

PROTOCOL AND JUSTIFICATION OF MERGER OF NEOLOG CONSULTORIA DE SISTEMAS S.A.

PROTOCOL AND JUSTIFICATION OF MERGER OF NEOLOG CONSULTORIA E SISTEMAS S.A. BY TOTVS S.A.

The management members of the Companies named below:

(1) TOTVS S.A., a publicly-held corporation headquartered in the City of Sao Paulo, State of Sao Paulo, Brazil, at Avenida Braz Leme, nº 1000, Casa Verde district, enrolled with the Corporate Taxpayers' Roll of the Ministry of Economy ("**CNPJ/ME**") under No. 53.113.791/0001-22 and with its articles of incorporation duly filed with the Board of Trade of the State of São Paulo (JUCESP) under NIRE 35.300.153.171, herein duly represented according to its Bylaws (hereinafter referred to as "**TOTVS**"); and

(2) NEOLOG CONSULTORIA E SISTEMAS S.A., a closed corporation headquartered in the City of Sao Paulo, State of Sao Paulo, Brazil, at Avenida Engenheiro Luiz Carlos Berrini, nº 1,681, 14th floor, Condomínio Edifício Berrini, Zip code (CEP) 04571-001, enrolled with the Corporate Taxpayers' Roll of the Ministry of Economy ("**CNPJ/ME**") under No. 05.254.381/0001-59, with its articles of incorporation duly filed with the Board of Trade of Sao Paulo (JUCESP) under NIRE 35.300.475.224, herein duly represented according to its Bylaws (hereinafter, "**Neolog**" and, when referred to jointly with TOTVS, the "**Companies**").

WHEREAS:

- (A) TOTVS is a publicly-held corporation with shares traded at B3 SA - Brasil, Bolsa, Balcão, the capital stock of which, fully subscribed and paid up, is R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares with no par value, which has as corporate purpose: (1) the creation and development of computerized systems (software); (2) the provision of consultancy, advisory services, exploitation of rights to use their own or third-party computer systems, including through the rental of software and hardware; (3) the provision of data processing, training services and the purchase and sale of computers, their accessories, peripherals and supplies, being able to import goods and services related to their core activity; (4) granting of franchising; (5) retail trade in clothing and related items and their complements; (6) research and technological innovation activities; (7) technical support for computers, including installation, setting up, and maintenance of computer programs and databases; (8) provision of business management consultancy services; (9) data processing activities; (10) hosting, portals, providers and information services on the internet; (11) outsourcing services; as well as (12) holding interests in other companies as a shareholder, partner, or member; and
- (B) Neolog is a private corporation the capital of which, fully subscribed and paid in, is R\$ 660,000 (six hundred and sixty thousand Reals), divided into 660,000 (six hundred and sixty thousand) registered common shares with no par value, all of them owned by TOTVS, which has as its corporate purpose: the provision of computer program development services to third parties; (2) licensing the use of computer programs and software of own and of third parties; (3) the provision of technical support

services, including installation, setting up, and maintenance for use in computer programs of its own or of third parties; and (4) the provision of IT consulting and training services.

NOW, THEREFORE, THE PARTIES ABOVE HEREBY DECIDE, in compliance with the provisions of Articles 223 and following of Law No. 6,404 of December 15, 1976 ("**Brazilian Corporations Act**") to enter into this Protocol and Justification of Merger (the "**Protocol**"), with the purpose of merging Neolog by TOTVS ("**Merger**"), to be proposed to the shareholders of the Companies to be approved at their extraordinary general meetings.

1 PURPOSE

- 1.1** The present Protocol has as purpose to provide for the bases of the Merger to be proposed to the shareholders of the Companies at their extraordinary general meetings, pursuant to articles 223 and the following of the Brazilian Corporations Act.
- 1.2** It is proposed that TOTVS acquires Neolog at its book value on January 31, 2021 ("**Base Date**"), and as a result of that, it becomes the successor of Neolog in all its assets, rights, claims, authority, powers, immunities, actions, exceptions, duties, obligations, liabilities, encumbrances, and responsibilities, effective from the date of approval of the Merger by the shareholders of TOTVS and Neolog. The Merger will result in the extinction of Neolog, without any change in TOTVS's capital stock or shareholders' equity, as explained in section 4.1.

