

**APPRAISAL REPORT**  
**AP-00139/21-01**

**NEOLOG CONSULTORIA E  
SISTEMAS S.A.**

APPRAISAL REPORT:	AP-00139/21-01	VALUATION DATE:	January 31 <sup>st</sup> , 2021
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**APPRAISAL REPORT OF NEOLOG CONSULTORIA E SISTEMAS S.A.' NET EQUITY,  
DETERMINED BY ACCOUNTING BOOKS**

APSIS CONSULTORIA E AVALIAÇÕES LTDA., limited simple society, established at Rua do Passeio, no. 62, 6<sup>th</sup> Floor, Centro, City and State of Rio de Janeiro, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under no. 08.681.365/0001-30, registered in the Regional Council of Accounting of the State of Rio de Janeiro under the no. 005112/O-9, represented by its undersigned partner, Mr. MIGUEL CÔRTEZ CARNEIRO MONTEIRO, economist, bearer of the National General Registry no. 25.647.900-7, issued by DETRAN/RJ, subscribed in the Individual Registration under the no. 105.918.297-11, resident and domiciled in the City and State of São Paulo, with head office localized at Avenida Angélica, no. 2.503, Set 102, Consolação, City and State of São Paulo, nominated by the TOTVS S.A., hereinafter denominated TOTVS, established at Avenida Braz Leme, no. 1.000, Casa Verde, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 53.113.791/0001-22, to proceed with the net equity's appraisal of the NEOLOG CONSULTORIA E SISTEMAS S.A., hereinafter denominated NEOLOG, established at Avenida Engenheiro Luiz Carlos Berrini, no. 1.681, 14<sup>th</sup> Floor, Set 142, Cidade Monções, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 05.254.381/0001-59, on January 31<sup>st</sup>, 2021, in accordance with the Brazilian accounting practices, features next the result of its work.

## **1. PURPOSE OF APPRAISAL**

NEOLOG's accounting net equity appraisal on January 31<sup>st</sup>, 2021, for the purposes of its incorporation by TOTVS, in compliance with applicable laws and regulations.

## **2. MANAGEMENT'S RESPONSIBILITY ABOUT THE ACCOUNTING INFORMATION**

The company's management is responsible for the bookkeeping and elaboration of the accounting information in accordance with Brazilian accounting practices, as well as for the relevant internal controls necessary to prepare the accounting information, without distortions, whether these distortions were caused by fraud or mistake. The summary of the main accounting practices adopted by NEOLOG is described in the Attachment 2 of this Appraisal Report.

## **3. SCOPE OF WORK AND ACCOUNTANT'S RESPONSIBILITY**

It's our responsibility to present a conclusion on the net book value of NEOLOG on January 31<sup>st</sup>, 2021, in accordance with the Technical Communication CTG 2002, approved by the Federal Accounting Council (CFC), which provides the guidelines of work to issue Appraisal Reports.

Thus, we've examined the company's balance sheet in accordance with the applicable accounting standards and in compliance with ethical requirements. In addition, we have planned and executed the analysis in order to obtain reasonable assurance that the balance sheet is free from material misstatement.

The issuance of an Appraisal Report involves the execution of procedures to obtain evidence regarding the amounts accounted. This analysis depends on the accountant's judgment, including the assessment of the risks of significant distortion in shareholders' equity, regardless of whether it is caused by fraud or error. In such an analysis, the accountant considers the management controls pertinent to the company's balance sheet and the appropriate processes to the circumstances, but it doesn't have the objective of expressing an opinion on the effectiveness of such documents.

The work also covers the assessment of the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the management of NEOLOG. We believe that the evidence obtained is sufficient and adequate to support our conclusion.

#### 4. CONCLUSION

Based on the work performed, we concluded that the value of **R\$ 2,498,709.35** (two million, four hundred and ninety-eight thousand, seven hundred and nine reais and thirty-five cents), as the January 31<sup>st</sup>, 2021 equity value, recorded in the accounting books and summarized in Attachment 1, represents, in all material respects, the net book value of **NEOLOG**.

#### 5. EMPHASIS

We would like to call your attention to the note presented in Attachment 2 of this Appraisal Report, which describes the uncertainty regarding the quantitative and qualitative impacts arising from the recent COVID-19 pandemic. Our conclusion about **NEOLOG**'s book equity is not qualified due to this matter.

São Paulo, February 17<sup>th</sup>, 2021.

