TOTVS S.A.

Financial Statements for the fiscal year ended
December 31, 2022

Contents

Management Report and Comments on the Company's Performance

Dear shareholders,

In compliance with the legal provisions, TOTVS S.A., the Brazilian leader in the development and sales of management software, productivity and collaboration platforms, consulting, and related services in Brazil, hereby submits for its shareholders, the Management Report and the corresponding Financial Statements, together with the audit report issued by the independent auditors, for the years ended December 31th, 2022 and 2021, with the Individual Financial Statements being prepared in accordance with the accounting practices adopted in Brazil and the Consolidated Financial Statements prepared in accordance with the accounting practices standards adopted in Brazil and the International Accounting Standards.

MESSAGE FROM THE BOARD

2022 was challenging, intense, and pleasant; three words that can help us understand the meaning of a non-trivial year marked by social and economic challenges on a global scale, intense political and diplomatic relations, stories of overcoming, acceleration of new technologies, and great results to tell.

After two years of pandemic, we returned to the offices in an hybrid work model; we could intensify face-to-face contact with our clients and listen even more to their needs, shake hands with new business partners and still enjoy the moments of lighter, fluid, and human interactions with TOTVERs that we had not seen in person for a long time. Some may consider this a beginning; for others, a fresh start. What we actually mean is that the ability of people, businesses, and technology to reinvent themselves has intensified more than ever, enabling new proposals for connection and value generation, making even clearer the need to digitalize personal relationships, processes, and companies, in an irreversible flow.

At TOTVS, the outcome of this movement could not have been different: with an incentive to diversity, whether of people, ideas, and opinions. Our TOTVERs delivered another year of outstanding results with plenty of commitment, work, collaboration, and dedication, one more year of good results. Our 3D ecosystem is already a reality for clients, and we have been working strongly so that it is increasingly integrated, interconnected, and interdependent. The acquisitions continued to be an important vector in our business strategy and, during this period, Gesplan and Feedz joined our company; besides, we continued with disruptive business proposals such as the creation of a Techfin Joint Venture with Itaú, to establish the largest B2B financial services digital platform, aiming to expand, simplify, and widespread access to all a wide range of financial products in the Brazilian market.

As for ESG (Environmental, Social and Governance), we continue to make progress in our journey with relevant deliveries and achievements. Regarding pillar E, we developed our first carbon footprint inventory based on the GHG Brazil Protocol, covering scopes 1 and 2 of our operations - an initiative in line with the Global Pact and SDG 13 on Climate Change. We also highlight the achievement of a score upgrade on the Carbon Disclosure Project (CDP), which went from F to C- in this cycle, as well as the fact TOTVS was admitted to the Carbon Efficient Index of B3 (ICO2). As for pillar S, we continue to strengthen our efforts in the education agenda, contributing to the training and employability of young people in situations of social vulnerability through the Institute of Social Opportunity (IOS) and the Start Tech Program. We approved our Diversity and Inclusion Policy with key directions for this subject, and launched the Talent Bank known as #ELASNATOTVS (Gender) and #INCLUSAONATOTVS (PwD), opening doors and creating opportunities for inclusion in the technology market. Regarding pillar G, we implemented an independent ESG assurance process that encompasses our GRI indicators and the global guidelines of the Integrated Report; we made progress in our exercise to review risk factors, covering ESG analysis and criteria; and MSCI raised our score from "BBB" to "A", positioning our Company in a select group of distinguished global companies in the software sector, which reflects our efforts to strengthen our ESG conduct.

For 2023, after the local elections marked by strong polarization, the moment is now to look forward and seek unity, so that together we can enable the country we want to build and that we have the potential to be, in view of the global scenario and value chain. For that, we need to think and plan a country project, guided by focus and performance of short, medium, and long-term goals. Structural reforms are crucial for the government to become lighter and for investments to take place. The implementation of a nationwide plan, which enables technical careers, can boost the competitiveness of Brazilian businesses; and science, technology, and innovation must be considered indispensable elements in business productivity, in improving quality of life, and facing socio economic challenges.

Here at TOTVS we will remain determined, keeping focused on the motto that guides our performance from the beginning: “being equal, while being always different”. This phrase defines the essence and DNA of what it is to be a TOTVER. Our professionals have the autonomy to create, dare, and transform, constantly looking for ways to do something new, different, and exceptional that adds value to the company and our clients, that is, new ways to innovate. The creation of our 3-Dimensional ecosystem is the latest example of this way of thinking, which, added to the Company's distinguishing history, such as TOTVS' Franchise System, creates a unique approach in the domestic and international market.

This is the force that drives us and makes our value proposition of contributing to improve our clients' results, through technology and innovation, a one-of-a-kind model. We will continue to transform the present and the future, believing that everyone can grow and work together to do so. This is the basis of our Culture, represented in its five pillars: (i) We value good people who have a good character; (ii) We are driven by results; (iii) We invest in the technology that makes things possible; (iv) We build long-term relationships with our clients; and (v) When we collaborate, we get stronger.

Finally, I thank all TOTVERs and participants in our ecosystem who believe in this purpose and daily leave their mark, make a difference, and generate exceptional results.

Let's move forward with optimism, focus, and energy to make 2023 even better for our clients and ecosystem.

Laércio Cosentino, Chairman of the Board

MESSAGE FROM THE CEO

2022 was another special year for TOTVS! When we started our 2022 planning in the middle of 2021, much of the events of the previous year were not yet known and therefore not even expected. It was still a moment of euphoria for the reduced effects of the pandemic, the recovery of the major economies based on the lowest interest rates in history, and the largest tax incentives ever seen since World War II. Most companies and investors were focused on revenue growth and market share gain. The faster, the better.

Here at TOTVS, this focus seemed a little unbalanced. We have always had a dual mandate: revenue growth, yes, but also profitability. And when we look at the scenario, although we do not know exactly what would come next, we have imagined and prepared ourselves for a year more challenging than most players expected, both for Brazil and for the world. Proof of this preparation was the follow-on held in September 2021.

Of course, looking back, we got our vision right, and especially our strategic and tactical decisions right. Accordingly, TOTVS remained a safe haven, with balanced achievements and results. Again, this performance was only possible because we have a team of forever nonconformist people, who have a passion for what they do, as well as clients who are more resilient than average. To all of them, my thanks for another record-breaking year.

We started 2022 with TOTVS as part of the GPTW index. We then returned to the offices in the hybrid work model and launched the “TOTVS Brasil que Faz” award, which is a tribute to our client. We were recognized by the Employer Branding Brazil. We acquired Gesplan, the leading company in advanced treasury management. We announced a Joint Venture with Itaú, which changes the pace of development of our Techfin. We held the largest Universo TOTVS e in the Company's history. We brought Feedz, adding more features to our HXM platform. We won the HR's Top of Mind award for the eleventh time. We won first place in 10 categories in Institutional Investor's Latin America Executive Team ranking and, for the second year in a row, we were winners of the Anefac Award, the Oscar of Accounting. These were some highlights that make us proud to be part of TOTVS' history.

More importantly, these achievements appeared in the financial and operating results. As for our growth mandate, the Consolidated Net Revenue, including Techfin Dimension, went beyond the annual mark of R$4 billion, a growth of 27% year-over-year, with the highlight being the 32% of Consolidated Recurring Revenue. If we consider Compound Annual Growth Rate (CAGR) between 2020 and 2022, we achieved an organic result of 23% in Management Recurring Revenue, 38% in Business Performance Recurring Revenue, and 33% in Techfin Revenue, percentages rare to be found even in the most successful startups and the best technology companies in the world. As for our profitability mandate, the performance of revenues, combined with the search for operational efficiency, allowed us to continue delivering healthy margins and with a strong generation of Operating Cash, which reached R$1.2 billion in 2022, an increase of 71% year-over-year, representing 128% of Adjusted EBITDA; and, of course, all this while making the required investments for constructing ecosystem in 3 dimensions.

In the Management dimension, Recurring Revenue made progress throughout the year, mainly due to the progress made in SaaS Revenue, which grew 37% year-over-year and exceeded the annualized level of R$1 billion.

Our sales machine remained strong, with a consolidated organic net addition of ARR of R$849 million in 2022, representing 78% of Volume in Management, that is, signings from new customers, added to cross and up-sell for our existing clients. This commercial success contributed for Consolidated ARR could break the barrier of R$4 billion and is explained by the combination of: (i) NPS at record levels; (ii) low churn levels; (iii) expansion of the solution portfolio; (iv) migration process to the cloud; (v) progress in productivity and efficiency of sales distribution; and (vi) reduction of TCO - Total Cost of Ownership for clients.

In Business Performance, we maintained the pace of growth, with emphasis on Recurring Revenue, which grew more than 100% in 2022. Here, our focus is on expanding the portfolio of solutions, besides starting the process of accelerating integration with the other dimensions.

In Techfin, we continued to grow strongly, with a 25% increase in Revenue Net of Funding, besides having achieved over R$10 billion in Credit Production in 2022. In April, we announced the Joint Venture with Itaú, which aims to expand Techfin's ambition and speed up the development of the financial products portfolio, besides bringing safety and efficiency in funding.

Finally, progress made in ESG (Environmental, Social and Governance) is worth highlighting, which remains the premise of our business with the engagement of all TOTVERs. As for "E", we developed our first inventory of Greenhouse Gas (GHG) emissions, following the model of CDP (Carbon Disclosure Project) and became part of the B3 Carbon Efficient Index (ICO2). As for "S", we expanded the disclosure of TOTVS' initiatives and projects under the SDGs (Sustainable Development Goals), we implemented the flexible work model, mental health initiatives, and made progress in the diversity and inclusion agenda. As for "G", we made progress in the review of the risk matrix considering the ESG focuses, and we continued with the initiatives related to LGPD (Brazilian General Data Protection Law). Finally, I could not fail to highlight the achievement of the Institute of Social Opportunity (IOS), an organization established and maintained by TOTVS, which was recognized among the 200 best social organizations of the world and 14th in Brazil in innovation practices, social impact, and governance, a result that fills us with pride and proves the relevance of the work performed by said institute.

In 2023, we will continue to be focused, more and more, on becoming the trusted advisor of our clients, through innovation, which for TOTVS, is to do something new and different, which adds value. The creation of the 3-Dimensional ecosystem is exactly that: a unique strategy that will allow us to expand the value proposition in a model that is hardly replicable, multiplying the addressable market, and reinforcing the Management dimension itself.

Through technology, we will continue to focus on helping companies leverage their business, become more profitable, grow their operations, and continually improve their results. For this is our purpose: to improve the results of companies, to believe that everyone can grow, and work together to do so, that is: to believe in a Brazil that makes it happen!

As we have already mentioned before, one of our mottos is "being equal, while always being different." This way of thinking is in the DNA of TOTVS and all TOTVERs, so we will always remain the same, with consistency and balance between growth and profitability, while always being different, daring and transforming the Company and the market!

Dennis Herszkowicz, CEO

ECONOMIC SCENARIO

2022 began with the Covid-19 pandemic following its regression course, with a large portion of the population vaccinated and gradually resuming face-to-face activities. In parallel, in the first months of the year, the instability of the geopolitical scenario in Eastern Europe culminated in the war between Russia and Ukraine, which reflected directly on the economy of Brazil and the world, with inflation increasing in several countries throughout the year, including the most developed ones, and the consequent reaction of central banks raising interest rates to contain the generalized increase in prices.

These and other turmoil that took place in the year caused the volatility of macroeconomic indicators to be more intense in 2022, generating relevant variations in GDP growth and an increase in Brazilian inflation rates. Economic analysts estimate that Brazilian GDP grew by about 3% in 2022, with the IGP-M inflation rate up 5.45% in the year versus 17.78% in 2021, while the IPCA inflation rate closed 2022 with a cumulative increase of 5.79% versus 10.06% in 2021. As for monetary policy, the Selic rate started the year at 9.25% and closed at 13.75%, while COPOM (Monetary Policy Committee) hints at maintaining this level throughout 2023. Regarding foreign exchange, the US dollar began the year at R$5.71 and ended at R$5.30.

At the international level, some topics have become more relevant in the positioning of companies and to guide long-term expectations for the market, with emphasis on: (i) pacifist agendas, given the war scenario in Eastern Europe; (ii) discussions on climate change and environmental agenda; (iii) tackling the increase in social inequality generated by the pandemic; and (iv) digital transformation and digitalization of economies.

In 2022, Brazil spun around the presidential elections, which, confirming the initially expected trends, presented polarized scenarios. However, starting a new cycle for the country, we saw a process of consolidation of democracy, with the healthy alternation of power and, even more importantly, with strong institutions and an engaged civil society. If we manage to direct everyone's energy towards a country project and focusing on a balanced economic development, we can turn Brazil into an increasingly developed and thriving country.

For 2023, the scenario should continue to be influenced by uncertainties connected to the developments of the war between Russia and Ukraine and its effects on relations between the countries. In view of this context, interest rates tend to remain high and compromise the ability of the global economy to grow. In Brazil, expectations are focused on driving the agenda for approving a new tax regime and tax reform able to bring more clarity as to the conduct of tax policy and monetary policy and, consequently, better prospects for the business environment. Despite this scenario, the digitalization agenda of companies should remain a priority given the new consumption habits by digital means adopted by the population, besides the need for operational efficiency gains in all sectors of the economy.

Financial and Operational Results

Consolidated Result (in R$ thousand)	2022	2021	Δ
Net Revenue	**3,792,932**	**2,977,311**	**27.4%**
Management Revenue	3,475,498	2,818,000	23.3%
Business Performance Revenue	317,434	159,311	99.3%
Contribution Margin	**2,020,495**	**1,588,058**	**27.2%**
Management Contribution Margin	1,864,329	1,509,252	23.5%
Biz Performance Contribution Margin	156,166	78,806	98.2%
% Contribution Margin	***53.3%***	***53.3%***	***0 bp***
% Management Contribution Margin	*53.6%*	*53.6%*	*0 bp*
% Biz Performance Contribution Margin	*49.2%*	*49.5%*	*-30 bp*
Sales and Marketing Expenses	**(740,247)**	**(570,194)**	**29.8%**
Adjusted G&A Expenses	**(370,690)**	**(276,101)**	**34.3%**
Equity Pickup	**(442)**	**(526)**	**(16.0%)**
Mgmt. + Biz Perform. Adjusted EBITDA	**909,116**	**741,237**	**22.6%**
% Mgmt. + Biz Perf. Adjusted EBITDA	*24.0%*	*24.9%*	*-90 bp*

Net Revenue

Net Revenue ended the year at R$3.8 billion, an increase of 27% over 2021. This performance reflected the progress made throughout the year on all revenue lines, with emphasis on: (i) Management Recurring Revenue that grew 27% year-over-year in 2022, driven by the growth of SaaS Revenue; (ii) the growth of Business Performance Revenue year-over-year, especially due to the consolidation of RD Station in May 2021, thus corroborating over the 12 months of 2022 for the largest dimension's revenue and consequently for a greater Net Revenue.

Another 2022 highlight is the Total Annualized Recurring Revenue (ARR), which ended 2022 at R$4 billion, with a consolidated Total Addition of R$849 million, a 35% increase versus 2021. This result is due to the focus of the Company which brings resilience and predictability and establishes the basis for the year 2023 recurring revenue.

Adjusted EBITDA

The Adjusted EBITDA ended 2022 at R$909 million, with Adjusted EBITDA Margin of 24%, 90 basis points below 2021, essentially due to: (i) the consolidation of the RD Station operation from May 2021, a transaction with a different moment and mandate and that impacted the whole year of 2022.

Management dimension results

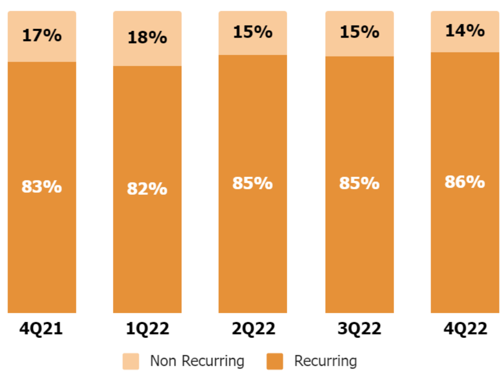
The 2022 result of the Management dimension reflects the incorporation of the numbers of the companies acquired during the year, Inovamind, Mobile2You, Gesplan, Vadu, Feedz and RBM.

Management Result (in R$ thousand)	2022	2021	Δ
Net Revenue	**3,475,498**	**2,818,000**	**23.3%**
Recurring	2,935,334	2,313,664	26.9%
Non Recurring	540,164	504,336	7.1%
License	226,554	210,832	7.5%
Services	313,610	293,504	6.9%
Costs	(988,457)	(800,109)	23.5%
Gross Profit	**2,487,041**	**2,017,891**	**23.2%**
Gross Margin	*71.6%*	*71.6%*	*0 bp*
Research and Development	(600,694)	(490,227)	22.5%
Provision for Expected Credit Losses	(22,018)	(18,412)	19.6%
Management Contribution Margin	**1,864,329**	**1,509,252**	**23.5%**
% Management Contribution Margin	*53.6%*	*53.6%*	*0 bp*

Net Revenue

Net Revenue from Management ended 2022 23% higher than in 2021, having again, Recurring Revenue as the primary driver, which closed the period at a level close to R$ 3 billion, 27% higher in 2021, reaching the level of 85% of Net Revenue in the year.

Net Revenue

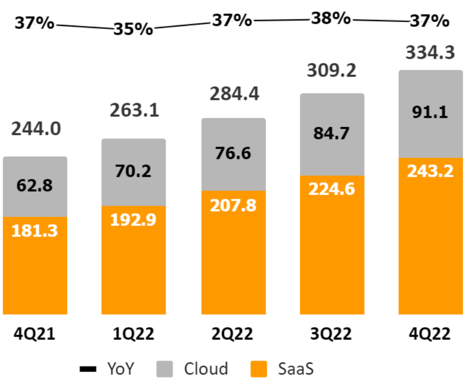


Recurring Revenue

Recurring Revenue, in 2022, presented strong growth compared to 2021, as mentioned above. This performance was highlighted by: (i) the 37% increase in SaaS Revenue, driven by the 47% growth in Cloud revenue; (ii) the 28% increase in new SaaS signings; (iii) contractual inflation adjustments in the period; and (iv) maintaining a low churn level.

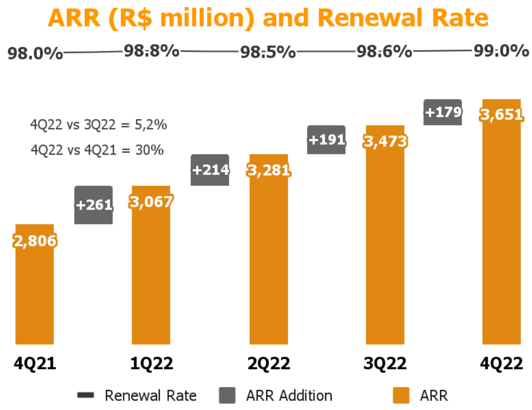
As already commented in previous quarters, the progress made in the performance of signings has occurred mainly due to: (i) the continuous growth in productivity and efficiency of commercial distribution; (ii) product quality, reflected in the NPS (Net Promoter Score), which ended the year at the highest historical level; (iii) expansion of the portfolio, enabling the increase of the take rate, through cross and up-sell; and (iv) reduction of the TCO (Total Cost of Ownership) for clients, through the constant evolution of products, the maintenance of

Management SaaS Revenue (R$ million)

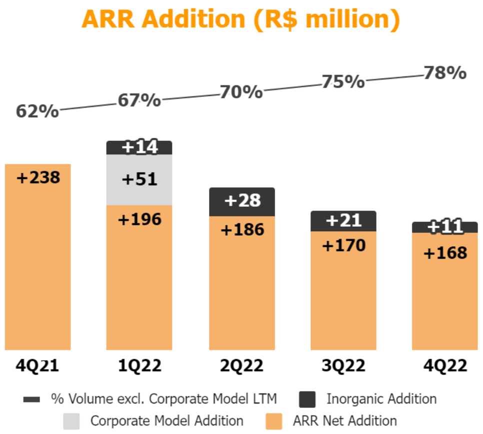


remote implementation levels above 90%, and the creation of excellence specialized centers in strategic regions of the country.

As provided in the chart on the side, the Annualized Recurring Revenue (ARR) of Management reached over R$3.6 billion, which translates into a net addition of R$179 million in the quarter, of which R$11 million refer to the consolidation of RBM. In 4Q22, the Renewal Rate stood at 99%, showing that the investment in product quality, combined with the increase in the portfolio (cross-sell), has contributed to strengthening a positive lock-in with the customer, even in a scenario of acceleration of the Subscription model which, theoretically, has a lower exit barrier.



As shown in the chart below, the organic net addition of ARR in 4Q22, even in view of the further reduction in inflation rates (IGP-M and IPCA), remained stable compared with 3Q22, because of the increase in sales volume in the period. In absolute terms, the amount added by the Volume component was 8% higher than in 3Q22 and practically doubled year-over-year.



This growth in sales volume in the quarter, associated with reduced inflation, led to a further increase in the relevance of the Volume component in the gross addition of ARR in the last 12 months, from 75% in the previous quarter to 78% in 4Q22. As already mentioned in previous quarters, if inflation continues to drop, the natural and expected behavior is a potential nominal reduction in the net addition of ARR, with the consequent additional increase in the relevance of the Volume versus Price factor.

Non-Recurring Revenue

Non-Recurring Revenues grew by 7.1% in 2022 compared to 2021, explained by the increase in licenses of the Corporate Model, which reached the level of R$36.6 million in 1Q22, an effect of the accelerated financial growth of customers under the licensing model, especially in SMB.

Gross Margin

The Gross Margin from Management ended the year without variation versus 2021, due to the maintenance of the ratio between Costs and Net Revenue for the period.

Research & Development

Research and Development (R&D) expenses represented 20.5% of Recurring Revenue in 2022, 70 basis points below 2021, reflecting the scalability and efficiency gain in the allocation of organic investments made for the development, modernization, and expansion of the product portfolio.

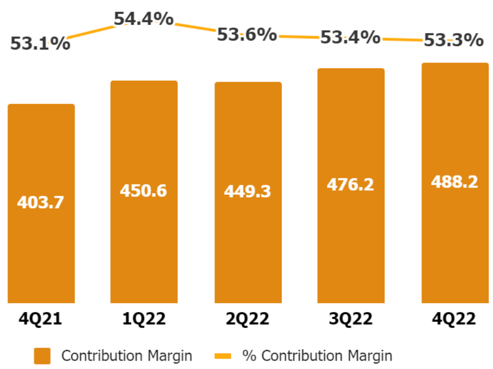
Provision for Expected Credit Losses

In the 12-month period, the Expected Credit Losses represented 0.6% of Management Revenue, 10 basis points below 2021, which reiterates, as already commented in previous quarters, the consistency of a business model based on Recurring Revenue, combined with a pulverized, diversified, and more resilient client base than the average of companies in the market.

