to the capital reserve of R\$725,220, net of borrowing costs that amounted to R\$28,942.

c) Treasury shares

As at September 30, 2020, changes in "Treasury Shares" were as follows:

	<u>Number of shares (units)</u>	<u>Value (in thousand)</u>	<u>Average price per share (in reais)</u>
As at December 31, 2019 (i)	<u>5,856,357</u>	<u>R\$62,531</u>	<u>R\$10.68</u>
Purchased	5,100,900	R\$94,734	R\$18.57
Used	(801,427)	(R\$8,695)	R\$10.84
As at September 30, 2020	<u>10,155,830</u>	<u>R\$148,570</u>	<u>R\$14.63</u>

- (i) Number of treasury shares adjusted according to the share split mentioned in Note 23.a.

On March 6, 2020, the Board of Directors approved the repurchase program for shares issued by the Company, up to the limit of 9,000,000 common shares, to cover the Incentive and Retention Plan based on Company shares. The program ended on August 3, 2020 with a total of 5,100,900 common shares repurchased.

In the nine-month period ended September 30, 2020, 801,427 treasury shares were used by the stock options and restricted share plans, which consumed R\$8,695 from the capital reserve.

24 Dividends and Interest on shareholders' equity

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

On April 24, 2020, the General Shareholders' Meeting approved the distribution of dividends in the amount of R\$24,817 relating to net income for 2019 with payment made as from May 20, 2020.

On August 3, 2020, the Board was approved the distribution and payment of Interest on shareholders' equity in the amount of R\$39,743 related the first half of 2020, with payment as from October 22, 2020.

The balance of dividends and interest on equity payable in the statement of financial position amounted to R\$36,075 as at September 30, 2020 (R\$44,579 as at December 31, 2019).

25 Share-based compensation plan

The main events associated with the stock option plan are described in Note 25 to the Financial Statements for the year ended December 31, 2019.

There are two new share-based payment plan grants for the nine-month period ended September 30, 2020, under the following assumptions:

Plans	Date	Fair value assumption			Fair value
		Market value	Dividends	Term maturity	
Regular	04/27/2020	17.00	1.2%	3 years	16.41
Partners	04/27/2020	17.00	1.2%	3 years	16.41

Changes in options and restricted shares for the year are shown below:

	September 30, 2020			
	Stock options	Restricted shares	Total	
	Average Price (in reais)	Amount (units)		
Opening balance (i)	-	145,665	4,902,105	5,047,770
Transactions:				
Exercised	11.87	(145,665)	(902,351)	(1,048,016)
Granted	-	-	3,141,430	3,141,430
Cancelled	-	-	(98,551)	(98,551)
Closing balance	-	-	7,042,633	7,042,633

(i) The balance at the beginning of the year was adjusted considering the stock split mentioned in Note 23.a.

As of September 30, 2020, all share plan options had been exercised.

The cumulative effect in the nine-month period ended September 30, 2020 was R\$25,815 (R\$11,369 as of September 30, 2019), recorded as share-based payment expenses and includes the impact of withholding taxes on payroll at market value on payroll for 2016 and 2017 grants.

26 Segment information

The presentation of information by operating segment is consistent with the internal report provided to the Company's main operational decision-makers.

As mentioned in note 3, on April 30, 2020, the Company acquired control over Supplier Participações, a B2B credit operation company, focused on the relationship between customers and suppliers. Supplier holds subordinated shares of Supplier FIDC, which is included in the Company's consolidated interim financial statements. As such, in order to manage performance of this new business, the Company began to present two separate reportable segments:

Technology segment (formerly Software segment): represents TOTVS software operation. This segment, comprises the dimensions of management software, with ERP, HR and Vertical, and Business Performance solutions, which started to be built with CRM, e-Commerce solutions, among others that will be added to the portfolio. In addition, there are Techfin solutions that do not involve the assumption of credit risk and/or the definition and/or application of credit policies, such as partnerships for payroll loans, TEF, Financial Dashboard, among others that will be added in the future.

Credit product segment - Supplier: includes Supplier's businesses that involve, besides the origination, the assumption of some degree of credit risk and/or the definition and/or application of credit policies, such as products "Supplier Card", "Antecipa" and the "Mais Prazo". This segment also consolidates the results of the subordinated shares of the Supplier FIDC, to which Supplier currently assigns the originated credits.

