

TOTVS S.A.

Interim Financial Statements

March 31, 2021

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

Contents

CONSOLIDATED RESULT PER BUSINESS SEGMENT	3
Report on review of the interim financial information	11
Statement of financial position as of March 31, 2021 and December 31, 2020	13
Statements of profit or loss	14
Statements of comprehensive income	15
Statements of changes in shareholders' equity.....	16
Statements of cash flows	17
Statements of Value Added	18
Notes to the interim financial statements.....	19
1. The Company and its operations	19
2. Basis of preparation and presentation of the interim financial information	20
3. Business combinations.....	23
4. Financial instruments and sensitivity analysis of financial assets and liabilities	24
5. Cash and cash equivalents	30
6. Financial investments.....	30
7. Trade receivable.....	31
8. Recoverable taxes	32
9. Income taxes	33
10. Related-party balances and transactions	34
11. Other assets	35
12. Investments.....	36
13. Property, plant and equipment	37
14. Intangible assets.....	38
15. Labor liabilities	40
16. Taxes and contributions payable	41
17. Loans, financing and lease liabilities	41
18. Business partners' payables.....	42
19. Accounts payable from acquisition of subsidiaries	43
20. Provision for contingencies.....	44
21. Senior shares and mezzanine obligations - Consolidated	45
22. Shareholders' equity	45
23. Dividends and Interest on shareholders' equity.....	46
24. Share-based compensation plan.....	47
25. Segment information	47
26. Earnings per share.....	49
27. Gross sales revenue	50
28. Costs and expenses by nature	50
29. Finance income and costs	51
30. Private pension plan – defined contribution	52
31. Insurance coverage	52
32. Subsequent events.....	52

CONSOLIDATED RESULT PER BUSINESS SEGMENT

The data presented in this section consolidate the 1Q21 results of the following business segments:

Technology Segment: it represents TOTVS' software businesses. In this segment, the following dimensions are found: (i) Management, with ERP, HR, and Vertical solutions; (ii) Business Performance, which started to be built with CRM, e-Commerce solutions, among others that will be added to the portfolio; in addition to (iii) Techfin solutions that do not involve the assumption of credit risk and/or the definition and/or use of credit policies, such as partnerships for payroll loans, EFT, among others that will be added in the future.

Credit Products Segment - Supplier: it considers Supplier's businesses that involve, in addition to the origination, the assumption of some degree of credit risk and/or the definition and/or use of credit policies, such as the products known as "Supplier Card", "TOTVS Antecipa", and "TOTVS Mais Prazo". In this segment, the yields of the subordinated quote of FIDC (Supplier's Securitization Fund) are also consolidated, to which Supplier currently assigns the credits originated therefrom.

The table below shows the information per segment:

In R\$ thousand	1Q21	1Q20	Δ	4Q20	Δ
Net Revenues	720,256	601,418	19.8%	689,494	4.5%
Technology Revenue	665,318	601,418	10.6%	636,597	4.5%
Credit Products Revenue	54,938	-	-	52,897	3.9%
Adjusted EBITDA (*)	189,189	126,863	49.1%	164,388	15.1%
Technology Adjusted EBITDA	173,530	126,863	36.8%	147,426	17.7%
Credit Products EBITDA	15,659	-	-	16,962	(7.7%)
Adjusted EBITDA Margin (*)	26.3%	21.1%	520 bp	23.8%	250 bp
Technology Adjusted EBITDA Margin	26.1%	21.1%	500 bp	23.2%	290 bp
Credit Products EBITDA Margin	28.5%	n/a	n/a	32.1%	-360 bp

(*) EBITDA and Adjusted EBITDA is a non-accounting (unaudited) measurement prepared by the Company and consists of the net income for the year, plus taxes on profit, financial expenses net of financial income, and depreciation and amortization

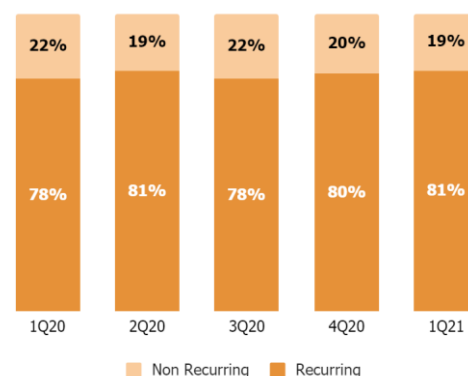
Technology Results

In R\$ thousand	1Q21	1Q20	Δ	4Q20
Net Revenue	665,318	601,418	10.6%	636,597
Recurring	539,065	470,542	14.6%	508,054
Non Recurring	126,253	130,876	(3.5%)	128,543
License	58,987	58,280	1.2%	53,113
Services	67,266	72,596	(7.3%)	75,430
Costs	(186,322)	(181,422)	2.7%	(190,876)
Gross Profit	478,996	419,996	14.0%	445,721
<i>Gross Margin</i>	72.0%	69.8%	220 bp	70.0%
Total Expenses	(307,438)	(293,537)	4.7%	(284,008)
Research and Development	(115,230)	(105,889)	8.8%	(110,494)
Commercial and Marketing Expenses	(123,570)	(119,823)	3.1%	(126,778)
Provision for Expected Credit Losses	(5,040)	(5,559)	(9.3%)	(6,006)
General and Administrative Expenses	(55,872)	(49,919)	11.9%	(62,569)
Provision for Contingencies	(9,086)	(12,862)	(29.4%)	(6,168)
Other Revenues (Expenses)	1,360	515	164.1%	28,007
EBITDA	171,558	126,459	35.7%	161,713
<i>EBITDA Margin</i>	25.8%	21.0%	480 bp	25.4%
Extraordinary Items				
Extraordinary Layoffs Costs	-	-	-	1,779
Earn-out Adjustment at Fair Value	-	-	-	(25,526)
Expenses with M&A Transactions	1,972	404	388.6%	9,460
Adjusted EBITDA	173,530	126,863	36.8%	147,426
<i>Adjusted EBITDA Margin</i>	26.1%	21.1%	500 bp	23.2%

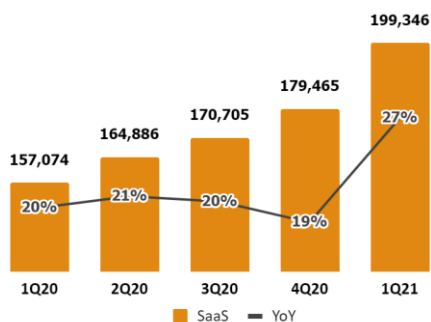
Net Revenue

Technology Net Revenue kept its double-digit growth year over year (the highest growth since 2014), driven particularly by the 15% growth in Recurring Revenue, which reached the historical record level of 81% of Technology Net Revenue. The key segments that contributed to this growth were Manufacturing, Distribution, Agribusiness, and Retail (especially the supermarket subsegment). This diversity of sectors served allows TOTVS to explore different opportunities at different economic times, which, added to the resilience of Recurring Revenue, prove the solidity of the business model and the market potential of the Management dimension.

Compared with 4Q20, the 4.5% increase in Technology Net Revenue is due to the 6.1% increase in Recurring Revenue, more than offsetting the 1.8% reduction in Non-Recurring Revenues.

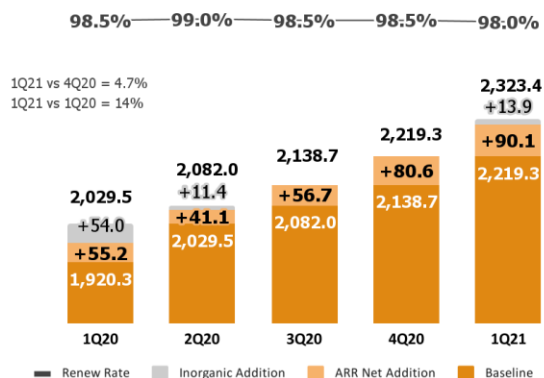


SaaS Revenue (R\$ thousands)



Recurring Revenue

Recurring Revenue showed a new acceleration year over year, reaching a 15% growth, driven especially by SaaS, which also advanced and grew 27% over 1Q20, and 11% when compared with 4Q20. This growth in the SaaS line is mainly due to the expansion of new signings (sales production), which grew 40% compared with 1Q20, since the main inflation adjustment index for this line is the IPC-A. A major highlight in SaaS was the acceleration of Cloud signings growth, which reached 72% in 1Q21.



Year-over-year organic growth in Recurring Revenue has also increased, from 10% in 4Q20 to 12% in 1Q21. This reflects: (i) the evolution of signings for new clients and cross/upsell in clients base, mainly of SaaS offers; (ii) the contractual adjustments in the period, due to inflation rates and the increase in the Corporate Model; and (iii) the return of grace periods to levels close to those observed before the pandemic.

This progress in signings, combined with the contractual adjustments in the period, also explains the new organic historic record of Net Addition in ARR of R\$90.1 million, which grew 63% compared to the 1Q20 and 12% compared to 4Q20

Non-recurring Revenue

Non-Recurring Revenues decreased by 3.5% in 1Q21 when compared with 1Q20, mainly due to the drop in revenues from Non-Recurring Services, still reflecting the cloudification process of our portfolio and acceleration of signings in the SaaS model, which is lighter and more accessible, and also requires less implementation and customization services. When compared with 4Q20, the reduction in the Non-Recurring Services line is explained by the greater concentration of staff on vacation at the beginning of the year, in addition to the reduction in demand in specific locations due to the worsening of the pandemic, such as in our operation in Argentina. It is worth highlighting that more than 90% of implementations are still being made remotely. We believe that this change in the profile will become permanent, even after overcoming the effects of the pandemic.

In addition, License Revenue remained at a similar level in this quarter compared with 1Q20, with the highlights being the increase in Consinco's signings and the increase in licenses from the Corporate Model, which added R\$17.8 million to revenue, against R\$18.8 million in the same period last year. Even having had a 5.3% decrease, this performance in the Corporate Model, with similar absolute levels to those of 2020, proves that our clients, in general, are more resilient than the average of Brazilian companies and, with the increasingly intense use of technology, managed to grow even during the pandemic.

Costs

Continuing the improvement in operational efficiency in the previous quarters, the Gross Margin from Technology reached a new historical record level of 72% in the quarter, due to the combination of the scalability of TOTVS recurring model and the growth of the SaaS that requires less implementation and customization services, which are less profitable than recurring services. In addition, the continuous improvement in product quality, with consecutive increases in NPS levels, the lower demand for support, added to the maintenance of remote implementation levels, also contributed to improve the Gross Margin by 220 basis points compared with 1Q20, and 200 basis points compared with 4Q20. The remote implementation also speeds up the optimization of the service team, allowing us to allocate resources from any location in projects, thus increasing productivity and reducing idleness.

Research and Development

Research and Development (R&D) expenses represented 21% of Recurring Revenue, compared with 23% in 1Q20. This new advance was possible even with the performance of the strategy of building an Ecosystem (Management, Techfin, and Business Performance) and the adjustments resulting from the wage increase on account of the collective bargaining agreement in percentages higher than last year's. Such behavior is the result, among other factors, of the use of insights generated by the telemetry analysis of the products. It also reflects the maturity of investments in portfolio modernization, a quality improvement that reduces the number of services, and greater discipline in the management of new offers. This gain is reflected in the relationship between the generation of Recurring Revenue per R&D headcount, which this quarter grew 4.3% compared with 1Q20.

Sales and Marketing Expenses

When compared with 4Q20, Sales and Marketing Expenses decreased by 2.6%, representing 19% of Technology Revenue in the quarter, against 20% in the same period of 2020. This reduction was due to the seasonality of less investment in marketing in the first quarter, which offset the increase in sales expenses, mainly bound to the higher level of revenue from Licenses and the greater share of franchises in the mix of total signings in the quarter.

On the other hand, in the annual comparison, the growth of 3.1% is mainly explained by the consolidation of the results of Consinco, Wealth Systems, and Tail throughout the year.

Provision for Expected Credit Losses

The Provision for Expected Credit Losses (formerly known as Allowance for Doubtful Accounts) represented 0.8% of Technology Net Revenue in 1Q21, reaching the lowest ratio with revenue in recent years, which also confirms the resilience of TOTVS client base even in a pandemic scenario. In addition, a business model with a greater share of Recurring Revenue, combined with a dispersed and diversified client base, allows for lower delinquency levels.

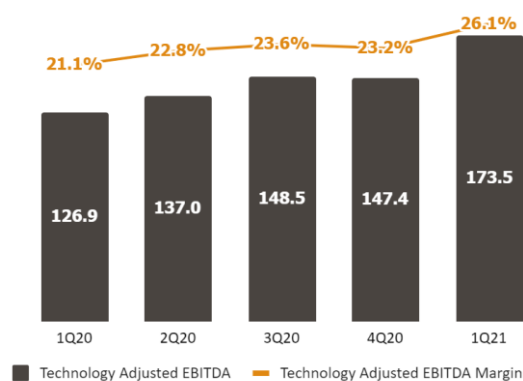
General and Administrative Expenses and Provision for Contingencies

Disregarding the extraordinary impacts of expenses with M&A transactions, General and Administrative Expenses (G&A) represented 8.1% of Technology Net Revenue in 1Q21, compared with 8.3% in 4Q20 and 8.2% in 1Q20. This gain in efficiency took place even in the face of (i) an increase in the provision for bonuses and long-term incentive plan (ILP); (ii) a higher volume of collective bargaining agreement compared with last year, and (iii) consolidation of Tail's results.