APSIS CONSULTORIA E AVALIAÇÕES LTDA.  
CRC/RJ 005112/O-9

**MIGUEL CÔRTEZ CARNEIRO MONTEIRO**  
Director

**EVELYNE FERRARI**  
Projects (CRC/SP-313879/O-3)

## 6. LIST OF ATTACHMENTS

1. SUPPORT DOCUMENTATION
2. SUMMARY OF THE MAIN ACCOUNTING PRACTICES ADOPTED BY NEOLOG
3. GLOSSARY

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## ATTACHMENT 1

## Neolog Consultoria e Sistemas S.A.

## Statements of financial position as at January 31, 2021 and December 31, 2020 (in thousands of reais)

	2.021	2.020
<b>Assets</b>		
<b>Current assets</b>	<b>5.237</b>	<b>4.979</b>
Cash and cash equivalents	1.462	1.246
Escrow account	-	-
Trade receivables	3.688	3.692
Reserve for bad debt	(45)	(67)
Inventories	-	-
Recoverable taxes	13	53
Other assets	119	55
<b>Noncurrent assets</b>	<b>587</b>	<b>592</b>
Escrow account	-	-
Trade receivables	-	-
Loan-loss provision	-	-
Recoverable taxes	-	-
Receivables from related parties	-	-
Deferred tax assets	-	-
Judicial deposits	-	-
Other assets	60	60
Investments	-	-
Property, plant and equipment	245	254
Intangible assets	31	6
Right-of-Use Asset	251	272
<b>Total assets</b>	<b>5.824</b>	<b>5.571</b>

## Liabilities and equity

<b>Current liabilities</b>	<b>3.025</b>	<b>2.915</b>
Accounts payable	1.222	1.197
Share-based payments expense	212	147
Taxes and contributions payable	311	300
Commissions payable	19	12
Loans, financing and lease liabilities, debentures	258	257
Accounts payable from acquisition of subsidiaries	-	-
Other liabilities	1.003	1.002
<b>Noncurrent liabilities</b>	<b>300</b>	<b>311</b>
Loans, financing and lease liabilities, debentures	-	22
Accounts payable from acquisition of subsidiaries	-	-
Provision for contingence	-	-
Accounts payable from acquisition of subsidiaries	300	289
Other liabilities	-	-
<b>Shareholders' equity</b>	<b>2.499</b>	<b>2.345</b>
Capital	660	660
Treasury shares	-	-
Capital reserves	-	-
Other comprehensive income	-	-
Reserve	1.839	1.685
<b>Total Shareholders' equity and liabilities</b>	<b>5.824</b>	<b>5.571</b>

## Statements of cash flows January 31, 2021 and for the year ended December 31, 2020

<b>Cash flow from operating activities</b>	<b>209</b>	<b>548</b>
Profit before tax from continuing operations	-	-
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	30	460
Share-based payments expense	-	-
Losses on disposal of fixed assets and investments	(21)	(60)
Allowance for expected credit losses	-	42
Equity pickup	-	-
Reversals of contingencies, net of reversals	-	-
Provision for provision net of additional provisions on other obligations and others	-	-
Interest and monetary variations and exchange variations differences, net	1	6
<b>Changes in operating assets and liabilities:</b>	<b>5</b>	<b>(851)</b>
Trade receivables	-	-
Inventories	(64)	59
Other assets	-	-
Judicial deposits	25	164
Labor liabilities	40	(51)
Recoverable taxes	65	(38)
Trade and other payables	7	12
Commissions payable	(34)	121
Taxes and contributions payable	-	(2)
Other liabilities	-	-
<b>Cash flow provided by operations</b>	<b>263</b>	<b>410</b>
Interest paid	(1)	(6)
Income tax and social contributions paid	-	(261)
<b>Net cash from operating activities</b>	<b>262</b>	<b>143</b>

## Statements of profit or loss - January 31, 2021 and for the year ended December 31, 2020

	2.021	2.020
Software revenue	907	9.220
Cost of software	(238)	(2.873)
<b>Gross profit</b>	<b>670</b>	<b>6.347</b>
<b>Operating income (expenses)</b>		
Research and development expenses	(366)	(3.973)
Selling and marketing expenses	(0)	(535)
General and administrative expenses	(88)	(932)
Depreciation and amortization	(30)	(460)
Provision for expected credit losses	21	(43)
Other operating income (expenses)	-	60
<b>Operating profit</b>	<b>207</b>	<b>464</b>
Finance income	3	161
Finance expenses	(1)	(77)
Equity pickup	-	-
<b>Profit before tax from continuing operations</b>	<b>209</b>	<b>548</b>
Income tax and social contribution - current	(45)	-
Income tax and social contribution - deferred	(11)	(191)
<b>Profit for the year</b>	<b>153</b>	<b>357</b>