2 JUSTIFICATION AND INTEREST OF COMPANIES IN PERFORMING THE MERGER

- 2.1** The managements of the Companies understand that the implementation of this Merger is of the utmost convenience to the corporate interests of said companies since the unification of their activities and management will result in benefits to the operations and businesses of both companies, of an administrative, economic, and financial nature, including: (i) the optimization and simplification of its corporate structure and, accordingly, the consolidation and reduction of combined operating costs and expenses; and (ii) better management of operations, assets and cash flows of both companies, due to the combination of the business resources and assets involved.
- 2.2** In addition, the Merger will result in the use, under the tax legislation in force and without the issuance of new shares, and therefore, for the benefit of all TOTVS's shareholders, of goodwill recorded by TOTVS in the amount of R\$25,760,383.36 (twenty-five million, seven hundred and sixty thousand, three hundred and eighty-three Reals and thirty-six cents), arising from the Merger on February 11, 2015.

3 APPRAISAL

- 3.1 Appraisal.** As a result of the Acquisition, the entire equity of Merger will be transferred to TOTVS, with the consequent extinction of Merger. The stockholders' equity of Neolog was appraised based on its book value, on the Base Date, by Apsis Consultoria e Avaliação Ltda., a limited liability company headquartered in the capital city of Rio de Janeiro, State of Rio de Janeiro, Brazil, at Rua do Passeio , nº 62, 6th floor, Centro district, Zip code (CEP) 20.021-290, enrolled with the Corporate Taxpayers' Roll (CNPJ/ME) under No. 08.681.365/0001-30 and at the Regional Accounting Board of the State of Rio de Janeiro ("**CRC-RJ**") under No. 005112/O-9, represented by its partner, Mr. **LUIZ PAULO CESAR SILVEIRA**, Brazilian citizen, accountant, residing and domiciled in the city of Rio de Janeiro, State of Rio de Janeiro, Brazil, with office at Rua do Passeio, nº 62, 6th floor, Centro, CEP 20.021-290, bearer of the identification document (RG) No. 89.100.165-5, registered with the Individual Taxpayers' Roll ("**CPF/ME**") under No. 886.681.937-91 and holder of the accountant identification

(CRC-RJ) No. 118.263/P-0 (hereinafter, "**Apsis**"), based on the balance sheet prepared by Neolog's management on the same base date and for that specific purpose, which issued the appraisal report set out in **Exhibit A** to this Protocol (the "**Report**"). Apsis was appointed by the directors of TOTVS to assess Neolog's shareholders' equity and prepare the corresponding Report, "*ad referendum*" for approval by TOTVS's shareholders.

3.2 Stockholders' Equity According to the Report, Neolog's stockholders' equity, on the Base Date, is worth at least R\$2,498,709.35 (two million, four hundred and ninety-eight thousand, seven hundred and nine Reals and thirty-five cents) (the "**Stockholders' Equity**"), which amount is already reflected in TOTVS's stockholders' equity using the equity method.

3.3 Changes in stockholders' equity. Neolog's equity changes after the Base Date will be absorbed by TOTVS and recorded directly on its financial statements, in which Neolog's accounting records are already reflected by the equity method.

3.4 Absence of Conflict. Apsis has no interest, directly or indirectly, in the companies involved in the Merger, or, even with regard to the Merger itself, which could prevent or affect the preparation of the Report requested by it, for the purposes of the Merger.

3.5 Art. 264 of Law No. 6,404/1976 is not applicable. As already stated by the Collegial decision-making body of the Securities and Exchange Commission, in a decision issued on February 15, 2008, in response to a consultation with the Superintendence of Relations with Companies - SEP, article 264 of Law no. 6.404/1976 is not applicable since it involves the merger of a wholly-owned subsidiary by a publicly-held corporation, and there are no non-controlling shareholders and, consequently, an exchange ratio is not present; therefore, the essential condition provided for in said legal provision is not present.

