DEAR SHAREHOLDERS

We present the Comments on Performance and the Financial Statements of Cielo S.A. ("Company", "Parent" or "Cielo") and its subsidiaries (together referred to as the "Group" or "Cielo Group") for the six-month period and the year ended December 31, 2020, accompanied by the Independent Auditor's Report and the Supervisory Board Report.

The Individual Financial Statements (Parent Company) and the Consolidated Financial Statements have been prepared in conformity with the accounting guidelines from Law No. 6,404/76 (Corporation Law), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions from the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN), together referred to as "COSIF", and the Brazilian Securities and Exchange Commission (CVM), where applicable.

The consolidated financial statements comprise the account balances of Cielo (Parent Company), its direct subsidiaries Multidisplay, Servinet, Cielo USA, Cateno, Aliança and Braspag (merged into the indirect subsidiary Stelo as at 9/30/2020) and indirect subsidiaries Stelo, MerchantE and M4Produtos (together with Multidisplay referred to as "M4U"). Profits or losses of the joint ventures Orizon and Paggo (the latter not currently carrying out any operating activities) have been accounted for under the equity method in the consolidated financial information. This financial information has been adjusted, as applicable, in order to conform its accounting practices to those established by the Cielo Group. All the transactions, revenues and expenses among Group companies were fully eliminated in the consolidated financial information. For purposes of presentation of the consolidated financial statements, the assets and liabilities of foreign subsidiaries, originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at period-end, while revenues and expenses were translated at the average monthly exchange rates. Exchange differences resulting from such translations were classified in other comprehensive income and accumulated in equity.

In addition, as from January 1, 2020, subsidiary Stelo started to be timely consolidated by the Cielo Group no longer with a 30-day timing difference. This change in accounting practice, pursuant to CPC Pronouncement 23 – Accounting Policies, Changes in Accounting Estimates and Errors, aimed at disclosing more reliable and relevant information in the financial statements on the effects of transactions, conditions or other events relating to the entity's financial position and performance. The comparative balances presented in the financial statements are adjusted for purposes of comparability under the new policy adopted, as follows:

(Em R$ mil)	Cielo Profit 2019	Consolidated Profit 2019	Consolidated Equity 12/31/2019
Balances previously reported	1,580,151	1,785,882	13,139,680
Net adjustment in the consolidation of Stelo (*)	(32,759)	(32,759)	(37,100)
Adjusted balances for purposes of comparison	1,547,392	1,753,123	13,102,580

(*) The reported and the restated amounts are detailed in Note 2.20

MESSAGE FROM MANAGEMENT

2020 brought considerable challenges for the economy and the entire Brazilian society. The economy was affected by the measures taken to face the COVID19 pandemic. The isolation and social distancing measures have particularly affected retail, with significant impacts on the payment industry, due to its dependence on the level of household consumption.

This entire operational context brought significant impacts to Cielo. The Company started 2020 with good prospects: In the previous year, the downward trend of its active customer base was reversed and TPV had also grown. However, the pandemic impacts were severe, especially in March and throughout the second quarter. "Cielo Broad Retail Index (ICVA)", an indicator that tracks the performance of all Brazilian retailers - not only transactions captured by Cielo - showed a 52% decrease in consumption in the 4th week of March, and up to 50% of merchants showed no activity.

Although our captured volumes performed better than the Cielo Broad Retail Index (ICVA), they fell by 35% in April YoY. Besides, the lower consumption affected not only Cielo's businesses, but had significant impacts in Cateno, which had a lower volume throughout the year, especially in the most profitable businesses. This context weighed heavily on the Company's results, especially in the first half of the year.

The Management acted promptly, both to minimize the effects of the crisis for its clients and the Brazilian economy, and to manage impacts on its own business.

In line with its commitment to clients, and to society as a whole, Cielo played an important role, providing the infrastructure to help the federal government make the payment of emergency benefits. The payments industry has been of even greater importance during the pandemic, as it is modernizing and allowing for an accelerated digitalization of payments. Cielo, in particular, played a leading role on the innovation trend that has marked the industry's path, managing, in a record time of 8 days, to create a solution to make viable the acceptance of the emergency aid. This initiative made it possible for 50 million users to receive the benefit directly through Caixa's app, without needing cash withdrawals. The Company adopted other important measures, granting discounts on POS rentals to part of its customer base, and promoting training and solutions so that our customers could advance in contactless transactions, as the case of Superlink, which grew 1,524% compared to the previous year.

Regarding the pandemic's impacts on Cielo itself, the Management implemented measures or accelerated internal initiatives to ensure the business continuity, to protect the Company's assets and optimize its capacity to generate results.

Cielo adopted measures to cut costs, manage credit risk (restricting operations to certain segments), preserve cash and reinforce liquidity, to increase the resilience to shocks, and also allow the expansion pre-payment solutions to our customers. We ended the year with total liquidity of R$4,203.9 million, compared to R$3,260.9 million at the end of 2019. The leverage ratio, which was 1.46x at the end of 2019, ended 2020 at 1.86x.