Management Contribution Margin

In the year, the Management' Contribution Margin was R$1.9 billion, an increase of 24% over 2021, driven by the 27% growth in Recurring Revenue, which contributed to keep the Contribution Margin over Net Revenue ratio at the healthy level of 53.6%, the same level reached in 2021, while making the necessary investments. This behavior is another demonstration of the good balance between growth and profitability that TOTVS has been presenting, combining a focus on the growth of recurring revenues with the constant search for an increasingly efficient allocation of investments in the operation.

Contribution Margin (R$ million)



Business Performance dimension results

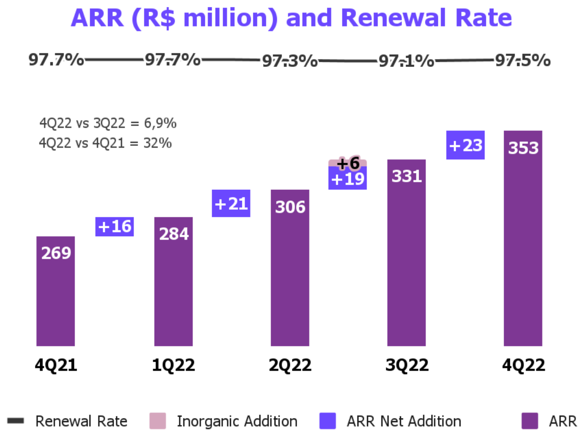
The Business Performance dimension represents the portfolio of solutions focused on increasing sales, competitiveness, and client performance through Digital Marketing, Sales/Digital Commerce, and CX - Customer Experience solutions.

Biz Performance Result (in R$ thousand)	2022	2021	Δ
Net Revenue	**317,434**	**159,311**	**99.3%**
Recurring	312,024	155,298	100.9%
Non Recurring	5,410	4,013	34.8%
Costs	(78,595)	(44,476)	76.7%
Gross Profit	**238,839**	**114,835**	**108.0%**
Gross Margin	*75.2%*	*72.1%*	*310 bp*
Research and Development	(77,779)	(33,852)	129.8%
Provision for Expected Credit Losses	(4,894)	(2,177)	124.8%
Biz Performance Contribution Margin	**156,166**	**78,806**	**98.2%**
% Biz Performance Contribution Margin	*49.2%*	*49.5%*	*-30 bp*

Net Revenue

Net Revenue from Business Performance grew 99% in the year, mainly due to the consolidation of RD Station in May 2021 and, consequently, the impact of this unit's revenue over 12 months in 2022, and also to the growth of Recurring Revenue, essentially related to the advances in sales volume made by the RD Station, Tail and Digital Commerce operations over the period.

In this quarter, Business Performance ARR surpassed the R$350 million milestone, an increase of 32% over 4Q21 and 6.9% over 3Q22, with an organic ARR Net Addition of R$23 million, as shown in the chart on the right.



The largest net addition of organic ARR in 4Q22 was driven by Black Friday in Digital Commerce and Tail's performance in the quarter. It is worth mentioning that, even though there is a proportionally smaller participation in the total ARR of this dimension, Tail currently has an operation focused on large accounts, a characteristic that can generate greater oscillation in its quarterly results.

In addition, it is worth highlighting the quarterly growth in the GMV (Gross Merchandise Volume) of the Digital Commerce offer, which reached R$160 million, 155% above 4Q21.

Gross Margin

In 2022, the continued growth in Revenue of this dimension, in special Recurring Revenue, combined with efficiency gains from investments in Cloud structure optimization and the optimization of the Customer Success team, already mentioned in previous quarters, led the Gross Margin of the dimension to end 2022 at 75.2%, an expansion of 310 basis points over 2021.

Research & Development

Research and Development (R&D) expenses represented, in the accumulated year, 24.9% of Recurring Revenue, 310 basis points higher than in 2021. The investment strategy is also the key factor of this behavior, since this dimension continues to make the required investments to increase competitive advantage and seize the opportunity of a market with low penetration. In addition, it is worth remembering that this dimension has a more relevant growth strategy via PLG (Product Led Growth), which makes investments in R&D even more critical.

Provision for Expected Credit Losses

The Provision for Expected Credit Losses of Business Performance reached 1.5% on 2022 Net Revenue, which reflects a primarily recurring business model and a multi-product and pulverized client base.

Business Performance Contribution Margin

The Business Performance Contribution Margin as a percentage of Revenue of the dimension reached, in 2022, a drop of 30 percentage points in the Contribution Margin on Revenue versus 2021, which reflects the effect of a higher Gross Margin, as previously mentioned, accompanied by growth in investments made in Research and Development.

As the Company has been highlighting over the last year, this is a young business dimension and currently directed to speed up Recurring Revenue, which may require a specific higher level of investments, aiming to increase competitive differentials. It is worth emphasizing that, despite the current scenario, this dynamic of the relationship between growth and profitability is not a dilemma for TOTVS. This is already a profitable operation, with natural scalability of the SaaS model and very positive unit economics, which reinforces the high potential of value generation of this dimension.

Other Operating Expenses and post-EBITDA Result

In R$ thousand	2022	2021	Δ
Sales and Marketing Expenses	**(740,247)**	**(570,194)**	**29.8%**
% of Total Net Revenue	*19.5%*	*19.2%*	*30 bp*

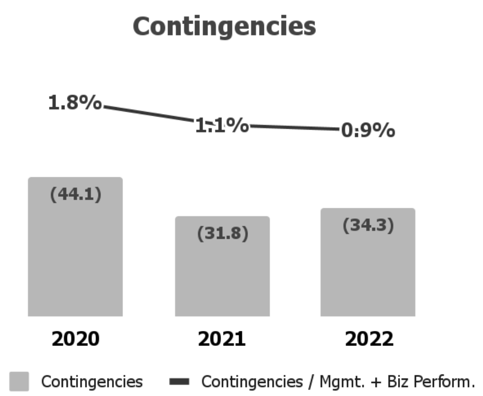
In R$ thousand	2022	2021	Δ
Adjusted G&A Expenses	**(370,690)**	**(276,101)**	**34.3%**
% of Total Net Revenue	*9.8%*	*9.3%*	*50 bp*
G&A Expenses and Others	**(402,602)**	**(284,425)**	**41.5%**
General and Administrative Expenses	(356,082)	(263,075)	35.4%
Provision for Contingencies	(34,342)	(31,834)	7.9%
Other Net Revenues (Expenses)	(12,178)	10,484	(216.2%)
Extraordinary Items	**31,912**	**8,324**	**283.4%**
M&A Adjustment at Fair Value	28,668	18,109	58.3%
Loss (Earns) in Investment Sale	4,689	(1,156)	(505.6%)
Expenses with M&A Transactions	15,163	10,567	43.5%
Tax Credit	(16,608)	(19,196)	(13.5%)
Equity Pickup	**(442)**	**(526)**	**(16.0%)**

Sales and Marketing Expenses

Sales and Marketing Expenses on Net Revenue in accumulated in 2022, reached 19.5%, which is 30 basis points higher than in 2021, mainly due to: (i) the consolidation of the RD Station operation from May 2021, since this operation has moment and mandate distincts and impacted the full year of 2022; and (ii) the Universo TOTVS and RD Summit events held in 2022.

General and Administrative Expenses and Others

General and Administrative Expenses ("DGA"), net of the extraordinary impacts of expenses with M&A transactions, reached 11% on Net Revenue, which means 100 basis points higher than 2021, which, as explained in the previous section, was also affected by the consolidation of RD Station from May 2021.



The level of Provision for Contingencies for each quarter reflects both the inflow of new lawsuits and the reassessment of loss forecasts by our advisors. As we can see in the graph on the right, this expense line has been showing a declining behavior over the last few years, ending 2022 at 0.9% of Net Revenue, which represents a level 90 basis points lower than the year from 2020.

The line of Other Net Operating Revenues and Expenses in 2022 was affected mainly by: (i) M&A adjustments at fair value, which take place as a natural part of the process of periodic reviews of their projected scenarios; (ii) revenue from tax credits; e (iii) loss on write-off of assets of the period.

Below EBITDA Results

Depreciation and Amortization Expenses

In R$ thousand	2022	2021	Δ
Depreciation	(122,112)	(110,345)	10.7%
Amortization	(114,017)	(88,839)	28.3%
Depreciation and Amortization	**(236,129)**	**(199,184)**	**18.5%**

The 18.5% increase in 2022 compared with 2021, are related mainly to: (i) the beginning of amortizations arising from the acquisitions of Feedz, Gesplan, Tallos, RBM, Vadu, Mobile2you, and Inovamind, bought throughout 2022; and (ii) the amortization of development projects completed in 2021, which began to be amortized in 2022.

Financial Result

In R$ thousand	2022	2021	Δ
Financial Revenues	362,012	91,243	296.8%
Financial Expenses	(341,492)	(145,447)	134.8%
Financial Result	**20,520**	**(54,204)**	**(137.9%)**

In the comparison 2022 with 2021, the behavior of the Financial Result is essentially associated with the Net Debt position until 2Q21, versus the Net Cash position from the inflow of funds from the follow-on in 3Q21.

Income Tax and Social Contribution

In R$ thousand	2022	2021	Δ
EBT	**661,595**	**479,525**	**38.0%**
Taxes at combined rate (34%)	(224,942)	(163,039)	38.0%
Law 11,196/05 - R&D Incentive	24,088	19,983	20.5%
Share Issue Expenses	26	13,729	(99.8%)
Interest on Equity	63,723	43,080	47.9%
Effect of Different Taxation in Subsidiaries	(17,555)	(8,739)	100.9%
Management Bonus	(4,087)	(1,961)	108.4%
Government Subsidies	1,910	1,637	16.7%
Other	15,633	10,504	48.8%
Income Tax and Social Contribution	**(141,204)**	**(84,806)**	**66.5%**
% Total Effective Tax Rate	*21.3%*	*17.7%*	*360 bp*
Current Income Tax and Social Contribution	(153,567)	(105,005)	46.2%
Deferred Income Tax and Social Contribution	12,363	20,199	(38.8%)

The 360 basis point growth of the Total Effective Rate of 2022, compared with 2021, was due mainly to: (i) the deduction of the tax base from the expenses with Share Issues that took place during the 2021 Follow-on; and (ii) the growth of the Effect of Different Taxation in Subsidiaries, especially from the operations in Argentina, given the inflation scenario in that country.

EBITDA and Net Income Reconciliation

In accordance with CVM Resolution 156/22, reconciliations between Net income metrics, EBITDA and Adjusted EBITDA.

In R$ thousand	2022	2021	Δ
Consolidated Net Income	**523,301**	**374,037**	**39.9%**
Net Margin	*13.0%*	*11.8%*	*120 bp*
Net Income (Loss) from Techfin Dimension	(2,910)	20,682	(114.1%)
Depreciation and Amortization	236,129	199,184	18.5%
Financial Result	(20,520)	54,204	(137.9%)
Income Tax and Social Contribution	141,204	84,806	66.5%
EBITDA	**877,204**	**732,913**	**19.7%**
EBITDA Margin	*23.1%*	*24.6%*	*-150 bp*
EBITDA Dimension Techfin	**50,440**	**47,786**	**5.6%**
Extraordinary Items	**31,912**	**8,324**	**283.4%**
M&A Adjustment at Fair Value	28,668	18,109	58.3%
Loss (Earns) in Investment Sale	4,689	(1,156)	(505.6%)
Expenses with M&A Transactions	15,163	10,567	43.5%
Tax Credit	(16,608)	(19,196)	(13.5%)
Adjusted EBITDA	**959,556**	**789,023**	**21.6%**
Adjusted EBITDA Margin	*23.8%*	*24.8%*	*-100 bp*

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

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

Techfin dimension results

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

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

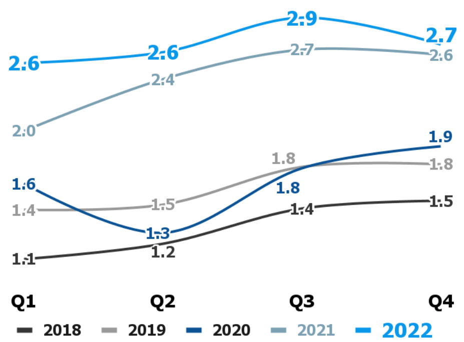
It is presented the Techfin's Dimension result:

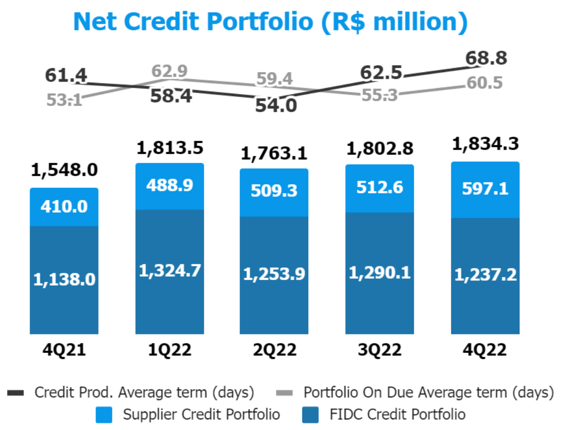
Techfin Results (in R$ thousand)	2022	2021	Δ
Techfin Net Revenue	**411,884**	**281,551**	**46.3%**
Funding Cost	(164,752)	(83,082)	98.3%
Techfin Revenue - Net of funding	**247,132**	**198,469**	**24.5%**
Operational Costs	(25,291)	(23,539)	7.4%
Gross Profit	**221,841**	**174,930**	**26.8%**
Research and Development	(31,324)	(24,159)	29.7%
Provision for Expected Credit Losses	(40,523)	(15,646)	159.0%
Techfin Contribution Margin	**149,994**	**135,125**	**11.0%**
% Techfin Contribution Margin	*60.7%*	*68.1%*	*-740 bp*
Sales and Marketing Expenses	(37,092)	(30,966)	19.8%
G&A Expenses and Others	(62,462)	(56,373)	10.8%
Techfin EBITDA	**50,440**	**47,786**	**5.6%**
% Techfin EBITDA	*20.4%*	*24.1%*	*-370 bp*
Depreciation and Amortization	(46,585)	(61,936)	(24.8%)
Financial Result	318	(1,666)	(119.1%)
Income Tax and Social Contribution	(1,263)	(4,866)	(74.0%)
Net Income (Loss) from Techfin Dimension	**2,910**	**(20,682)**	**(114.1%)**
% Net Income (Loss) from Techfin Dimension	*1.2%*	*-10.4%*	*1160 bp*

Techfin Revenue

Techfin Revenue showed year-on-year growth of 46.30%, mainly explained by: (i) the increase in Credit Production by 10% when compared to 2021, ending the year at more than R$10.8 billion; (ii) effect of the increase in the Selic Rate throughout 2022; and (iii) growth in the average term of Credit Production, especially due to the growth in Agroindustry production in the period, which has a longer average term.

Supplier Credit Production (R$ bn)





The Credit Portfolio Net of the Provision for expected credit losses, as observed in the chart on the left, had a 1.7% increase in the quarter over quarter and increase of the average term of 60.5 days in the 4Q22. The increase in the average production term in the quarter led to the increase in the average consolidated term of the Credit Portfolio.

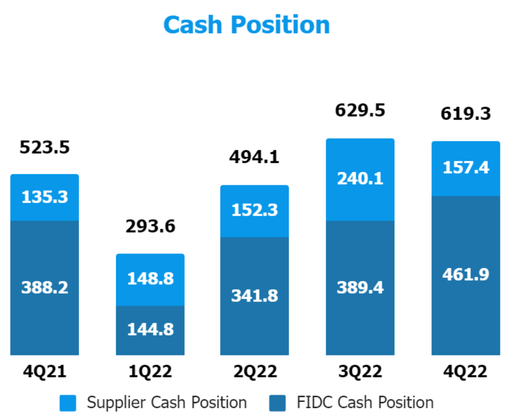
This higher production share of the agribusiness sector increased the mix of the portfolio maintained at Supplier in the period, because of the longer average term of these credits and the parameters of assignment to FIDC, as commented in previous quarters. In this sense, the deferred revenue to be appropriated by FIDC was R$26.2 million in the quarter, versus R$25.4 million in 3Q22.

It is worth mentioning that the Company is always seeking to optimize the use of Cash, both from FIDC and Supplier floating, which may lead to an increase in the portfolio representativeness at Supplier because of the increase in the average term. It is also worth remembering that, as we already highlighted in previous quarters, the portfolio held at Supplier has the same profile as the credits assigned to the FIDC and, consequently, such portfolio does not mean an additional risk to FIDC's subordinate quotas held by Supplier in view of its coverage for credit insurance.

Techfin Revenue - Net of Funding

The Techfin Revenue Net of Funding grew 25% comparing 2022 with 2021, driven by the aforementioned growth of Agribusiness production, combined with the decrease in Funding Cost in the same period.

The Cash position of the FIDC ended the year at R$462 million, as provided on the chart on the right, which means an increase of 19% versus 2021.



Operating Costs

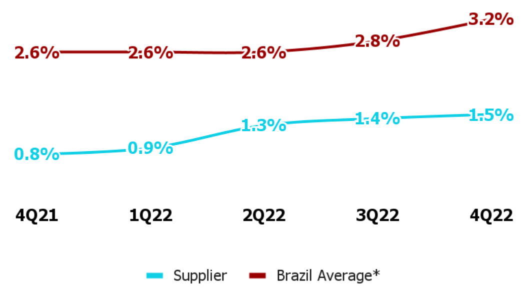
Operating Costs ended the year 7.4% higher than 2021, mainly due to the growth of Techfin Revenue in the period.

Research & Development

R&D represented 12.7% of the Techfin Revenue Net of Funding, which means 50 basis points higher than 2021, mainly because of the expansion of investments for the development and integration of solutions of this business dimension started in 4Q21.

Provision for Expected Credit Losses

Delinquency above 90 days



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

The Provision for Expected Credit Losses in 4Q22 was negatively impacted by R$9.6 million due to the prepayment of receivables to one affiliate in the electronics wholesale business, which subsequently filed a court-supervised Reorganization and did not perform the prepaid receivables. This Judicial Reorganization has as main creditors the largest banks in the Brazilian market and involves a total amount of R$595 million.

The entire outstanding amount with this affiliate is already provisioned, which leaves only possible favorable future impacts, if part of the provisioned amount is received.

According to history, this is an atypical case for Supplier, which continues to seek to improve the use of data and integration with affiliate management systems in order to mitigate the risk of new events of this nature. Excluding the impact of this case, the Provision for Expected Credit Losses of this dimension would correspond to 0.24% of credit production in the quarter, versus 0.21% in 4Q21 and 0.24% in 3Q22.

In the year-to-date, the Provision for Expected Credit Losses represented 0.37% of the Credit Production for the Period, above the historical average of approximately 0.25%, mainly because of the higher level of default in 1Q22, arising from 4Q21 production, and because of the impact of the case described above in 4Q22, which, if disregarded, brings the Provision for Expected Credit Losses of 2022 to 0.29% of the Credit Production for the year. Despite this higher level of Expected Credit Losses, the high quality of Supplier's credit portfolio remains preserved, as shown in the chart above, which compares Supplier's default longer than 90 days versus the market average.

Contribution Margin

In 2022, the Contribution Margin was 60.7%, 740 basis points below 2021, explained by: (i) an increase in the Selic rate in the period, which generated a mismatch between Selic's transfer in the remuneration of FIDC quotas, versus the turning time for transfer of this increase in the credit portfolio; and (ii) the already mentioned growth of the Provision for Expected Credit Losses in the period.

Other Techfin Operating Expenses

Sales and Marketing Expenses on Net Funding Revenue, in 2022, went from 15.6% in 2021 to 15% in 2022, while Administrative and Other Expenses went from 28.4% in 2021 to 25.3% in 2022. Both reductions show the scalability of the Techfin dimension business model.

Techfin's EBITDA and EBITDA Margin

Techfin's EBITDA Margin ended the quarter at 20.4%, 370 basis points below 2021, due to the impacts of the increase in the Selic Rate and the higher provision for Expected Loss, in 1Q22 and in 4Q22, as previously mentioned. If the effect of the affiliate that filed a court-supervised reorganization is disregarded, the EBITDA Margin would be 24.3% in the year, the latter being 20 basis points above 2021, despite the other impacts mentioned above, once again demonstrating the profitability of the business model.

Techfin's Net Income

Techfin's Net Profit ended the year of 2022, above break even, showing that, even though it is still a dimension in its early stages of investment, especially in ex-Supplier products, the growth and profitability ratio is not a deadlock.

It is worth remembering that after the approval of the Techfin JV with Itaú, investments in the development of new products and the expansion of existing products must be expanded, aiming to speed up the growth of this operation and reap more quickly the benefits of scalability and profitability of cheaper, simpler, and more democratic credit products.

SECURITIES EXCHANGE MARKET

TOTVS ended the year with a capital stock of R$2.963 billion, composed of 617,183,181 common shares, 83.9% of its capital stock being free-float, represented by 15.7% composed of Brazilian investors and 84.3% by foreign investors. The calculation of the outstanding shares is based on all the Company's shares, excluding the interests held by Management members and related persons, as well as treasury shares.

In 2022, TOTVS's shares (B3: TOTS3) showed negative variation of 3.6%, while the IBOVESPA index showed a valuation of 4.7%. The average financial volume in 2022 was R$146.1 million/day, versus R$143.3 million/day recorded in 2021.

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

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

Interest on equity for the fiscal year 2021: On July 30th, 2021, the payment of interest on equity for the first half of the fiscal year 2021 was approved, in the total amount of R$51,193 thousand. All shareholders holding shares issued by the Company on the base date of August 04th, 2021 were entitled to interest on equity. Such interest on equity was paid on October 22th, 2021.

On December 22th, 2021, the payment of interest on equity for the second half of 2021 was approved, in the total amount of R$79,050 thousand. All shareholders holding shares issued by the Company on the base date of December 28th, 2021 were entitled to interest on equity. Such interest on equity will be paid May 20th, 2022. The amounts of interest on equity for the fiscal year 2021 were allocated to the mandatory minimum dividend under the terms of article 39 of TOTVS's Bylaws.