The statement of profit or loss for the period ended September 30, 2020 for these two reportable segments is as follows:

Statement of profit or loss	Technology	Credit product segment - Supplier	Consolidated
Net Revenue	1,831,362	75,221	1,906,583
(-) Costs	(543,894)	(25,870)	(569,764)
Gross profit	1,287,468	49,351	1,336,819
(-) Operating expenses	(880,946)	(36,129)	(917,075)
(-) Depreciation and amortization	(146,238)	(1,014)	(147,252)
(-) Finance income (costs) and equity	(5,543)	1,526	(4,017)
(-) Income and social contribution taxes	(64,596)	(4,087)	(68,683)
Net income (loss) for the period	190,145	9,647	199,792

Follow we present the table that reconcile the segment information model above with Statement of Profit or Loss for the period ended September 30, 2020:

	Segments consolidated	Reclassification	Statement of Profit or Loss - Restated
Net revenue	1,906,583	-	1,906,583
(-) Costs	(569,764)	(51,631)	(621,395)
Gross Profit	1,336,819	(51,631)	1,285,188
(-) Operating expenses	(917,075)	(95,621)	(1,012,696)
(-) Depreciation and amortization	(147,252)	147,252	-
(-) Finance income (expenses)	(4,017)	-	(4,017)
(-) Income and social contribution taxes	(68,683)	-	(68,683)
Net income (loss) for the period	199,792	-	199,792

Likewise, the statement of financial position for each operating segment as of September 30,2020 is as follows:

	Technology	Credit product segment - Supplier	Consolidated
ASSETS			
CURRENT ASSETS	1,308,164	1,284,768	2,592,932
Cash and cash equivalents	808,437	191,363	999,800
Marketable securities	-	62,932	62,932
Trade accounts receivable, net	408,859	1,024,196	1,433,055
Other current assets	90,868	6,277	97,145
NONCURRENT ASSETS	2,302,383	18,416	2,320,799
Other assets	362,516	12,850	375,366
Property, plant and equipment	373,166	4,954	378,120
Intangible assets	1,566,701	612	1,567,313
TOTAL ASSETS	3,610,547	1,303,184	4,913,731
LIABILITIES AND EQUITY			
CURRENT LIABILITIES	583,782	1,240,217	1,823,999
Loans and financing	45,779	1,006	46,785
Business partners payable	-	288,733	288,733
Senior shares and mezzanine (i)	-	924,802	924,802
Other current liabilities	538,003	25,676	563,679
NONCURRENT LIABILITIES	521,861	1,855	523,716
Loans and financing	183,906	1,525	185,431
Provision for contingencies	133,922	330	134,252
Other noncurrent liabilities	204,033	-	204,033
SHAREHOLDERS' EQUITY (ii)	2,504,904	61,112	2,566,016
LIABILITIES AND SHAREHOLDERS' EQUITY	3,610,547	1,303,184	4,913,731

- (i) Senior and mezzanines I and II shares of Supplier FIDC.
(ii) Represents the value of net assets and liabilities for each operating segment.

27 Earnings per share

On April 27, 2020, the Company split the total number of shares, in the proportion of 1 (one) common share to 3 (three) shares of the same type, as mentioned in note 23 "a". As such, for comparison purposes, we applied this ratio on September 30, 2019.

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

	<u>9/30/2020</u>	<u>9/30/2019</u>
Profit or loss for the period		
Continuing operations	199,792	188,193
Discontinued operations	(980)	(31,813)
Net income attributable to the controlling common Company's shareholders	198,812	156,380
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	568,356	532,354
Basic earnings per share	0.3498	0.2938
Basic earnings per share continuing operations	0.3515	0.3535

	<u>9/30/2020</u>	<u>9/30/2019</u>
Profit or loss for the period		
Continuing operations	199,792	188,193
Discontinued operations	(980)	(31,813)
Net income attributable to the Company's controlling common shareholders	198,812	156,380
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	568,356	532,354
Weighted average number of stock options/restricted shares	6,649	4,649
Weighted average number of common shares adjusted according to dilution effect	575,005	537,003
Diluted earnings per share	0.3458	0.2912
Diluted earnings per share continuing operations	0.3475	0.3505

There were no other transactions involving common shares or potential common shares between the date of the statement of financial position and the date when these interim financial statements were concluded.