4 GENERAL ASPECTS OF THE MERGER

If the Merger proposal is approved, the Merger will be implemented as follows:

4.1 Capital Stock

4.1.1 Current corporate composition

(i) **Neolog.** Neolog's capital stock, fully subscribed and paid in, is R\$ 660,000 (six hundred and sixty thousand Reals), divided into 660,000 (six hundred and sixty thousand) shares, with a par value of R\$1.00 (one Real) each share, capital stock that is wholly owned by TOTVS.

(ii) **TOTVS.** TOTVS's fully subscribed and paid-in capital stock is R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value.

4.1.2 Effects of the Merger on the Companies' capital stock and stockholders' equity

(i) **Succession of rights and obligations.** TOTVS will assume active and passive responsibility for Neolog's assets that will be transferred to TOTVS under the terms hereof, being TOTVS the successor to all Neolog's assets, rights, and obligations.

(ii) **Increase in TOTVS's Capital Stock and Stockholders' Equity.** The Merger, if

approved, will not result in the issuance of new shares or in the capital increase of TOTVS, which will remain unchanged, considering that all the shares representing Neolog's capital stock is held by TOTVS and, therefore, the investment that TOTVS has in Neolog will be canceled and replaced by the assets and liabilities contained in the Report. There will still be no amendment to TOTVS's bylaws to formalize the Merger.

- (iii) **Extinction of Neolog.** Considering that all shares of Neolog's stock capital to be acquired are owned by the acquiring company, the provisions of Paragraph 1 of Article 226 of the Brazilian Corporations Act apply, and the shares representing Neolog's capital stock, already owned by TOTVS, must be extinguished and canceled. As a result of the merger of Neolog's stockholders' equity by TOTVS, Neolog will be extinguished upon the approval of the Merger.
- (iv) **Reimbursement of Dissenting Shareholders.** There is no need to speak of dissenting interests or right to withdraw, insofar as all the shares of the company to be acquired is owned by the acquiring company and, therefore, the Merger will be unanimously approved by the acquired company's sole shareholder.

5 ACTIONS REQUIRED FOR THE MERGER

5.1 The effectiveness of the Merger will depend on the following actions:

- 5.1.1** The General Shareholders' Meeting of TOTVS to decide on: (i) the Protocol; (ii) the ratification of the hiring of Apsis pursuant to paragraph 1 of Article 227 of the Brazilian Corporations Act; (iii) the Report; (iv) the Merger; and (v) the authorization for the management to carry out the necessary steps to implement the previous resolutions, if they are approved by the shareholders of TOTVS; and
- 5.1.2** Neolog's General Shareholders' Meeting to resolve on: (i) the Protocol; (ii) the Merger; and (iii) the authorization for the management to carry out the necessary steps to implement the previous resolutions in case they are approved by Neolog's only partner.

6 GENERAL PROVISIONS

- 6.1 Applicable Documentation.** The applicable documentation is available to TOTVS's shareholders at its registered office, on the TOTVS Investor Relations website (www.ri.totvs.com) and on the websites of the Brazilian Securities and Exchange Commission (CVM) and B3 S.A., Brasil, Bolsa, Balcão.
- 6.2 Severability of provisions.** In case any court may decide that any of the covenants contained in this Protocol is null or ineffective, such fact shall not affect the validity or effectiveness of the remaining provisions and covenants, which shall be fully complied with, and the Companies hereby undertake to use their best efforts in order to adjust in a valid way such provision(s) to achieve the same effects of the covenant that might have been canceled or become ineffective.
- 6.3 Entire Agreement, exhibits, and amendments.** This Protocol and its exhibits constitute the entire agreement, i.e., include all the understandings and covenants existing by and between the Companies' management members, as applicable, as regards the matters covered and governed herein. This Protocol and its exhibits can only be amended or changed through an instrument in writing undersigned by the Companies' management members.
- 6.4 Filing and Publication of Actions.** Once the Merger has been approved by the shareholders of

TOTVS and the shareholder of Neolog, it will be the responsibility of TOTVS's management to promote the filing and publication of all actions connected to the Merger and to perform the required registrations before the competent federal, state, and local departments. The costs and expenses arising from the implementation of the Merger will be borne by TOTVS.