Regarding the Provision for Contingencies line, even having an increase compared with 1Q20 due to the progress of civil and labor lawsuits, ended the quarter 29% below the same period of the previous year and at a level below the average of recent years. It is worth mentioning that the pace of new lawsuits continues to fall.

Adjusted EBITDA

The 1Q21 Technology result accrued record-breaking levels, with the largest share of Recurring Revenue in Total Technology Revenue (81%), the largest Technology Gross Margin (72%), and the highest growth in Recurring Revenue since 2015 (15%). These results have also consolidated the company's highest Adjusted EBITDA Margin since 2015, ending the quarter with 26.1% (an increase of 500 base points compared with 1Q20, and 290 base points compared with 4Q20), which again corroborates the success and scalability of the business model, in addition to the ability to transform and adapt to market opportunities.



Credit Products (Supplier) Results

In R\$ thousand	1Q21	4Q20	Δ
Credit Products Revenue	54,938	52,897	3.9%
(-) Credit Products Costs	(18,277)	(16,064)	13.8%
Gross Profit	36,661	36,833	(0.5%)
<i>Gross Margin</i>	66.7%	69.6%	-290 bp
(-) Operational Expenses	(19,174)	(19,430)	(1.3%)
(-) Provision for Expected Credit Losses	(1,828)	(441)	314.5%
EBITDA	15,659	16,962	(7.7%)
<i>EBITDA Margin</i>	28.5%	32.1%	-360 bp

Credit Products Revenue

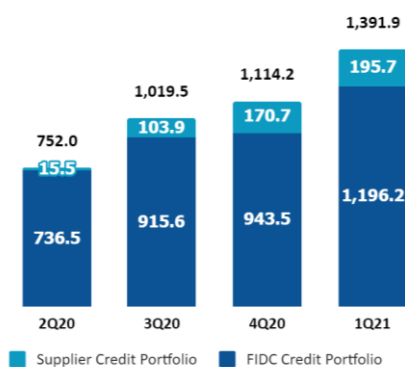
In 1Q21, Revenue from Credit Products continued its growth trend, with a new record-breaking historical production of over R\$2 billion, with an emphasis on the manufacturing segment.

This performance gains even more prominence when considering the negative seasonality typical of the first quarter, due to the reduction in industrial production (vacation and holiday season) and the off-season of agribusiness.

The V-recovery since 3Q20 also made Supplier reach its highest Credit Portfolio position ever recorded, with a 25% growth compared with 4Q20.

At the same time, the business integration between the Technology and Credit Products segments had a new improvement with the "TOTVS Mais Negócios" product, ending 1Q21 in a total of 6 affiliates with signed contracts, of which 3 already in production.

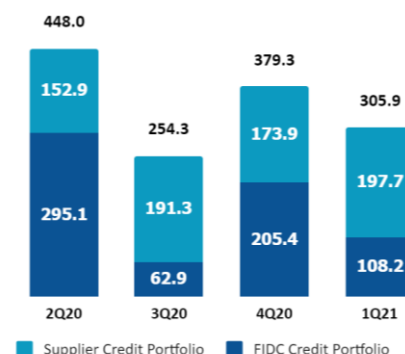
Credit Portfolio (R\$ MN)



Credit Products Costs

The gross margin of the Credit Products segment ended the quarter at 68%, a reduction of 290 basis points when compared with the previous quarter. This reduction is chiefly explained by the increase in the average cash position of FIDC (securitization fund) in the quarter, which went from R\$146 million in 4Q20 to R\$225 million in 1Q21. This increase in the average cash position was due to the new FIDC funding carried out in December 2020 to cope with the growth of the credit portfolio and production. As shown in the chart on the right, the FIDC cash flow has already returned to historical levels at the end of 1Q21.

Cash Position



Operating Expenses

The Operating Expenses, which include the operation's most fixed structures of expenses, showed a volume slightly below 4Q20, confirming the discipline in expense management and the scalability of this segment.

Provision for Expected Credit Losses

The Provision for Expected Credit Losses, which ended 1Q21 representing 3.3% of Revenue from Credit Products, 250 base points above 4Q20.

Credit Products EBITDA

The EBITDA Margin in the Credit Products segment ended 1Q21 at 28.5%, 380 base points below 4Q20, due to the reversal of Provisions for Expected Credit Losses that took place in 4Q20, which was not repeated in 1Q21, and the higher cost for granting credit, generated by the highest average cash balance of FIDC in the period. This higher cost for granting credit in the quarter, combined with the reversal of the Provision for Expected Loss in 4Q20, caused Supplier's accumulated return on equity (ROE) in the last 12 months to rise from 23% in 4Q20 to 43% in 1Q21.

CONSOLIDATED RESULTS BELOW EBITDA

Depreciation and Amortization Expenses

In R\$ thousand	1Q21	1Q20	Δ	4Q20	Δ
Depreciation	(26,103)	(23,904)	9.2%	(25,444)	2.6%
Amortization	(33,200)	(14,884)	123.1%	(31,891)	4.1%
Depreciation and Amortization	(59,303)	(38,788)	52.9%	(57,335)	3.4%

The increase in Depreciation expenses, compared with 1Q20, is mainly connected to the following reasons: (i) consolidation of the results of Consinco, Wealth Systems, Supplier, and Tail; and (ii) updates in rentals of lease agreements (rights to use real estates).

On the other hand, the year-over-year growth in Amortization expenses is essentially due to the beginning of the amortization of intangible assets arising from the acquisitions of Consinco, Wealth Systems, Supplier, and Tail as mentioned in previous quarters. The beginning of the amortization of intangible assets arising from the acquisition of Tail is the main factor for the growth of this line when compared with 4Q20.

Financial Result

In R\$ thousand	1Q21	1Q20	Δ	4Q20	Δ
Financial Revenues	8,424	16,964	(50.3%)	6,973	20.8%
Financial Expenses	(16,253)	(10,762)	51.0%	(14,684)	10.7%
Financial Result	(7,829)	6,202	(226.2%)	(7,711)	1.5%

Financial Revenues grew 21% in 1Q21 compared with 4Q20 due to the change in cash investments, resulting in an increase in the average yield versus the CDI rate. When compared with 1Q20, the reduction in this line is connected to the reduction in the average volume of cash invested as a result of the acquisitions made throughout 2020, together with the reduction in the Selic rate.

The 10.7% growth in Financial Expenses in 1Q21 versus 4Q20 is mainly connected to the adjustment to the present value of the earn-out of Tail and the interest expense of fundraising performed by Supplier in 4Q20. In the year-over-year comparison, the adjustment to the present value of the earn-outs of the acquisitions made in 2020 is the main factor associated with the growth of this line.

Income Tax and Social Contribution

In R\$ thousand	1Q21	1Q20	Δ	4Q20	Δ
EBT	120,085	93,873	27.9%	113,629	5.7%
Taxes at combined rate (34%)	(40,829)	(31,917)	27.9%	(38,633)	5.7%
Law 11,196/05 - R&D Incentive	4,442	2,323	91.2%	5,679	(21.8%)
Interest on Equity	-	-	-	19,303	(100.0%)
Effect of Subsid. with Different. Tax	(3,559)	(1,588)	124.1%	(2,696)	32.0%
Management Participation	(466)	(101)	361.4%	(336)	38.7%
Government Subsidies	781	115	579.1%	429	82.1%
Other	191	(98)	(294.9%)	(1,131)	(116.9%)
Income Tax and Social Contribution	(39,440)	(31,266)	26.1%	(17,385)	126.9%
Current Income Tax and Social Contribution	(52,748)	(8,297)	535.7%	(24,431)	115.9%
Deferred Income Tax and Social Contribution	13,308	(22,969)	(157.9%)	7,046	88.9%
<i>% Current Effective Tax Rate</i>	<i>43.9%</i>	<i>8.8%</i>	<i>3510 bp</i>	<i>21.5%</i>	<i>2240 bp</i>
<i>% Total Effective Tax Rate</i>	<i>32.8%</i>	<i>33.3%</i>	<i>-50 bp</i>	<i>15.3%</i>	<i>1750 bp</i>

The decrease in the Total Effective Tax Rate, compared with 1Q20, is chiefly associated with the evolution of R&D projects under the tax incentive rules. When compared with 4Q20, the increase in the Total Effective Tax Rate is mainly explained by the effect of Interest on Equity stated in the previous quarter.

The Current Effective Tax Rate, on the other hand, increased due to temporary differences portrayed in Deferred Income Tax and Social Contribution in previous periods that became Current Income Tax and Social Contribution in the current quarter. Among such temporary differences, the following ones stand out: (i) the conclusion in 2020 of accumulated tax losses usage of some subsidiaries; and (ii) realized provisions (e.g.: provision for expected credit losses, payment of profit sharing, and payment of contingencies).

In R\$ thousand	1Q21	1Q20	Δ	4Q20	Δ
Net Income	80,645	61,508	31.1%	96,147	(16.1%)
Net Margin	11.2%	10.2%	100 bp	13.9%	-270 bp
Depreciation and Amortization	59,303	38,788	52.9%	57,335	3.4%
Financial Results + Equity Pickup	7,829	(6,202)	(226.2%)	7,711	1.5%
Income Tax and Social Contribution	39,440	31,266	26.1%	17,385	126.9%
Net loss from Discontinued Op.	-	1,099	(100.0%)	97	(100.0%)
EBITDA (*)	187,217	126,459	48.0%	178,675	4.8%
EBITDA Margin	26.0%	21.0%	500 bp	25.9%	10 bp
Extraordinary Items	1,972	404	388.6%	(14,287)	(113.8%)
Adjusted EBITDA (*)	189,189	126,863	49.1%	164,388	15.1%
Adjusted EBITDA Margin	26.3%	21.1%	520 bp	23.8%	250 bp

(*) EBITDA and Adjusted EBITDA is a non-accounting (unaudited) measurement prepared by the Company and consists of the net income for the year, plus taxes on profit, financial expenses net of financial income, and depreciation and amortization



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

Report on review of the interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of TOTVS S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended March 31, 2021, comprising the balance sheet as of March 31, 2021 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of the review

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

Conclusion on individual and consolidated interim financial information

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

Emphasis - Restatement of individual and consolidated interim financial information

On May 3, 2021, we issued an unmodified review report on the individual and consolidated interim financial information of TOTVS S.A. for the period ended March 31, 2021, which are now being restated. As described in Note 2.5, this interim financial information was changed and is being restated to reflect the criteria of depreciation and amortization expenses disclosure, as well as the expected loss, described in the aforementioned note. Consequently, our conclusion considers



these amendments and supersedes the conclusion previously issued. Our conclusion does not contain modification related to this matter.