CORPORATE GOVERNANCE

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

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

Statutory Audit Committee: it is an advisory body that provides the Board of Directors with support, and its mission is to follow up, assess, and ensure the best operationalization of processes, the management of internal and external auditors, the mechanisms and controls connected to risk management and the consistency of financial policies with strategic guidelines and the business risk profile. Currently, the Statutory Audit Committee is composed of 3 independent members, elected by the Board of Directors, and chaired by an independent member of the Board of Directors.

People and Compensation Committee: it provides the Board of Directors with advice in determining the compensation and benefits policies for directors and officers. The People and Compensation Committee is composed of 3 members, 2 of whom are independent, elected by the Board of Directors.

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

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

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

Statement by the Board of Executive Officers: in accordance with item VI of Article 27 of CVM Resolution No. 80/22, the directors of TOTVS declare that they have reviewed, discussed and agreed with the financial statements referring to the fiscal year ended on December 31th, 2022. In compliance with item V of Article 27 of CVM Resolution No. 59/21, the directors of TOTVS declare that they discussed, reviewed and agreed with the opinions expressed in the independent auditors' report on the financial statements for the fiscal year ended on December 31th, 2022 .

RELATIONSHIP WITH INDEPENDENT AUDITORS

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

Procedures adopted by the Company pursuant to section III, art. 2nd of CVM Instruction No. 381/03: the Company and its subsidiaries adopt as a formal procedure, prior to retaining other professional services which non related to the external accounting audit, to consult with the independent auditors, in order to ensure that the provision of such other services will not affect their independence and objectivity that are required to provide independent audit services, as well as obtain approval from its Audit Committee. In addition, formal statements from such same auditors are required regarding their independence in providing non-audit services.

Services other than those related to the audit of the 2022 financial statements were provided. The fees for these services totaled R$502.1 thousand, representing 17.8% of the total fees related to external auditing, mainly connected to due diligence (R$323.1 thousand), ISAE Report - International Standards for Assurance Engagements (R$103.2 thousand), the assurance of Integrated Report (R$61.8 thousand), and consultancies (R$14 thousand).

ACKNOWLEDGEMENTS

We thank all those who contributed to the success of TOTVS in 2022, especially our clients, staff (TOTVERs), partners, and shareholders.

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

Independent auditors' report on the individual and consolidated financial statements

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

Opinion

We have examined the individual and consolidated financial statements of TOTVS S.A. (" the Company"), respectively referred to as Company and Consolidated, which comprise the statement of financial position as at December 31, 2022 and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of TOTVS S.A. as at December 31, 2022 and its individual financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TOTVS S.A. as at December 31, 2022 and its consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

Revenue recognition - cut off

See Notes 2.4 h) and 28 to the individual and consolidated financial statements

Key audit matters	How our audit addressed this matter
The revenue of the Company and its subsidiaries includes services called recurring software and nonrecurring software. A nonrecurring software revenue from implementation and customization services, which contains specific contracts to meet the needs of each client. The performance obligation of this type of revenue is over time when it is provided, based on the hours incurred and prices practiced in the respective contracts with its clients. According to each contract, such revenues may or may not have been invoiced. Nonrecurring services occur in a high volume and rely on controls that determine the correct hours incurred, as well as ensure the correct measurement and recording of this revenue at the time the performance obligations of the contracts are satisfied. For the reasons mentioned above, we considered this matter as a significant for our audit.	Our audit procedures included, among others: i. Understanding of the design evaluation process of the relevant internal controls used by the Company and by its subsidiaries considered as significant, in the course of the audit, related to the nonrecurring software revenue recognition; ii. Tests on a sample basis of nonrecurring software revenue, in order to verify the contractual terms of the proposal of service rendered, the hours incurred in the projects and the measurement of these hours, to conclude on the adequate revenue recognition, including in relation of the correct period of competence (cut-off); iii. Assessment of whether the disclosures in individual and consolidated financial statements include all relevant information, particularly in relation to the Company's accounting policies for recognition of revenue. Based on the audit evidence obtained through above-summarized audit procedures, we consider the amounts recognized related to nonrecurring software revenue are acceptable, as well as related disclosures, in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2022.

<table>
<tr><td colspan="2">Business combination</td></tr>
<tr><td colspan="2">See Notes 2.4 g) and 4 to the individual and consolidated financial statements</td></tr>
<tr><td>Key audit matters</td><td>How our audit addressed this matter</td></tr>
<tr><td>During 2022, the direct subsidiary Dimensa S.A. acquired the control of the company Inovamind Tech Ltda., Mobile2you Ltda., Credit Core Tecnologia de Crédito Ltda. e RBM Web Sistemas Inteligentes Ltda.; the direct subsidiary Totvs Tecnologia em Software de Gestão Ltda acquired the control of the company Gesplan S.A e Feedz Tecnologia S.A; and the indirect subsidiary RD Gestão e Sistemas S.A acquired the control of the company Tallos Tecnologia Integrada e Assessoria em Negócios S.A.

The accounting process in the business acquisition involves relevant estimates and judgments, such as determining the fair value of the consideration transferred, identification and measurement of assets acquired and liabilities assumed and the determination of goodwill based on future profitability expectation.

Due to the complexity, judgment and relevance of the amounts involved in the acquisition accounting process, we considered this matter as significant for our audit.</td><td>Our audit procedures included, among others:

i. Obtaining and analyzing the signed contracts and evaluating the consideration transferred in the business;
ii. With the assistance of our corporate finance specialists, we evaluated the criteria and assumptions adopted in determining the fair values of assets acquired and liabilities assumed of the company acquired, for subsequent allocation of the price acquisition. The main assumptions evaluated refer to the business growth rate, cash flow projections and the respective discount rates, and comparison of the assumptions used by the Company, when available, with data obtained from external sources, such as projected economic growth and discount rates;
iii. Assessment of whether the disclosures in the individual and consolidated financial statements include all relevant information.

Based on the audit evidence obtained through above-summarized audit procedures, we consider the amounts recognized related to business combination are acceptable, as well as related disclosures, in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2022.</td></tr>
</table>

Impairment of Goodwill	
See Notes 2.4 d) and 16.2 to the individual and consolidated financial statements	
Key audit matters	**How our audit addressed this matter**
The consolidated financial statements include the amount of R$ 1,729,953 related to the goodwill allocated to the cash generating unit (CGU) of RD from business combination, whose realization is supported by future profitability expectation, according to the business plan prepared by the Company. For the annual assessment of the recoverability of such assets, the Company evaluates the probability of occurrence of future earnings and assumptions and judgments used in determining the estimates of future earnings of cash generating units, which include revenue growth, discount rate, inflation rate, among others. Due to the relevance and degree of judgment involved in the process of determining the Company's estimates of future profitability, inherent to the process of determining the estimates of future cash flows, we considered this matter as significant for our audit.	Our audit procedures included, among others: i. Understanding of the preparation and review of business plan process, budgets and impairment analysis of cash generating unit of RD available by the Company; ii. Evaluation of reasonability for the determination of cash generating unit (CGU) for impairment test; iii. With the assistance of our corporate finance specialists, for the CGU of RD, we evaluated the criteria and assumptions adopted by the Company, especially those related to business growth rates, cash flow projections and the respective discount rates, and comparison of the assumptions used by the Company, when available, with data obtained from external sources, such as projected economic growth and discount rates; (iv) Assessment of whether the disclosures in the consolidated financial statements include all relevant information. Based on the audit procedures performed to impairment test of the goodwill of RD's CGU and on the results obtained, we consider them are acceptable, in the context of the consolidated financial statements as a whole.

Other matters - Statements of value added

Statements of added value

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2022, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed with the audit of Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Value Added. In our opinion, these statements of value added have been fairly prepared, in all material respects, in accordance with the criteria defined in the Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

São Paulo, February 10, 2023

KPMG Auditores Independentes Ltda.

CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Petelin

Accountant CRC 1SP142133/O-7

TOTVS S.A.
Individual and Consolidated Statement of Financial Position
For the year ended December 31, 2022 and 2021
(In thousands of reais)

		Individual		Consolidated	
Assets	**Note**	**2022**	**2021**	**2022**	**2021**
Current assets		**2,673,554**	**2,152,589**	**6,230,161**	**5,486,233**
Cash and cash equivalents	7	1,709,966	1,743,262	2,735,765	2,871,072
Financial Investments	8	-	-	-	388,154
Escrow account	21	9,587	8,618	10,391	9,341
Trade and other receivables	9	339,263	268,656	475,648	1,983,710
Recoverable taxes	10	57,123	47,212	87,932	90,482
Other assets	13	100,259	84,841	96,447	143,474
Assets from Techfin Dimension	5	457,356	-	2,823,978	-
Non-current assets		**4,420,574**	**4,707,594**	**4,386,032**	**4,458,792**
Escrow account	21	-	-	73,766	35,427
Trade and other receivables	9	31,330	53,268	38,419	64,943
Receivables from related parties	12	4,037	2,205	905	-
Investments at fair value	6.2	18,074	-	111,231	99,621
Deferred tax assets	11	68,455	62,729	119,048	144,622
Judicial deposits	22	30,220	25,951	34,244	29,658
Recoverable taxes	10	-	-	14,216	-
Other assets	13	65,362	83,098	71,563	90,335
Equity-accounted investees	14	3,394,027	3,730,332	-	3,075
Property, plant and equipment	15	352,134	319,685	416,875	404,869
Intangible assets and goodwill	16	456,935	430,326	3,505,765	3,586,242
Total assets		**7,094,128**	**6,860,183**	**10,616,193**	**9,945,025**

		Individual		Consolidated	
Liabilities and equity	**Note**	**2022**	**2021**	**2022**	**2021**
Current liabilities		**667,495**	**872,267**	**3,336,366**	**3,319,550**
Labor liabilities	17	192,616	173,233	317,684	289,289
Trade and other payables		97,467	75,693	128,647	112,579
Taxes and contributions liabilities	18	58,841	45,842	95,042	96,790
Commissions payable		53,159	46,792	65,518	59,635
Dividends payable	24	128,477	80,153	130,363	80,153
Loans and lease liabilities	19	45,633	39,637	57,455	156,306
Debentures	20	58,701	385,988	58,701	385,988
Accounts payable from acquisition of subsidiaries	21	9,676	8,707	52,700	153,839
Business partners payable		-	-	-	520,118
Senior shares and mezzanine obligations		-	-	-	1,372,726
Other liabilities		22,925	16,222	66,657	92,127
Liabilities related to the assets from Techfin Dimension	5	-	-	2,363,599	-
Non-current liabilities		**2,118,017**	**1,754,987**	**2,694,978**	**2,139,467**
Loans and lease liabilities	19	132,999	142,910	155,078	179,308
Debentures	20	1,488,308	1,123,138	1,488,308	1,123,138
Provision for contingencies	22	84,649	90,782	107,491	107,646
Accounts payable from acquisition of subsidiaries	21	-	-	511,519	311,575
Call option of non-controlling interests		383,004	366,194	383,004	366,194
Other liabilities		29,057	31,963	49,578	51,606
Shareholders' equity	23	**4,308,616**	**4,232,929**	**4,584,849**	**4,486,008**
Share Capital		2,962,585	2,962,585	2,962,585	2,962,585
Capital reserves		723,183	864,868	723,183	864,868
Treasury shares		(217,671)	(133,195)	(217,671)	(133,195)
Profit Reserve		793,569	483,214	793,569	483,214
Carrying value adjustments		46,950	55,457	46,950	55,457
Non-controlling interests		-	-	276,233	253,079
Total shareholders' equity and liabilities		**7,094,128**	**6,860,183**	**10,616,193**	**9,945,025**

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

TOTVS S.A.
Individual and Consolidated Statements of Profit or Loss
For the year ended December 31, 2022 and 2021
(In thousands of reais, except for earnings per share)

		Individual		Consolidated	
	Note	2022	2021	2022	2021
Net revenue	28	2,419,195	1,947,907	3,792,932	2,977,312
Cost of software	29	(750,012)	(641,550)	(1,145,269)	(918,845)
Gross profit		**1,669,183**	**1,306,357**	**2,647,663**	**2,058,467**
Operating income (expenses)					
Research and development expenses	29	(451,704)	(357,539)	(719,806)	(559,359)
Selling and marketing expenses	29	(551,025)	(443,240)	(799,504)	(612,679)
Administrative expenses	29	(284,604)	(254,090)	(474,658)	(362,657)
Other operating income (expenses)	29	235	20,486	(12,178)	10,481
Operating profit		**382,085**	**271,974**	**641,517**	**534,253**
Finance income	30	215,189	55,892	362,012	91,244
Finance expenses	30	(257,338)	(102,600)	(341,492)	(145,446)
Share of profit/ (loss) of equity-accounted investees	14	182,448	161,486	(442)	(526)
Profit before income and social contribution taxes		**522,384**	**386,752**	**661,595**	**479,525**
Income tax and social contribution - current		(33,640)	(15,553)	(153,567)	(105,005)
Income tax and social contribution - deferred		6,482	17,974	12,363	20,199
Total of Income tax and social contribution taxes	11	**(27,158)**	**2,421**	**(141,204)**	**(84,806)**
Profit from continuing operations		**495,226**	**389,173**	**520,391**	**394,719**
Profit (loss) from Techfin Dimension	5	2,910	(20,682)	2,910	(20,682)
Profit for the year		**498,136**	**368,491**	**523,301**	**374,037**
Profit attributable to owners of the Company		**498,136**	**368,491**	**498,136**	**368,491**
Profit attributable to non-controlling		-	-	**25,165**	**5,546**
Earnings per share					
Basic earnings per share (in Reais)	27	0.82092	0.63561	0.82092	0.63561
Diluted earnings per share (in Reais)	27	0.80916	0.62704	0.80916	0.62704

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

TOTVS S.A.
Individual and Consolidated Statements of Comprehensive Income
For the year ended December 31, 2022 and 2021
(In thousands of Reais)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Profit for the year	**498,136**	**368,491**	**523,301**	**374,037**
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations - foreign currency translation adjustments	(9,976)	13,909	(9,976)	13,909
Items that will not be reclassified to profit or loss				
Post-employment benefit	1,469	(993)	1,469	(993)
Post-employment benefit	*2,226*	*(1,507)*	*2,226*	*(1,507)*
Income tax and social contribution post-employment benefit	*(757)*	*514*	*(757)*	*514*
Other comprehensive income	**(8,507)**	**12,916**	**(8,507)**	**12,916**
Total comprehensive income for the year, net of tax	**489,629**	**381,407**	**514,794**	**386,953**
Total comprehensive income attributable to:				
Owners of the Company	489,629	381,407	489,629	381,407
Non-controlling interests	-	-	25,165	5,546

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

TOTVS S.A.
Individual and Consolidated Statements of Changes in Shareholders' Equity
For the year ended December 31, 2022 and 2021
(In thousands of reais)

			Capital Reserve		Profit reserve			Carrying value adjustments			
	Capital	Treasury shares	Transaction between shareholders	Capital Reserve	Legal Reserve	Profit Reserve	Retained earnings	Other comprehensive income	Total Equity	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2022	**2,962,585**	**(133,195)**	**(24,323)**	**889,191**	**130,659**	**352,555**	**-**	**55,457**	**4,232,929**	**253,079**	**4,486,008**
Capital transactions with shareholders	**-**	**(84,476)**	**-**	**(141,685)**	**-**	**-**	**(187,781)**	**-**	**(413,942)**	**(2,011)**	**(415,953)**
Share-based compensation plan (Note 23)	-	-	-	53,130	-	-	-	-	53,130	(127)	53,003
Disposal of treasury shares (Note 23)	-	24,491	-	(24,491)	-	-	-	-	-	-	-
Purchase of treasury shares (Note 23)	-	(108,967)	-	-	-	-	-	-	(108,967)	-	(108,967)
Share issue expenses (Note 23)	-	-	-	(75)	-	-	-	-	(75)	-	(75)
Interest on shareholders' equity (Note 24)	-	-	-	-	-	-	(187,781)	-	(187,781)	-	(187,781)
Goodwill special reserve due to merger (Note 23)	-	-	-	(170,249)	-	-	-	-	(170,249)	-	(170,249)
Non-controlling interests	-	-	-	-	-	-	-	-	-	(1,884)	(1,884)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**498,136**	**(8,507)**	**489,629**	**25,165**	**514,794**
Profit for the year	-	-	-	-	-	-	498,136	-	498,136	25,165	523,301
Cumulative adjustment for currency exchange	-	-	-	-	-	-	-	(9,976)	(9,976)	-	(9,976)
Post-employment benefit	-	-	-	-	-	-	-	1,469	1,469	-	1,469
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**24,907**	**285,448**	**(310,355)**	**-**	**-**	**-**	**-**
Balance at December 31, 2022	**2,962,585**	**(217,671)**	**(24,323)**	**747,506**	**155,566**	**638,003**	**-**	**46,950**	**4,308,616**	**276,233**	**4,584,849**

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

			Capital Reserve		Profit reserve				Carrying value adjustments			
	Capital	**Treasury shares**	**Transaction between shareholders**	**Capital Reserve**	**Legal Reserve**	**Profit Reserve**	**Proposed dividends**	**Retained earnings**	**Other comprehensive income**	**Total Equity**	**Non-controlling interests**	**Total shareholders' equity**
Balance at January 1, 2021	**1,382,509**	**(148,537)**	**(24,323)**	**919,147**	**112,234**	**269,635**	**50,960**	**-**	**42,541**	**2,604,166**	**-**	**2,604,166**
Capital transactions with shareholders	**1,580,076**	**15,342**	**-**	**(29,956)**	**-**	**(136,903)**	**(50,960)**	**(130,243)**	**-**	**1,247,356**	**247,533**	**1,494,889**
Capital increase	1,580,076	-	-	-	-	(136,903)	-	-	-	1,443,173	-	1,443,173
Share-based compensation plan	-	-	-	34,613	-	-	-	-	-	34,613	-	34,613
Disposal of treasury shares	-	15,342	-	(15,342)	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	247,533	247,533
Distribution of dividends	-	-	-	-	-	-	(50,960)	-	-	(50,960)	-	(50,960)
Share issue expenses	-	-	-	(40,379)	-	-	-	-	-	(40,379)	-	(40,379)
Interest on shareholders' equity	-	-	-	-	-	-	-	(130,243)	-	(130,243)	-	(130,243)
Call option of non-controlling interests	-	-	-	(361,388)	-	-	-	-	-	(361,388)	-	(361,388)
Dilution of interest	-	-	-	352,540	-	-	-	-	-	352,540	-	352,540
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**368,491**	**12,916**	**381,407**	**5,546**	**386,953**
Profit for the year	-	-	-	-	-	-	-	368,491	-	368,491	5,546	374,037
Cumulative adjustment for currency exchange	-	-	-	-	-	-	-	-	13,909	13,909	-	13,909
Post-employment benefit	-	-	-	-	-	-	-	-	(993)	(993)	-	(993)
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**18,425**	**219,823**	**-**	**(238,248)**	**-**	**-**	**-**	**-**
Balance at December 31, 2021	**2,962,585**	**(133,195)**	**(24,323)**	**889,191**	**130,659**	**352,555**	**-**	**-**	**55,457**	**4,232,929**	**253,079**	**4,486,008**

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

TOTVS S.A.
Individual and Consolidated Statement of Cash Flows
For the year ended December 31, 2022 and 2021
(In thousands of Reais)

		Individual		Consolidated	
	Note	2022	2021	2022	2021
Cash flow from operating activities					
Profit before income and social taxes for the year from continuing operations		**522,384**	**386,752**	**661,595**	**479,525**
Adjustments for:					
Depreciation and amortization	15/ 16	146,676	133,170	236,128	199,184
Share-based payments transactions	25	53,130	34,613	53,130	34,613
Losses (gain) on disposal of fixed assets and investments		(2,674)	(703)	(1,499)	9,573
Impairment loss on trade and other receivables	9	17,172	14,407	26,912	20,589
Share of profit/ (losses) of equity-accounted investees	14	(182,448)	(161,486)	442	526
Provision for contingencies, net of reversals	22	24,408	28,267	31,994	31,834
Reversal of provision net of additional provisions on other obligations and others		65	-	28,255	17,542
Interest and monetary variations and exchange variations differences, net		238,029	94,647	284,588	138,691
		816,742	**529,667**	**1,321,545**	**932,077**
Changes in operating assets and liabilities					
Trade and other receivables		(65,841)	(7,749)	(93,445)	(26,405)
Recoverable taxes		(45,404)	(23,567)	(75,436)	(33,328)
Judicial deposits		(2,289)	11,825	(2,953)	13,424
Other assets		(14,049)	(36,600)	(26,941)	(40,992)
Labor liabilities		50,674	35,223	73,552	1,087
Trade and other payables		21,698	(3,601)	21,774	(29,017)
Commissions payable		6,367	2,325	7,361	3,379
Taxes and contributions payable		11,383	17,362	(7,469)	10,365
Other liabilities		(31,925)	(43,033)	(11,450)	(60,118)
Cash generated from operating activities		**747,356**	**481,852**	**1,206,538**	**770,472**
Interest paid		(173,996)	(61,151)	(176,390)	(64,026)
Tax paid		(22,263)	(43,236)	(114,588)	(131,947)
Net cash from operating activities		**551,097**	**377,465**	**915,560**	**574,499**
Cash flow generated by investing activities					
Capital increase in subsidiaries/ associates	14.2	(132,543)	(1,723,196)	-	-
Dividends received		37,525	53,902	-	2,119
Acquisition of property, plant and equipment	15	(93,113)	(62,182)	(100,938)	(93,499)
Acquisition of intangible assets	16	(75,862)	(78,596)	(80,185)	(81,302)
Merged companies		-	730	-	-
Franchises loan		24,257	(47,664)	24,257	(47,664)
Acquisitions of subsidiaries, net of cash acquired		-	-	(180,750)	(1,705,031)
Payments from acquisitions of subsidiaries		-	-	(209,262)	(34,062)
Proceeds from sale of subsidiaries, net of cash		6,519	5,469	6,519	5,469
Proceeds from sale of property, plant and equipment		3,069	3,677	3,069	4,236
Fundo CVC investment		(20,081)	-	(20,081)	-
Cash generated by/ (used in) from Techfin Dimension		(26,219)	(20,483)	(169,090)	(80,098)
Net cash used in investing activities		**(276,448)**	**(1,868,343)**	**(726,461)**	**(2,029,832)**
Cash flow (used in) /generated by financing activities					
Payment of principal of loans			-	(7,184)	(4,157)
Payment of principal of debentures		(1,500,000)	-	(1,500,000)	-
Payment of principal of lease liabilities		(45,406)	(40,139)	(55,495)	(45,773)
Proceeds from debentures and loans		1,487,791	1,489,369	1,488,256	1,489,369
Capital increase, net of expenses		-	1,443,173	-	1,443,173
Investment in non controlling			-	-	600,073
Share issue expenses		(75)	(40,379)	(75)	(40,379)
Receivables from related companies		(1,832)	(2,205)	(905)	-
Dividends and interest on shareholders' equity paid		(139,456)	(143,634)	(140,036)	(143,634)
Treasury shares, net		(108,967)	-	(108,967)	-
Net cash (used in)/ generated by financing activities		**(307,945)**	**2,706,185**	**(324,406)**	**3,298,672**
Net (Decrease) Increase in cash and cash equivalents		**(33,296)**	**1,215,307**	**(135,307)**	**1,843,339**
Cash and cash equivalents at beginning of the year		1,743,262	527,955	2,871,072	1,027,733
Cash and cash equivalents at the end of the year		1,709,966	1,743,262	2,735,765	2,871,072