6.5 Governing law. This Protocol shall be governed by and construed pursuant to the laws of the Federative Republic of Brazil.

6.6 Jurisdiction. The parties choose the District Court of the city of Sao Paulo, State of Sao Paulo, Brazil, as the only one competent to settle any disputes or doubts arising from this private instrument, waiving all others, however privileged they may be.

6.7 Effective Date. If the Merger is approved, it will become effective as of April 30, 2021.

6.8 Digital signature. The parties agree that this document may be signed by hand, electronically, or both forms indistinctly, provided, however, that the electronic signature is affixed by the parties electronically via the DocuSign platform. The parties acknowledge and agree that when this Protocol is signed electronically via the DocuSign platform it produces the same legal effects as the one undersigned by hand, pursuant to Brazilian Law No. 13,874/2019 and Decree No. 10,278/2020.

In witness whereof, the Companies' administrators execute and sign this Protocol and Justification of Merger in one single counterpart, so that this document can be filed with the Board of Trade of the State of São Paulo (JUCESP), together with the 2 (two) undersigned witnesses.

Sao Paulo, March 12, 2021.

Management members of TOTVS S.A.

Gilsomar Maia Sebastião
Chief Administrative and Financial Officer,
and Investor Relations Officer

Marcelo Eduardo Sant'Anna Cosentino
Vice President of Business for Segments

Management members of Neolog Consultoria e Sistemas S.A.

Fabício de Assis Ramos Orrigo
Chief Executive Officer (CEO)

Evandro Nunes da Silva Junior
Chief Financial Officer

Witnesses:

1. _____

Name:
CPF [Tax ID] number:

2. _____

Name:
CPF [Tax ID] number:

**PROTOCOL AND JUSTIFICATION OF MERGER
OF NEOLOG CONSULTORIA E SISTEMAS S.A. BY TOTVS S.A.**
Exhibit A
Appraisal Report

APPRAISAL REPORT
AP-00139/21-01

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

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

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

1. PURPOSE OF APPRAISAL

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

2. MANAGEMENT'S RESPONSIBILITY ABOUT THE ACCOUNTING INFORMATION

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

3. SCOPE OF WORK AND ACCOUNTANT'S RESPONSIBILITY

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

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

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

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

4. CONCLUSION

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

5. EMPHASIS

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

São Paulo, February 17th, 2021.

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

MIGUEL CÔRTEZ CARNEIRO MONTEIRO
Director

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

6. LIST OF ATTACHMENTS

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

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ATTACHMENT 1

Neolog Consultoria e Sistemas S.A.

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

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

Liabilities and equity

Current liabilities	3.025	2.915
Accounts payable	1.222	1.197
Share-based payments expense	212	147
Losses on disposal of fixed assets and investments	311	300
Allowance for expected credit losses	19	12
Equity pickup	258	257
Provision for contingencies, net of reversals	-	-
Reversals of provision net of additional provisions on other obligations and others	1.003	1.002
Noncurrent liabilities	300	311
Loans, financing and lease liabilities, debentures	-	22
Accounts payable from acquisition of subsidiaries	-	-
Provision for contingency	-	-
Accounts payable from acquisition of subsidiaries	300	289
Other liabilities	-	-
Shareholders' equity	2.499	2.345
Capital	660	660
Treasury shares	-	-
Capital reserves	-	-
Other comprehensive income	-	-
Reserve	1.839	1.685
Total Shareholders' equity and liabilities	5.824	5.571