Other matters

Statements of added value

The interim financial information referred to above includes the individual and consolidated of added value (DVA) for the three-month period ended March 31, 2021, prepared under responsibility of Company's management, and presented as supplementary information for IAS 34 purposes. These statements were submitted to review procedures carried out jointly with the audit of Company's quarterly information to form a conclusion whether these statements are reconciled with interim financial information and book records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that these statements of added value were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 07, 2022 and the consolidated statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 24, 2022. The interim financial information referred to above includes the individual and consolidated of added value (DVA) for the three-month period ended March 31, 2020, were submitted to review procedures by those auditors who were are not aware of any other event that make us believe that these statements of added value were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

São Paulo, May 24, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6
Original report in Portuguese signed by

Wagner Petelin
Accountant CRC 1SP142133/O-7

TOTVS S.A.**Statement of financial position as of March 31, 2021 and December 31, 2020**

(In thousands of reais)

Assets	Individual		Consolidated		Liabilities and equity	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020		3/31/2021	12/31/2020	3/31/2021	12/31/2020
Current assets	961,012	883,338	3,090,775	2,831,973	Current liabilities	415,003	410,979	2,197,870	2,040,031
Cash and cash equivalents (Note 5)	535,501	527,955	1,100,022	1,027,733	Labor liabilities (Note 15)	150,013	136,350	222,982	211,603
Financial Investments (Note 6)	-	-	92,029	179,308	Trade and other payables	54,904	79,205	77,191	99,305
Escrow account (Note 19)	8,286	8,301	9,718	10,012	Taxes and contributions payable (Note 16)	43,041	40,023	70,567	74,558
Trade receivables (Note 7)	285,790	267,801	1,788,166	1,497,229	Commissions payable	53,306	44,467	61,738	53,795
Recoverable taxes (Note 8)	23,894	23,592	37,005	38,092	Dividends payable (Note 23)	51,165	57,687	51,250	57,687
Other assets (Note 11)	107,541	55,689	63,835	79,599	Business partners payable (Note 18)	-	-	381,622	328,817
					Loans, financing and lease liabilities (Note 17)	47,106	37,651	156,139	146,806
					Accounts payable from acquisition of subsidiaries (Note 19)	8,375	8,389	29,400	44,781
					Senior shares and mezzanine obligations (Note 21)	-	-	1,135,225	1,011,087
					Other liabilities	7,093	7,207	11,756	11,592
Noncurrent assets	2,496,450	2,433,974	2,344,522	2,314,433	Noncurrent liabilities	339,771	302,167	534,739	502,209
Escrow account (Note 19)	-	-	-	1,116	Loans, financing and lease liabilities (Note 17)	194,784	166,897	205,476	178,244
Trade receivable (Note 7)	49,612	57,327	55,988	64,012	Provision for contingencies (Note 20)	118,428	108,106	135,818	125,818
Investments at fair value (Note 4.3)	-	-	101,706	92,770	Accounts payable from acquisition of subsidiaries (Note 19)	-	-	157,653	163,419
Deferred tax assets (Note 9.2)	55,983	44,244	115,561	100,535	Deferred tax liabilities (Note 9.2)	-	-	2,004	289
Judicial deposits (Note 20)	39,314	38,721	44,726	43,972	Other liabilities	26,559	27,164	33,788	34,439
Other assets (Note 11)	50,204	47,948	65,091	57,928					
Investments (Note 12)	1,558,631	1,533,262	3,707	3,476	Shareholders' equity (Note 22)	2,702,688	2,604,166	2,702,688	2,604,166
Property, plant and equipment (Note 13)	363,977	303,002	394,934	364,447	Capital	1,382,509	1,382,509	1,382,509	1,382,509
Intangible assets (Note 14)	378,729	379,470	1,562,809	1,586,177	Capital reserves and Treasury shares	753,402	746,287	753,402	746,287
					Profit Reserve	432,829	432,829	432,829	432,829
					Retained earnings	80,645	-	80,645	-
					Other comprehensive income	53,303	42,541	53,303	42,541
Total assets	3,457,462	3,317,312	5,435,297	5,142,406	Shareholders' equity and liabilities	3,457,462	3,317,312	5,435,297	5,146,406

See the accompanying notes to the individual and consolidated financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.

Statements of profit or loss

Three-month periods ended March 31, 2021 and 2020

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

	Individual		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Software revenue (Note 27)	459,825	434,660	665,318	601,418
Credit products (Note 27)	-	-	54,938	-
Net revenue from services and sales	459,825	434,660	720,256	601,418
Cost of software	(149,535)	(151,530)	(204,188)	(197,945)
Cost of credit products	-	-	(18,352)	-
Gross profit	310,290	283,130	497,716	403,473
Operating income (expenses)				
Research and development expenses	(85,513)	(77,904)	(126,359)	(113,774)
Selling and marketing expenses	(105,077)	(100,816)	(141,424)	(130,195)
General and administrative expenses	(62,636)	(57,310)	(104,070)	(72,348)
Other operating income (expenses)	2,141	490	2,051	515
Operating profit	59,205	47,590	127,914	87,671
Finance income (Note 29)	4,485	10,075	8,424	16,964
Finance expenses (Note 29)	(7,870)	(7,743)	(16,253)	(10,762)
Equity pick-up (Note 12)	40,655	27,589	-	-
Profit before tax from continuing operations	96,475	77,511	120,085	93,873
Income tax and social contribution - current	(27,569)	-	(52,748)	(8,297)
Income tax and social contribution - deferred	11,739	(14,904)	13,308	(22,969)
Total of Income tax and social contribution (Note 9)	(15,830)	(14,904)	(39,440)	(31,266)
Profit for the period from continuing operations	80,645	62,607	80,645	62,607
Loss after tax for the period from discontinued operations	-	(1,099)	-	(1,099)
Profit for the period	80,645	61,508	80,645	61,508
Earnings per share				
Basic earnings per thousand shares (in Reais)	0.14204	0.10752	0.14204	0.10752
Diluted earnings per thousand shares (in Reais)	0.14035	0.10672	0.14035	0.10672

See the accompanying notes to the individual and consolidated financial statements.

(A free translation of the original in Portuguese)

TOTVS S.A.

Statements of comprehensive income

Three-month periods ended March 31, 2021 and 2020

(In thousands of Reais)

	Individual		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Profit for the period	80,645	61,508	80,645	61,508
Exchange differences on translation of foreign operations	10,762	23,045	10,762	23,045
Other comprehensive income	10,762	23,405	10,762	23,405
Total comprehensive income for the period, net of tax	91,407	84,553	91,407	84,553

See the accompanying notes to the individual and consolidated financial statements.

TOTVS S.A.

(A free translation of the original in Portuguese)

Statements of changes in shareholders' equity

Periods ended March 31, 2021 and March 31, 2020

(In thousands of reais)

	Capital	Capital reserves, share options and treasury shares	Profit Reserve	Retained earnings	Other comprehensive income	Total Equity	Non- controlling interests	Total shareholders' equity
As at December 31, 2020	1,382,509	746,287	432,829	-	42,541	2,604,166	-	2,604,166
Capital transactions with shareholders	-	7,115	-	-	-	7,115	-	7,115
Share-based compensation plan	-	7,115	-	-	-	7,115	-	7,115
Total comprehensive income	-	-	-	80,645	10,762	91,407	-	91,407
Profit for the period	-	-	-	80,645	-	80,645	-	80,645
Cumulative adjustment for currency exchange	-	-	-	-	10,762	10,762	-	10,762
As at March 31, 2021	1,382,509	753,402	432,829	80,645	53,303	2,702,688	-	2,702,688

	Capital	Capital reserves, share options and treasury shares	Profit Reserve	Retained earnings	Other comprehensive income	Total Equity	Non- controlling interests	Total shareholders' equity
As at December 31, 2019	1,382,509	813,448	259,206	-	22,051	2,477,214	1,195	2,478,409
Capital transactions with shareholders	-	(34,713)	-	-	-	(34,713)	(1,195)	(35,908)
Purchases of treasury shares	-	(39,942)	-	-	-	(39,942)	-	(39,942)
Share-based compensation plan	-	2,306	-	-	-	2,306	-	2,306
Disposals of treasury shares	-	1,728	-	-	-	1,728	-	1,728
Acquisitions of non-controlling interests	-	1,195	-	-	-	1,195	(1,195)	-
Total comprehensive income	-	-	-	61,508	23,045	84,553	-	91,407
Profit for the period	-	-	-	61,508	-	61,508	-	80,645
Cumulative adjustment for currency exchange	-	-	-	-	23,045	23,045	-	10,762
As at March 31, 2020	1,382,509	778,735	259,206	61,508	45,096	2,527,054	-	2,527,054

See the accompanying notes to the individual and consolidated financial statements.

TOTVS S.A.**Statements of cash flows****Three-month periods ended March 31, 2021 and 2020**

(In thousands of Reais)

	Individual		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Cash flow from operating activities				
Profit before tax from continuing operations	96,475	77,511	120,085	93,873
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortization (Notes 13 and 14)	33,636	30,568	59,303	38,788
Share-based compensation plan (Note 24)	7,115	2,306	7,115	2,306
Losses on disposal of fixed assets and investments	(127)	(10)	(294)	(64)
Allowance for expected credit losses (Note 7)	2,848	3,604	6,868	5,559
Equity pick-up (Note 12)	(40,655)	(27,589)	-	-
Provisions for contingencies, net of reversals (Note 20)	9,013	9,134	9,128	12,805
Senior shares and mezzanine remuneration (FIDC)	-	-	11,781	-
Interest and monetary variations and exchange variations differences, net	5,400	6,105	12,512	6,185
Changes in operating assets and liabilities:				
Trade receivable	(13,122)	(13,637)	(289,781)	(20,155)
Recoverable taxes	(302)	(7,184)	1,087	(7,621)
Judicial deposits	(174)	4,776	(297)	13,932
Other assets	(19,576)	(23,837)	7,492	(24,733)
Labor liabilities	13,663	(11,637)	11,379	(9,338)
Trade and other payables	(24,301)	(1,265)	(22,114)	929
Commissions payable	8,839	6,126	7,943	6,614
Taxes and contributions payable	(5,351)	2,342	(8,717)	606
Business partners payable	-	-	52,805	-
Other liabilities	(2,878)	(8,533)	(3,294)	(9,917)
Cash flow provided by operations	70,503	48,780	(16,999)	109,769
Interest paid	(2,685)	(8,048)	(3,675)	(8,278)
Income tax and social contribution paid	(19,200)	(2,401)	(48,327)	(10,805)
Net cash from operating activities	48,618	38,331	(69,001)	90,686
Cash flow from investing activities				
Capital increase in subsidiaries (Note 12)	(10,344)	(8,607)	-	-
Purchases of intangible assets (Note 14)	(10,116)	(4,745)	(10,435)	(4,857)
Payments from acquisitions of subsidiaries (Note 19)	-	(7,121)	(24,065)	(7,121)
Purchases of property, plant and equipment (Note 13)	(9,049)	(8,786)	(10,617)	(9,394)
Franchises loan	(2,996)	-	(2,996)	-
Acquisitions of subsidiaries, net of cash obtained in the acquisitions	-	-	-	(187,430)
Proceeds from sale of subsidiaries	5,041	-	5,041	-
Proceeds from sale of fixed assets	306	5,190	503	5,323
Financial investments	-	-	88,237	-
Net cash used in investing activities	(27,158)	(24,069)	45,668	(203,479)
Cash flow from financing activities				
Payment of principal portion of loans and financing	-	-	(828)	(2,811)
Payment of principal portion of lease liabilities	(7,392)	(12,611)	(8,512)	(14,098)
Receivables from related companies	-	22	-	-
Dividends and interest on equity paid	(6,522)	(4,874)	(6,437)	(4,874)
Treasury share, net	-	(38,214)	-	(38,214)
Application (Redemption) of senior and mezzanine shares	-	-	111,399	-
Net cash used in financing activities	(13,914)	(55,677)	95,622	(59,997)
Increase (decrease) in cash and cash equivalents	7,546	(41,415)	72,289	(172,790)
Cash and cash equivalents at beginning of period	527,955	1.106.888	1,027,733	1.538.156
Cash and cash equivalents at end of period	535,501	1.065.473	1,100,022	1.365.366

See the accompanying notes to the individual and consolidated financial statements.

TOTVS S.A.
Statements of Value Added
Three-month periods ended March 31, 2021 and 2020
(In thousands of Reais)

	Individual		Consolidated	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
1 – REVENUES	518,165	486,712	799,425	669,217
1.1 Sales of goods, products and services	518,963	489,929	805,012	674,411
1.2 Other revenue	2,050	387	1,281	365
1.3 Allowance for doubtful accounts – recording	(2,848)	(3,604)	(6,868)	(5,559)
2 - RAW MATERIALS ACQUIRED FROM THIRD PARTIES (includes ICMS and IPI taxes)	(150,407)	(167,694)	(208,542)	(201,384)
2.1 Cost of goods and services sold	(27,220)	(24,577)	(50,050)	(27,711)
2.2 Materials, energy, outsourced services and other	(123,187)	(142,018)	(158,497)	(172,574)
2.3 Loss / Recovery of assets	-	(1,099)	5	(1,099)
3 - GROSS VALUE ADDED (1-2)	367,758	319,018	590,883	467,833
4 - DEPRECIATION AND AMORTIZATION	(33,636)	(30,568)	(59,303)	(38,788)
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)	334,122	288,450	531,580	429,045
6 - VALUE ADDED RECEIVED IN TRANSFERS	45,140	37,664	8,424	16,964
6.1 Equity pick-up	40,655	27,589	-	-
6.2 Finance income	4,485	10,075	8,424	16,964
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	379,262	326,114	540,004	446,009
8 - VALUE ADDED DISTRIBUTION	379,262	326,114	540,004	446,009
8.1 Personnel	206,482	177,521	301,512	254,807
8.1.1 Direct compensation	175,344	143,700	255,423	206,416
8.1.2 Benefits	19,645	22,061	29,344	32,402
8.1.3 FGTS (Unemployment Compensation Fund)	11,493	11,760	16,745	15,989
8.2 Taxes and contributions	84,003	79,088	141,114	118,364
8.2.1 Federal	69,899	65,881	120,394	100,134
8.2.2 State	-	2	474	331
8.2.3 Local	14,104	13,205	20,246	17,899
8.3 Interest and rent	8,132	7,997	16,733	11,330
8.3.1 Interest	7,870	7,743	16,253	10,762
8.3.2 Rent	262	254	480	568
8.4 Equity remuneration	80,645	61,508	80,645	61,508
8.4.1 Retained profits / loss for the year	80,645	61,508	80,645	61,508

See the accompanying notes to the individual and consolidated financial statements.

TOTVS S.A.