## Statements of changes in shareholder's equity - January 31, 2021 and for the year ended December 31, 2020

	Capital Reserve	Legal Reserve	Profit Reserve	Treasury shares	Other comprehensive income	Total Shareholders' Equity
<b>As at January 1, 2020</b>	<b>660</b>	<b>-</b>	<b>132</b>	<b>2.196</b>	<b>-</b>	<b>2.988</b>
Issuance of share capital, net of issuance costs	-	-	-	-	-	357
Profit for the year	-	-	-	-	-	(1.000)
Dividends	-	-	-	-	-	-
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-
<b>As at December 31, 2020</b>	<b>660</b>	<b>-</b>	<b>132</b>	<b>1.553</b>	<b>-</b>	<b>2.345</b>
Issuance of share capital, net of issuance costs	-	-	-	-	-	153
Profit for the year	-	-	-	-	-	1
Dividends	-	-	-	-	-	-
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
<b>As at January 31, 2021</b>	<b>660</b>	<b>-</b>	<b>140</b>	<b>1.699</b>	<b>-</b>	<b>2.499</b>

Notes to the financial statements: 1) Operational context: Neolog Consultoria e Sistemas SA is a privately held corporation, headquartered at Luis Carlos Berrini Avenue, nº 1681, set nº 82, in the city of São Paulo, state of São Paulo. The Company is engaged in the development and licensing of computer programs. 2) Basis of preparation and summary of the main accounting policies: The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs). The financial statements have been prepared using historical cost as the basis for value. The preparation of financial statements requires the use of certain critical accounting estimates and, more than that, it requires an exercise of judgment by the Company's management. The main estimates are: (i) Allowance for loan losses; (ii) Reasonable value of tangible and intangible assets; and (iii) Deferred taxes.

Fabício de Assis Ramos Orrigo  
Executive Director  
Carlos Alberto Vieira  
Accountant CRC 1SP206556/O-0

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## ATTACHMENT 2

## ABSTRACT OF THE PRINCIPAL ACCOUNTING PRACTICES ADOPTED BY NEOLOG

### ▪ Cash and cash equivalents

Cash and cash equivalents are maintained to meet the company's short-term cash commitments and strategic investments, although they can still be used for other purposes.

### ▪ Accounts receivable

Accounts receivable are initially recognized at the transaction value and are subsequently measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts. A provision for doubtful debts is set up when there is objective evidence that the company will not receive all amounts due in accordance with the original conditions of accounts receivable.

### ▪ Social and labor obligations

The balances of social and labor obligations are composed of profit sharing; payroll loans by financial institution; union contribution; holiday provision; provision of thirteenth salary; transient wages; provision of benefits; INSS to be paid; and FGTS to be collected.

### ▪ Obligations to shareholders

Refers to dividends paid to TOTVS, NEOLOG's sole shareholder.

### ▪ Deferred taxes

Deferred taxes are recognized to the extent that it is probable that future taxable profit will be available to be used to offset temporary differences and / or tax losses, based on projections of results prepared and based on internal assumptions and future economic scenarios, which therefore, they can change.

Current income tax and social contribution are shown net in liabilities (when there are amounts to be paid) or net in assets (when the amounts paid in advance exceed the total due on the date of the report). Deferred taxes are presented at net value.

## EFFECTS OF COVID-19 ON ACCOUNTING INFORMATION

On the date of emission of this Report, NEOLOG does not foresee any risks to the continuity of its operations, nor to the main judgments and accounting estimates. However, the company has already reflected the economic and financial implications of the COVID-19 pandemic in the accounting items of January 31<sup>st</sup>, 2021.

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## ATTACHMENT 3

# Glossary

## A

### **Amortization**

Systematic allocation of the depreciable value of an asset over its useful life.

### **Asset**

A resource controlled by the entity as a result of past events from which future economic benefits are expected for the entity.

### **Asset Approach**

Valuation of companies where all assets (including those not accounted for) have their values adjusted to the market. Also known as market net equity.

## B

### **Base Date**

Specific date (day, month and year) of application of the assessment value.

### **Basic Infrastructure**

Urban rainwater drainage equipment, street lighting, sewage system, drinking water, public and home electricity supply and access routes.