28 Gross sales revenue

Gross revenue and deductions used for the calculation of net revenue presented in the Company's statement of profit and loss as at September 30, 2020 and 2019 were as follows:

(A free translation of the original in Portuguese)

	Individual		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Recurring software	1,184,398	1,068,490	1,639,519	1,454,540
Nonrecurring software	302,131	318,123	440,254	481,201
License fees	147,961	141,807	191,448	183,843
Nonrecurring services	154,170	176,316	248,806	297,358
Credit product - Supplier	-	-	79,183	-
Gross revenue	1,486,529	1,386,613	2,158,956	1,935,741
Sales canceled	(14,541)	(12,591)	(22,289)	(19,213)
Sales taxes	(166,995)	(157,050)	(230,084)	(213,696)
Deductions	(181,536)	(169,641)	(252,373)	(232,909)
Net revenues	1,304,993	1,216,972	1,906,583	1,702,832

29 Costs and expenses by nature

The Company presents below the information on operating expenses and costs by nature for the periods ended September 30, 2020 and 2019.

Nature	Individual		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Salaries, benefits and payroll charges	554,305	519,617	811,482	732,744
Outsourced services and other inputs	292,079	294,702	405,668	392,161
Commissions	132,804	120,764	149,359	131,262
Depreciation and amortization	93,057	88,171	147,252	110,222
Provision for contingencies	29,939	36,997	37,957	41,554
Allowance for expected credit loss	22,917	16,719	37,409	23,885
Other	23,560	7,310	44,964	18,004
Total	1,148,661	1,084,280	1,634,091	1,449,832

30 Finance income and costs

Finance income and costs incurred for the periods ended September 30, 2020 and 2019 were as follows:

	Individual		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Finance income				
Short-term investment yield	21,071	35,939	29,529	42,937
Interest received	2,775	3,774	3,297	4,375
Inflation adjustment gains	1,142	2,760	1,560	4,684
Adjustment to present value	1,069	664	1,203	748
Foreign exchange gains	90	588	6,451	786
Other finance income (i)	(1,147)	(1,942)	(1,669)	(2,266)
	25,000	41,783	40,371	51,264
Finance costs				
Interest incurred	(19,889)	(36,750)	(20,917)	(38,960)
Inflation adjustment losses	(4,922)	(8,057)	(7,481)	(11,100)
Bank expenses	(3,603)	(3,871)	(4,319)	(5,126)
Adjustment to present value of liabilities (iii)	(367)	(441)	(8,479)	(574)
Foreign exchange losses	(93)	(797)	(3,742)	(979)
Other finance costs (ii)	(263)	(94)	844	(1,626)
	(29,137)	(50,010)	(44,094)	(58,365)
Net finance income (costs)	(4,137)	(8,227)	(3,723)	(7,101)

- (i) Includes the amounts of PIS e COFINS on finance income.
(ii) Includes inflation adjustments of Argentine subsidiaries
(iii) Adjustment to present value of the "Accounts payable from acquisition of subsidiaries".

31 Private pension plan – defined contribution

The Company offers the TOTVS Private Pension Plan, currently managed by Bradesco Seguros, which receives contributions from the employees and the Company, as described in the Program Membership Agreement. The three types of contribution are:

- 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 period ended September 30, 2019 was R\$2,693 (R\$1,866 as at September 30, 2019).

32 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 and leased assets, and civil liability risks. Insured assets include owned and leased vehicles, and the buildings where the Company and its subsidiaries operate.

33 Subsequent events

Business combination propose with Linx S.A.

During the year 2020, has occurred several discussions due to the business combination propose between TOTVS S.A. and Linx S.A..

On October 15, 2020, the Company filed with the U.S. Securities and Exchange Commission (the "SEC") the preliminary registration statement on Form F4 (the "Registration Statement") relates to the proposed business combination. The effectiveness of the Registration Statement is subject, among other things, to SEC review.