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

TOTVS S.A.
Individual and Consolidated Statements of Value Added
For the year ended December 31, 2022 and 2021
(In thousands of Reais)

	Individual		Consolidated	
	2022	2021	2022	2021
1 – REVENUES	**2,722,931**	**2,204,211**	**4,290,543**	**3,332,208**
1.1 Sales of goods. products and services	2,730,249	2,198,130	4,257,494	3,342,313
1.2 Other revenue	9,854	20,488	59,961	10,484
1.3 Impairment loss on trade and other receivables (recording)	(17,172)	(14,407)	(26,912)	(20,589)
2 - RAW MATERIALS ACQUIRED FROM THIRD-PARTIES (includes ICMS and IPI taxes)	**(791,967)**	**(662,314)**	**(1,168,499)**	**(867,690)**
2.1 Cost of goods and services sold	(137,084)	(115,267)	(159,571)	(134,539)
2.2 Materials. energy. outsourced services and other	(657,793)	(526,365)	(1,011,838)	(712,469)
2.3 Other	2,910	(20,682)	2,910	(20,682)
3 - GROSS VALUE ADDED (1+2)	**1,930,964**	**1,541,897**	**3,122,044**	**2,464,518**
4 - DEPRECIATION AND AMORTIZATION	**(146,676)**	**(133,170)**	**(236,128)**	**(199,184)**
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3+4)	**1,784,288**	**1,408,727**	**2,885,916**	**2,265,334**
6 - VALUE ADDED RECEIVED THROUGH TRANSFERS	**397,637**	**217,378**	**361,570**	**90,718**
6.1 Share of profit/ (losses) of equity-accounted investees	182,448	161,486	(442)	(526)
6.2 Finance income	215,189	55,892	362,012	91,244
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**2,181,925**	**1,626,105**	**3,247,486**	**2,356,052**
8 - VALUE ADDED DISTRIBUTION	**2,181,925**	**1,626,105**	**3,247,486**	**2,356,052**
8.1 Personnel	**1,040,283**	**864,593**	**1,680,291**	**1,310,587**
8.1.1 Direct Compensation	873,792	726,522	1,420,217	1,107,529
8.1.2 Benefits	107,290	88,247	165,035	128,632
8.1.3 FGTS (Unemployment fund)	59,201	49,824	95,039	74,426
8.2 Taxes and contributions	**383,392**	**289,218**	**697,441**	**523,915**
8.2.1 Federal	310,208	229,390	582,792	432,726
8.2.2 State	199	40	2,914	2,244
8.2.3 Local	72,985	59,788	111,735	88,945
8.3 Interest and rent	**260,114**	**103,803**	**346,453**	**147,513**
8.3.1 Interest	257,338	102,600	341,492	145,446
8.3.2 Rents	2,776	1,203	4,961	2,067
8.4 Equity remuneration	**498,136**	**368,491**	**523,301**	**374,037**
8.4.1 Interest on shareholders' equity	187,781	130,243	187,781	130,243
8.4.3 Retained profit for the year	310,355	238,248	310,355	238,248
8.4.4 Non-controlling interest in retained profits	-	-	25,165	5,546

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

1. The Company and its operations

1.1 Reporting entity

TOTVS S.A. (“TOTVS”, “Company” or “Individual”) is a publicly held corporation headquartered at Av. Braz Leme, 1.000, in the city and state of São Paulo, whose shares are traded on the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

1.2 Operations

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

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

2. Basis of accounting

2.1. Statement of compliance

The individual financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM), and Brazil´s Financial Accounting Standards Board (CPC) pronouncements, guidance and interpretations.

The consolidated financial statements are being presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by Financial Accounting Standards Board - CPC, approved by Accounting Federal Council (CFC) and by Brazilian Securities and Exchange Commission (“CVM”) and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

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

The financial statements presented in this document were approved at the Board of Directors' Meeting held on February 10, 2023, after a recommendation by the Audit Committee at a meeting held on February 6, 2023.

2.2. Basis of preparation

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

2.3. Consolidation basis

The individual and consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2022. Control is achieved when the Company and its subsidiaries are exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

Non-controlling interests (NCI)

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

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

Loss of control

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

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

				% Interest	
Corporate Names	**Head office**	**Interest**	**Main activity**	**2022**	**2021**
Soluções em Software e Serviços TTS Ltda. ("TTS")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Tecnologia em Software de Gestão Ltda. ("TOTVS Tecnologia")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Direct	Software Operation	74.20%	74.20%
VT Comércio Digital S.A. ("VT Comércio")	BRA	Direct	Software Operation	50.00%	50.00%
TOTVS Argentina S.A. ("TOTVS Argentina")	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS México S.A. ("TOTVS México")	MEX	Direct	Software Operation	100.00%	100.00%
TOTVS Incorporation ("TOTVS Inc.")	EUA	Direct	Software Operation	100.00%	100.00%
TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large")	BRA	Direct	Software Operation	100.00%	100.00%
Dimensa S.A. ("Dimensa")	BRA	Direct	Software Operation	62.50%	62.50%
CM Soluciones Informatica S.A. ("CM Argentina") (vii)	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS Serviços de Desenvolvimento e Consultoria em Tecnologia da Informação Ltda. ("Eleve")	BRA	Direct	Software Operation	100.00%	100.00%
TOTVS Techfin S.A. (former Katrina Participações S.A.) ("TOTVS Techfin")	BRA	Direct	Software Operation	100.00%	100.00%
Datasul S.A. de CV. ("Datasul México") (ii)	MEX	Direct	Software Operation	100.00%	100.00%
TOTVS Corporation ("TOTVS BVI") (ii)	BVI	Direct	Software Operation	100.00%	100.00%
Datasul Argentina S.A. ("Datasul Argentina") (ii)	ARG	Direct	Software Operation	100.00%	100.00%
TOTVS Renda Fixa Crédito Privado Fundo de Investimento em Cotas de Fundos de Investimento ("Fundo Restrito")	BRA	Direct	Restricted investment fund	100.00%	100.00%
CV Idexo Fundo de Investimento em Participações Multiestratégia Investimento no Exterior ("Fundo CV Idexo")	BRA	Direct	Participation Investment Fund	100.00%	-
RD Gestão e Sistemas S.A. ("RD Station")	BRA	Indirect	Software Operation	92.04%	92.04%
TOTVS Reservas Ltda. ("TOTVS Reservas")	BRA	Indirect	Software Operation	100.00%	100.00%
CMNet Participações S.A. ("CMNet Participações")	BRA	Indirect	Holding - Participation in other companies	100.00%	100.00%
TOTVS Hospitality Techonology Portugal Lda. ("TOTVS Portugal")	PRT	Indirect	Software Operation	100.00%	100.00%
TOTVS Hospitality Chile ("TOTVS Chile")	CHL	Indirect	Software Operation	100.00%	100.00%
RJ Participações S.A. ("RJ Participações")	BRA	Indirect	Holding - Participation in other companies	80.00%	80.00%
R.J. Consultores en Sistemas de Información S.C. ("RJ México")	MEX	Indirect	Software Operation	80.00%	80.00%
R.J. Consultores e Informática Ltda. ("RJ Consultores")	BRA	Indirect	Software Operation	80.00%	80.00%

Consinco S.A. ("Consinco") (i)	BRA	Indirect	Software Operation	-	100.00%
Wealth Systems Informática Ltda. ("WS")	BRA	Indirect	Software Operation	100.00%	100.00%
Supplier Participações S.A. ("Supplier") (iv) (v) (vi)	BRA	Indirect	Financial services and credit operations	-	88.75%
Supplier Administradora de Cartão de Cartão de Crédito S.A. ("Supplier Administradora") (iv) (v)	BRA	Indirect	Financial services and credit operations	100.00%	88.75%
Tail Target Tecnologia de Informação Ltda. ("Tail")	BRA	Indirect	Software Operation	100.00%	100.00%
RD Station Colômbia SAS ("RD Colômbia")	COL	Indirect	Software Operation	92.04%	92.04%
TOTVS Hospitality Ltda. ("TOTVS Hospitality")	BRA	Indirect	Software Operation	25.80%	25.80%
TOTVS Colômbia SAS ("TOTVS Colômbia")	COL	Indirect	Software Operation	100.00%	100.00%
DTS Consulting Partner, SA de CV ("Partner") (ii)	MEX	Indirect	Software Operation	100.00%	100.00%
Bematech Argentina S.A. ("Bematech Argentina") (ii)	ARG	Indirect	Software Operation	100.00%	100.00%
InovaMind Tech Ltda. ("InovaMind") (iii)	BRA	Indirect	Software Operation	100.00%	-
Mobile2you Ltda. ("Mobile2you") (iii)	BRA	Indirect	Software Operation	100.00%	-
Credit Core Tecnologia de Crédito Ltda. ("Vadu") (iii)	BRA	Indirect	Software Operation	100.00%	-
Gesplan S.A. ("Gesplan") (iii)	BRA	Indirect	Software Operation	100.00%	-
Wizco Sistemas Ltda. ("Wizco") (iii)	BRA	Indirect	Software Operation	100.00%	-
Cobu Consulting & Business Ltda. ("Cobu") (iii)	BRA	Indirect	Software Operation	100.00%	-
Cartão de compra Supplier Fundo de Investimento em Direitos Creditórios ("Supplier FIDC") (v)	BRA	Indirect	Financial services and credit operations	-	-
Tallos Tecnologia Integrada E Assessoria em Negocios S.A ("Tallos") (iii)	BRA	Indirect	Software Operation	100.00%	-
Feedz Tecnologia S.A. ("Feedz") (iii)	BRA	Indirect	Software Operation	60.00%	-
RBM WEB - Sistemas Inteligentes LTDA ("RBM Web") (iii)	BRA	Indirect	Software Operation	100.00%	-
Supplier Sociedade De Credito Direto S.A ("Supplier SCD")	BRA	Indirect	Financial services and credit operations	100.00%	-

(i) On February 28, 2022, the subsidiary Consinco S.A. was merged by the, also subsidiary, Soluções em Software e Serviços TTS Ltda. by the net assets of R$45,029 in which were evaluated by experts which issued the evaluation report of the Shareholders' equity in the base date on December 31, 2021. The variations in the accounts occurred after the base date until the data of effective merger were absorbed by the subsidiary Soluções em Software e Serviços TTS Ltda..
(ii) Dormant companies that will be closed.
(iii) Company acquired in 2022 as mentioned in note 4. The acquired companies Inovamind, Vadu, Mobile2you and RBM are subsidiaries from Dimensa, whose interest from TOTVS is 62.5%. The acquired Tallos is a subsidiary from the company RD Station, whose interest from TOTVS is 92.04%.
(iv) On March 30, 2022, the subsidiary TOTVS Tecnologia exercised the call option by the remaining interest from Supplier Participações in the amount of R$51,576. The transaction provides the complementary payment (Earn-out) to be paid on March 31, 2026, whose fair value in the transaction date has generated a complementary provision of R$24,913 recognized at "Accounts payable from acquisition of subsidiaries".
(v) In according to material fact from April 12, 2022, the Board of Directors approved the creation of a Joint Venture with Itaú regarding Techfin Dimension operation which involves the companies from Supplier's group and presented in these individual and consolidated financial statements as "Assets from Techfin Dimension" as mentioned in the note 5. Supplier FIDC is being consolidated due to the Company holding subordinated quotas, which hold the majority of the risks and rewards of the Fund.
(vi) On July 01, 2022, the subsidiary Supplier Participações was merged by the also subsidiary Supplier Administradora de Cartão de Crédito S.A. by the net assets of R$114,058, in which was evaluated by experts that issued the evaluation report of equity in base date on June 30, 2022. The variation in the accounts after the merger date was absorbed by the subsidiary Supplier Administradora de Cartão de Crédito S.A..
(vii) In the process of filing the act which modifies its social denomination for TOTVS Hospitality Technology Argentina S.A..

Comparing the consolidated profit or loss between 2022 and 2021, must be considered the acquisition date of each subsidiary. Thus, the individual and consolidated financial statements as of December 31, 2021 does not include the profit or loss of subsidiaries Inovamind, Mobile2you, Vadu, Gesplan, Tallos, Feedz and RBM which were included in the consolidation from the date of their respective acquisition. The investments in associates are accounted for under the equity method and are initially recognized at cost.

2.4. Significant accounting practices

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

a) Functional currency and presentation currency

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

Regarding subsidiaries located abroad considered independent by the Management as they have administrative, financial and operating autonomy, their assets and liabilities are translated into Brazilian Real at the foreign exchange rate on statement of financial position closing dates and their profit or loss are translated into Brazilian Real at the average monthly rates of the periods. Adjustments to investments arising from foreign exchange are recognized as cumulative translation adjustments under equity.

b) Fair value measurement

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

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

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

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

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

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

c) Financial Instruments

(i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model of the Company and its subsidiaries for managing them. A financial asset (unless it is a trade and other receivables without a financing significant component) or financial liability is initially measured at fair value, more or less, for an item not measured at fair value through profit or loss, the transaction costs which are directly attributable to its acquisition or issue. A trade and other receivables without a significant financing component is measured initially at the operation price, as disclosed in note 9.

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

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

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

Subsequent measurement

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

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

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The financial assets of the Company and its subsidiaries at amortized cost includes cash and cash equivalents and bank balances, escrow account, trade and other receivables, franchises loan and receivables from investments disposed of included in other current assets (note 13).

Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

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

Impairment

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

- Disclosures for significant assumptions – note 3; and
- Trade and other receivables – note 9.

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

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

ii) Financial liabilities

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

Subsequent measurement

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

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

Financial liabilities at amortized cost

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

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The amortization of effective interest rate is included as finance expense in the statement of profit or loss. This category usually applies to loans and financing, debentures and leases borrowed and lended, subject to interest. For more information see notes 19 and 20.

Financial liabilities at fair value through profit or loss

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CPC 48 / IFRS 9 are satisfied. The Company and its subsidiaries have designated some accounts payable from acquisition of subsidiaries (see note 21) of financial liability at fair value through profit or loss.

Derecognition

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

iii) Offsetting of financial instruments

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

d) Provision for impairment of assets

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

Goodwill paid for expected future profitability is tested annually for impairment or when circumstances indicate a loss due to the depreciation of its book value (see note 16.2).

e) Leases

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

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

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

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

The Company and its subsidiaries's lease liabilities are included in Loans and lease liabilities (see Note 19).

f) Adjustment to present value of assets and liabilities

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

g) Intangible assets and Goodwill

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

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

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

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

Business combination and goodwill

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

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

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

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

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

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

Research and development

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

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

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

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

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

h) Revenues and expenses

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

Recurring software revenue

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

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

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

Non-recurring software revenue

Non-recurring software revenue comprises revenue from: (i) software licensing fees, in which case clients are entitled to use the software; and (ii) implementation and customization services, consulting services and business education.

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

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

Costs and expenses

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

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

i) Taxation

Sales taxes

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

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

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

Income and social contribution taxes – current and deferred

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

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

j) Hyperinflationary economy in Argentina

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

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

The effects of hyperinflation resulting from changes in the general purchasing power from January 1, 2022 and 2021, were reported in the statements of profit or loss in a specific account for hyperinflation adjustment, in financial income (expenses). The effect in net losses for the year ended December 31, 2022 was R$13,188 (Let loss of R$4,080 as of December 31, 2021).

k) Share-based compensation plan

Executives, the chairman of the Board of Directors and some employees of the Company and its subsidiaries receive compensation in the form of share-based payments, whereby employees render services in exchange for equity instruments (equity-settled transactions). The compensation expense of share-based payments to employees is based on the fair value of the award at the grant date using an appropriate valuation model, further details of which are given in note 25.

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

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

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

l) Assets held for sale

Non-current assets which are classified as held for sale have high probability to be recovered through the sale instead of their continued use. The losses by impairment determined in the initial classification as held for sale or for distribution and gains and losses from subsequent remeasurements are recognized in profit or loss (see note 5).

m) New standards in effect from January 01, 2022

Following we present revisions and amendments in certain standards, for annual periods beginning on January 01, 2022, which do not have significant impact in the Financial Statements from the Company and its subsidiaries:

- CPC 06 (R2)/ IFRS 16: COVID-19-Related Rent Concessions beyond June 30, 2021;
- CPC 25/ IAS 37: Onerous contracts - costs of fulfilling a contract;
- Annual improvements to IFRS Standards - 2018-2020;
- CPC 27/ IAS 16: Property, plant and equipment: proceeds before intended use;
- CPC 15/ IFRS 3: Reference to Conceptual Framework;
- IFRS 10 and IAS 28: Sale or contribution of assets between and investor and its Associate or Joint Venture.

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

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

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

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

There are no other standards, amendments and interpretations for standards issued but not effective, in Management’s opinion, may have a significant impact on the profit or loss or shareholders’ equity disclosed by the Company and its subsidiaries.

3. Significant accounting judgments, estimates and assumptions

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

3.1 Judgments

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

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

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

3.2 Estimates and assumptions

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

(i) Impairment loss on trade and other receivables - the Company and its subsidiaries use a provision matrix based on the historical loss rates observed by the Company and its subsidiaries to calculate the impairment loss on trade and other receivables. The evaluation of the correlation between the observed historical loss rates, the projected economic conditions and the expected credit losses represents a significant estimate. The volume of impairment loss on trade and other receivables is sensitive to changes in the predicted economic conditions and circumstances. The Company and its subsidiaries' historical experience of credit loss and the projection of economic conditions may also not represent the customer's real situation in the future. Information on expected credit losses on accounts receivables is described in Note 9.

(ii) Recoverable amount of tangible and intangible assets, including goodwill – an impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher between the net fair value of selling expenses and the value in use. The main assumptions used to determine the recoverable amount of cash generating units, are detailed in Note 16.2.

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

The main assumptions consider the probability of reaching each objective and the discount factor (see Note 21 for more details).

(iv) Deferred taxes – Deferred tax assets are recognized for all tax losses not used to the extent that it is probable that there is taxable income available to allow the use of said losses. Significant judgment from Management is required to determine the value of the deferred tax asset that may be recognized, based on the probable period and level of future taxable income, coupled with future tax planning strategies. For more details, see Note 11.3.

(v) Provision for contingencies – the evaluation of probability of loss includes assessing the available evidence, hierarchy of laws, available case law, the most recent court rulings and their relevance in the legal system, as well as the opinion of external counsel. Provisions are reviewed and adjusted to account for changes in circumstances, such as applicable limitation periods, conclusion of tax audits or additional exposures identified based on new matters or court rulings. Further details in Note 22.

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

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

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

4. Business combination

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

RD Station

On March 9, 2021, the Company entered into a share and purchase agreement for the acquisition of shares corresponding to 92% of the Share Capital of RD Gestão e Sistemas S.A. (“RD”), through its subsidiary TOTVS Large, with a transaction amount of R$1,864,593. RD is a leader in the digital marketing automation software market and is part of the Company's Business Performance strategy.

The closing of this transaction depended on the approval of the Brazilian competition authorities (CADE), which took place on April 14, 2021 and on the verification of other usual conditions for this type of business. The transaction was completed on May 31, 2021.

Additionally, the transaction also provides for put and call options of the remaining shares of the capital of RD that can be exercised between April and June of 2024. The exercise price of the options will be measured based on multiples applied by RD's performance on December 31, 2023. Considering that the put and call options of additional interests issued in favor of non-controlling interest was agreed upon in conjunction with the business combination, the fair value of the put and call option was recognized and recorded under “Accounts payable from acquisition of subsidiaries”.

InovaMind

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

Mobile2you

On January 31, 2022, the Company entered into a share sale and purchase agreement for the acquisition of 100% of quotas of Share Capital from Mobile2you Ltda., through its subsidiary Dimensa S.A.. The cash paid amount, including the price adjustment was R$17,316. In addition, the agreement provides the payment of complementary purchase price, subject to the achievement of certain performance targets established related to the years of 2022 and 2023 and the fulfillment of other conditions. Mobile2you is a mobile-house responsible for developing tailor-made financial applications for companies that want to start the journey of entering the fintech market.

Vadu

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

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

Gesplan

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

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

Tallos

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

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

RBM

On August 17, 2022, was celebrated a sale and purchase agreement for the acquisition of totality of quotas from RBM Web Sistemas Inteligentes Ltda., through its subsidiary Dimensa S.A.. The amount paid in cash was R$20,000. In addition, there will be receipt regarding the price adjustment in the amount of R$1,515. The transaction closing occurred on September 23, 2022.

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

Feedz

On August 31, 2022, was celebrated a sale and purchase agreement for the acquisition of 60% of shares from Share Capital from Feedz Tecnologia S.A. through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda.. The amount paid in cash, including the price adjustment was in the amount of R$59,959, in addition to the withheld amount of R$6,500 for eventual indemnities.