Notes to the interim financial statements

(In thousands of Reais, unless otherwise stated)

1. The Company and its operations

a) General Information

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

b) Operations

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

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 quotas of a securitization fund known as Fundo de Investimento em Direitos Creditórios (“Supplier FIDC”), which purchases, sales and securitizes own or third-party credit rights. The investment in FIDC has been included in Company interim consolidated financial information.

c) Impacts of the Covid-19 pandemic

The Company keeps monitoring the impacts of the COVID-19 pandemic and has been taking the same preventive and mitigating measures adopted in 2020, as mentioned in the note 1.(c) of the financial statements for the year ended December 31, 2020, in line with the guidelines set forth by health authorities regarding the safety of its employees (TOTVERS) and the continuity of its operations.

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

Impact analyses on interim financial information – individual and consolidated

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

- (i) **Assessment of the allowance for expected credit losses:** The Company assesses the variables that make up the methodology for measuring estimated losses, through the projected rolling of each portfolio range, capturing the estimated reflexes in default and credit recovery for the following months. The Company did not observe any significant changes in relation to the Financial Statements for the year ended December 31, 2020. It’s important to mention that Management continues monitoring the economic scenario and assessing any possible impacts on the measurement of estimated losses.

- (ii) **Impairment testing of intangible assets with an indefinite useful life:** The Company assessed the indicators and assumptions regarding recoverability of its assets and didn't identify any relevant change of impairment testing of financial statements for the year ended December 31, 2020.
- (iii) **Recoverability of deferred taxes:** Recoverability of deferred tax assets is reviewed annually or when the availability of future taxable profits for the recovery of the asset, in total or in part, is not probable. There were no relevant indications that would alter Management's assessment of financial statements for the year ended December 31, 2020.

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

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

2.1. Statement of compliance

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

2.2. Basis of presentation

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

TOTVS's individual and consolidated Interim Financial Information was approved at the Board of Directors' Meeting held on May 3, 2021, after a recommendation by the Audit Committee at a meeting held on April 27, 2021. The restatement of these individual and consolidated Interim Financial Information previously issued were approved by the Board of Directors on May 24, 2022, after recommendation by the Audit Committee at a meeting held in the same date as described in the Note 2.5.

Significant accounting policies adopted in preparing this interim financial information have been consistently applied to the years presented.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events, considered reasonable under the circumstances, and are consistent with the information disclosed in note 3 of the financial statements of December 31, 2020.

This interim financial information does not include all the requirements for annual or complete financial statements, and therefore should be read together with the Company's complete financial statements for the year ended December 31, 2020.

2.3. Basis of preparation

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

(a) Individual and consolidated interim financial information

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

(b) Changes in accounting policies and disclosures

There are no new standards, amendments and interpretations of standards issued as of January 1, 2021 that, in Management's opinion, may have a significant impact on P&L or equity disclosed by the Company.

2.4. Consolidation basis

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

Corporate Name	Head office	Name used	Note	% Interest	
				3/31/2021	12/31/2020
Soluções em Software e Serviços TTS Ltda.	BRA	TTS		100,00	100,00
TOTVS Tecnologia em Software de Gestão Ltda.	BRA	TOTVS Tecnologia em Software		100,00	100,00
TOTVS Hospitality Ltda	BRA	TOTVS Hospitality		74,20	74,20
VT Comércio Digital S.A.	BRA	VT Digital		50,00	50,00
TOTVS Argentina S.A.	ARG	TOTVS Argentina		100,00	100,00
Datasul Argentina S.A.	ARG	Datasul Argentina	(iii)	100,00	100,00
TOTVS México S.A.	MEX	TOTVS México		100,00	100,00
Datasul S.A. de CV.	MEX	Datasul México	(iii)	100,00	100,00
TOTVS Corporation	BVI	TOTVS Corporation	(iii)	100,00	100,00
TOTVS Incorporation	EUA	TOTVS Inc.		100,00	100,00
Neolog Consultoria e Sistemas S.A.	BRA	Neolog		100,00	100,00
TOTVS Large Enterprise Tecnologia S.A.	BRA	TOTVS Large		100,00	100,00
TFS Soluções em software Ltda.	BRA	TFS		100,00	100,00
CM Soluciones – Argentina	ARG	CMNet Argentina		100,00	100,00
TOTVS Serviços de Desenvolvimento e Consultoria em Tecnologia da Informação Ltda.	BRA	Eleve		100,00	100,00
Katrina Participações S.A.	BRA	Katrina		100,00	100,00

Corporate Name	Head office	Name used	Investor	Note	% Interest	
					3/31/2021	12/31/2020
DTS Consulting Partner, SA de CV	MEX	Partner	TOTVS México	(iii)	100,00	100,00
TOTVS Reservas Ltda.	BRA	TOTVS Reservas	TOTVS Hospitality		100,00	100,00
Bematech Ásia Co.Ltd.	TWN	Bematech Ásia	TOTVS Large	(iii)	100,00	100,00
Bematech Argentina S.A.	ARG	Bematech Argentina	TOTVS Large	(iii)	100,00	100,00
CMNet Participações S.A.	BRA	CMNet Participações	TOTVS Large		100,00	100,00
TOTVS Hospitality Techonology Portugal Lda – (antiga CMDIR – Soluções Informática, Lda)	PRT	CMNet Portugal	CMNet Participações		100,00	100,00
CM Soluciones – Chile	CHL	CMNet Chile	CMNet Participações		100,00	100,00
CMNet Espanha	ESP	CMNet Espanha	CMDIR - Soluções	(i)	-	100,00
RJ Participações S.A.	BRA	RJ Participações	TOTVS Large		100,00	100,00
R.J. Consultores en Sistemas de Información S.C.	MEX	RJ México	RJ Participações		100,00	100,00
R.J. Consultores e Informática Ltda.	BRA	RJ Consultores	RJ Participações		100,00	100,00
Consinco S.A.	BRA	Consinco	TTS		100,00	100,00
Weath Systems Informática Ltda.	BRA	WS	TOTVS Large		100,00	100,00
Supplier Investimentos Ltda.	BRA	Supplier Investimentos	TOTVS Tecnologia em Software	(ii)	-	100,00
Supplier Participações S.A.	BRA	Supplier	TOTVS Tecnologia em Software		88,75	51,27
Supplier Participações S.A.	BRA	Supplier	Supplier Investimentos Ltda.	(ii)	-	37,48
Supplier Administradora de Cartão de Cartão de Crédito S.A.	BRA	Supplier Administradora	Supplier Participações		88,75	88,75
Tail Target Tecnologia de Informação Ltda	BRA	Tail	TOTVS Large		100,00	100,00
TOTVS Hospitality Ltda.	BRA	TOTVS Hospitality	TOTVS Large		25,80	25,80
National Computer Corporation (associate)	RUS	NCC	TOTVS México		19,00	19,00
Cartão de compra Supplier Fundo de Investimento em Direitos Creditórios	BRA	Supplier FIDC	Supplier Participações		-	-

(i) Company shutdown.

(ii) On January 1, 2021, subsidiary Supplier Investimento Ltda. merged into subsidiary TOTVS Tecnologia em Software with net assets of R\$ 24,987. The net assets were valued by experts who issued a valuation report on October 31, 2020. Any changes in the net assets after the reporting date until the effective merger date were absorbed by TOTVS Tecnologia em Software.

(iii) Dormant companies that will be closed.

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

The main activities for group TOTVS refers to software business as mentioned in note 1 (b), except of RJ Participações S.A. and CMNet Participações S.A. that are primarily engaged in holding interests and investing in other companies as a holding. Supplier companies, including the Supplier FIDC, refer to financial services and credit products.

Comparing the consolidated profit or loss between 2021 and 2020, the acquisition dates of each subsidiary must be considered. Thus, the interim financial information as of March 31, 2020 does not include the profit or loss of subsidiaries Consinco, Weath Systems, Supplier and Tail, which were included in the consolidated financial statements as from the date of their acquisition.

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

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

2.5. Reclassification and restated amounts of the Interim Financial Statements from the period ended March 31, 2021

The Company and its subsidiaries have identified the necessity to change the criteria of presentation of depreciation and amortization expenses, as well as, the impairment loss on trade and other receivables in accordance to CPC 26/ IAS 1 of condensed consolidated interim financial statements from March 31, 2021. The purpose of this change is to suit the rubrics described above by function in the Statement of Profit or Loss.

Statement of Profit or Loss on the period ended March 31, 2021:

	Individual			Consolidated		
	3/31/2021	Reclassification	3/31/2021	3/31/2021	Reclassification	3/31/2021
Software revenue	459,825	-	459,825	665,318	-	665,318
Credit products	-	-	-	54,938	-	54,938
Net revenue from services and sales	459,825	-	459,825	720,256	-	720,256
Cost of software	(133,051)	(16,484)	(149,535)	(186,322)	(17,866)	(204,188)
Cost of credit products	-	-	-	(18,277)	(75)	(18,352)
Gross profit	326,774	(16,484)	310,290	515,657	(17,941)	497,716
Operating income (expenses)						
Research and development expenses	(78,050)	(7,463)	(85,513)	(117,563)	(8,796)	(126,359)
Selling and marketing expenses	(97,393)	(7,684)	(105,077)	(129,167)	(12,257)	(141,424)
General and administrative expenses	(57,783)	(4,853)	(62,636)	(76,893)	(27,177)	(104,070)
Depreciation and amortization	(33,636)	33,636	-	(59,303)	59,303	-
Provision for expected credit losses	(2,848)	2,848	-	(6,868)	6,868	-
Other operating income (expenses)	2,141	-	2,141	2,051	-	2,051
Operating profit	59,205	-	59,205	127,914	-	127,914

The financial statements were originally disclosed on May 5, 2021.

3. Business combinations

The Company's acquisitions reinforce the software strategy to develop an ecosystem represented by three dimensions: (i) Management - ERP, HR and vertical solutions; (ii) Techfin - B2B credit, services and payments; and (iii) Business Performance - sales lead and marketing.

3.1 Acquisition of subsidiaries

(a) RD acquisition

On March 9, 2021, the Company enter into a share and purchase agreement for the acquisition of shares corresponding to 92% of the capital stock of RD Gestão e Sistemas S.A. ("RD"), through its subsidiary TOTVS Large, for the amount of R\$1,861 million, subject to adjustments, to be paid at the closing of the transaction. RD Station 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 is subject to the approval of the Brazilian competition authorities (CADE) and the verification of other usual conditions for transactions of this nature. On April 14, 2021, CADE published the approval of the transaction and there was no contrary statement by third parties within the 15 days following publication. This transaction was not completed until the disclosure of this interim financial information, given that other conditions precedent had not been concluded.

(b) Tail Target acquisition

On December 19, 2020, the Company through its subsidiary TOTVS Large, acquired 100% of the capital stock of Tail Target Tecnologia de Informação Ltda, which provide of a data intelligence platform that supply insights to customers through real time monitoring of the behavior of a wide audience on the internet in order to optimize its customers 'sales.

The Tail purchase price was R\$32,000, of which payments being distributed as follows: (i) R\$ 7,800 was paid in cash; (ii) R\$3,506 referring to installments retained to comply with conditions established in the contract after the price adjustment; and (iii) R\$ 20,000 to be paid upon reaching the targets established for Tail related to the years 2021 and 2022, whose fair value on the acquisition date was R\$ 11,600.

Preliminary fair value	Tail
<i>At acquisitions date</i>	<i>12/19/2020</i>
Current assets	2,735
Cash and cash equivalents	679
Trade receivable	1,836
Other current assets	220
Noncurrent assets	11,458
Deferred tax	259
Property, plant and equipment	1,384
Software	5,917
Client portfolio	1,395
Non-compete	2,503
Current liabilities	2,970
Labor liabilities	586
Other liabilities	2,384
Noncurrent liabilities	1,433
Net assets and liabilities	9,790
Cash payment	7,800
Long-term portion (i)	15,106
Goodwill	13,116

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

The goodwill of R\$13,116 comprises the value of future economic benefits of synergies arising from the acquisition and are allocated to the technology segment.

Contingent considerations were recorded at fair value on the acquisition date and are presented in note 19.

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

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

4.1 Financial instruments by category

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

	Fair Value through profit or loss		Amortized cost	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Cash and cash equivalents (Note 5)	867,899	1,099,169	232,123	18,564
Financial investments (Note 6)	92,029	179,308	-	-
Escrow account (Note 19)	-	-	9,718	11,128
Trade receivables (Note 7)	-	-	1,844,154	1,561,241
Franchises loan (Note 11)	-	-	19,791	16,610
Receivables for investments sold (Note 11)	-	-	15,059	19,348
Investments at fair value (Note 4.3)	101,706	92,770	-	-
Financial Instruments receivable	1,061,634	1,281,247	2,120,845	1,626,891
Loans, financing and lease liabilities (Note 17)	-	-	361,615	325,050
Trade and other payables	-	-	260,746	285,345
Business partners payable (Note 18)	-	-	381,622	328,817
Accounts payable from acquisition of subsidiaries (Note 19)	165,948	182,740	21,105	25,460
Senior shares and mezzanine obligations (Note 21)	-	-	1,135,225	1,011,087
Other liabilities	-	-	45,544	44,026
Financial liabilities	165,948	182,740	2,205,857	2,019,785

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

- Escrow accounts, trade receivables, other accounts receivable, trade accounts payable and other short-term liabilities approximate their respective carrying amounts mainly due to the short-term maturities of these instruments.
- Financial assets at fair value not traded in an active market are estimated using a valuation technique, such as discounted cash flow or multiple revenues, considering the reasonableness of the range of values indicated thereby.
- Loans, financing and lease liabilities and debentures are initially recognized at fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost.
- Accounts payable from acquisition of subsidiaries, includes contingent payments relating to business combinations and their fair value is estimated based on the performance of operations applied to the multiples defined in the contract.