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

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

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

	2.021	2.020
Software revenue	907	9.220
Cost of software	(238)	(2.873)
Gross profit	670	6.347
Operating income (expenses)		
Research and development expenses	(366)	(3.973)
Selling and marketing expenses	(0)	(335)
General and administrative expenses	(88)	(932)
Depreciation and amortization	(30)	(460)
Provision for expected credit losses	21	(43)
Other operating income (expenses)	-	60
Operating profit	207	464
Finance income	3	161
Finance expenses	(1)	(77)
Equity pickup	-	-
Profit before tax from continuing operations	209	548
Income tax and social contribution - current	(45)	-
Income tax and social contribution - deferred	(11)	(191)
Profit for the year	153	357

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

	Capital Reserve	Legal Reserve	Profit Reserve	Treasury shares	Other comprehensive income	Total Shareholders' Equity
As at January 1, 2020	660	-	132	-	-	2.988
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	357	-	-	357
Dividends	-	-	(1.000)	-	-	(1.000)
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-
As at December 31, 2020	660	-	132	-	-	2.345
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	153	-	-	153
Dividends	-	-	1	-	-	1
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Appropriation of retained earnings	-	-	8	(8)	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
As at January 31, 2021	660	-	140	1.699	-	2.499

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

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

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ATTACHMENT 2

ABSTRACT OF THE PRINCIPAL ACCOUNTING PRACTICES ADOPTED BY NEOLOG

▪ Cash and cash equivalents

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

▪ Accounts receivable

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

▪ Social and labor obligations

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

▪ Obligations to shareholders

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

▪ Deferred taxes

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

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

EFFECTS OF COVID-19 ON ACCOUNTING INFORMATION

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

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ATTACHMENT 3

Glossary

A

Amortization

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

Asset

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

Asset Approach

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

B

Base Date

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

Basic Infrastructure

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

Book Value

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

Business Combination

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

C

CAPEX (Capital Expenditure)

Fixed asset investments.

Capital Structure

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

Cash Flow

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

Cash Flow on Invested Capital

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

Cash-Generating Unit

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

Company

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

Conservation Status

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

Control

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

Cost

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

Cost of Capital

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

CFC

Conselho Federal de Contabilidade

CPC (Comitê de Pronunciamentos Contábeis)

Accounting Pronouncements Committee.

CVM

Securities and Exchange Commission.

D

Date of Issue

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

DCF (Discounted Cash Flow)

Discounted cash flow.

D & A

Depreciation and amortization.

Depreciable Value

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

Depreciation

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

Direct Production Cost

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

Discount Rate

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

E

EBIT (Earnings before Interest and Taxes)

Earnings before interest and taxes.

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

Earnings before interest, taxes, depreciation and amortization.

Economic Benefits

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

Enterprise

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

Enterprise Value

Economic value of the company.

Equity Value

Economic value of the equity.

Expertise

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

F

Facilities

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

Fair Market Value

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

Financial Lease

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

Fixed Asset

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

G

Goodwill

See Premium for Expected Future Profitability.

I

IAS (International Accounting Standards)

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

IASB (International Accounting Standards Board)

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

IFRS (International Financial Reporting Standards)

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

Impairment

See Impairment losses

Impairment Losses (impairment)

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

Income Approach

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

Indirect Production Cost

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

Intangible Asset

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

International Accounting Standards (IAS)

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

Investment Property

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

Investment Value

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

L

Liability

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

Liquidity

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

M

Market Approach

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

Multiple

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

N

Net Debt

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

Non-Operating Assets

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

O

Operating Assets

Assets that are basic to the company's operations.

Operating Lease

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

P

Parent Company

An entity that has one or more subsidiaries.

Premium for Expected Future Profitability (goodwill)

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

Present Value

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

Price

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

Property

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

R

Real Estate

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

Recoverable Value

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

Remaining Life

A property's remaining life.

Replacement Cost

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

Replacement Value for New

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

Reproduction Cost

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

Reproduction Cost Less Depreciation

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

Residual Value

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

Residual Value of an Asset

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

S

Shareholders' Equity at Market Prices

See Assets Approach.

Subsidiary

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

Supporting Documentation

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

T

Tangible Asset

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

Technical Report

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

U

Useful Economic Life

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

V

Valuation

Act or process of determining the value of an asset.

Valuation Methodology

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