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

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

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

		Companies acquired in 2022							Total 2022	Company acquired in 2021
In thousands of reais	**Note**	**InovaMind**	**Mobile2you**	**Vadu**	**Gesplan**	**Tallos**	**RBM**	**Feedz**		**RD**
Cash payment		15,136	17,484	37,500	30,249	6,600	20,000	58,000	**184,969**	1,829,713
Contingent consideration	21	3,661	12,486	23,237	14,260	34,414	10,509	59,645	**158,212**	205,554
Amount withheld	21	4,476	7,333	12,216	4,408	1,275	13,000	6,500	**49,208**	34,228
Price adjustment		310	(168)	1,035	2,174	-	(1,515)	1,959	**3,795**	652
Total consideration		**23,583**	**37,135**	**73,988**	**51,091**	**42,289**	**41,994**	**126,104**	**396,184**	**2,070,147**

Acquisition cash flow analysis	Companies acquired in 2022							Total 2022	Company acquired in 2021
	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz		RD
Cash paid amount	15,446	17,316	38,535	32,423	6,600	20,000	59,959	**190,279**	1,829,713
Net cash acquired from subsidiary	(1,608)	-	(924)	(2,617)	(191)	(105)	(2,569)	**(8,014)**	(158,910)
Guarantees and price adjustment to receive	-	-	-	-	-	(1,515)	-	**(1,515)**	34,228
Acquisition net cash flow	**13,838**	**17,316**	**37,611**	**29,806**	**6,409**	**18,380**	**57,390**	**180,750**	**1,705,031**

Identifiable intangible assets acquired and Goodwill

The following is the information related to identified assets acquired and preliminary liabilities assumed at fair value, goodwill and cost of the interest held that affected the consolidated financial statements position as at December 31, 2022:

Preliminary fair value	Companies acquired in 2022							Total 2022	Company acquired in 2021
	InovaMind	Mobile2you	Vadu	Gesplan	Tallos	RBM	Feedz		RD
At acquisitions date	*01/7/2022*	*01/31/2022*	*03/29/2022*	*04/2/2022*	*08/1/2022*	*09/23/2022*	*08/31/2022*		*05/31/2021*
Current assets	**2,648**	**609**	**1,814**	**7,133**	**359**	**1,064**	**2,934**	**16,561**	**202,809**
Cash and cash equivalents	1,608	-	924	2,617	191	105	2,569	8,014	158,910
Trade and other receivables	133	394	874	2,199	119	835	235	4,789	27,613
Other current assets	907	215	16	2,317	49	124	130	3,758	16,286
Non-current assets	**8,348**	**8,654**	**17,277**	**24,500**	**7,245**	**10,535**	**33,607**	**110,166**	**372,056**
Property, plant and equipment	8	487	205	445	247	1,315	485	3,192	33,396
Software	3,497	3,477	8,916	9,329	6,995	7,349	16,796	56,359	188,434
Client portfolio	4,288	3,864	7,980	12,302	-	1,850	12,170	42,454	91,293
Trademark	-	8	-	1,179	-	-	1,006	2,193	44,417
Non-compete	555	818	-	730	-	-	3,147	5,250	14,516
Other non-current assets	-	-	176	515	3	21	3	718	-
Current liabilities	**5,552**	**1,348**	**1,195**	**7,649**	**783**	**2,363**	**2,765**	**21,655**	**123,925**
Labor liabilities	-	564	575	1,444	449	1,651	1,717	6,400	19,888
Other liabilities	5,552	784	620	6,205	334	712	1,048	15,255	104,037
Non-current liabilities	**2**	**-**	**-**	**1,218**	**385**	**784**	**-**	**2,389**	**110,745**
Net assets and liabilities	**5,442**	**7,915**	**17,896**	**22,766**	**6,436**	**8,452**	**33,776**	**102,683**	**340,195**
Cash payment	15,446	17,316	38,535	32,423	6,600	20,000	59,959	190,279	1,830,365
Short-term portion	1,790	6,738	10,543	4,591	-	(1,515)	-	22,147	-
Long-term portion (i)	6,347	13,081	24,910	14,077	35,689	23,509	66,145	183,758	239,782
Goodwill	**18,141**	**29,220**	**56,092**	**28,325**	**35,853**	**33,542**	**92,328**	**293,501**	**1,729,952**

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

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

The goodwill calculated in 2022 of R$293,501 comprises the value of future economic benefits of synergies arising from the acquisition and align with the strategy of the Company and its subsidiaries and are allocated to the Management segment, except for Tallos which is allocated in the Business Performance segment.

Contingent considerations were recorded at fair value on the acquisition date and are presented in note 21.

In the consolidated financial statements, in the ended year on December 31, 2022, the acquired companies, except for Tallos, were included in the Management segment in line with the TOTVS group's strategy and contributed with a net consolidated revenue from services of R$57,917 and net profit of R$5,440, considering the period after each acquisition date mentioned above. Tallos is inserted in the Business Performance Dimension contributing with consolidated net revenue of R$2,767 and loss of R$1,342 in the period of December 31, 2022, after the acquisition date mentioned above.

If the acquisition had taken place on January 01, 2022, the consolidated net revenue from services and sales would have been R$87,416 and profit would have been R$4,544.

The transaction cost involving the acquisitions of these companies for the year ended December 31, 2022 was R$6,816, recognized in profit or loss as administrative expenses.

5. Techfin Dimension

Techfin Dimension aims to simplify, expand and democratize the access of the SMB (Small Mid-sized Businesses) customers from TOTVS to B2B financial services, contemplating business from the subsidiary Supplier and new products.

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

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

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

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

In addition, in the context of JV creation, Itaú commits to pay for TOTVS until R$860,000 by the shares from JV, in which, R$410,000 will be paid in cash, in the transaction closing date, and until

R$450,000 to be paid after 5 years, as complementary price (Earn-out) through the accomplishment of targets align with the purposes of growing and performance from JV.

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

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

	Consolidated
ASSETS	**2022**
Current assets	**2,519,863**
Cash and cash equivalents	164,755
Financial Investments	461,895
Trade and other receivables	1,836,965
Recoverable taxes	4,078
Other assets	52,170
Non-current assets	**304,115**
Deferred tax assets	47,290
Judicial deposits	465
Other assets	32
Property, plant and equipment	6,406
Intangible assets and goodwill	249,922
Total assets from Techfin Dimension	**2,823,978**

	Consolidated
LIABILITIES	**2022**
Current liabilities	**2,358,728**
Labor liabilities	23,088
Trade and other payables	9,478
Taxes and contributions liabilities	2,636
Commissions payable	1,873
Loans and lease liabilities	1,159
Business partners payable	678,215
Senior shares and mezzanine obligations	1,638,887
Other liabilities	3,392
Non-current liabilities	**4,871**
Loans and lease liabilities	1,749
Provision for contingencies	1,166
Payables from related parties	937
Other liabilities	1,019
Total liabilities related to the assets from Techfin Dimension	**2,363,599**

	Consolidated	
	2022	2021
Net revenue	411,884	281,551
(-) Costs	(192,815)	(106,939)
Gross profit	**219,069**	**174,612**
Research and development expenses	(40,300)	(26,115)
Selling and marketing expenses	(80,913)	(46,987)
Administrative expenses (i)	(96,657)	(117,474)
Other operating income (expenses)	2,652	1,814
Profit (Loss) before income and social contribution taxes	**3,851**	**(14,150)**
Finance results	317	(1,666)
Income tax and social contribution	(1,258)	(4,866)
Profit (Loss) from Techfin Dimension (ii)	**2,910**	**(20,682)**
Foreign operations - foreign currency translation adjustments	-	-
Comprehensive income for the year	**2,910**	**(20,682)**

(i) It contemplates amortization of intangibles allocated in the Supplier's acquisition in the amount of R$37,567 on December 31, 2022 (R$58,170 on December 30, 2021);
(ii) The rubric "Loss from Techfin Dimension" in the table above is disclosed in only one line in the rubric "Net income from discontinued operation" in the Statements of Profit or Loss, as CPC 31/ IFRS 5 determine.

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

	Consolidated	
	2022	2021
Operating activities	78,666	(149,977)
Investing activities	(23,129)	20,372
Financing activities	(26,090)	264,913
Net cash generated by/ (used) from Techfin Dimension	**29,447**	**135,308**

6. Financial instruments and sensitivity analysis of financial assets and liabilities

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

6.1. Financial instruments by category

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

Consolidated	Note	Classification by category	2022	2021
Cash and cash equivalents	7	Fair Value through profit or loss	2,696,169	2,852,173
Cash and cash equivalents	7	Amortized cost	39,596	18,899
Financial investments	8	Fair Value through profit or loss	-	388,154
Escrow account	21	Amortized cost	84,157	44,768
Trade and other receivables	9	Amortized cost	514,067	2,048,653
Franchises loan	13	Amortized cost	32,225	67,122
Receivables for investments sold	13	Amortized cost	54	14,454
Investments at fair value	6.2	Fair Value through profit or loss	111,231	99,621
Financial Instruments assets			**3,477,499**	**5,533,844**
Loans (i)	19	Amortized cost	575	103,740
Debentures	20	Amortized cost	1,547,009	1,509,126
Trade and other payables (ii)		Amortized cost	324,528	252,367
Business partners payable		Amortized cost	-	520,118
Accounts payable from acquisition of subsidiaries	21	Fair Value through profit or loss	454,367	420,557
Accounts payable from acquisition of subsidiaries	21	Amortized cost	109,852	44,857
Senior shares and mezzanine obligations		Amortized cost	-	1,372,726
Call option of non-controlling interests (iii)		Fair Value through profit or loss	383,004	366,194
Other liabilities		Amortized cost	18,364	13,579
Financial liabilities			**2,837,699**	**4,603,264**

(i) Leases are not included in accordance with CPC 06 (R2).
(ii) Includes “Trade and other payables”, “Commissions payable” and “ dividends payable”.
(iii) Represents the call option as a result of the transaction involving B3.

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

- Escrow accounts, trade and other receivables, trade and other payables and other short-term liabilities approximate their respective carrying amounts mainly due to the short-term maturities of these instruments.

- Financial assets at fair value not traded in an active market are estimated using a valuation technique, such as discounted cash flow or multiple revenues, considering the reasonableness of the range of values indicated thereby (note 6.2).

- Loans and debentures are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost. The Company and its subsidiaries use the risk-free discounted cash flow methodology to calculate the fair value of loans and debentures. The values recognized in the statement of financial position of loans and debentures do not differ significantly from their fair values.

- Accounts payable from acquisition of subsidiaries, includes contingent payments relating to business combinations and their fair value is estimated based on the performance of operations applied to the multiples defined in the contract (note 21).

- Liabilities for obligations with senior and mezzanine shares refer to other Supplier FIDC shareholders and are stated at amortized cost.

6.2. Investments at fair value

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

	Individual		Consolidated	
	2022	2021	2022	2021
CV Idexo Fundo de Investimento	18,074	-	18,074	-
GoodData	-	-	93,144	99,621
Other	-	-	13	-
Total	**18,074**	**-**	**111,231**	**99,621**

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

Follow the detail of each group:

a) CV Idexo Fundo de Investimento em Participações

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

b) GoodData

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

6.3. Sensitivity analysis of financial assets and liabilities

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

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

a) Financial assets

In order to check the sensitivity of the index in the short-term investments to which the Company and its subsidiaries were exposed to risk in interest rate movement as of December 31, 2022, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 12.39% p.a., which was defined as a probable scenario (scenario I). Based thereon, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each of these scenarios the “gross finance income” was estimated, with taxes on investment returns not included. The reference date for the portfolio was December 31, 2022, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Balances at 2022	Risk	Probable Scenario I	Scenario II	Scenario III
Consolidated financial investments (Note 7)	2,713,140	Reduction CDI	12.39%	9.29%	6.20%
Estimated finance income			**336,158**	**252,051**	**168,215**

b) Financial liabilities

To evaluate the sensitivity of the indexes to which the Company and its subsidiaries are exposed when estimating the debts as at December 31, 2022, three different scenarios were created. Based on CDI rates in force on this date, the most probable scenario (scenario I) was determined for 2022 and, from this, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each scenario, the gross financial expense was calculated, without the related tax impacts and the maturity flow of each contract scheduled for 2022. The reference date used for the debts was December 31, 2022, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Balances at 2022	Risk	Probable Scenario I	Scenario II	Scenario III
		Increase CDI	12,39%	15,49%	18,59%
Loans (Note 19) (i)	575		71	89	107
Debentures (Note 20)	1,547,009		191.674	239.632	287.589
Estimated finance expense			**191,745**	**239,721**	**287,696**

(i) Leases are not include

6.4. Changes in liabilities from financing activities

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

The following is a breakdown of liabilities arising from financing activities for the year ended on December 31, 2022 and 2021:

Consolidated	2021	Cash flow from financing activities	Non-cash items				2022
			Addition/ (Write off)	Interest incurred	Acquisition of subsidiary	Techfin Dimension (iii)	
Loans (Note 19)	103,740	(6,749)	-	21	7,303	(103,740)	575
Leases (Note 19)	231,874	(68,272)	40,458	11,653	-	(3,755)	211,958
Debentures (Note 20)	1,509,126	(175,792)	-	213,675	-	-	1,547,009
Dividends payable (Note 24)	80,153	(140,036)	189,664	-	582	-	130,363
Senior shares and mezzanine obligations	1,372,726	-	-	-	-	(1,372,726)	-
Total	**3,297,619**	**(390,849)**	**230,122**	**225,349**	**7,885**	**(1,480,221)**	**1,889,905**

Consolidated	2020	Cash flow from financing activities	Non-cash items: Addition/ (Write off)	Non-cash items: Interest incurred	Non-cash items: Acquisition of subsidiaries	Non-cash items: Others (i)	Non-cash items: Techfin Dimension (iii)	2021
Loans (Note 19) (ii)	101,525	(838)	-	53	-	-	3,000	103,740
Leases (Note 19)	223,525	(62,072)	35,412	11,040	23,545	-	424	231,874
Debentures (Note 20)	-	1,438,323	-	70,803	-	-	-	1,509,126
Dividends payable (Note 24)	57,687	(143,634)	181,203	-	-	(15,103)	-	80,153
Senior shares and mezzanine obligations	1,011,087	268,165	-	93,474	-	-	-	1,372,726
Total	**1,393,824**	**1,499,944**	**216,615**	**175,370**	**23,545**	**(15,103)**	**3,424**	**3,297,619**

(i) Refers to advance withholding income tax on senior shares and mezzanine remuneration of Supplier FIDC and proposed dividends for 2020.
(ii) Corresponds to the sum of "Working capital" and "Guaranteed accounts and others", detailed in note 19.
(iii) Liabilities related to Techfin operation were classified as held for sale as mentioned in the note 5.

6.5. Financial risk management

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

a. Liquidity Risk

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

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

	Consolidated			
	Less than one year (i)	Between one and two years (i)	Between two and five years (i)	More than 5 years
As at December 31, 2022				
Trade and other payables	128,647	-	-	-
Loans and lease liabilities	67,905	119,320	41,883	6,506
Accounts payable from acquisition of subsidiaries	50,199	332,395	138,052	22,671
Debentures	61,825	-	1,500,000	-
Finance liabilities	-	-	383,004	-
Other liabilities	66,658	47,573	-	-
As at December 31, 2021				
Trade and other payables	112,579	-	-	-
Loans and lease liabilities	167,114	115,875	81,856	-
Accounts payable from acquisition of subsidiaries	168,222	74,224	255,142	-
Debentures	392,391	1,125,000	-	-
Business partners payable	520,118	-	-	-
Senior shares and mezzanine obligations (ii)	1,372,726	-	-	-
Finance liabilities	-	-	366,194	-
Other liabilities	8,933	4,646	-	-

(i) As the amounts included in the table are the undiscounted cash flows, these amounts will not be reconcilable with the amounts disclosed in the balance sheet for loans, debentures and other obligations.
(ii) The senior shares and mezzanine obligations are within the one-year flow, but the shares do not have an expiration date.

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

b. Credit risk

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

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

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

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

The risk assessment structure of the subsidiary Supplier's credit product portfolio, classified as held for sale, is based on statistical methodologies of Application and Behavior Scoring, in addition to the use of risk mitigating instruments, such as credit insurance and intervention. In addition, the Supplier Administradora subsidiary seeks to prevent possible risks from the credit portfolio through the provision of monitoring reports, risk committee, actions to readjust credit limits, portfolio monitoring and improvements in the registration system. Potential credit losses are mitigated, when necessary, through the following guarantees: insurance, issuer's guarantees, as long as approved by the credit card committee. The assessment of the efficiency of these instruments is considered sufficient to cover any significant losses. It should be noted that portfolio turnover is fast with an average term of 71 days (55 days as of December 31, 2021), or when they are sold in the short term.

c. Market risk

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

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

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

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

The Company and its subsidiaries ensure that its net exposure is maintained at an acceptable level in accordance with the policies and limits defined by Management and political factors in each of these companies. In the year ended in December 31, 2022 and 2021, the balance of assets exceeds the negative balances exposed, as follows:

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

2021						
Company	**Trade and other payables**	**Cash and cash equivalents**	**Trade and other receivables**	**Other assets (i)**	**Net exposure**	**Currency**
RJ Consultores México	(23)	1,632	1,317	-	2,926	Peso (MXN)
CMNet Participações	(123)	462	129	-	468	Peso (CLP) e EUR
CMNet Argentina	(30)	729	254	-	953	ARS
TOTVS S.A.	(4,107)	-	-	-	(4,107)	USD
TOTVS Large	-	-	-	8,370	8,370	USD
TOTVS México	(1,755)	2,494	7,534	-	8,273	Peso (MXN)
TOTVS Argentina	(1,892)	7,530	12,230	-	17,868	Peso (ARS)
TOTVS Incorporation	(438)	801	535	99,621	100,519	USD
RD Colômbia	(18)	1,450	-	-	1,432	Peso (COP)
Total	**(8,386)**	**15,098**	**21,999**	**107,991**	**136,702**	

(i) The amount of R$93,144 on December 31, 2022 and R$99,621 on December 31, 2021 refers to financial investments as described in note 6.2.

d. Derivatives

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

6.6. Capital management

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

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

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

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Loans and lease liabilities (Note 19)	178,632	182,547	212,533	335,614
Debentures (Note 20)	1,547,009	1,509,126	1,547,009	1,509,126
Senior shares and Mezzanine obligations (i)	-	-	-	1,372,726
(-) Cash and cash equivalents (Note 7)	(1,709,966)	(1,743,262)	(2,735,765)	(2,871,072)
(-) Financial investments (Note 8) (i)	-	-	-	(388,154)
Net (cash) debt	**15,675**	**(51,589)**	**(976,223)**	**(41,760)**
Shareholders' equity	4,308,616	4,232,929	4,308,616	4,232,929
Non-controlling interests	-	-	276,233	253,079
Shareholders' equity and net debt	**4,324,291**	**4,181,340**	**3,608,626**	**4,444,248**

(i) The amounts at December 31, 2021, represent senior shares and mezzanine obligations, as well, financial investments in funds and national treasury bills for restricted use of Supplier FIDC and are not available to the Company and its subsidiaries that were classified as "Assets and liabilities related to the assets from Techfin Dimension" as mentioned in the note 5.

7. Cash and cash equivalents

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

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Cash and banks	184	352	22,625	18,899
Cash equivalents	**1,709,782**	**1,742,910**	**2,713,140**	**2,852,173**
Investment fund	1,709,782	1,653,990	2,696,169	2,594,683
CDB	-	88,920	15,595	252,359
Others	-	-	1,376	5,131
	1,709,966	**1,743,262**	**2,735,765**	**2,871,072**

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

The Company and its subsidiaries concentrate its investments in an exclusive investment fund. The fund is composed of investment fund shares whose portfolio is made up of highly-liquid fixed-income assets. The eligible assets in the portfolio structure are mainly government debt securities, which present low credit risk and volatility. The investments of the Company and its subsidiaries are substantially remunerated by reference to the CDI variation, which averaged 106.91% of the CDI for the year ended on December 31, 2022 (111,2% as of December 31, 2021).

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

	2022	2021
Post interest		
Cash and CPR (i)	41.37%	39.48%
Private credit	33.73%	33.93%
Public titles	20.62%	22.08%
FIDC	2.42%	2.45%
Derivatives	2.01%	3.47%
Pre interest		
Public titles	1.60%	1.75%
Private credit	0.26%	0.31%
Derivatives	-2.01%	-3.47%
Total	**100.00%**	**100.00%**

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

8. Financial investments

The following amounts refer to investment funds.

	Consolidated	
	2022	2021
Government bonds	-	9,539
Investment funds (i)	-	378,615
Total	**-**	**388,154**

(i) Investment funds quotas pegged to DI.

9. Trade and other receivables

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

	Individual		Consolidated	
	2022	2021	2022	2021
Domestic market	411,091	380,541	563,740	553,940
Foreign market	1,823	1,167	12,878	11,962
Trade of domestic and foreign market	**412,914**	**381,708**	**576,618**	**565,902**
Credit rights (i)	-	-	-	1,641,861
Total trade and other receivables and credit rights	**412,914**	**381,708**	**576,618**	**2,207,763**
(-) Impairment loss on trade and other receivables	(42,321)	(59,784)	(62,551)	(159,110)
Total trade and other receivables	**370,593**	**321,924**	**514,067**	**2,048,653**
Current assets	339,263	268,656	475,648	1,983,710
Non-current assets (ii)	31,330	53,268	38,419	64,943

(i) The credit rights belong to Supplier FIDC and refer to securities assigned arising from Supplier's credit purchases at partner establishments, whose impairment loss on trade and other receivables on December 31, 2021 was R$75,727 and was classified as assets from Techfin Dimension according to the mention in note 5.
(ii) Long-term trade and other receivables refer basically to the sale of software license, software implementation and customization services, and are presented net of adjustment to present value.

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

	Individual		Consolidated	
	2022	2021	2022	2021
Opening balance	**59,784**	**57,097**	**159,110**	**136,245**
Additional allowance	17,172	14,407	26,912	20,589
Write-off of impairment loss	(34,635)	(11,708)	(47,926)	(15,462)
Acquisition of subsidiaries	-	-	182	2,092
Techfin Dimension	-	(12)	(75,727)	15,646
Ending balance	**42,321**	**59,784**	**62,551**	**159,110**

9.1. Aging list of domestic and foreign market

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

	Individual		Consolidated	
	2022	2021	2022	2021
Falling due	318,822	279,178	432,349	407,924
Unbilled	30,174	24,854	49,970	47,377
Overdue				
1 to 30 days	12,101	10,788	18,544	17,309
31 to 60 days	5,183	4,000	8,158	7,187
61 to 90 days	3,411	2,083	5,322	3,610
91 to 180 days	8,638	5,818	12,600	9,704
181 to 360 days	12,401	10,328	17,711	16,467
More than 360 days	22,184	44,659	31,964	56,324
Gross trade and other receivables	**412,914**	**381,708**	**576,618**	**565,902**
(-) Impairment loss on trade and other receivables (i)	(42,321)	(59,784)	(62,551)	(83,383)
Net trade and other receivables	**370,593**	**321,924**	**514,067**	**482,519**

(i) The impairment loss on trade and other receivables is net of the write-off due to loss recorded against trade and other receivables for R$34,635 for Individual and R$47,926 for consolidated.

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

10. Recoverable taxes

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

	Individual		Consolidated	
	2022	2021	2022	2021
Income tax to offset (i)	36,592	23,716	44,230	50,311
Social contribution tax to offset (i)	11,475	13,623	14,187	25,707
Other (ii)	9,056	9,873	43,731	14,464
	57,123	**47,212**	**102,148**	**90,482**
Current assets	57,123	47,212	87,932	90,482
Non-current assets	-	-	14,216	-

(i) Refers to withholding income and social contribution tax credits in the current year and income and social contribution tax credits to offset from previous years, as well as payments of estimated taxes in the current year. The decrease in the balances from income tax and social contribution to offset are regarding, mostly, by the Techfin Dimension as detailed in the note 5.