### **Book Value**

The value at which an asset or liability is recognized on the balance sheet.

### **Business Combination**

Union of separate entities or businesses producing financial statements of a single reporting entity. Transaction or other event by which an acquirer obtains control of one or more businesses, regardless of the legal form of operation.

## C

### **CAPEX (Capital Expenditure)**

Fixed asset investments.

### **Capital Structure**

Composition of a company's invested capital, between own capital (equity) and third-party capital (debt).

### **Cash Flow**

Cash generated by an asset, group of assets or business during a given period of time. Usually the term is supplemented by a qualification referring to the context (operating, nonoperating, etc...).

### **Cash Flow on Invested Capital**

Cash flow generated by the company to be reverted to lenders (interest and amortizations) and shareholders (dividends) after consideration of cost and operating expenses and capital investments.

### **Cash-Generating Unit**

Smallest identifiable group of assets generating cash inflows that are largely independent on inputs generated by other assets or groups of assets.

### **Company**

Commercial or industrial entity, service provider or investment entity holding economic activities.

### **Conservation Status**

Physical status of an asset as a result of its maintenance.

### **Control**

Power to direct the strategic policy and administrative management of a company.

### **Cost**

The total direct and indirect costs necessary for production, maintenance or acquisition of an asset at a particular time and situation.

### **Cost of Capital**

Expected rate of return required by the market as an attraction to certain investment funds.

### **CFC**

Conselho Federal de Contabilidade

### **CPC (Comitê de Pronunciamentos Contábeis)**

Accounting Pronouncements Committee.

### **CVM**

Securities and Exchange Commission.

## D

### **Date of Issue**

Closing date of the valuation report, when conclusions are conveyed to the client.

## **DCF (Discounted Cash Flow)**

Discounted cash flow.

## **D & A**

Depreciation and amortization.

## **Depreciable Value**

Cost of the asset, or other amount that substitutes such cost (financial statements), less its residual value.

## **Depreciation**

Systematic allocation of the depreciable value of an asset during its useful life.

## **Direct Production Cost**

Spending on inputs, including labor, in the production of goods.

## **Discount Rate**

Any divisor used to convert a flow of future economic benefits into present value.

# E

## **EBIT (Earnings before Interest and Taxes)**

Earnings before interest and taxes.

## **EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)**

Earnings before interest, taxes, depreciation and amortization.

## **Economic Benefits**

Benefits such as revenue, net profit, net cash flow, etc.

## **Enterprise**

Set of properties capable of producing revenue through marketing or economic exploitation. It can be: real estate (e.g. subdivision, commercial / residential buildings), real-estate based (e.g., hotel, shopping mall, theme parks), industrial or rural.

## **Enterprise Value**

Economic value of the company.

## **Equity Value**

Economic value of the equity.

## **Expertise**

Technical activity performed by a professional with specific expertise to investigate and clarify facts, check the status of property, investigate the causes that motivated a particular event, appraise assets, their costs, results or rights.

# F

## **Facilities**

Set of materials, systems, networks, equipment and operational support services for a single machine, production line or plant, according to the degree of aggregation.

## **Fair Market Value**

Value at which an asset could have its ownership exchanged between a potential seller and a potential buyer, when both parties have reasonable knowledge of relevant facts and neither is under pressure to do so.

## **Financial Lease**

That which substantially transfers all the risks and benefits related to the ownership of the asset, which may or may not eventually be transferred. Leases that are not financial leases are classified as operating leases.

## **Fixed Asset**

Tangible asset available for use in the production or supply of goods or services, in third-party leasing, investments, or for management purposes, expected to be used for more than one accounting period.

# G

## **Goodwill**

See Premium for Expected Future Profitability.

# I

## **IAS (International Accounting Standards)**

Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). See International Accounting Standards.

## **IASB (International Accounting Standards Board)**

International Accounting Standards Board. Standard setting body responsible for the development of International Financial Reporting Standards (IFRSs).

## **IFRS (International Financial Reporting Standards)**

International Financial Reporting Standards, a set of international accounting pronouncements published and reviewed by the IASB.

### **Impairment**

See Impairment losses

### **Impairment Losses (impairment)**

Book value of the asset that exceeds, in the case of stocks, its selling price less the cost to complete it and expense of selling it; or, in the case of other assets, their fair value less expenditure for sale.

### **Income Approach**

Valuation method for converting the present value of expected economic benefits.