4.2 Measurement of fair value

The table below presents the carrying amount of the consolidated assets and liabilities as at March 31, 2021 and December 31, 2020:

	3/31/2021			12/31/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Financial investments (Note 5)	-	867,899	-	-	1,009,169	-
Financial investments - not redeemable in 90 days (Note 6)	-	92,029	-	-	179,308	-
Investments at fair value (Note 4.3)	-	-	101,706	-	-	92,770
Financial Liabilities						
Loans, financing and lease liabilities (Note 17)	-	361,615	-	-	325,050	-
Accounts payable from acquisition of subsidiaries (Note 19)	-	21,105	165,948	-	25,460	182,740
Senior shares and mezzanine obligations (Note 21)	-	1,135,225	-	-	1,011,087	-

The amounts recognized in the statement of financial position regarding trade receivables, escrow account, labor liabilities, trade and other accounts payable, dividends payable at amortized cost, do not significantly differ from their fair values, thus, they are not presented in the table above. There were no transfers between levels 1, 2 and 3 in the three-month period ended March 31, 2021.

4.3 Financial assets

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

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.

These investments as of March 31, 2021 was R\$101,706 (R\$92,770 as of December 31, 2020).

4.4 Sensitivity analysis of financial assets and liabilities

The financial instruments of Company and its subsidiaries are represented by cash and cash equivalents, accounts receivable, accounts payable and loans and financing, which are recorded at cost plus income or charges incurred or at fair value, where applicable, as at March 31, 2021 and December 31, 2020.

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

a) Financial assets

In order to check the sensitivity of the index in the short-term investments to which the Company was exposed as of March 31, 2021, three different scenarios were defined. Based on projections disclosed by financial institutions, the average rate for CDI is 2.65% for 2021, 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 March 31, 2021, with a one-year projection to check the sensitivity of CDI to each scenario.

Operation	Balances at 3/31/2021	Risk	Probable Scenario	Scenario (II)	Scenario (III)
Financial investments consolidated	R\$959,928	Reduction CDI	2.65%	1.99%	1.33%
Estimated finance income			R\$ 25,438	R\$ 19,103	R\$ 12,767

b) Financial liabilities

To check the sensitivity of the indexes to which the Company is exposed when estimating the debts as at March 31, 2021, three different scenarios were created. Based on CDI rates in force at March 31, 2021, the most probable scenario (scenario I) was determined for 2021 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 2021. The reference date used for the debts was March 31, 2021, projecting the rates for one year and checking their sensitivity in each scenario.

Operation	Balances at 3/31/2021	Risk	Probable Scenario	Scenario (II)	Scenario (III)
Loans and financing	R\$ 101,704	Increase CDI	2.65%	3.31%	3.98%
Estimated finance cost			R\$ 2,695	R\$ 3,366	R\$ 4,048

4.5 Changes in liabilities from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were or will be classified in the statement of cash flows as cash flows from financing activities. The following is a breakdown of liabilities arising from financing activities for the three-month period ended March 31, 2021:

	12/31/2020	Cash flow from financing activities		Non-cash items			3/31/2021
		Principal	Interest paid	Addition/ (Write off)	Interest incurred	Others (i)	
Loans and financing	101,525	(828)	(10)	-	1,017	-	101,704
Leases	223,525	(8,512)	(3,665)	45,417	3,146	-	259,911
Dividends payable	57,687	(6,437)	-	-	-	-	51,250
Senior shares and mezzanine obligations	1,011,087	111,399	-	-	10,945	1,794	1,135,225
Total	1,393,824	95,622	(3,675)	45,417	15,108	1,794	1,548,090

(i) Refers to advance withholding income tax on senior shares and mezzanine remuneration of Supplier FIDC.

4.6 Financial risk management

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

a. Liquidity Risk

The Company's and its subsidiaries' liquidity and cash flow are monitored daily by Company management areas to ensure the generation of cash from operating activities and early fundraising, whenever necessary. The Group does not expect to have a significant impact on liquidity and cash flow resulting from the Covid-19 pandemic and reinforces its commitment to resource management in order to maintain its schedule of commitments, not giving rise to liquidity risks for the Company and its subsidiaries.

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

b. Credit risk

Credit risk is the risk 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 lower than the Sovereign Risk (Brazil Risk) assigned by the rating agencies Standard & Poor's, Moody's or Fitch, The amount allocated to each institution cannot exceed 30% of the total balances in current accounts plus financial investments, and also not correspond more than 5% of the equity of the financial institution.

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

For the trade receivables from the technology segment, the Company has a very diversified customer portfolio with low concentration level. The Company establishes an estimated allowance for doubtful accounts that represents its estimate of losses incurred in relation to trade receivables (additional disclosures are provided in Note 9). The main component of this allowance is specific and related to significant individual risks.

The risk assessment structure of the Supplier's credit product portfolio is based on statistical methodologies of Application and Behavior Scoring, in addition to the use of risk mitigating instruments, such as credit insurance and intervention. In addition, the Supplier 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 52 days (80 days as of December 31, 2020), or when they are sold in the short term.

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

c. Market risk

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

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

ii) 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 accounts receivable 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) and Chilean peso (CLP).

The Company ensures that its net exposure is maintained at an acceptable level in accordance with the policies and limits defined by Management and is monitoring the possible impacts of the Covid-19 pandemic in each of these companies. In the period ended March 31, 2021, the balance of assets exceeds the negative balances exposed, as follows:

March 31, 2021						
Company	Accounts payable	Cash and cash equivalents	Accounts receivable	Other assets (i)	Net exposure	Currency
RJ Consultores México	(33)	781	546	-	1,294	Peso (MXN)
CMNet Participações	(141)	534	171	-	564	Peso (CLP and ARS)
CMNet Argentina	(30)	413	402	-	785	ARS
TOTVS S.A.	(7,723)	-	-	-	(7,723)	USD
TOTVS Large	-	-	-	5,988	5,988	USD
TOTVS México	(1,669)	3,568	5,490	-	7,389	Peso (MXN)
TOTVS Argentina	(1,836)	5,890	11,808	-	15,862	Peso (ARS)
TOTVS Incorporation	(2,035)	1,856	-	101,706	101,527	USD
Total	(13,467)	13,042	18,417	107,694	125,686	

- (i) The amount of R\$5,988 refers to receivable for the hardware operation sold in 2019, as mentioned in note 11. The amount of R\$101,706 refers to financial investments as described in note 4.3.

e. Derivatives

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

4.7 Capital management

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

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

promissory notes.

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

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Loans, financing and lease liabilities (Note 17)	241,890	204,548	361,615	325,050
Senior shares and Mezzanine obligations (Note 21)	-	-	1,135,225	1,011,087
(-) Cash and cash equivalents (Note 5)	(535,501)	(527,955)	(1,100,022)	(1,027,733)
(-) Financial investments (i) (Note 6)	-	-	(92,029)	(179,308)
Net (cash) debt	(293,611)	(323,407)	304,789	129,096
Shareholders' equity	2,702,688	2,604,166	2,702,688	2,604,166
Shareholders' equity and net debt	2,409,077	2,280,759	3,007,477	2,733,262

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

5. Cash and cash equivalents

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

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Cash and banks	973	326	232,123	18,564
Cash equivalents	534,528	527,629	867,899	1,009,169
Investment fund	284,337	302,674	485,439	454,145
CDB	250,191	224,955	382,460	555,024
	535,501	527,955	1,100,022	1,027,733

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

The Company concentrates its investments in an investment fund for TOTVS and its subsidiaries. The fund is composed of investment fund shares whose portfolio is made up of highly-liquid fixed-income assets. The eligible assets in the portfolio structure are mainly government debt securities, which present low credit risk and volatility. The Company's investments are substantially remunerated by reference to the CDI variation, which monthly averaged 101.8% of the CDI for the period ended March 31, 2021 (94.9% as of December 31, 2020).

6. Financial investments

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

	Consolidated	
	3/31/2021	12/31/2020
Government bonds	10,762	9,671
Investment funds (i)	81,267	169,637

	<u>92,029</u>	<u>179,308</u>
(i)	Investment funds shares pegged to DI.	

7. Trade receivable

Consolidated amounts receivable are as follows:

	<u>Individual</u>		<u>Consolidated</u>	
	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>3/31/2021</u>	<u>12/31/2020</u>
Domestic market	392,955	381,459	518,265	526,083
Foreign market	796	766	12,511	5,801
Credit rights (i)	-	-	1,454,689	1,165,602
Gross trade receivables	393,751	382,225	1,985,465	1,697,486
(-) Allowance for expected credit losses	(58,349)	(57,097)	(141,311)	(136,245)
Net trade accounts receivable	335,402	325,128	1,844,154	1,561,241
Current assets	285,790	267,801	1,788,166	1,497,229
Noncurrent assets (ii)	49,612	57,327	55,988	64,012

- (i) The credit rights belong to Supplier FIDC and refer to securities assigned arising from Supplier's credit purchases at partner establishments.
- (ii) Long-term accounts 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 allowance for expected credit losses are as follows:

	<u>3/31/2021</u>	
	<u>Individual</u>	<u>Consolidated</u>
Opening Balance at December 31, 2020	57,097	136,245
Additional allowance in the period	2,848	6,868
Credit recovery and/or (write-off) off due to use	(1,596)	(1,802)
Balance at March 31, 2021	58,349	141,312

7.1 Aging list of trade receivable from technology segment

Aging list of amounts receivable at March 31, 2021 and December 31, 2020, is as follows:

	<u>Individual</u>		<u>Consolidated</u>	
	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>3/31/2021</u>	<u>12/31/2020</u>
Falling due	283,360	266,158	363,427	362,249
Unbilled	26,431	30,481	47,976	47,467
Overdue				
1 to 30 days	12,339	11,081	21,416	18,662
31 to 60 days	4,123	5,015	7,817	8,330
61 to 90 days	2,929	5,009	5,539	7,142
91 to 180 days	6,872	8,556	12,126	15,868
181 to 360 days	11,301	12,425	19,289	16,098
More than 360 days	46,396	43,500	53,183	49,502
Gross trade receivables	393,751	382,225	530,773	525,318
(-) Allowance for expected credit losses (i)	(58,349)	(57,097)	(79,466)	(76,228)
Net trade receivables	335,402	325,128	451,307	449,090

- (i) The allowance for expected credit losses is net of the write-off due to loss recorded against accounts receivable for R\$1,596

for the Individual and R\$1,802 for consolidated.

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

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

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

	Consolidated	
	3/31/2021	12/31/2020
Trade receivable	-	6,566
Credit rights receivable (a)	1,454,689	1,165,602
(-) Allowance for expected credit losses	(61,844)	(60,017)
Net credit rights	1,392,845	1,112,151

The aging list from credit rights and trade receivable from credit product segment – Supplier as at March 31, 2021:

	Consolidated	
	3/31/2021	12/31/2020
Falling due	1,384,847	1,105,721
Overdue		
1 to 30 days	8,151	5,432
31 to 60 days	1,315	1,482
61 to 90 days	1,222	855
91 to 180 days	2,167	2,116
181 to 360 days	7,483	11,611
More than 360 days	49,504	44,951
Gross accounts receivable	1,454,689	1,172,168
(-) Provision for expected credit losses	(61,844)	(60,017)
Total	1,392,845	1,112,151

As at March 31, 2021, approximately 46% of the portfolio's contracts are insured by policies that cover an average of 90% of the outstanding balance of operations.

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

8. Recoverable taxes

The amounts of recoverable taxes are as follows:

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Income tax to offset (a)	14,697	14,511	24,173	25,249
Social contribution tax to offset (a)	9,197	9,081	11,374	11,555
Other	-	-	1,458	1,288
	23,894	23,592	37,005	38,092
Current assets	23,894	23,592	37,005	38,092

- (a) Refers to withholding income and social contribution tax credits in the current year and income and social contribution tax credits to offset from previous years, as well as payments of estimated taxes in the current year.