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

11. 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.

11.1. Reconciliation of income tax expenses

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

	Individual		Consolidated	
	2022	2021	2022	2021
Income before taxes	**522,384**	**386,752**	**661,595**	**479,525**
Income and social contribution taxes at combined nominal rate of 34%	(177,611)	(131,496)	(224,942)	(163,039)
Adjustments for the statement of effective rate				
Share of profit/ (losses) of equity-accounted investees	65,043	56,941	-	-
Law No. 11196/05 (Incentive for research and development)	14,052	11,258	24,088	19,983
Interest on shareholders' equity	63,845	44,283	63,723	43,080
Effect of subsidiaries subject to special rates	-	-	(17,555)	(8,739)
Funding cost	26	13,729	26	13,729
Participation of Administrators	(2,121)	(1,715)	(4,087)	(1,961)
Workers' Meal Program (PAT)	605	280	1,910	1,637
Other	9,003	9,141	15,633	10,504
Income and social contribution tax expense	**(27,158)**	**2,421**	**(141,204)**	**(84,806)**
Current income taxes	(33,640)	(15,553)	(153,567)	(105,005)
Deferred income taxes	6,482	17,974	12,363	20,199
Effective rate	**5.20%**	**-0.60%**	**21.3%**	**17.7%**

11.2. Breakdown of deferred income tax and social contribution

	Individual		Consolidated	
	2022	2021	2022	2021
Income tax losses	-	-	20,903	34,396
Deriving from temporary differences:				
Difference between tax and accounting bases of goodwill	485	4,184	10,451	16,135
Tax benefit from goodwill amortization	(85,091)	(84,444)	(136,740)	(105,190)
Provision for commissions	19,244	18,129	22,497	21,544
Deferred income or revenues and/or to be invoice	10,011	12,422	18,255	19,585
Impairment loss on trade and other receivables	14,389	20,327	19,551	27,383
Provision for contingencies and other obligations	28,781	30,866	36,547	36,642
Provision for trade and other payables	18,413	14,947	24,932	19,617
Provision for share-based payments	36,120	25,950	40,875	28,912
Present value adjustment	846	890	26,597	13,256
Participation in profits and results	11,601	9,135	15,528	13,294
Other (i)	13,656	10,323	19,029	19,048
Net deferred income and social contribution taxes	**68,455**	**62,729**	**118,425**	**144,622**
Deferred tax assets	68,455	62,729	119,048	144,622
Deferred tax liabilities (ii)	-	-	623	-

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

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

Changes in deferred income taxes are as follows:

	Individual	Consolidated
Opening balance	**62,729**	**144,622**
Expense in statement of profit or loss	6,482	12,363
Other comprehensive income	(757)	514
Techfin Dimension	-	(38,380)
Other	1	(694)
Ending balance	**68,455**	**118,425**

11.3. Estimated realization of deferred taxes

The deductible temporary differences and income and social contribution tax loss carry forward do not expire in accordance with current tax legislation. Deferred tax assets were recognized in relation to these items, as it is probable that future taxable profits will be available so that the Company and its subsidiaries can use the related benefits. The use of income and social contribution tax loss carry forward is limited to 30% of the taxable profit for the year in which it will be used. According to the estimates of the Company and its subsidiaries, future taxable profits allow the realization of the deferred tax asset existing on December 31, 2022.

12. Related party balances and transactions

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

12.1. Trade and other receivables and payable to subsidiaries and associates companies

As of December 31, 2022 and 2021, the main balances of assets, liabilities, revenues and costs are as follows:

	2022					2021				
Company	**Trade and other receivables**	**Other Assets (v)**	**Trade and other payables**	**Revenues**	**Costs**	**Trade and other receivables**	**Other Assets (v)**	**Trade and other payables**	**Revenues**	**Costs**
TOTVS Large	11	2	-	166	-	-	-	-	-	-
Wealth Systems (i)	158	-	-	2,620	942	48	-	13	2,358	94
Supplier (ii)	-	937	-	1,811	4,290	-	265	195	1,782	3,434
Consinco (iii)	-	-	-	-	-	-	197	-	2,504	442
Tail	5	-	1	184	542	-	-	-	147	291
Dimensa (iv)	18	2,485	74	8,378	6,392	-	1,743	-	4,345	3,798
RD Station	-	-	15	727	52	-	-	-	334	70
Gesplan	-	-	28	3	386	-	-	-	-	-
Vadu	-	-	-	132	96	-	-	-	-	-
Hospitality	-	605	-	-	-	-	-	-	-	-
Techfin	14	-	-	608	-	-	-	-	-	-
VT Comércio	-	-	-	114	303	-	-	-	-	-
RJ Consultores	60	-	-	60	-	-	-	-	-	-
Other	14	8	-	52	-	-	-	-	-	-
Total	**280**	**4,037**	**118**	**14,855**	**13,003**	**48**	**2,205**	**208**	**11,470**	**8,129**

(i) Refers to partnership contract between Wealth Systems and TOTVS for the sale of CRM (“Customer Relationship Management") solutions.
(ii) Refers to partnership contract between Supplier and TOTVS for the sale of Techfin solutions, software licenses and contract of sharing costs and expenses.
(iii) Merged company according to note 2.3.
(iv) Refers to contract of sharing costs and expenses and contract of partnership for commercialization of solutions from Dimensa.
(v) Refers to share-based compensation plans.

12.2. Transactions or relationships with shareholders and key Management personnel

The Company and its subsidiaries maintain property lease agreements with companies, in which some of the shareholders are key management members and also hold TOTVS shares, directly or indirectly. The amount paid as lease and condominium fees to related parties on December 31, 2022 was R$1,486 (R$1,348 as of December 31, 2021). All lease agreements with related parties are subject to adjustments by reference to the IGP-M inflation rate, every 12 months.

The Company has software license agreements and commercial partnerships with GoodData, which on December 31, 2022 represented the amount of R$6,820 (R$6,715 as of December 31, 2021). Through its subsidiary TOTVS Inc., the Company holds a minority interest in GoodData's capital, as well as a representative on the board. This investment was classified at fair value through profit or loss according to note 6.2.

The Company focuses its strategic social investment on the Instituto da Oportunidade Social (IOS), being the main sponsor of the Institute. Also, the Institute has the support of other partner companies and government partnerships. The amount of sponsorship in the year ended December 31, 2022 was R$7,705 (R$7,328 as of December 31, 2021), all of which with monetary resources.

Some of the Company’s shareholders and key management personnel directly or indirectly hold 14.24% of the Company’s shares as of December 31, 2022 (14.29% as of December 31, 2021). The indirect interest is held through LC-EH Empreendimentos e Participações S.A..

The Company and its subsidiaries also incurred small expenses and income during the year with related parties, where the total amount of expenses was R$321 and income of R$251.

12.3. Key management personal compensation

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

	Individual and Consolidated	
	2022	**2021**
Management compensation		
Salaries, fees and payroll charges	13,677	12,700
Direct and Indirect benefits (i)	1,969	2,053
Variable bonus	5,440	5,044
Share-based payments	30,189	23,991
Total	**51,275**	**43,788**

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

13. Other assets

Breakdown of other assets at December 31, 2022 and 2021 are follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Prepaid expenses (i)	88,939	78,800	95,885	87,845
Franchises loan (ii)	32,175	67,022	32,225	67,122
Advances to employees	17,737	14,355	29,003	21,430
Advances to suppliers	1,167	817	4,538	4,520
Negotiation and intermediation – Supplier FIDC (iii)	-	-	-	32,694
Dividends to receive	23,629	-	-	-
Receivables from investments disposed of (iv)	54	6,084	54	14,454
Other assets	1,920	861	6,305	5,744
Total	**165,621**	**167,939**	**168,010**	**233,809**
Current assets	100,259	84,841	96,447	143,474
Non-current assets	65,362	83,098	71,563	90,335

(i) Includes the amounts of renewals of contracts with suppliers referring to expenses that will be incurred during next years;
(ii) Most franchise loans are adjusted monthly by Interbank Deposit Certificate (CDI);
(iii) Variation by the turnover of the advance transfer for Supplier FIDC. This liability was classified as part of assets from Techfin Dimension as mentioned in the note 5;
(iv) Amounts to receive from sale of interest.

14. Equity-accounted investees

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

14.1. Equity-accounted investees in subsidiaries and associates

	Individual		Consolidated	
	2022	2021	2022	2021
Equity-accounted investees in subsidiaries and associates (i)	3,819,530	3,689,623	-	3,075
Techfin Dimension	(457,356)	-	-	-
Appreciation of assets	31,853	40,709	-	-
	3,394,027	**3,730,332**	**-**	**3,075**

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

14.2. Equity-accounted investees changes

Changes in equity-accounted investees for the year ended December 31, 2022 and 2021 were as follows:

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

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

	2020	Additions / (reductions)	Dividends	Equity pick-up: Equity pick-up	Equity pick-up: Amortization of PPA	Equity pick-up: Total	Foreign exchange/ Inflation	Corporate changes	Techfin Dimension	2021
TOTVS Large	529,693	1,681,702	(11,323)	62,327	(8,855)	53,472	3,745	-	-	2,257,289
TOTVS Tecnologia	543,645	441	(15,098)	55,851	-	55,851	-	-	1,477	586,316
TTS	269,254	60	(3,323)	28,795	-	28,795	-	-	-	294,786
TOTVS Inc.	92,246	16,937	-	(15,827)	-	(15,827)	6,762	-	-	100,118
Neolog	17,885	-	(89)	1,350	-	1,350	-	(19,146)	-	-
TOTVS Hospitality	28,888	-	-	8,778	-	8,778	-	-	-	37,666
VT Digital	704	-	(408)	3,166	-	3,166	-	-	-	3,462
TOTVS México	6,323	10,048	-	(8,063)	-	(8,063)	73	-	-	8,381
TOTVS Argentina	12,006	1,346	-	880	-	880	2,853	-	-	17,085
Dimensa	31,064	11,144	(6,058)	33,107	-	33,107	-	352,540	-	421,797
Eleve	373	406	(93)	1,547	-	1,547	-	-	-	2,233
CMNet Argentina	1,116	1,112	-	(1,570)	-	(1,570)	476	-	-	1,134
NCC	65	-	-	-	-	-	-	-	-	65
Total	**1,533,262**	**1,723,196**	**(36,392)**	**170,341**	**(8,855)**	**161,486**	**13,909**	**333,394**	**1,477**	**3,730,332**

14.3. Direct subsidiaries information

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

	Summarized financial statements of subsidiaries as at December 31, 2021				
	Assets	**Liabilities**	**Equity**	**Net revenue**	**Profit or loss of the year**
TOTVS Large	2,678,735	462,155	2,216,580	425,323	62,327
TOTVS Tecnologia	2,821,519	2,235,203	586,316	458,834	55,851
TTS	347,188	52,402	294,786	124,355	28,795
TOTVS Inc.	105,170	5,052	100,118	1,325	(15,827)
Neolog	-	-	-	3,139	1,350
TOTVS Hospitality	49,959	12,293	37,666	45,089	8,778
VT Digital	3,949	487	3,462	4,624	3,166
TOTVS México	16,103	7,722	8,381	26,132	(8,063)
TOTVS Argentina	28,580	11,495	17,085	55,001	880
Dimensa	717,140	42,264	674,876	147,056	38,653
Eleve	4,198	1,965	2,233	8,832	1,547
CMNet Argentina	2,046	912	1,134	2,905	(1,570)
NCC	-	-	65	-	-

15. Property, plant and equipment

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

	Individual							
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	Total
Cost								
Balance in 2020	**196,190**	**11,557**	**26,611**	**26,831**	**94,392**	**264,419**	**7,739**	**627,739**
Additions	53,995	5,075	727	110	805	29,172	1,470	91,354
Merged company	823	35	127	11	224	787	5	2,012
Write-offs	(6,001)	(4,450)	(402)	(25)	-	(12,461)	(611)	(23,950)
Balance in 2021	**245,007**	**12,217**	**27,063**	**26,927**	**95,421**	**281,917**	**8,603**	**697,155**
Additions	72,174	9,018	1,135	1,175	8,122	43,646	1,489	136,759
Techfin Dimension	(409)	(992)	-	-	-	-	(46)	(1,447)
Transfers	87	-	4	(30)	(61)	-	-	-
Write-offs	(4,563)	(4,774)	(705)	(39)	(1,567)	(13,975)	(497)	(26,120)
Balance in 2022	**312,296**	**15,469**	**27,497**	**28,033**	**101,915**	**311,588**	**9,549**	**806,347**
Depreciation								
Balance in 2020	**(135,250)**	**(5,918)**	**(16,635)**	**(17,691)**	**(43,663)**	**(69,343)**	**(6,237)**	**(294,737)**
Depreciation for the year	(27,919)	(4,084)	(2,987)	(2,684)	(10,835)	(42,428)	(1,082)	(92,019)
Merged company	(678)	(35)	(59)	(5)	(224)	(599)	(3)	(1,603)
Write-offs	5,490	3,730	235	25	-	809	600	10,889
Balance in 2021	**(158,357)**	**(6,307)**	**(19,446)**	**(20,355)**	**(54,722)**	**(111,561)**	**(6,722)**	**(377,470)**
Depreciation for the year (iv)	(33,367)	(4,626)	(2,224)	(1,792)	(10,292)	(47,964)	(1,277)	(101,542)
Techfin Dimension	186	577	-	-	-	-	33	796
Write-offs	4,245	4,385	656	23	1,448	12,779	467	24,003
Balance in 2022	**(187,293)**	**(5,971)**	**(21,014)**	**(22,124)**	**(63,566)**	**(146,746)**	**(7,499)**	**(454,213)**
Residual value								
Balance in 2022	**125,003**	**9,498**	**6,483**	**5,909**	**38,349**	**164,842**	**2,050**	**352,134**
Balance in 2021	**86,650**	**5,910**	**7,617**	**6,572**	**40,699**	**170,356**	**1,881**	**319,685**
Average annual depreciation rate	20% a 25%	33%	10% a 25%	6.7% a 25%	10% a 33%	10% a 33%	20%	

	Consolidated							
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	Total
Cost								
Balance in 2020	**220,522**	**13,086**	**32,649**	**30,270**	**105,794**	**291,765**	**8,841**	**702,927**
Additions	62,587	7,387	1,193	917	8,796	35,412	12,619	128,911
Additions due to business combination	5,515	-	2,420	2,097	9,633	32,907	(1)	52,571
Exchange variation (iii)	765	42	169	28	357	373	8	1,742
Transfers	(384)	(190)	-	(4)	-	-	(539)	(1,117)
Techfin Dimension (ii)	1,184	-	4	5	-	1,410	-	2,603
Write-offs	(7,227)	(4,720)	(923)	(274)	(65)	(2,485)	(10,932)	(26,626)
Balance in 2021	**282,962**	**15,605**	**35,512**	**33,039**	**124,515**	**359,382**	**9,996**	**861,011**
Additions	77,266	10,991	1,231	1,285	8,510	50,495	1,655	151,433
Additions due to business combination	2,956	(577)	1,039	335	396	-	(34)	4,115
Techfin Dimension (ii)	(5,926)	(411)	(640)	(794)		(5,041)	(290)	(13,102)
Exchange variation (iii)	(59)	(31)	(11)	(2)	(7)	(1,219)	10	(1,319)
Transfers	86	-	4	(40)	(57)	-	7	-
Write-offs	(6,614)	(5,767)	(1,301)	(92)	(1,981)	(35,904)	(578)	(52,237)
Balance in 2022	**350,671**	**19,810**	**35,834**	**33,731**	**131,376**	**367,713**	**10,766**	**949,901**
Depreciation								
Balance in 2020	**(152,833)**	**(6,553)**	**(20,555)**	**(19,703)**	**(52,973)**	**(78,804)**	**(7,059)**	**(338,480)**
Depreciation for the year	(31,426)	(4,722)	(3,543)	(3,005)	(12,647)	(53,692)	(1,308)	(110,343)
Additions due to business combination	(3,412)	-	(977)	(556)	(3,771)	(10,460)	1	(19,175)
Exchange variation (iii)	(413)	86	(131)	(29)	(389)	(62)	(2)	(940)
Transfers	726	190	-	-	-	-	201	1,117
Techfin Dimension (ii)	(681)	-	(52)	(172)	(52)	(912)	-	(1,869)
Write-offs	6,864	3,677	637	262	14	1,638	456	13,548
Balance in 2021	**(181,175)**	**(7,322)**	**(24,621)**	**(23,203)**	**(69,818)**	**(142,292)**	**(7,711)**	**(456,142)**
Depreciation for the year (iv)	(39,150)	(5,849)	(2,972)	(2,364)	(13,605)	(59,907)	(939)	(124,786)
Additions due to business combination	(1,237)	578	(227)	(28)	(39)	-	30	(923)
Techfin Dimension (ii)	3,994	-	404	611	12	1,504	(435)	6,090
Exchange variation (iii)	247	21	12	(6)	(97)	474	15	666
Transfers	(5)	(4)	-	6	(1)	-	4	-
Write-offs	6,052	4,795	1,052	32	1,862	27,741	535	42,069
Balance in 2022	**(211,274)**	**(7,781)**	**(26,352)**	**(24,952)**	**(81,686)**	**(172,480)**	**(8,501)**	**(533,026)**
Residual value								
Balance in 2022	**139,397**	**12,029**	**9,482**	**8,779**	**49,690**	**195,233**	**2,265**	**416,875**
Balance in 2021	**101,787**	**8,283**	**10,891**	**9,836**	**54,697**	**217,090**	**2,285**	**404,869**
Average annual depreciation rate	20% a 25%	33%	10% a 25%	6.7% a 25%	10% a 33%	10% a 33%	20%	

(i) The Company and its subsidiaries applied exceptions to the standard for short-term and low value contracts, recorded in lease expenses in the amount of R$2,776 (R$1,203 as of December 31, 2021) in Individual and R$4,961 (R$2,067 as of December 31, 2021) in Consolidated as of December 31,2022.
(ii) Asset classified as Techfin Dimension according to note 5.
(iii) Includes the inflation adjustments of Argentine subsidiaries.
(i) Depreciation and amortization lines in the Statement of Cash Flows and Statements of Value Added are presented net of PIS/ COFINS credits on depreciation of property, plant and equipment, in the value of R$2,665.

Annually, the Company and its subsidiaries evaluate indicators that may impact the estimated useful lives of its assets and there were no changes for the years ended December 31, 2022 and 2021.

Breakdown of right of use for the year ended December 31, 2022 and 2021 are as follows:

	Consolidated		
	Right to use real estate	Right of use computers and equipments	Total assets
Balance in 2020	**201,311**	**11,650**	**212,961**
Contract Remeasurement (i)	33,623	3,199	36,822
Write-offs	(835)	(12)	(847)
Additions due to business combination	22,447	-	22,447
Transfers	(200)	200	-
Amortization	(49,098)	(5,506)	(54,604)
Interest incurred and exchange variation	297	14	311
Balance in 2021	**207,545**	**9,545**	**217,090**
Contract Remeasurement (i)	49,876	619	50,495
Write-offs	(8,163)	-	(8,163)
Techfin Dimension	(3,537)	-	(3,537)
Amortization	(54,356)	(5,551)	(59,907)
Interest incurred and exchange variation	(720)	(25)	(745)
Balance in 2022	**190,645**	**4,588**	**195,233**

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

16. Intangible assets

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

	Individual						
	Software	Trademarks & patents	Customer portfolio (v)	R&D (i)	Other (ii)	Goodwill	Total
Cost							
Balance in 2020	**386,823**	**63,149**	**220,417**	**16,735**	**18,750**	**280,308**	**986,182**
Additions	27,316	-	28,763	22,517	-	-	78,596
Merged company	8,103	1	4,226	259	1,036	12,565	26,190
Write-offs	(48)	-	(1,348)	(72)	-	-	(1,468)
Balance in 2021	**422,194**	**63,150**	**252,058**	**39,439**	**19,786**	**292,873**	**1,089,500**
Additions	29,747	4,691	31,360	26,388	-	-	92,186
Techfin Dimension	-	-	-	(19,175)	-	-	(19,175)
Write-offs	(326)	-	-	(640)	-	-	(966)
Balance in 2022	**451,615**	**67,841**	**283,418**	**46,012**	**19,786**	**292,873**	**1,161,545**
Amortization							
Balance in 2020	**(321,210)**	**(52,226)**	**(214,416)**	**(110)**	**(18,750)**	**-**	**(606,712)**
Amortization for the year	(29,265)	(4,201)	(4,792)	(2,893)	-	-	(41,151)
Merged company	(8,098)	(1)	(1,251)	-	(1,036)	-	(10,386)
Techfin Dimension	-	-	-	(1,675)	-	-	(1,675)
Write-offs	1	-	749	-	-	-	750
Balance in 2021	**(358,572)**	**(56,428)**	**(219,710)**	**(4,678)**	**(19,786)**	**-**	**(659,174)**
Amortization for the year	(24,110)	(4,201)	(12,585)	(6,903)	-	-	(47,799)
Techfin Dimension	-	-	-	1,829	-	-	1,829
Write-offs	326	-	-	208	-	-	534
Balance in 2022	**(382,356)**	**(60,629)**	**(232,295)**	**(9,544)**	**(19,786)**	**-**	**(704,610)**
Residual value							
Balance in 2022	**69,259**	**7,212**	**51,123**	**36,468**	**-**	**292,873**	**456,935**
Balance in 2021	**63,622**	**6,722**	**32,348**	**34,761**	**-**	**292,873**	**430,326**
Average annual amortization rates	10% a 20%	6.7% a 8%	10% a 12.5%	20% a 50%	10% a 50%		

	Consolidated						
	Software	Trademarks & patents	Customer portfolio (v)	R&D (i)	Other (ii)	Goodwill	Total
Cost							
Balance in 2020	**579,858**	**127,807**	**484,245**	**33,384**	**81,627**	**1,145,831**	**2,452,752**
Additions	27,332	-	30,482	23,481	7	-	81,302
Additions due to business combination	189,955	44,417	91,323	60	14,516	1,729,952	2,070,223
Exchange variation (iv)	70	-	-	-	7	-	77
Transfers	738	-	-	-	-	(43,611)	(42,873)
Write-offs	(48)	-	(1,348)	(72)	-	(12)	(1,480)
Techfin Dimension (iii)	358	-	-	(162)	-	-	196
Others (iv)	-	-	-	-	-	(446)	(446)
Balance in 2021	**798,263**	**172,224**	**604,702**	**56,691**	**96,157**	**2,831,714**	**4,559,751**
Additions	31,580	4,698	31,360	28,871	-	-	96,509
Additions due to business combination	58,634	2,204	42,454	-	5,251	293,501	402,044
Techfin Dimension (iii)	(117,828)	(36,821)	(83,080)	(17,812)	(20,151)	(288,558)	(564,250)
Exchange variation (iv)	(13)	-	-	-	-	-	(13)
Write-offs	(326)	(8)	-	(2,003)	(36)	-	(2,373)
Balance in 2022	**770,310**	**142,297**	**595,436**	**65,747**	**81,221**	**2,836,657**	**4,491,668**
Amortization							
Balance in 2020	**(383,055)**	**(78,339)**	**(294,191)**	**(10,491)**	**(56,888)**	**(43,611)**	**(866,575)**
Amortization for the year	(47,484)	(9,332)	(25,242)	(4,782)	(2,001)	-	(88,841)
Additions due to business combination	(1,521)	-	(30)	(60)	-	-	(1,611)
Exchange variation (iv)	(36)	-	(1)	-	-	-	(37)
Transfers	(738)	-	-	-	-	43,611	42,873
Techfin Dimension (iii)	(24,340)	(18,411)	(6,559)	(1,675)	(9,082)	-	(60,067)
Write-offs	-	-	749	-	-	-	749
Balance in 2021	**(457,174)**	**(106,082)**	**(325,274)**	**(17,008)**	**(67,971)**	**-**	**(973,509)**
Amortization for the year	(53,037)	(11,143)	(39,760)	(8,047)	(2,021)	-	(114,008)
Additions due to business combination	(2,274)	(12)	-	-	-	-	(2,286)
Techfin Dimension (iii)	44,945	30,684	10,932	1,427	14,973	-	102,961
Exchange variation (iv)	6	1	-	-	-	-	7
Write-offs	327	-	-	605	-	-	932
Balance in 2022	**(467,207)**	**(86,552)**	**(354,102)**	**(23,023)**	**(55,019)**	**-**	**(985,903)**
Residual value							
Balance in 2022	**303,103**	**55,745**	**241,334**	**42,724**	**26,202**	**2,836,657**	**3,505,765**
Balance in 2021	**341,089**	**66,142**	**279,428**	**39,683**	**28,186**	**2,831,714**	**3,586,242**
Average annual amortization rates	10% a 20%	6.7% a 8%	10% a 12.5%	20% a 50%	10% a 50%		

(i) The development capitalization totaled R$28,871 during the year ended December 31, 2022, that majority are related to the strategic plan of the Company and its subsidiaries. R&D amortization starts when development is completed and the asset is available for use or sale.
(ii) Includes primarily non-compete rights arising from the purchase price allocation from business combinations.
(i) Asset classified as held for sale according to note 5.
(iii) Includes the inflation adjustments of Argentine subsidiaries.
(iv) Over the year ended on December 31, 2022, the Company acquired customer portfolio from franchises in the amount of R$28,082, in which R$11,758 was paid in cash and the remainder was offset with balances of mutual between the parties.