On October 20, 2020, the business combination proposal presented by TOTVS was extended until December 31, 2020.

On October 27, 2020, an extraordinary general meeting of its shareholders was called by Company to deliberate on the proposal, upon approval of the Protocol and Justification ("Protocolo e Justificação") and other management documents, which must be approved by Linx's shareholders.

In according to Material Fact from November 18, 2020, the Extraordinary General Meeting was canceled. Therefore, the Call notice becomes ineffective, as well as the distance voting ballots related to such canceled EGM, which will be discarded. The Company has requested the withdrawal of the registration form F-4 that had been filed with the Securities and Exchange Commission - SEC and the filing of such procedure with CADE - the Brazilian Antitrust Agency, for loss of purpose, and the Company will continue to act as a third party interested in the Stone-Linx transaction, considering that such transaction raises competitive concerns.

On November 27, 2020 the Company informed in the Material Fact that the projections regarding potential synergies resulting from the business combination between TOTVS and Linx disclosed in a Material Fact of October 8, 2020 are discontinued. Section 11 of the Company's Reference Form was updated on this date to inform the discontinuation of such projections.

Payment of Interests on capital

On December 15, 2020 was approved by the Board of Directors, the payment of Interests on Capital ("JCP") in the total amount of R\$56,776, correspondents to R\$0.10 per share, regarding to second semester of 2020, which will be imputed to the obligatory dividends of the year, in accordance to Article 39 from bylaws of the Company. The JCP were paid for the shareholders on May 20, 2021.

RD Station acquisition

On March 9, 2021, the Company celebrated the share and purchase agreement for the acquisition of shares corresponding to 92% of the capital stock of RD Gestão e Sistemas S.A. ("RD"), through its subsidiary TOTVS Large with transaction amount after price adjustment of R\$1,864,593. RD is a leader company of digital marketing automation software market and it is included in the company's strategy of Business Performance.

The transaction closing depended of Brazilian competitives authorities (CADE) approval, occurred on April 14, 2021 and the check of other usual conditions for this type of business. The transaction was concluded on May 31, 2021.

In addition, the transaction provides the option of purchase and sale of remaining installment from RD which can be exercised among April and June 2024. The price of exercise option will be measeured based on multiples applied to the RD performance on December 31, 2023. Considering that the option os purchase and sale of additional interest issued in favor of non controlling shareholders were agreed together wih business combination, the obligation fair value was recognized and recorded in account "Accounts payable from acquisition of subsidiaries".

Issue of debentures

On May 21, 2021, the Company approved the issuance of simple, non-convertible, unsecured debentures, in a single series, which will be for public distribution with restricted placement efforts purposes in the total amount of R\$1,500,000, being the unit nominal value of R\$1. On the unit nominal value or balance of unit nominal value, will affect compensatory interests corresponding to 100,00% of accumulated variation of average daily interests from DI (Interbank deposits), plus spread equivalent to 1,90% p.y. on a 252 business day basis. The interests will have semiannual maturity and will be paid always in the day 21 from the months of May and November of each year, being the first payment due on November 21, 2021 and the last one due to the maturity date.

Primary public offering of shares

On September 2021, was approved in the Board of Directors Meeting the fixing of price per share in the scope of primary public offering for issuance of common shares, in the value of R\$36.75 per share with capital increase in the total amount of R\$1,443,173, which corresponds to the issue of 39,270,000 new common shares with no par value, free and clear of any liens or encumbrances. Thus, the Capital went from R\$1,519,412, divided in 577,913,181 common shares to R\$2,962,585, divided in 617,183,181 common shares, all with no par value, free and clear of any liens or encumbrances.

Partnership between TOTVS and B3

On October 1st, 2021, the Company concludes the negotiation involving the subscription by the B3 S,A, – Brasil, Bolsa, Balcão ("B3") of representative minority interest, of 37,5% of the total shares from Dimensa S.A. ("Dimensa"), after fulfillment of all previous conditions by the amount of R\$600,000.

With conclusion of the transaction, TOTVS have 62,5% of interests in the capital from Dimensa (former TFS Soluções em Software Ltda.) and the transaction generated a gain by the change of interest of R\$352,540 in equity pick-up line.