9. Income taxes

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

9.1 Reconciliation of income and social contribution tax expenses

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

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Income before taxes	96,475	77,511	120,085	93,873
Income and social contribution taxes at combined nominal rate of 34%	(32,802)	(26,354)	(40,829)	(31,917)
Adjustments for the statement of effective rate				
Equity pick-up	14,593	10,230	-	-
Law No. 11196/05 (Incentive for research and development)	2,470	1,501	4,442	2,323
Effect of subsidiaries subject to special rates	-	-	(3,559)	(1,588)
Workers' Meal Program (PAT)	495	-	781	115
Other	(586)	(281)	(275)	(199)
Income and social contribution tax expense	(15,830)	(14,904)	(39,440)	(31,266)
Current income and social contribution taxes	(27,569)	-	(52,748)	(8,297)
Deferred income and social contribution taxes	11,739	(14,904)	13,308	(22,969)
Effective rate	16.4%	19.2%	32.8%	33.3%

9.2 Breakdown of deferred income and social contribution taxes

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Income and social contribution tax losses		-	45,648	50,689
Deriving from temporary differences:				
Difference between tax and accounting bases of goodwill	7,037	7,988	21,539	23,442
Tax benefit from goodwill amortization	(101,621)	(100,709)	(160,476)	(157,518)
Intangible asset allocation	(3,641)	(4,042)	(10,631)	(11,277)
Intangible asset allocation – after Law No. 12973	21,127	20,385	45,541	38,139
Provision for commissions	20,041	17,365	22,886	19,371
Deferred income or revenues	7,196	6,748	12,597	12,686
Allowance for expected credit losses	19,839	19,413	25,731	24,167
Provision for contingencies and other obligations	40,266	36,756	45,986	42,470
Provision for trade accounts payable	13,131	15,202	15,649	18,139
Provision for share-based payments	20,364	15,532	21,731	16,590
Present value adjustment	495	567	6,076	4,501
Other	11,749	9,039	21,280	18,847
Net deferred income and social contribution taxes	55,983	44,244	113,557	100,246
Deferred tax assets	55,983	44,244	115,561	100,535
Deferred tax liabilities	-	-	2,004	289

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

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

	<u>Individual</u>	<u>Consolidated</u>
At December 31, 2020	44,244	100,246
Expense in statement of profit or loss	11,739	13,308
Other	-	3
At March 31, 2021	55,983	113,557

10. Related-party balances and transactions

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

10.1 Accounts receivable from and payable to subsidiaries and associates companies

As of March 31, 2021, main assets, liabilities, revenues and costs are as follows:

<u>March 31, 2021</u>				
<u>Company</u>	<u>Trade accounts receivable</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Costs</u>
Neolog (i)	-	1,793	-	(1)
Weath Systems (ii)	6	71	6	57
Supplier (iii)	9	38	27	109
Total	15	1,902	33	165

- (i) Refers to costs incurred for the sale of Neolog solutions by TOTVS.
- (ii) Refers to partnership contract between Wealth Systems and TOTVS for the sale of CRM ("Customer Relationship Management") solutions.
- (iii) Refers to partnership contract between Supplier and TOTVS for the sale of Techfin solutions and software license.

10.2 Transactions or relationships with shareholders and key management personnel

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

The amount paid as lease and condominium fees to related parties recognized for Three-month period ended March 31, 2021 was R\$318 (R\$298 as of March 31, 2020). All lease agreements with related parties are subject to restatement by reference to the IGP-M inflation rate, every 12 months.

The Company has software license agreements and commercial partnerships with GoodData, which on March 31, 2021 represented the amount of R\$ 2,215 (R\$ 2,085 as of March 31, 2020). Through its subsidiary TOTVS Inc., the Company holds a minority interest in the GoodData capital, as well as a representative on the board. This investment was classified at fair value through profit or loss according to note 4.3.

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 three-month period ended March 31, 2021 was R\$3,246 (R\$ 15 as of March 31, 2020), all of which with monetary resources.

Some of the Company's shareholders and key management personnel directly or indirectly hold 15.15% of the Company's shares as of March 31, 2021 (15.15% as of December 31, 2020). The indirect interest is held through LC-EH Empreendimentos e Participações S.A.

The amount received of R\$22 is related a lower value revenue incurred in the quarter with related parties.

10.3 Management fees

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

	Individual	
	3/31/2021	3/31/2020
Management compensation		
Salaries, fees and payroll charges	2,962	3,019
Direct and indirect benefits (i)	423	421
Variable bonus	1,303	274
Share-based payments	8,973	5,397
	13,661	9,111

(i) Includes depreciation expense for vehicles on loan by some management members, which are replaced every 3 years.

11. Other assets

Breakdown of other assets at March 31, 2021 and December 31, 2020 is follows:

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Prepaid expenses (i)	63,775	44,798	68,759	47,509
Franchises loan (ii)	19,691	16,510	19,791	16,610
Advances to employees	13,027	11,852	17,452	15,321
Advances to suppliers	196	232	4,539	838
Negotiation and intermediation – Supplier FIDC	-	-	567	33,694
Dividends receivable	53,902	17,510	-	-
Receivables from investments disposed of (iii)	6,513	11,553	15,059	19,348
Other assets	641	1,182	2,759	4,207
	157,745	103,637	128,926	137,527
Current assets	107,541	55,689	63,835	79,599
Noncurrent assets	50,204	47,948	65,091	57,928

- (i) Includes the amounts of taxes paid and renewals of contracts with suppliers referring to expenses that will be incurred during the year.
- (ii) Most franchises loans are adjusted monthly by CDI or IPCA.
- (iii) Includes amounts receivable for the sale of Ciashop and hardware operation in 2019.

12. Investments

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

	Summarized financial statements of associated companies and subsidiaries as at March 31, 2021					Equity pick-up (Individual) for periods ended:		Balance of investments as of:	
	Assets	Liabilities	Equity	Gross revenue	Profit or loss	3/31/2021	3/31/2020	3/31/2021	12/31/2020
	TOTVS Large (i)	563,520	76,307	487,213	58,311	18,028	15,814	10,419	534,564
TOTVS Tecnologia	710,403	166,184	544,219	46,207	15,614	15,614	13,036	544,219	543,645
TTS	312,650	41,572	271,078	6,457	5,144	5,144	3,806	271,078	269,254
TOTVS Inc.	108,567	6,812	101,755	302	(5,156)	(5,156)	(4,950)	101,753	92,246
Neolog	6,024	3,399	2,625	2,661	369	316	(272)	18,112	17,885
TOTVS Hospitality	54,932	12,903	42,029	16,817	3,093	2,295	1,395	31,183	28,888
VT Digital	1,426	596	830	765	535	535	(48)	830	704
TOTVS México	16,691	8,733	7,958	6,364	(2,265)	(2,265)	(2,609)	7,958	6,323
TOTVS Argentina	22,615	8,528	14,087	11,330	575	575	428	14,087	12,006
TFS	64,380	31,036	33,344	37,584	8,174	8,174	6,384	33,344	31,064
CMNet Argentina	1,581	546	1,035	-	(269)	(269)	-	1,035	1,116
Eleve	1,764	1,361	403	1,533	(122)	(122)	-	403	373
NCC	-	-	-	-	-	-	-	65	65
						40,655	27,589	1,558,631	1,533,262

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

Changes in investment for the three-month period ended March 31, 2021 were as follows:

	Equity pick-up							Foreign exchange/ Inflation (i)	3/31/2021
	12/31/2020	Additions / (reductions)	Dividends	Equity pick-up	Amortization of PPA	Total			
TOTVS Large	529,693	221	(11,322)	18,028	(2,214)	15,814	158	534,564	
TOTVS Tecnologia	543,645	58	(15,098)	15,614	-	15,614	-	544,219	
TTS	269,254	3	(3,323)	5,144	-	5,144	-	271,078	
TOTVS Inc.	92,246	5,816	-	(5,156)	-	(5,156)	8,847	101,753	
Neolog	17,885	-	(89)	369	(53)	316	-	18,112	
TOTVS Hospitality	28,888	-	-	2,295	-	2,295	-	31,183	
VT Digital	704	-	(409)	535	-	535	-	830	
TOTVS México	6,323	3,565	-	(2,265)	-	(2,265)	335	7,958	
TOTVS Argentina	12,006	-	-	575	-	575	1,506	14,087	
TFS	31,064	164	(6,058)	8,174	-	8,174	-	33,344	
Eleve	1,116	272	-	(269)	-	(269)	(84)	1,035	
CMNet Argentina	373	245	(93)	(122)	-	(122)	-	403	
NCC	65	-	-	-	-	-	-	65	
Total Investments	1,533,262	10,344	(36,392)	42,922	(2,267)	40,655	10,762	1,558,631	

- (i) Includes the inflation adjustments of Argentine subsidiaries.

13. Property, plant and equipment

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

	Individual							Total
	Computers and electronic equipment	Vehicles	Furniture and fixtures	Facilities machinery and equipment	Leasehold improvements	Rights of use (i)	Other	
Cost								
As at December 31, 2020	196,190	11,557	26,611	26,831	94,392	264,419	7,739	627,739
Additions	8,096	851	-	8	-	45,034	93	54,082
Write-offs	(824)	(264)	(4)	(9)	-	(294)	(26)	(1,421)
As at March 31, 2021	203,462	12,144	26,607	26,830	94,392	309,159	7,806	680,400
Depreciation								
As at December 31, 2020	(135,250)	(5,918)	(16,635)	(17,691)	(43,663)	(69,343)	(6,237)	(294,737)
Depreciation for the period	(6,685)	(1,032)	(796)	(749)	(2,723)	(10,685)	(181)	(22,851)
Write-offs	765	215	4	9	-	147	25	1,165
As at March 31, 2021	(141,170)	(6,735)	(17,427)	(18,431)	(46,386)	(79,881)	(6,393)	(316,423)
Residual value								
As at March 31, 2021	62,292	5,409	9,180	8,399	48,006	229,278	1,413	363,977
As at December 31, 2020	60,940	5,639	9,976	9,140	50,729	195,076	1,502	333,002
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								
As at December 31, 2020	220,522	13,086	32,649	30,270	105,794	291,765	8,841	702,927
Additions	9,169	1,108	-	8	238	45,567	94	56,184
Write-offs	(879)	(321)	(7)	(9)	-	(294)	(30)	(1,540)
Exchange variation (ii)	397	37	123	21	207	673	7	1,465
As at March 31, 2021	229,209	13,910	32,765	30,290	106,239	337,711	8,912	759,036
Depreciation								
As at December 31, 2020	(152,833)	(6,553)	(20,555)	(19,703)	(52,973)	(78,804)	(7,059)	(338,480)
Depreciation for the period	(7,471)	(1,109)	(917)	(838)	(2,922)	(12,630)	(217)	(26,104)
Write-offs	819	243	7	9	-	147	29	1,254
Exchange variation (ii)	(154)	(10)	(67)	(153)	(86)	(194)	(108)	(772)
As at March 31, 2021	(159,639)	(7,429)	(21,532)	(20,685)	(55,981)	(91,481)	(7,355)	(364,102)
Residual value								
As at March 31, 2021	69,570	6,481	11,233	9,605	50,258	246,230	1,557	394,934
As at December 31, 2020	67,689	6,533	12,094	10,567	52,821	212,961	1,782	364,447
Average annual depreciation rate	20% a 25%	20% a 33%	10% a 25%	6,7% a 25%	10% a 33%	10% a 33%	20%	

(i) The Company applied exceptions to the standard for short-term and low value contracts, recorded in lease expenses in the amount of R\$262 and R\$480 in the Individual and Consolidated, respectively as of March 31, 2021.

(ii) Includes the inflation adjustments of Argentine subsidiaries.