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

16.1. Changes in goodwill

The breakdown of goodwill as of December 31, 2022 and 2021 are as follows:

	2020	Business combination	2021	Business combination (iii)	Techfin Dimension	2022
Inovamind Tech (i)	-	-	-	18,141	-	18,141
Mobile2You (i)	-	-	-	29,220	-	29,220
Credit Core (Vadu) (i)	-	-	-	56,092	-	56,092
Gesplan (i)	-	-	-	28,325	-	28,325
RBM (i)	-	-	-	33,542	-	33,542
Feedz (i)	-	-	-	92,328	-	92,328
Other goodwill (iv)	800,101	(12)	800,089	-	-	800,089
CGU Technology	**800,101**	**(12)**	**800,089**	**257,648**	**-**	**1,057,737**
Supplier (ii)	288,558	-	288,558	-	(288,558)	-
CGU Credit Products - Supplier	**288,558**	**-**	**288,558**	**-**	**(288,558)**	**-**
RD Station	-	1,729,952	1,729,952	-	-	1,729,952
Tail	13,561	(446)	13,115	-	-	13,115
Tallos (i)	-	-	-	35,853	-	35,853
Total	**1,102,220**	**1,729,494**	**2,831,714**	**293,501**	**(288,558)**	**2,836,657**

(i) Acquisition of InovaMind, Mobile2you, Vadu, Gesplan, Tallos, RBM and Feedz as mentioned in note 4.
(ii) Classified as assets from Techfin Dimension according to note 5.
(iii) Acquisitions as mentioned in note 4.
(iv) Write-off of goodwill due to M2S.

16.2. Impairment of assets analysis

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

On December 31, 2022, the CGUs are defined as follows:

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

CGU RD - Company acquired in 2021 is leader in software automation of digital marketing and has a full solution platform, helping its clients in the sales process and generation of results. RD is inserted in the Business Performance dimension and has separated governance of cash (cash flows) from other companies of the Group and, therefore, was defined as a separated CGU.

CGU Tail - Company acquired in 2020, whose activity is vinculated to the specialized knowledge for marketing analytics and data intelligence, in addition to solutions for opportunities generation and conversion of sales. Tail has separated cash governance (cash flows) from other companies of the Group, therefore, was defined as a separated CGU.

CGU Credit Products - Supplier - As mentioned in the note 5, the CGU Credit Products- Supplier - classified as held for sale due to TOTVS S.A and Itaú S.A. transaction for the JV creation. Therefore, this CGU was not subject to impairment test.

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

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

The main premise used in the estimate of value in use and sensitivity for the CGU Technology, RD and Tail are:

- **Discount rate** – represents the assessment of risks in the current market, specific to each cash generating unit, considering the value of money over time and the individual risks of related assets that were not incorporated into the premise included in the cash flow model. Calculation of the discount rate is based on the specific circumstances of each CGU. Estimated future cash flows were discounted at a nominal rate between 11.70% p.a. (pre-tax) and 14.96% p.a. (pre-tax) for CGU Technology, RD and Tail.

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

The annual impairment test of intangible assets and goodwill of the Company and its subsidiaries, performed annually, did not result in any provision for loss, since the estimated recoverable amount of each cash generating unit was higher than the net book value on December 31, 2022 and 2021.

17. Labor liabilities

On December 31, 2022 and 2021 the balances of salaries and charges payable are broken down as follows:

	Individual		Consolidated	
	2022	2021	2022	2021
Labor liabilities:				
Salaries payable	33,821	32,503	59,893	57,772
Vacation payable	82,650	73,732	135,370	119,135
Profit sharing and bonus	35,958	29,167	53,421	51,351
Withholding Income Tax (IRRF) payable	21,299	18,096	36,197	30,087
Actuarial liabilities due to health care plan and retirement benefits (i)	2,785	4,559	2,785	4,559
Other	2,319	2,581	4,688	4,462
	178,832	**160,638**	**292,354**	**267,366**
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable	6,603	6,044	11,024	9,698
INSS (Social Security Tax) payable	7,181	6,551	14,306	12,225
	13,784	**12,595**	**25,330**	**21,923**
Total	**192,616**	**173,233**	**317,684**	**289,289**

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

18. Taxes and contributions liabilities

On December 31, 2022 and 2021 the balances of taxes and contributions liabilities are broken down as follows:

	Individual		Consolidated	
	2022	2021	2022	2021
Federal Social Security Tax on Gross Revenue (CPRB)	19,406	16,560	27,562	23,279
Service Tax (ISS) payable	7,132	6,066	11,071	9,106
PIS and COFINS payable	29,220	22,583	38,878	30,907
IRPJ and CSLL payable	-	-	12,496	31,132
Withholding IR and CSLL	1,155	1,048	3,369	3,653
Other taxes	1,928	(415)	3,047	1,390
Total	**58,841**	**45,842**	**96,423**	**99,467**
Current liabilities	58,841	45,842	95,042	96,790
Non-current liabilities (i)	-	-	1,381	2,677

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

19. Loans and lease liabilities

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

The loan and lease liabilities transactions are as follows:

	Annual financial charges	Individual 2022	Individual 2021	Consolidated 2022	Consolidated 2021
Leases	2.00% to 16.98% p.a. (i)	178,632	182,547	211,958	231,874
Working capital	100% CDI	-	-	318	103,740
Guaranteed accounts and other	-	-	-	257	-
		178,632	**182,547**	**212,533**	**335,614**
Current liabilities		45,633	39,637	57,455	156,306
Non-current liabilities		132,999	142,910	155,078	179,308

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

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

	Individual 2022	Individual 2021	Consolidated 2022	Consolidated 2021
2023	-	39,260	-	53,185
2024	47,342	37,127	58,466	49,109
2025	43,163	33,896	51,844	41,494
2026 onwards	42,494	32,627	44,768	35,520
Non-current liabilities	**132,999**	**142,910**	**155,078**	**179,308**

Below is the breakdown of loans and lease liabilities as of December 31, 2022 and 2021:

	Individual 2022	Individual 2021	Consolidated 2022	Consolidated 2021
Opening balance	**182,547**	**204,548**	**335,614**	**325,050**
Additions from right of use leases	43,646	29,172	50,495	35,412
Additions from loans	-	-	465	-
Addition due to business combination	-	-	7,303	23,545
Techfin Dimension	-	-	(107,495)	3,424
Additions of merger	-	195	-	-
Interest incurred	10,414	9,681	11,674	11,093
Write-offs of right-of-use leases	(2,155)	(10,805)	(10,037)	-
Interest amortization	(10,414)	(10,105)	(12,807)	(12,980)
Principal amortization	(45,406)	(40,139)	(62,679)	(49,930)
Closing balance	**178,632**	**182,547**	**212,533**	**335,614**

a) Lease liabilities

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

	Individual		Consolidated	
	2022	2021	2022	2021
Gross lease liabilities – minimum lease payments				
Less than one year	53,900	48,101	67,735	64,115
More than one year and less than five years	137,549	153,367	160,873	191,680
More than five years	6,305	4,825	6,506	5,302
	197,754	**206,293**	**235,114**	**261,097**
Future financing charges on finance leases	(19,122)	(23,746)	(23,156)	(29,223)
Present value of lease liabilities	**178,632**	**182,547**	**211,958**	**231,874**
Current liabilities	45,633	39,637	57,285	52,566
Non-current liabilities	132,999	142,910	154,673	179,308

20. Debentures

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

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

20.1. Composition

At December 31, 2022 and 2021, the balances were broken down as follows:

					Individual and Consolidated	
Description	**Debentures**	**Unit Price**	**Annual financial charges**	**Maturity**	**2022**	**2021**
4th Issue of Debentures - Single Series	1,500,000	1	100% from CDI + Spread 1.35%	09/12/2027	1,547,009	-
3rd Issue of Debentures - Single Series	1,500,000	1	100% from CDI + Spread 1.90%	05/21/2024	-	1,509,126
Total					**1,547,009**	**1,509,126**
Current liabilities					58,701	385,988
Non-current liabilities					1,488,308	1,123,138

20.2. Changes

	Individual and Consolidated	
	2022	**2021**
Opening Balance	**1,509,126**	**-**
Debentures issuance	1,500,000	1,500,000
(-) Funding costs	(12,209)	(10,631)
Interest incurred	213,675	70,803
(-) Interest amortization	(163,583)	(51,046)
(-) Principal payment	(1,500,000)	-
Ending balance	**1,547,009**	**1,509,126**

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

	Individual and Consolidated	
	2022	**2021**
Maturity		
2023	-	373,501
2024	-	749,637
2026	740,503	-
2027	747,805	-
Non-current liabilities	**1,488,308**	**1,123,138**

20.3. Covenants

The debentures have redeemed in advance clauses (“covenants”) normally applicable to these types of operations related to compliance with economic-financial ratios. The financial index applied to this deed derives from the coefficient of dividing the net debt by the Adjusted EBITDA, which must be equal to or less than 4 times.This indicator does not consider the debt and EBITDA of the TOTVS Techfin S.A. and its subsidiaries.

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

21. Accounts payable from acquisition of subsidiaries

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

	Individual					
	2022			**2021**		
	Contingent payments	**Other amounts payable**	**Total**	**Contingent payments**	**Other amounts payable**	**Total**
Datasul MG	-	5,609	5,609	-	5,042	**5,042**
Seventeen	-	3,608	3,608	-	3,253	**3,253**
Other	-	459	459	-	412	**412**
Total	**-**	**9,676**	**9,676**	**-**	**8,707**	**8,707**
Current liabilities		9,676	9,676	-	8,707	**8,707**

	Consolidated					
	2022			2021		
	Contingent payments	Other amounts payable	Total	Contingent payments	Other amounts payable	Total
RD Station	224,337	33,141	**257,478**	212,777	35,427	**248,204**
Supplier	19,924	19,155	**39,079**	155,547	-	**155,547**
Vadu	25,882	15,634	**41,516**	-	-	**-**
RBM	15,510	5,163	**20,673**	-	-	**-**
Mobile2you	22,835	853	**23,688**	-	-	**-**
Gesplan	27,446	4,323	**31,769**	-	-	**-**
InovaMind	7,614	-	**7,614**	-	-	**-**
Feedz	61,176	7,030	**68,206**	-	-	**-**
Tallos	35,453	1,309	**36,762**	-	-	**-**
Tail	6,712	587	**7,299**	16,368	-	**16,368**
Other	7,478	22,657	**30,135**	35,865	9,430	**45,295**
Total	**454,367**	**109,852**	**564,219**	**420,557**	**44,857**	**465,414**
Current liabilities	28,603	24,097	**52,700**	138,741	15,098	**153,839**
Non-current liabilities	425,764	85,755	**511,519**	281,816	29,759	**311,575**

The fair value of contingent payments presented a complement of R$21.036 over the year , due to the performance analysis from acquired companies regarding the Business Plan initially elaborated. The fair value of contingent payments was recorded in the rubric “Other operating income (expenses)” in the year ended December 31, 2022.

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

	Consolidated	
Year	2022	2021
2023	-	5,509
2024	344,798	212,777
2025	76,159	-
2026	34,467	63,530
2027	32,577	29,759
2028 onwards	23,518	-
Non-current liabilities	**511,519**	**311,575**

As of December 31, 2022 and December 31, 2021, the accounts payable from acquisition of subsidiaries had guarantees in the form of marketable securities, which consisted of CDB operations in the following amounts:

	Individual		Consolidated	
	2022	2021	2022	2021
Escrow account - current	9,587	8,618	10,391	9,341
Escrow account - non-current	-	-	73,766	35,427
Total	**9,587**	**8,618**	**84,157**	**44,768**

22. Provision for contingencies

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

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 analysis of judicial proceedings pending judgment, at an amount considered sufficient to cover probable losses.The provision amount reflects the best current estimate of the Company's Management and its subsidiaries.

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

	Individual		Consolidated	
	2022	2021	2022	2021
Tax	9,933	7,360	11,881	9,090
Labor	46,716	61,741	62,463	72,913
Civil	28,000	21,681	33,147	25,643
	84,649	**90,782**	**107,491**	**107,646**

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

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

The lawsuits classified as probable losses of tax, labor and civil nature presented in the table above in the total amount of R$107,491 on December 31, 2022 (R$107,646 on December 31, 2021) don't have any process of value individually relevant.

a) Changes in provisions

Changes in provisions for the year ended December 31, 2022 and 2021 are as follows:

	Individual			
	Tax	Labor	Civil	Total
Balances in 2020	**5,890**	**70,095**	**32,121**	**108,106**
(+) Additional provision	1,604	20,826	17,850	40,280
(+) Monetary adjustment	136	5,066	6,054	11,256
(-) Reversal of provision	-	(7,069)	(4,944)	(12,013)
(-) Write-off due to payment	(270)	(27,177)	(29,400)	(56,847)
Balances in 2021	**7,360**	**61,741**	**21,681**	**90,782**
(+) Additional provision	949	18,527	24,229	43,705
(+) Monetary adjustment	593	(523)	4,738	4,808
(-) Reversal of provision	-	(16,916)	(2,381)	(19,297)
(-) Write-off due to payment	1,031	(16,113)	(20,267)	(35,349)
Balances in 2022	**9,933**	**46,716**	**28,000**	**84,649**

	Consolidated			
	Tax	**Labor**	**Civil**	**Total**
Balances in 2020	**7,440**	**82,496**	**35,882**	**125,818**
(+) Additional provision	2,092	24,285	18,602	44,979
(+) Monetary adjustment	190	6,048	6,682	12,920
(-) Reversal of provision	-	(7,928)	(5,217)	(13,145)
(-) Write-off due to payment	(632)	(32,034)	(30,363)	(63,029)
(+) Exchange variation	-	-	2	2
(+) Techfin Dimension	-	46	55	101
Balances in 2021	**9,090**	**72,913**	**25,643**	**107,646**
(+) Additional provision	1,344	26,354	25,754	53,452
(+) Monetary adjustment	726	3,691	5,264	9,681
(+) Acquisition of subsidiaries	-	-	2	2
(-) Techfin Dimension	-	(425)	(283)	(708)
(-) Reversal of provision	(110)	(18,627)	(2,721)	(21,458)
(-) Write-off due to payment	831	(21,443)	(20,512)	(41,124)
Balances in 2022	**11,881**	**62,463**	**33,147**	**107,491**

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

b) Judicial deposits

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

	Individual				Consolidated			
	Tax	**Labor**	**Civil**	**Total**	**Tax**	**Labor**	**Civil**	**Total**
Balances in 2020	**12,091**	**10,835**	**15,795**	**38,721**	**12,697**	**14,670**	**16,606**	**43,973**
(+) Addition in guarantees	4	2,858	257	3,119	23	3,850	335	4,208
(+) Monetary adjustment	330	586	(1,861)	(945)	349	586	(1,835)	(900)
(-) Write-off for loss	(4)	(2,507)	(10,572)	(13,083)	(4)	(4,924)	(10,571)	(15,499)
(-) Reversion by devolution	-	(1,792)	(69)	(1,861)	-	(2,055)	(69)	(2,124)
Balances in 2021	**12,421**	**9,980**	**3,550**	**25,951**	**13,065**	**12,127**	**4,466**	**29,658**
(+) Addition in guarantees	-	3,763	3,875	7,638	-	6,410	3,884	10,294
(+) Monetary adjustment	989	884	107	1,980	1,019	885	151	2,055
(-) Write-off for loss	-	(1,963)	(1,081)	(3,044)	-	(3,815)	(1,086)	(4,901)
(-) Reversion by devolution	(155)	(1,974)	(176)	(2,305)	(173)	(2,090)	(176)	(2,439)
(-) Techfin Dimension	-	-	-	-	-	(408)	(15)	(423)
Balances in 2022	**13,255**	**10,690**	**6,275**	**30,220**	**13,911**	**13,109**	**7,224**	**34,244**

22.2. 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:

	Individual		Consolidated	
Nature	2022	2021	2022	2021
Tax	200,153	141,661	246,265	181,512
Labor	53,525	78,925	65,063	92,124
Civil	204,543	193,421	229,794	213,789
	458,221	**414,007**	**541,122**	**487,425**

The summary of main proceedings ongoing is presented as follows:

Tax

In 2015, the Company received a tax enforcement notice to pay ISS tax in the period between 1996 and 2001. Embargoes were filed alleging prescription of collection and the records are awaiting for the completion of the expert phase for judgment at the first administrative level . The amount involved as of December 31, 2022 is R$14,897 (R$11,432 as at December 31, 2021).

In 2019, the Company regarding several tax deficiency notices requesting the payment of allegedly due amounts as tax on services (imposto sobre serviços), or ISS, on services rendered in 2014, whose likelihood of loss is assessed as possible. The defense was deemed unfavorable at first instance and the Company filed an appeal at the second administrative level, which was judged partially favorable. The Company proceeded with the discussion at the judicial level with the offer of guarantee insurance. In September 2022, the expert phase was concluded and in December 2022, there was a partially favorable judgment in the first judicial instance. The Company filed an appeal to the second instance to remedy defects and omissions in the decision, which is awaiting judgment. The amount involved as of December 31, 2022 is R$24,897 (R$20,057 as at December 31, 2021).

In 2021, the Company received a communication from Receita Federal informing the non-approval of requests for compensation made with a negative balance of IRPJ for the period of 2015. It was presented the impugnation alleging that the withholdings incurred by the Company compose the totality of the negative balance of the period, which is insufficient to pay the debts. The case is awaiting judgment at the first administrative level. The amount involved as of December 31, 2022 is R$18,817 (R$16,936 as at December 31, 2021).

In 2021, the Company received a communication from Receita Federal informing the non-approval of requests for compensation made with a negative balance of IRPJ for the period of 2016. It was presented the impugnation alleging that the withholdings incurred by the Company compose the totality of the negative balance of the period, which is insufficient to pay the debts. The case is awaiting judgment at the first administrative level. The amount involved as of December 31, 2022 is R$14,822 (R$13,698 as at December 31, 2021).

In 2022, the Company received a communication from Receita Federal informing the non-approval of requests for compensation made with a negative balance of IRPJ for the year of 2017. It was presented at the impugnation alleging that the withholdings incurred by the Company compose the totality of the negative balance of the period, which is sufficient to pay the debts. The case is awaiting judgment at the first administrative level. The amount involved on December 31, 2022 is R$17,594.

The remaining tax cases assessed as possible losses deal with recovering debt, which the Company and its subsidiaries consider them to be undue. The values of these lawsuits totalling R$155,238 as at December 31, 2022 (R$119,389 as at December 31, 2021), there being no other process of value individually relevant.

Labor

Labor lawsuits assessed as possible losses refer to lawsuits filed by former employees of the Company and its subsidiaries who seek labor dues, as well as service provider companies, seeking recognition of both employment relationship and other labor dues.

The labor lawsuits totaled R$65,063 as at December 31, 2022 (R$92,124 as at December 31, 2021), there being no other process of value individually relevant.

Civil

The civil lawsuits assessed as possible losses relate mainly to lawsuits filed by customers alleging problems in the provision of services offered to clients, application of standard price increase, and application of grace period in agreements rescinded and improper charges. Notable among the individually significant case are:

(i) Civil lawsuit filed by a customer alleging problems resulting from the product implemented, which would have caused material damages. The lawsuit is in initial stage of defense. The amount involved as at December 31, 2022 was R$16,154 (R$14,208 as at December 31, 2021).

The other lawsuits totaled R$213,640 as at December 31, 2022 (R$199,581 as at December 31, 2021), there being no other individually significant cases.