### **Indirect Production Cost**

Administrative and financial costs, benefits and other liens and charges necessary for the production of goods.

### **Intangible Asset**

Identifiable non-monetary asset without physical substance. This asset is identifiable when: a) it is separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, leased or exchanged, either alone or together with the related contract, asset or liability; b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

### **International Accounting Standards (IAS)**

Standards and interpretations adopted by the IASB. They include: International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) and interpretations developed by the Interpretation Committee on International Financial Reporting Standards (IFRIC) or by the former Standing Interpretations Committee (SIC).

### **Investment Property**

Property (land, building or building part, or both) held by the owner or lessee under the lease, both to receive payment of rent and for capital appreciation or both, other than for use in the production or supply of goods or services, as well as for administrative purposes.

### **Investment Value**

Value for a particular investor based on individual interests in the property in question. In the case of business valuation, this value can be analyzed by different situations, such as the synergy with other companies of an investor, risk perceptions, future performance and tax planning.

## **L**

### **Liability**

Present obligation that arises from past events, whereby it is hoped that the settlement thereof will result in the inflow of funds from the entity embodying economic benefits.

### **Liquidity**

Ability to rapidly convert certain assets into cash or into the payment of a certain debt.

## **M**

### **Market Approach**

Valuation method in which multiple comparisons derived from the sales price of similar assets are adopted.

### **Multiple**

Market value of a company, share or invested capital, divided by a valuation measurement of the company (EBITDA, income, customer volume, etc...).

## **N**

### **Net Debt**

Cash and cash equivalents, net position in derivatives, short-term and long-term financial debts, dividends receivable and payable, receivables and payables related to debentures, short-term and long-term deficits with pension funds, provisions, and other credits and obligations to related parties, including subscription bonus.

### **Non-Operating Assets**

Those not directly related to the company's operations (may or may not generate revenue) and that can be disposed of without detriment to its business.

## **O**

### **Operating Assets**

Assets that are basic to the company's operations.

### **Operating Lease**

That which does not substantially transfer all the risks and benefits incidental to the ownership of the asset. Leases that are not operating leases are classified as financial leases.

# P

## **Parent Company**

An entity that has one or more subsidiaries.

## **Premium for Expected Future Profitability (goodwill)**

Future economic benefits arising from assets not capable of being individually identified or separately recognized.

## **Present Value**

The estimated present value of discounted net cash flows in the normal course of business.

## **Price**

The amount by which a transaction is performed involving a property, a product or the right thereto.

## **Property**

Something of value, subject to use, or that may be the object of a right, which integrates an equity.

# R

## **Real Estate**

Property, consisting of land and any improvements incorporated thereto. Can be classified as urban or rural, depending on its location, use or to its highest and best use.

## **Recoverable Value**

The highest fair value of an asset (or cashgenerating unit) minus the cost of sales compared with its value in use.

## **Remaining Life**

A property's remaining life.

## **Replacement Cost**

A property's reproduction cost less depreciation, with the same function and features comparable to the property assessed.

## **Replacement Value for New**

Value based on what the property would cost (usually in relation to current market prices) to be replaced with or substituted by a new, equal or similar property.

## **Reproduction Cost**

Expense required for the exact duplication of a property, regardless of any depreciation.

## **Reproduction Cost Less Depreciation**

A property's reproduction cost less depreciation, considering the state it is in.

## **Residual Value**

Value of new or used asset projected for a date limited to that in which it becomes scrap, considering its being in operation during the period.

## **Residual Value of an Asset**

Estimated value that the entity would obtain at present with the sale of the asset, after deducting the estimated costs thereof, if the asset were already at the expected age and condition at the end of its useful life.

# S

## **Shareholders' Equity at Market Prices**

See Assets Approach.

## **Subsidiary**

Entity, including that with no legal character, such as an association, controlled by another entity (known as the parent company).

## **Supporting Documentation**

Documentation raised and provided by the client on which the report premises are based.

# T

## **Tangible Asset**

Physically existing asset, such as land, building, machinery, equipment, furniture and tools.

## **Technical Report**

Detailed report or technical clarification issued by a legally qualified and trained professional on a specific subject.

# U

## **Useful Economic Life**

The period in which an asset is expected to be available for use, or the number of production or similar units expected to be obtained from the asset by the entity.

# V

## **Valuation**

Act or process of determining the value of an asset.

## **Valuation Methodology**

One or more approaches used in developing evaluative calculations for the indication of the value of an asset.