Breakdown of right of use and lease liabilities for the period ended March 31, 2021 is as follows:

	Consolidated			
	Right to use real estate	Right of use computers and equipments	Total assets	Lease liabilities
As at December 31, 2020	201,311	11,650	212,961	223,525
Additions	-	427	427	427
Contract Remeasurement (i)	45,140	-	45,140	45,140
Write-offs	(147)	-	(147)	(150)
Transfers	(727)	727	-	-
Amortization	(11,266)	(1,364)	(12,630)	-
Interest incurred and exchange variation	443	36	479	3,146
Interest paid	-	-	-	(3,665)
Principal paid	-	-	-	(8,512)
As at March 31, 2021	234,754	11,476	246,230	259,911

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

14. Intangible assets

Intangible assets and changes in balances are as follows:

	Software	Trademarks & patents	Customer portfolio	Individual		Goodwill	Total Intangible assets
				R&D (i)	Other (ii)		
Cost							
As at December 31, 2020	386,823	63,149	220,417	16,735	18,750	280,308	986,182
Additions	5,352	-	97	4,667	-	-	10,116
Write-offs	-	-	-	(72)	-	-	(72)
As at March 31, 2021	392,175	63,149	220,514	21,330	18,750	280,308	996,226
Amortization							
As at December 31, 2020	(321,210)	(52,226)	(214,416)	(110)	(18,750)	-	(606,712)
Amortization for the period	(8,144)	(1,048)	(731)	(862)	-	-	(10,785)
As at March 31, 2021	(329,354)	(53,274)	(215,147)	(972)	(18,750)	-	(617,497)
Residual value							
As at March 31, 2021	62,821	9,875	5,367	20,358	-	280,308	378,729
As at December 31, 2020	65,613	10,923	6,001	16,625	-	280,308	379,470
Average annual amortization rates	10% a 20%	6,7% a 8%	10% a 12,5%	39,9%			

	Consolidated						Total Intangible assets
	Software	Trademarks & patents	Customer portfolio	R&D (i)	Other (ii)	Goodwill	
Cost							
As at December 31, 2020	579,858	127,807	484,244	33,384	81,627	1,145,831	2,452,751
Additions	5,374	-	97	4,964	-	-	10,435
Acquisitions of subsidiaries	-	-	(97)	-	(25)	(445)	(567)
Write-offs	-	-	-	(72)	-	-	(72)
Transfers	576	-	-	162	-	(43,611)	(42,873)
Exchange variation (iii)	53	-	-	-	5	-	58
As at March 31,2021	585,861	127,807	484,244	38,438	81,607	1,101,775	2,419,732
Amortization							
As at December 31, 2020	(383,054)	(78,339)	(294,191)	(10,491)	(56,888)	(43,611)	(866,574)
Amortization for the period	(16,552)	(6,396)	(6,101)	(1,379)	(2,771)	-	(33,199)
Transfers	(735)	-	(1)	2	(4)	43,611	42,873
Exchange variation (iii)	(23)	-	-	-	-	-	(23)
As at March 31,2021	(400,364)	(84,735)	(300,293)	(11,868)	(59,663)	-	(856,923)
Residual value							
As at March 31,2021	185,497	43,072	183,951	26,570	21,944	1,101,775	1,562,809
As at December 31, 2020	196,804	49,468	190,053	22,893	24,739	1,102,220	1,586,177
Average annual amortization rates	10% a 20%	6.7% a 8%	8% a 12.5%	40.7%	10% a 50%		

- (i) The development capitalization totaled R\$4,964 as of March 31, 2021, that majority are related to the Company's strategic plan. 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.
- (iii) Includes the inflation adjustments of Argentine subsidiaries.

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

14.1 Changes in goodwill

The breakdown of goodwill as of March 31, 2021 and December 31, 2020 is as follows:

	Consolidated		
	Business		
	12/31/2020	Combination	3/31/2021
TOTVS Large (i)	220,298	-	220,298
Supplier	288,558	-	288,558
Consinco	160,436	-	160,436
Tail	13,561	(445)	13,116
RM	90,992	-	90,992
W&D	64,070	-	64,070
Virtual Age	46,497	-	46,497
RMS	35,740	-	35,740
SRC	33,688	-	33,688
Datasul	30,084	-	30,084
WS	17,334	-	17,334
Gens FDES	16,340	-	16,340
Seventeen	15,463	-	15,463
TOTVS	13,128	-	13,128
Agroindústria			
Neolog	12,565	-	12,565
BCS	11,821	-	11,821
Others	31,645	-	31,645
	1,102,220	(445)	1,101,775

- (i) Goodwill arising from the acquisition of the software operation of TOTVS Large (formerly Bematech S.A.)
(ii) Price acquisition adjustment as defined in the contract, within the measurement period for goodwill.

14.2 Impairment of assets

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

In the three-month period ended March 31, 2021, Company’s management tested its assets for impairment considering the possible impacts caused by the Covid-19 pandemic for the three-month period ended March 31, 2021 and did not detect the need for a provision for loss in the interim financial statements.

15. Labor liabilities

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

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Labor liabilities:				
Salaries payable	29,527	22,556	48,062	35,787
Vacation payable	63,049	61,770	93,814	93,201
13th monthly salary payable	11,222	-	16,813	53
Profit sharing and bonus	14,386	22,263	21,327	38,202
Withholding Income Tax (IRRF) payable	17,211	14,284	21,070	20,591
Actuarial liabilities due to health care plan and retirement benefits (i)	2,864	2,786	2,864	2,786
Other	3,118	1,821	4,835	3,913
	141,377	125,480	208,785	194,533
Payroll liabilities				
FGTS (Unemployment Compensation Fund) payable	3,223	5,082	4,763	7,305
INSS (Social Security Tax) payable	5,413	5,788	9,434	9,765
	8,636	10,870	14,197	17,070
Total	150,013	136,350	222,982	211,603

- (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 who will be entitled to remain in the plan after retirement.

16. Taxes and contributions payable

Taxes and contributions payable are broken down as follows:

	Individual		Consolidated	
	3/31/2020	12/31/2020	3/31/2020	12/31/2020
Federal Social Security Tax on Gross Revenue (CPRB)	14,727	14,857	19,639	19,948
Service Tax (ISS) payable	5,036	5,187	7,328	7,722
PIS and COFINS payable	18,125	18,197	23,606	23,875
IRPJ and CSLL payable	3,660	-	16,153	19,355
Withholding IR and CSLL	740	932	3,524	3,272
Other taxes	753	850	3,989	4,363
Total	43,041	40,023	74,239	78,535
Current liabilities	43,041	40,023	70,567	74,558
Noncurrent liabilities (i)	-	-	3,672	3,977

- (i) Noncurrent liabilities corresponds to installment payment of federal taxes of the acquired.

17. Loans, financing and lease liabilities

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

The loan and financing transactions are as follows:

	Annual financial charges	Individual		Consolidated	
		3/31/2021	12/31/2020	3/31/2021	12/31/2020
Leases (a)	2.00% a 17.24% a.a (i)	241,890	204,548	259,911	223,525
Working capital (ii)	CDI + 1.9% a.a.	-	-	101,704	100,740
Secured accounts and other		-	-	-	785
		241,890	204,548	361,615	325,050
Current liabilities		47,106	37,651	156,139	146,806
Noncurrent liabilities		194,784	166,897	205,476	178,244

- (i) Rates for the lease of real property right of use range from 2.00% to 17.24% (nominal interest rate) and 9.24% to 17.24% for the lease of the right to use electronic equipment.
- (ii) As of March 31, 2021, only the working capital loan of the Supplier Administradora subsidiary had an early maturity clause in the event of default, bankruptcy or protest of a security with a value above R\$10,000, besides other conditions under the agreement.

Amounts recorded in noncurrent liabilities as at March 31, 2021 and December 31, 2020 have the following maturity schedule:

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
2022	34,661	36,810	38,219	41,761
2023	42,899	33,440	45,937	37,895
2024	40,859	32,512	43,512	33,751
2025	38,278	31,734	39,408	32,067
2026 onwards	38,087	32,401	38,400	32,770
Noncurrent liabilities	194,784	166,897	205,476	178,244

Below is the breakdown of loans and financing as of March 31, 2021:

	3/31/2021	
	Individual	Consolidated
Opening balance	204,548	325,050
Additions to right of use leases	45,034	45,567
Interest incurred	2,535	4,163
Write-offs of right-of-use leases	(150)	(150)
Interest amortization	(2,685)	(3,675)
Principal amortization	(7,392)	(9,340)
Closing balance	241,890	361,615

a) Leases

Lease obligations are guaranteed by chattel mortgage of leased assets. The table below shows gross liabilities of finance leases as of March 31, 2021 and December 31, 2020:

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Gross lease liabilities – minimum lease payments				
Less than one year	57,976	46,824	66,081	55,014
More than one year and less than five years	213,064	154,671	224,592	166,413
More than five years	5,779	33,409	5,889	33,783
	276,819	234,904	296,562	255,210
Future financing charges on finance leases	(34,929)	(30,356)	(36,651)	(31,685)
Present value of lease liabilities	241,890	204,548	259,911	223,525
Current liabilities	47,106	37,651	54,435	45,281
Noncurrent liabilities	194,784	166,897	205,476	178,244

18. Business partners' payables

Basically, refers to the amount of outstanding receivables acquired from the establishments affiliated with Supplier Administradora de Cartões de Crédito S.A. in the amount of R\$381,622 (R\$328,817 as at December 31, 2020), with maturities within 30 days.

19. Accounts payable from acquisition of subsidiaries

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

	Individual					
	3/31/2021			12/31/2020		
	Contingent payments	Other	Total	Contingent payments	Other	Total
Datasul MG	-	4,848	4,848	-	4,824	4,824
Seventeen	-	3,130	3,130	-	3,114	3,114
Virtual Age	-	-	-	-	56	56
Other	-	397	397	-	395	395
Total	-	8,375	8,375	-	8,389	8,389
Current liabilities	-	8,375	8,375	-	8,389	8,389

	Consolidated					
	3/31/2021			12/31/2020		
	Contingent payments	Other	Total	Contingent payments	Other	Total
Supplier	120,598	-	120,598	117,133	-	117,133
Consinco	25,803	9,054	34,857	40,945	10,171	51,116
Wealth System	441	-	441	5,837	-	5,837
RJ Participações	7,301	-	7,301	7,225	-	7,225
Tail	11,805	2,244	14,049	11,600	4,073	15,673
Datasul MG	-	4,848	4,848	-	4,824	4,824
Seventeen	-	3,129	3,129	-	3,114	3,114
RMS	-	1,305	1,305	-	1,584	1,584
Virtual Age	-	-	-	-	56	56
Other	-	525	525	-	1,638	1,638
Total	165,948	21,105	187,053	182,740	25,460	208,200
Current liabilities	18,743	10,657	29,400	34,625	10,156	44,781
Noncurrent liabilities	147,205	10,448	157,653	148,115	15,304	163,419

The maturity of non-current liabilities is shown below:

<u>Year</u>	Consolidated	
	2021	2020
2022	96,821	93,778
2023	-	6,034
2024	50,271	53,319
2026	10,561	10,288
Noncurrent liabilities	157,653	163,419

As of March 31, 2021 and December 31, 2020, the liabilities for the acquisition of investments had guarantees in the form of marketable securities, which consisted of CDB operations in the following amounts:

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Investment guarantees - current	8,286	8,301	9,718	10,012
Investment guarantees - noncurrent	-	-	-	1,116
Total	8,286	8,301	9,718	11,128

20. Provision for contingencies

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

	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Tax	5,904	5,890	7,464	7,440
Labor	74,518	70,095	86,377	82,496
Civil	38,006	32,121	41,977	35,882
	118,428	108,106	135,818	125,818

Changes in provisions for the Three-month period ended March 31, 2021 are as follows:

	Individual			
	Tax	Labor	Civil	Total
Balances at December 31, 2020	5,890	70,095	32,121	108,106
(+) Additional provision	-	3,285	6,329	9,614
(+) Monetary restatement (reversal)	14	1,883	1,571	3,468
(-) Reversal of unused provision	-	(269)	(332)	(601)
(-) Write-off due to payment	-	(476)	(1,683)	(2,159)
Balances at March 31, 2021	5,904	74,518	38,006	118,428

	Consolidated			
	Tax	Labor	Civil	Total
Balances at December 31, 2020	7,440	82,496	35,882	125,818
(+) Additional provision	20	3,431	6,440	9,891
(+) Monetary restatement (reversal)	24	2,180	1,717	3,921
(-) Reversal of unused provision	-	(371)	(392)	(763)
(-) Write-off due to payment	(20)	(1,359)	(1,733)	(3,112)
(+) Exchange rate	-	-	63	63
Balances at March 31, 2021	7,464	86,377	41,977	135,818

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

Further information regarding other significant ongoing lawsuits is provided in Note 23 to the financial statements as of December 31, 2020.

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

Judicial deposits	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Tax	12,133	12,091	12,763	12,697
Labor	10,972	10,835	14,937	14,669
Civil	16,209	15,795	17,026	16,606
	39,314	38,721	44,726	43,972

20.1 Contingent liabilities

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

Nature	Individual		Consolidated	
	3/31/2021	12/31/2020	3/31/2021	12/31/2020
Tax	99,104	102,600	141,122	143,725
Labor	102,616	103,098	117,169	119,637
Civil	164,932	162,929	182,220	181,097
	366,652	368,627	440,511	444,459

The breakdown of the other significant ongoing lawsuits at March 31, 2021 is in Note 23.2 to the financial statements for the year ended December 31, 2020.

21. Senior shares and mezzanine obligations - Consolidated

Financial liabilities amount to R\$1,135,225 (R\$1,011,087 as of December 31, 2020) and fully comprise Supplier FIDC's senior shares and mezzanine obligations. The index used for the profitability of senior shares is CDI + 2.5%, for mezzanine I shares, it is CDI + 3%, and for mezzanine II shares, CDI + 4%.