23. Shareholders' equity

a) Share Capital

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

	2022		2021	
Shareholder	**Shares**	**%**	**Shares**	**%**
LC EH Participações e Empreendimentos S.A.	80,282,970	13.01%	80,282,970	13.01%
GIC Private Limited	37,582,739	6.09%	39,308,774	6.37%
Canada Pension Plan	32,754,201	5.31%	32,754,201	5.31%
BlackRock Inc.	31,632,336	5.13%	29,695,310	4.81%
Laércio José de Lucena Cosentino	5,734,635	0.93%	6,631,704	1.07%
CSHG Senta Pua Fia	144,800	0.02%	144,800	0.02%
Other	417,615,746	67.66%	419,260,546	67.93%
Outstanding shares	**605,747,427**	**98.15%**	**608,078,305**	**98.52%**
Treasury shares	11,435,754	1.85%	9,104,876	1.48%
Total in units	**617,183,181**	**100.00%**	**617,183,181**	**100.00%**

On April 20, 2021, the Company 's Extraordinary Shareholders Meeting approved the capital increase of R$136,903 through capitalization of retained earnings, without issuing new shares. The capital increased from R$1,382,509 to R$1,519,412, divided into 577,913,181 common shares, all registered, book-entry and without par value. On the same date, the change in the authorized capital limit from R$2,500,000 to R$4,000,000 in the Company's bylaws was also approved.

On September 21, 2021, Board of Directors approved the fixed share price, under the primary public offering for common shares issue, in the amount of R$36.75 per shares with capital increase in the total amount of R$1,443,173, correspondent to the issue of 39,270,000 new common shares, registered, book-entry and without par value. Thus, the capital went from R$1,519,412 divided to 577,913,181 common shares to R$2,962,585, divided to 617,183,181 common shares, all registered, book-entry and without par value.

b) Capital reserves

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

	2022	2021
Goodwill reserve (i)	668,561	838,810
Premium on acquisition of non-controlling interests	(24,323)	(24,323)
Debentures converted into shares	44,629	44,629
Share-based compensation plan	112,560	83,921
Share issue expenses	(69,396)	(69,321)
Dilution of interest	352,540	352,540
Call option of non-controlling interests	(361,388)	(361,388)
	723,183	**864,868**

(i) Goodwill reserve is composed of R$31,557 addition occurred in 2005 and R$67,703 regarding societary reorganization with Bematech. In 2019 had an increase of goodwill reserve of R$725,220 regarding the amount of capital contribution destined to the capital reserve. In 2022, in accordance with the guidance CVM 78/2022 was constituted a provision for Supplier goodwill due to societary reorganization of Techfin Business in the amount of R$170,249.

c) Treasury shares

As at December 31, 2022 and 2021, the account "Treasury Shares" had the following changes :

	Number of shares (Units)	Value (in Thousand)	Average price per share (in Reais)
Balance as at January 1st, 2021	**10,153,586**	**R$ 148,537**	**R$ 14.63**
Used	(1,048,710)	R$ (15,342)	R$ 14.63
Balance as at December 31, 2021	**9,104,876**	**R$ 133,195**	**R$ 14.63**
Repurchase	4,000,000	R$ 108,967	R$ 27.24
Used	(1,669,122)	R$ (24,491)	R$ 14.67
Balance as at December 31, 2022	**11,435,754**	**R$ 217,671**	**R$ 19.03**

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

During the year ended December 31, 2022, 1,669,122 treasury shares were used by the restricted share plans, which consumed R$24,491 from capital reserve.

24. Dividends and Interest on Shareholders' Equity

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

On August 01, 2022, the Board of Directors approved the deliberation and payment of Interest on shareholders' equity in the amount of R$0.10 per share, totalling R$60,573. The payment occurred from September 23, 2022.

On December 26, 2022, was approved by the Board of Directors the payment of Interest on Shareholders' Equity in the amount of R$127,208 which shall be attributed to the mandatory dividends of the 2022 fiscal year with payment expected from January 27, 2023.

	Individual	
	2022	2021
Net income for the year - Individual company	498,136	368,491
Accrual of legal reserve (article 193 of Law No, 6404)	(24,907)	(18,425)
Net income after legal reserve allocation	**473,229**	**350,066**
Mandatory minimum dividend – 25%	118,307	87,517
Additional dividends proposed by Management	69,474	42,726
Dividends proposed by Management	**187,781**	**130,243**
Payment:		
Interest on Shareholders' Equity	187,781	130,243
	187,781	**130,243**
Number of outstanding shares at December 31	605,747,427	608,078,305
Dividends and Interest on Shareholders' Equity per share - in Reais	**0.31**	**0.21**

The balance of dividends and Interest on Shareholders' Equity in the statement of financial position amounted to R$130.363 as at December 31, 2022 (R$80,153 as of December 31, 2021).

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

Mandatory minimum dividends are shown in the statement of financial positions as legal obligations (provisions in current liabilities).

The capital budget proposed for 2023 to be submitted to the Annual Shareholders Meeting, allocates the balance in the amount of R$285,448 in the reserve account to retained earnings, for the following:

(No audited)	**2023**
Investments:	
Investments in property, plant and equipment and intangible assets	173,999
Investments in strategic projects	111,449
Total investments	**285,448**
Sources:	
Retained earnings reserve on December 31, 2022	285,448
Total sources	**285,448**

25. Share-based compensation plan

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

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

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

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

(ii) Partner program: The eligible participants in this plan shall have the right to receive the Restricted Shares of the Partner Program at the end of the vesting period, provided the Participant has and maintains, on the date of granting of Restricted Shares on a continuous and uninterrupted basis, including on the date of delivery of the Restricted shares an amount equal to twelve (12) fixed monthly gross salaries invested in Company shares. During the vesting period of the Partner

Program, participants will not be entitled to receive dividends or Interest on Shareholders' Equity in connection with the Restricted Shares.

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

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

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

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

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

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

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

Grant				Fair Value Assumptions	
				Expectation:	
Date	Plans	Number of restricted shares	Fair value of shares	Dividends	Term Maturity
04/27/2020	Regular	2,091,610	R$ 16.41	1.20%	3 years
04/27/2020	Partners	1,049,820	R$ 16.41	1.20%	3 years
05/7/2021	Regular	1,999,900	R$ 29.39	1.31%	3 years
05/7/2021	Partners	1,257,680	R$ 29.39	1.31%	3 years
04/29/2022	Destaques	637,338	R$ 31.67	1.23%	3 years
04/29/2022	Master	399,283	R$ 30.90	1.23%	5 years
04/29/2022	Performance	1,776,226	R$ 31.67	1.23%	3 years

Changes in restricted shares are as follows:

	Individual and Consolidated		Individual and Consolidated	
	December 31, 2022		December 31, 2021	
	Restricted shares	Total equity instruments	Restricted shares	Total equity instruments
	Number (in units)		Number (in units)	
Opening balance	**8,411,454**	**8,411,454**	**6,981,409**	**6,981,409**
Transactions:				
Exercised	(2,286,716)	(2,286,716)	(1,446,372)	(1,446,372)
Granted	2,812,847	2,812,847	3,257,580	3,257,580
Cancelled	(260,115)	(260,115)	(409,162)	(409,162)
Added (i)	1,188	1,188	27,999	27,999
Closing balance	**8,678,658**	**8,678,658**	**8,411,454**	**8,411,454**

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

The cumulative effect in the year ended December 31, 2022 was R$53,130 (R$34,613 as of December 31, 2021), recorded as share-based payment expenses.

RD Station has an individual share based compensation plan whose expense is recognized in the year by the rendered services was R$3,944 in the year ended on December 31, 2022 (R$3,740 on December 31, 2021.

26. Operating Segments

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

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

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

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

The statement of profit or loss for the year ended December 31, 2022 and 2021 for these three reportable segments is as follows:

Statement of profit or loss	Management 2022	Management 2021	Business Performance 2022	Business Performance 2021	Techfin 2022	Techfin 2021	Consolidated 2022	Consolidated 2021
Net revenue	3,475,498	2,818,001	317,434	159,311	411,884	281,551	4,204,816	3,258,863
(-) Costs	(988,457)	(800,109)	(78,595)	(44,476)	(190,043)	(106,621)	(1,257,095)	(951,206)
Gross profit	**2,487,041**	**2,017,892**	**238,839**	**114,835**	**221,841**	**174,930**	**2,947,721**	**2,307,657**
(+) Research and development expenses	(600,694)	(490,227)	(77,779)	(33,852)	(31,324)	(24,159)	(709,797)	(548,238)
(+) Impairment loss on trade and other receivables	(22,018)	(18,412)	(4,894)	(2,177)	(40,523)	(15,646)	(67,435)	(36,235)
Margin contribution	**1,864,329**	**1,509,253**	**156,166**	**78,806**	**149,994**	**135,125**	**2,170,489**	**1,723,184**
(-) Operating expenses	-	-	-	-	-	-	(1,242,403)	(941,959)
Selling and marketing expenses	-	-	-	-	-	-	*(777,339)*	*(601,160)*
Administrative expenses	-	-	-	-	-	-	*(455,535)*	*(353,096)*
Other operating income (expenses)	-	-	-	-	-	-	*(9,529)*	*12,297*
(-) Depreciation and amortization	-	-	-	-	-	-	(282,714)	(261,120)
(-) Share of profit / (loss) of equity-accounted investees	-	-	-	-	-	-	(442)	(526)
(-) Finance income (expenses)	-	-	-	-	-	-	20,838	(55,870)
(-) Income tax expenses	-	-	-	-	-	-	(142,467)	(89,672)
Profit for the year	-	-	-	-	-	-	**523,301**	**374,037**

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

The following table conciliate the segments model presented above with the Statement of Profit or Loss for the year ended on December 31, 2022 and 2021:

Statement of profit or loss	2022 Statement of Profit or Loss	2022 Reclassification (i)	2022 Techfin (ii)	2022 Consolidated segments	2021 Statement of Profit or Loss	2021 Reclassification (i)	2021 Techfin (ii)	2021 Consolidated segments
Net revenue	3,792,932	-	411,884	4,204,816	2,977,312	-	281,551	3,258,863
(-) Costs	(1,145,269)	78,217	(190,043)	(1,257,095)	(918,845)	74,260	(106,621)	(951,206)
Gross profit	**2,647,663**	**78,217**	**221,841**	**2,947,721**	**2,058,467**	**74,260**	**174,930**	**2,307,657**
(+) Research and development expenses	(719,806)	41,333	(31,324)	(709,797)	(559,359)	35,280	(24,159)	(548,238)
(+) Impairment loss on trade and other receivables	-	(26,912)	(40,523)	(67,435)	-	(20,589)	(15,646)	(36,235)
Margin contribution	**1,927,857**	**92,638**	**149,994**	**2,170,489**	**1,499,108**	**88,951**	**135,125**	**1,723,184**
(-) Operating expenses	(1,286,340)	143,491	(99,554)	(1,242,403)	(964,855)	110,233	(87,337)	(941,959)
Selling and marketing expenses	*(799,504)*	*59,257*	*(37,092)*	*(777,339)*	*(612,679)*	*42,485*	*(30,966)*	*(601,160)*
Administrative expenses	*(474,658)*	*84,234*	*(65,111)*	*(455,535)*	*(362,657)*	*67,748*	*(58,187)*	*(353,096)*
Other operating income (expenses)	*(12,178)*	-	*2,649*	*(9,529)*	*10,481*	-	*1,816*	*12,297*
(-) Depreciation and amortization	-	(236,129)	(46,585)	(282,714)	-	(199,184)	(61,936)	(261,120)
(-) Share of profit / (loss) of equity-accounted investees	(442)	-	-	(442)	(526)	-	-	(526)
(-) Finance income (expenses)	20,520	-	318	20,838	(54,202)	-	(1,668)	(55,870)
(-) Income tax expenses	(141,204)	-	(1,263)	(142,467)	(84,806)	-	(4,866)	(89,672)
Profit for the year	**520,391**	**-**	**2,910**	**523,301**	**394,719**	**-**	**(20,682)**	**374,037**

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

(ii) Contemplates the Profit or Loss from Techfin Dimension which was classified as held for sale, according to the note 5, therefore, the profit or loss allocated in only one line of “Profit (loss) from Techfin Dimension” in the Statement of Profit or Loss.

27. Earnings per share

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

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

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

Basic earnings per share	**2022**	**2021**
Profit or loss for the year		
Continuing operations	495,226	389,173
Techfin Dimension	2,910	(20,682)
Profit attributable to the owners of the Company	**498,136**	**368,491**
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	606,803	579,747
Basic earnings per share (in Reais)	**0.82092**	**0.63561**
Basic earnings per share - continuing operations (in Reais)	**0.81612**	**0.67128**

Diluted earnings per share	**2022**	**2021**
Profit or loss for the year		
Continuing operations	495,226	389,173
Techfin Dimension	2,910	(20,682)
Profit attributable to the owners of the Company	**498,136**	**368,491**
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	606,803	579,747
Weighted average number of stock options/restricted shares	8,821	7,921
Weighted average number of common shares adjusted according to dilution effect	**615,624**	**587,668**
Diluted earnings per share (in Reais)	**0.80916**	**0.62704**
Diluted earnings per share - continuing operations (in Reais)	**0.80443**	**0.66223**

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

28. Gross sales revenue

Gross revenue and deductions used for the calculation of net revenue presented in the statement of profit and loss of the Company and its subsidiaries for the year ended December 31, 2022 and 2021 were as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Recurring software	**2,324,896**	**1,843,763**	**3,663,208**	**2,786,218**
Nonrecurring software	**429,652**	**375,412**	**631,149**	**589,171**
License fees	200,711	185,552	262,111	246,821
Nonrecurring services	228,941	189,860	369,038	342,350
Operating revenue	**2,754,548**	**2,219,175**	**4,294,357**	**3,375,389**
Sales canceled	(24,299)	(21,045)	(36,863)	(33,078)
Sales taxes	(311,054)	(250,223)	(464,562)	(364,999)
Deductions	**(335,353)**	**(271,268)**	**(501,425)**	**(398,077)**
Total net revenue	**2,419,195**	**1,947,907**	**3,792,932**	**2,977,312**

29. Costs and expenses by nature

The Company and its subsidiaries present information about operating costs and expenses by nature for the year ended December 31, 2022 and 2021.

	Individual		Consolidated	
Nature	**2022**	**2021**	**2022**	**2021**
Salaries, benefits and payroll charges	1,040,283	864,593	1,680,291	1,310,587
Outsourced services and other inputs	513,690	406,250	784,469	573,932
Commissions	247,028	211,381	292,307	245,545
Depreciation and amortization	146,676	133,170	236,129	199,184
Provision for contingencies	24,408	28,267	31,994	31,834
Impairment loss on trade and other receivables	17,172	14,407	26,912	20,589
Other	47,853	17,865	99,313	61,388
Total	**2,037,110**	**1,675,933**	**3,151,415**	**2,443,059**

	Individual		Consolidated	
Occupation	**2022**	**2021**	**2022**	**2021**
Cost of softwares	750,012	641,550	1,145,269	918,845
Research and Development Expenses	451,704	357,539	719,806	559,359
Selling and Marketing Expenses	551,025	443,240	799,504	612,679
Administrative Expenses	284,604	254,090	474,658	362,657
Other Operating Revenues/ Expenses	(235)	(20,486)	12,178	(10,481)
Total	**2,037,110**	**1,675,933**	**3,151,415**	**2,443,059**

30. Finance income and expenses

Finance income and expenses incurred for the year ended December 31, 2022 and 2021 were as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Finance income				
Short-term investment yield	207,821	49,376	335,275	80,140
Interest received	9,511	4,963	10,604	5,670
Inflation adjustment gains	4,875	1,905	5,806	2,517
Adjustment to present value	2,882	1,916	3,792	2,173
Foreign exchange gains	415	346	7,965	4,708
Other finance income (i)	(10,315)	(2,614)	(1,430)	(3,964)
	215,189	**55,892**	**362,012**	**91,244**
Finance expenses				
Interest expense	(225,267)	(81,532)	(239,223)	(86,953)
Inflation adjustment losses	(9,310)	(9,384)	(17,400)	(12,493)
Bank expenses	(4,128)	(4,519)	(5,110)	(5,352)
Adjustment to present value of liabilities	(17,785)	(5,477)	(58,243)	(30,052)
Foreign exchange losses	(414)	(1,475)	(6,714)	(4,861)
Other finance expenses (ii)	(434)	(213)	(14,802)	(5,735)
	(257,338)	**(102,600)**	**(341,492)**	**(145,446)**
Net finance income (expenses)	**(42,149)**	**(46,708)**	**20,520**	**(54,202)**

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

31. Private pension plan – defined contribution

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

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

The private pension expenses for the year ended December 31, 2022 was R$8,735 (R$7,101 as of December 31, 2021).

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

On December 31, 2022, the mainly insurance coverage contracted are:

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

(i) Market amount determined by FIPE - Fundação Instituto de Pesquisas Econômicas;
(ii) For Mexico, Argentina and United States operations,the local insurance policy is issued in each country with a coverage amount of USD1,000.
(iii) Coverage contracted for TOTVS S.A. effective until September 2023 and Tail effective until July 2023.

Report from the Statutory Audit Committee

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

In 2022, the Committee met twelve times, with eleven ordinary meetings and one extraordinary meeting, and its Coordinator reported the Committee's activities and recommendations at all ordinary meetings of the Board of Directors.

The CAE was composed of the independent members of the Board, Messrs. Gilberto Mifano (Coordinator) and Mauro Rodrigues da Cunha, and Ms. Lavínia Junqueira (an external and independent member of the Committee), who were elected on November 4, 2021, with a term of office to be effective until the first meeting of the Board of Directors held subsequently to the Company's Annual General Meeting in 2022. On April 19, 2022, the independent members of the Board, Mr. Gilberto Mifano (Coordinator) and Ms. Tania Chocolat, in addition to Ms. Lavínia Junqueira (an external and independent member), were elected and their terms of office will remain effective until the first meeting of the Board of Directors held subsequently to the Company's Annual General Meeting in 2024.

Among the various subjects and topics addressed and discussed by the CAE, to be recommended to the Board of Directors and the Board of Executive Officers, the following ones are worth highlighting: **(i) Independent Auditors:** discussion of the Service Agreement of the external auditors, with a recommendation of renewing it; Planning, Scope, and Annual Work Plan, besides the main conclusions reached in the Quarterly Reviews and an Opinion for issuing the 2022 Financial Statements; works for the Voluntary Restatement of the financial statements for the fiscal years 2020, 2019, and 2018, after the accounting reclassification of the Depreciation and Amortization accounts and the Provision for Expected Credit Losses Loss; any weaknesses, deficiencies, and points for improvement of the Internal Controls Report and the notes on General IT Controls and Access Profiles and Function Segregation with their respective action plans; ISAE 3402/2022 report; assessment of Additional Services and monitoring of payments to independent auditors; and annual cycle of independent auditors' quality assessment. **(ii) Internal Audit:** discussion of the Risk Matrix and annual schedule of auditing work; assessment of Reports on works performed and corrective actions on the points identified; monitoring of compliance with the schedule, scope of hours, and results of investigations carried out; 2022 Internal Auditors' Activities and Budget Report; Internal Auditors' annual assessment cycle; and recommendations for improvements in the area. (**iii) Internal Controls, Corporate Risk Management, Compliance, and Client/Customer Ombudsman:** assessment of the Priority Risk Map, ranking of impacts, and likelihood of occurrence; follow-up of risk mitigation plans; monitoring the risks of relevant projects, aiming at mitigating losses in their performance; action plans to improve General IT Controls; actions to mitigate notes of the Internal Controls Report of the independent auditors; Client Experience project; franchise indicators and results; Service Management Project (PSA) and its implementation in franchises; action plans to meet the Compliance Program; monitoring of Information Security, Data Privacy, and Cybersecurity events; follow-up the adoption of compliance policies and practices; NPS survey results, Economic Churn indicator, and retention actions; D&O

insurance renewal. **(iv) Financial Management, Provisions, and Indicators:** assessment and opinion on the Financial Statements and proposals for the statement and distribution of Dividends and JCP (interests on stockholders' equity); monitoring of annual impairment tests and recoverability of deferred tax assets; follow-up of the allowance for expected credit losses policy; follow-up of the capitalization of R&D investments; monitoring of the Company's Foreign Exchange Exposure; discussion of the Disclosure of Results to the market and the Earnings Release; follow-up of the topics discussed at the Tax and Labor Affairs committees; follow-up and recommendations on Due Diligence reports, assessment and risks in operations involving mergers and acquisitions; follow-up of any earn-out Additional Payments planned for the companies purchased; follow-up of the Liquidity and Credit Risk and indicators of the subsidiary Supplier; follow-up of actions connected to the COVID-19 Pandemic and the Business Continuity Plan; monitoring of the risk map of Civil, Labor, and Tax Litigations and their respective allowances. **(v) Corporate Governance:** follow-up of the processes for updating the Reference Form, the Report of the Brazilian Code of Corporate Governance, and the Integrated Report; follow-up of questions submitted and responses from the Board of Executive Officers to official letters received from Regulatory Authorities; review of the standards for triggering the Crisis Management plan, and and review of the plan itself; discussion of the review or changes of Corporate Policies; recommendation on the Committee's Budget; follow-up of Complaints and activities of the Ethics and Conduct Committee, and recommendation regarding the appointment of new members for the 2022-2024 term of office; assessment of the report on the Greenhouse Gas Emissions Inventory Project; follow-up on the reflexes and adherence to the legal requirements of the LGPD (data protection law); assessment of the governance aspects of the Franchise Network; assess Transactions with Related Parties and make recommendations; and the Committee's own annual self-assessment cycle.

2022 Annual Financial Statements:

The members of the Statutory Audit Committee of TOTVS S.A., in the performance of their legal duties and responsibilities, as provided for in the Statutory Audit Committee's Charter, proceeded to examine and review the financial statements, accompanied by the independent auditors' preliminary opinion and of the Management's annual report for the fiscal year ended December 31, 2022 (hereinafter, the "2022 Annual Financial Statements") and, considering the information provided by the Company's Management and by KPMG Auditores Independentes Ltda., as well as the proposal for the allocation of income for the 2022 fiscal year, have unanimously reached the conclusion that such annual financial statements reflect fairly, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommended that the Company's Board of Directors should approve such documents, which shall be submitted to the Annual Shareholders' Meeting pursuant to the Brazilian Corporations Act.

São Paulo, February 6th, 2023.

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

Tânia Sztamfater Chocolat
Member of the Statutory Audit Committee and of the Board of Directors

Lavínia Moraes de Almeida Nogueira Junqueira
Member of the Statutory Audit Committee