Payment of Interests on capital

On December 22, 2021, was approved by the Board of Directors, the payment of Interests on Capital (“JCP”) in the total amount of R\$79,050, correspondents to R\$0.13 per share of the Company, regarding to second semester of 2021, which will be imputed to the obligatory dividends of the year, in accordance to Article 39 from bylaws of the Company. The JCP will be paid on May 20, 2022.

InovaMind Tech Ltda. acquisition

On January 07, 2022, was celebrated the Share Sale and Purchase Agreement and Other Covenants, for acquisition of 100% of quotas of capital from the startup InovaMind Tech Ltda, by Dimensa S.A., in the amount of R\$23,5 million. InovaMind is an artificial intelligence startup which uses Big Data to create products and digital services for the companies of all sizes. With this acquisition, Dimensa S.A. expands its offer of products and services for its customers and give another strategic step to reinforce its leadership position in the B2B technologies for finance sector and fintechs segments.

Mobile2you Ltda. acquisition

On January 31, 2022 was celebrated the Share Sale and Purchase Agreement and Other Covenants, for acquisition of 100% of quotas of capital from Mobile2you Ltda., by Dimensa S.A. in the amount of R\$26,9 million. Mobile2you is a mobile-house responsible for the development of custom financial apps (“Tailor-made”) for companies that desire to start the entry journey in the “fintech” market. Integrating the back-office layer, the complete experience of journey from the user, the Mobile2you delivery value to the customers offering digital financial products which generates traction to business rules of the companies.

Vadu Ltda. acquisition

On March 29, 2022, was celebrated the Share Sale and Purchase Agreement and Other Covenants, for acquisition of 100% of quotas of capital from Vadu Ltda., by Dimensa S.A. in the amount of R\$40 million. Additionally, the Agreement provides the complementary purchase price payment, subject to the achievement of certain performance targets from Vadu and the fulfillment of other conditions. Vadu is a platform of solution of analysis, automation and monitoring for credit market, which with the use of Big Data integrated to Artificial Intelligence, the platform acts in all credit journey.

Gesplan S.A. acquisition:

On April 02, 2022, was celebrated the Share Sale and Purchase Agreement and Other Covenants, for acquisition of 100% of shares of capital from Gesplan S.A., by TOTVS Tecnologia em Software de Gestão Ltda., in the amount of R\$40 million. Additionally the Agreement provides the payment of complementary purchase price subject to the achievement of certain performance targets established for GESPLAN related to 2022 and 2023 years and to the fulfillment of other conditions. Gesplan provides planning and financial management solutions, that operates

in the transactional environment of integrated way with ERPs, having as highlight its SaaS solution (Software as a Service) of integrated treasury management (Cash & Treasury Management).

Techfin joint venture between TOTVS and Itaú

On April 12, 2022, the Company, as approved by its Board of Directors, entered into, on this date, an agreement to create a joint venture with Itaú Unibanco S.A., called TOTVS TECHFIN (“JV”), the purpose of which is to operate a digital platform of financial services for small and medium-sized companies by integrating a complete range of financial services. The Company and Itaú will each hold 50% of interest in said JV, in which it will have an initial contribution of R\$200 million by the Itaú.

Additionally, in the context of the JV creation, Itaú compromise to pay for TOTVS until R\$860 million by the JV shares, in which R\$410 million will be paid in cash, in the closing date of the transaction, and until R\$450 million to be paid after 5 years, as complementary price (Earn-out), upon the achievement of goals in line with the JV’s growth and performance objectives. The closing of the Transaction depends on the approvals by the Brazilian Antitrust Agency (CADE) and the Central Bank of Brazil (BACEN), as well as the checking of other usual conditions for this type of transaction.

Company’s share buyback program

On May 10, 2022, was approved by the Board of Directors, the share buyback program for the shares issued by the Company, up to the limit of 4.000.000 (four million) common shares, to meet the grant of the Company’s Share-Based Incentive Plan 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 cancelled in accordance with the law. The Program shall end until November 10th, 2022. The Company has 521,501,315 outstanding shares as per the concept set forth in CVM Resolutions 77/2022. The acquisition will be made by debiting the capital reserve account recorded in the balance sheet prepared on March 31st, 2022.