22. Shareholders' equity

a) Capital

As at March 31, 2021 the Company's capital was composed of 577,913,181 registered common shares issued and fully paid, with no par value (577,913,181 as of December 31, 2020), as follows:

Shareholder	3/31/2021		12/31/2020	
	Shares	%	Shares	%
LC EH Participações e Empreendimentos S/A	80,282,970	13.89%	80,282,970	13.89%
BlackRock	35,950,839	6.22%	35,950,839	6.22%
Constellation Investimentos e Participações	30,090,381	5.21%	30,090,381	5.21%
Itaú Unibanco S.A.	28,929,046	5.01%	28,929,046	5.01%
GIC Private Limited	30,107,693	5.21%	28,442,062	4.92%
Laércio José de Lucena Cosentino	6,376,005	1.10%	6,376,005	1.10%
CSHG Santa Pua Fia	144,000	0.02%	144,000	0.02%
Other	355,882,718	61.58%	357,544,292	61.87%
Outstanding shares	567,763,652	98.24%	567,759,595	98.24%
Treasury shares	10,149,529	1.76%	10,153,586	1.76%
Total in units	577,913,181	100.00%	577,913,181	100.00%

b) Capital reserves

The balance of capital reserves at March 31, 2021 and December 31, 2020 was broken down as follows:

	3/31/2021	12/31/2020
Goodwill reserve	795,538	795,538
Goodwill reserve due to merger	14,330	14,330
Premium on acquisition of non-controlling interests	(24,323)	(24,323)
Debentures converted into shares	44,629	44,629
Stock option plan	71,706	64,650
	901,880	894,824

c) Treasury shares

As at March 31, 2021, changes in "Treasury Shares" were as follows:

	Number of shares (units)	Value (in thousand)	Average price per share (in reais)
As at December 31, 2020	10,153,586	R\$148,537	R\$14.63
Used	(4,057)	(R\$59)	R\$14.63
As at March 31, 2021	10,149,529	R\$148,478	R\$14.63

In the Three-month period ended March 31, 2021, 4,057 treasury shares were used by the stock options and restricted share plans, which consumed R\$59 from the capital reserve.

23. Dividends and Interest on shareholders' equity

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

The balance of dividends and interest on equity payable in the statement of financial position amounted to R\$51,250 as at March 31, 2021 (R\$57,687 as of December 31, 2020).

24. Share-based compensation plan

The main events associated with the stock option plan are described in Note 27 to the Financial Statements for the year ended December 31, 2020.

There are no new grants/concessions in the three-month period ended March 31, 2021.

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

Restricted shares	
	<u>Amount (units)</u>
Opening balance	<u>6,981,409</u>
Transactions:	
Exercised	(5,513)
Cancelled	(158,917)
Added (i)	27,999
Closing balance	<u>6,844,978</u>

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

The cumulative effect in the three-month period ended March 31, 2021 was R\$7,115 (R\$2,306 as of March 31, 2020), recorded as share-based payment expenses.

25. Segment information

The presentation of information by operating segment is consistent with the internal report provided to the Company's main operational decision-makers and are presented two separate reportable segments:

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

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

The statement of profit or loss for the period ended March 31, 2021 for these two reportable segments is as follows:

Statement of profit or loss	Technology	Credit product segment - Supplier	Consolidated
Net Revenue	665,318	54,938	720,256
(-) Costs	(186,322)	(18,277)	(204,599)
Gross profit	478,996	36,661	515,657
(-) Operating expenses	(307,439)	(21,001)	(328,440)
(-) Depreciation and amortization	(58,809)	(494)	(59,303)
(-) Finance income (costs) and equity	(8,355)	526	(7,829)
(-) Income and social contribution taxes	(33,671)	(5,769)	(39,440)
Net income for the period	70,722	9,923	80,645

The following table conciliate the segments model presented above with the Statement of Profit or Loss for the period ended on March 31, 2021:

	Segments consolidated	Reclassification	Statement of Profit or Loss - Restated
Net revenue	720,256	-	720,256
(-) Costs	(204,599)	(17,941)	(222,540)
Gross Profit	515,657	(17,941)	497,716
(+) Research and development expenses	(117,563)	(8,796)	(126,359)
(+) Impairment loss on trade and other receivables	(6,868)	6,868	-
Contribution margin	391,226	(19,869)	371,357
(-) Operating expenses	(204,009)	(39,434)	(243,443)
(-) Depreciation and amortization	(59,303)	59,303	-
(-) Finance income (expenses) and share of losses of equity-accounted investees	(7,829)	-	(7,829)
(-) Income tax expenses	(39,440)	-	(39,440)
Net income for the period	80,645	-	80,645

Likewise, the statement of financial position for each operating segment as of March 31, 2021 is as follows:

	Technology	Credit product segment - Supplier	Consolidated
ASSETS			
CURRENT ASSETS	1,379,110	1,711,665	3,090,775
Cash and cash equivalents	886,108	213,914	1,100,022
Marketable securities	-	92,029	92,029
Trade accounts receivable, net	395,319	1,392,847	1,788,166
Other current assets	97,683	12,875	110,558
NONCURRENT ASSETS	2,330,993	13,529	2,344,522
Other assets	380,054	6,725	386,779
Property, plant and equipment	388,788	6,146	394,934
Intangible assets	1,562,151	658	1,562,809
TOTAL ASSETS	3,710,103	1,725,194	5,435,297
LIABILITIES AND EQUITY			
CURRENT LIABILITIES	553,595	1,644,275	2,197,870
Loans and financing	53,495	102,644	156,139
Business partners payable	-	381,622	381,622
Senior shares and mezzanine (i)	-	1,135,225	1,135,225
Other current liabilities	500,100	24,784	524,884
NONCURRENT LIABILITIES	531,986	2,753	534,739
Loans and financing	203,334	2,142	205,476
Provision for contingencies	135,207	611	135,818
Other noncurrent liabilities	193,445	-	193,445
SHAREHOLDERS' EQUITY (ii)	2,624,522	78,166	2,702,688
LIABILITIES AND SHAREHOLDERS' EQUITY	3,710,103	1,725,194	5,435,297

(i) Senior and mezzanines I and II shares of Supplier FIDC.

(ii) Represents the value of net assets and liabilities for each operating segment.

26. Earnings per share

On April 27, 2020, the Company split the total number of shares, in the proportion of 1 (one) common share to 3 (three) shares of the same type, as mentioned in note 25 "a" to the Financial Statements for the year ended December 31, 2020. As such, for comparison purposes, we applied this ratio on March 31, 2021.

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

	<u>3/31/2021</u>	<u>3/31/2020</u>
Profit or loss for the period		
Continuing operations	80,645	62,607
Discontinued operations	-	(1,099)
Net income attributable to the controlling common Company's shareholders	80,645	61,508
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	567,763	572,041
Basic earnings per share	0.14204	0.10752
Basic earnings per share continuing operations	0.14204	0.10944

	<u>3/31/2021</u>	<u>3/31/2020</u>
Profit or loss for the period		
Continuing operations	80,645	62,607
Discontinued operations	-	(1,099)
Net income attributable to the Company's controlling common shareholders	80,645	61,508
Denominator (in thousands of shares)		
Weighted average number of common shares outstanding	567,763	572,041
Weighted average number of stock options/restricted shares	6,848	4,328
Weighted average number of common shares adjusted according to dilution effect	574,611	576,369
Diluted earnings per share	0.14035	0.10672
Diluted earnings per share continuing operations	0.14035	0.10862

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

27. Gross sales revenue

Gross revenue and deductions used for the calculation of net revenue presented in the Company's statement of profit and loss as of March 31, 2021 and 2020 were as follows:

	Individual		Consolidated	
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>3/31/2020</u>
Recurring software	428,096	388,625	609,318	533,792
Nonrecurring software nonrecurring	99,713	107,101	149,599	149,836
License fees	56,608	54,551	72,300	65,974
Nonrecurring services	43,105	52,550	77,299	83,862
Credit product - Supplier	-	-	57,703	-
Gross revenue	527,809	495,726	816,620	683,628
Sales canceled	(8,945)	(5,606)	(11,417)	(7,474)
Sales taxes	(59,039)	(55,460)	(84,947)	(74,736)
Deductions	(67,984)	(61,066)	(96,364)	(82,210)
Net revenues	459,825	434,660	720,256	601,418

28. Costs and expenses by nature

The Company presents below the information on operating expenses and costs by nature for the periods ended March 31, 2021 and 2020.

<u>Nature</u>	<u>Individual</u>		<u>Consolidated</u>	
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>3/31/2020</u>
Salaries, benefits and payroll charges	206,481	177,521	301,512	254,807
Outsourced services and other inputs	88,408	109,786	139,149	135,289
Commissions	52,986	47,675	60,270	52,195
Depreciation and amortization	33,636	30,568	59,303	38,788
Provision for contingencies	9,013	9,134	9,128	12,805
Allowance for expected credit loss	2,848	3,604	6,868	5,559
Other	7,248	8,782	16,112	14,304
Total	400,620	387,070	592,342	513,747

<u>Occupation</u>	<u>Individual</u>		<u>Consolidated</u>	
	<u>3/31/2021 – Restated (i)</u>	<u>3/31/2020</u>	<u>3/31/2021 – Restated (i)</u>	<u>3/31/2020</u>
Cost of software	149,535	151,530	204,188	197,945
Cost of credit products	-	-	18,352	-
Selling and marketing expenses	105,077	100,816	141,424	130,195
General and administrative expenses	62,636	57,310	104,070	72,348
Operating income/expenses	83,372	77,414	124,308	113,259
Total	400,620	387,070	592,342	513,747

(i) Restated as mentioned in the note 2.5.

29. Finance income and costs

Finance income and costs incurred for the periods ended March 31, 2021 and 2020 were as follows:

	<u>Individual</u>		<u>Consolidated</u>	
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>3/31/2020</u>
<u>Finance income</u>				
Short-term investment yield	2,582	8,490	5,281	11,817
Interest received	918	1,159	1,038	1,340
Inflation adjustment gains	721	568	900	792
Adjustment to present value	449	304	502	364
Foreign exchange gains	10	37	1,397	3,285
Other finance income (i)	(195)	(483)	(694)	(634)
	4,485	10,075	8,424	16,964
<u>Finance costs</u>				
Interest incurred	(2,736)	(5,173)	(3,143)	(5,536)
Inflation adjustment losses	(3,587)	(1,283)	(4,376)	(2,417)
Bank expenses	(1,176)	(989)	(1,388)	(1,239)
Adjustment to present value of liabilities	(159)	(107)	(5,036)	(117)
Foreign exchange losses	(157)	(1)	(648)	(937)
Other finance costs (ii)	(55)	(190)	(1,662)	(516)
	(7,870)	(7,743)	(16,253)	(10,762)
Net finance income (costs)	(3,385)	2,332	(7,829)	6,202

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

(ii) Includes inflation adjustments of Argentine subsidiaries

30. Private pension plan – defined contribution

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

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

The private pension expenses for the three-month period ended March 31, 2021 was R\$1,548 (R\$1,490 as of March 31, 2020).

31. Insurance coverage

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

32. Subsequent events

On April 20, 2021, the Company's Extraordinary Shareholders Meeting approved:

- (i) Increase the capital stock by R\$136,904 million capitalizing retained earnings, without issuing new shares. The capital stock will increase from R\$1,382,509 to R\$1,519,412 billion, divided into 577,913 million common shares, all of them being registered, book-entry shares with no par value;
- (ii) The distribution of R\$50,960 million (R\$ 0.09 per share) of additional dividends proposed by management, with payment to be paid on May 20, 2021.
- (iii) Change in the authorized capital limit from \$ 2,500,000 billion to R\$ 4,000,000 billion in the Company's bylaws.

RD Station acquisition

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

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

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

Issue of debentures

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

Primary public offering of shares

On September 2021, was approved in the Board of Directors Meeting the fixing of price per share in the scope of primary public offering for issuance of common shares, in the value of R\$36,75 per share with capital increase in the total amount of R\$1,443,173, which corresponds to the issue of 39,270,000 new common shares with no par value, free and clear of any liens or encumbrances. Thus, the Capital went from R\$1,519,412, divided in 577,913,181 common shares to R\$2,962,585, divided in 617,183,181 common shares, all with no par value, free and clear of any liens or encumbrances.

Partnership between TOTVS and B3

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

With conclusion of the transaction, TOTVS have 62.5% of interests in the capital from Dimensa (former TFS Soluções em Software Ltda.) and the transaction generated a gain by the change of interest of R\$352,540 in equity pick-up line.

Payment of Interests on capital

On July 30, 2021, the Board of Directors approved the distribution and payment of interest on equity (JCP) regarding the first semester of 2021, in the total amount of R\$51,193. The interest on equity will be paid on October 22, 2021.

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

InovaMind Tech Ltda. acquisition

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

Mobile2you Ltda. acquisition

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

Vadu Ltda. acquisition

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

Gesplan S.A. acquisition:

On April 02, 2022, was celebrated the Share Sale and Purchase Agreement and Other Covenants, for acquisition of 100% of shares of capital from Gesplan S.A., by TOTVS Tecnologia em Software de Gestão Ltda., in the amount of R\$40 million. Additionally the Agreement provides the payment of complementary purchase price subject to the achievement of certain performance targets established for GESPLAN related to 2022 and 2023 years and to the fulfillment of other conditions. Gesplan provides planning and financial management solutions, that operates in the transactional environment of integrated way with ERPs, having as highlight its SaaS solution (Software as a Service) of integrated treasury management (Cash & Treasury Management).

Techfin joint venture between TOTVS and Itaú

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

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

Company’s share buyback program

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