From a market positioning standpoint, throughout 2020 Cielo advanced in the development of its own sales force and, in a very intense way, improved the quality of the services to improve the customer experience, as well as our ability to attract and retain customers.

Own channels accounted for 52% of new customers in the last quarter of the year, a strong growth resulting from the expansion of our sales force. The third-party channels - Banks and Partners - remain an important part of Cielo's strategy, and we have been focused on improving other other partnerships, optimizing the banking channel, and integrating different channels.

Efforts to improve the quality of the services showed important results in 2020. There were significant improvements in satisfaction indicators, complaints, and NPS (Net Promoter Score). Cielo was also recognized by the market, coming in second in the quality ranking published by the website Reclame Aqui in 2020. The entire Company has been focused on placing the customer at the heart of the business. The evolution in quality indicators reflects the effort to improve the customer experience and advance the digital transformation process.

Throughout the year, the Brazilian economy showed its ability to recover. The issues brought by the pandemic are still perceived, but it is already possible to see significant signs of recovery. The Cielo Broad Retail Index (ICVA) has registered an improvement since the third quarter, when compared to the most severe point of the crisis. Importantly, in the last few months we have seen some segments in which Cielo has captured a higher than expected volume of transactions in its budget, prepared and approved before the COVID crisis.

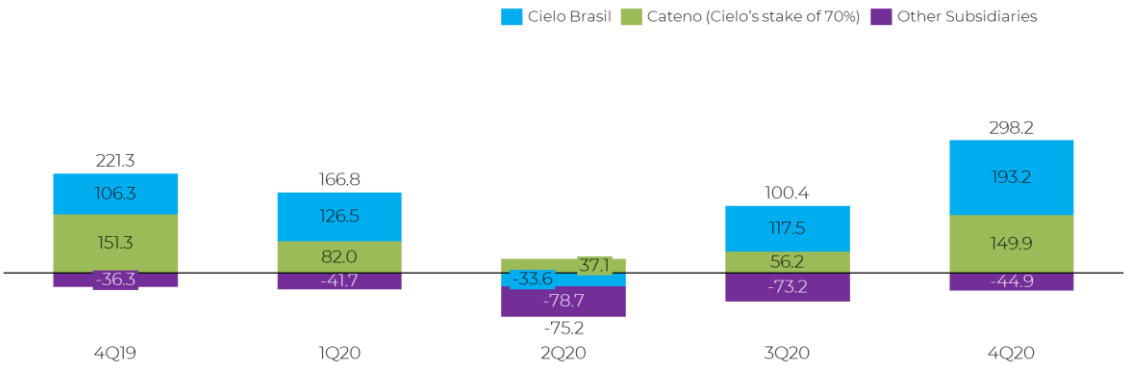
The economic recovery and the measures that have been adopted by the Company have enabled a sequential recovery in TPV throughout the second half of the year, with a 29.4% growth in the third quarter and 15.1% growth in the last quarter of the year. The volume captured reached R$356.2 billion in the second half of 2020.

Throughout the year, Cielo advanced with its strategy to prioritize more profitable segments, focusing on retail. The volume captured in this segment reached 37.3% of the total in the last quarter of the year, compared to 33.1% in the same period of 2019. Likewise, Cielo expanded the prepayment business in the retail segments.

Considering the total captured in the segment, the penetration of prepayment products reached a record percentage in the 4Q20, of 32.7%, with sequential growths throughout the year.

Net Revenue followed the business recovery, reaching R$5,905.1 million in the second half and R$11,186.0 million in fiscal year of 2020.

Profit by Business Unit



The statements of profit or loss of Cielo Brasil consolidate the operations of the companies Cielo, Servinet, Aliança and Stelo (which merged Braspag on 9.30.20) and compute the share of profit (loss) of the companies Orizon and Paggo. The statements of other subsidiaries consolidate the operations of the companies M4U, MerchantE, Cielo USA and Braspag until 9.30.20.

All these results were achieved thanks to the dedication of the Company's 4,106 employees. Focused on protecting its employees and their families, Cielo has widely adopted remote work since the start of the pandemic, and kept this up throughout the year. Suspected cases of coronavirus are constantly monitored, with the support of a medical team.

We will see many changes in the payment industry in Brazil and we see in a favorable way the initiatives led by the Central Bank of Brazil that favor the final consumer, where we highlight the PIX initiative, the Receivables Registry and Open Banking. Cielo has been getting ready to take center stage in these changes. 2020, so challenging, showed our Company's adaptability. Cielo will continue to focus on improving the customer experience and deepening the digital transformation process, acting as a leader in the digitalization of payments in the Brazilian economy.

HIGHLIGHTS 2020

- Cielo's financial volume of transactions totaled R$ 644.0 billion, a reduction of 5.7% compared to 2019, or R$ 39.2 billion;

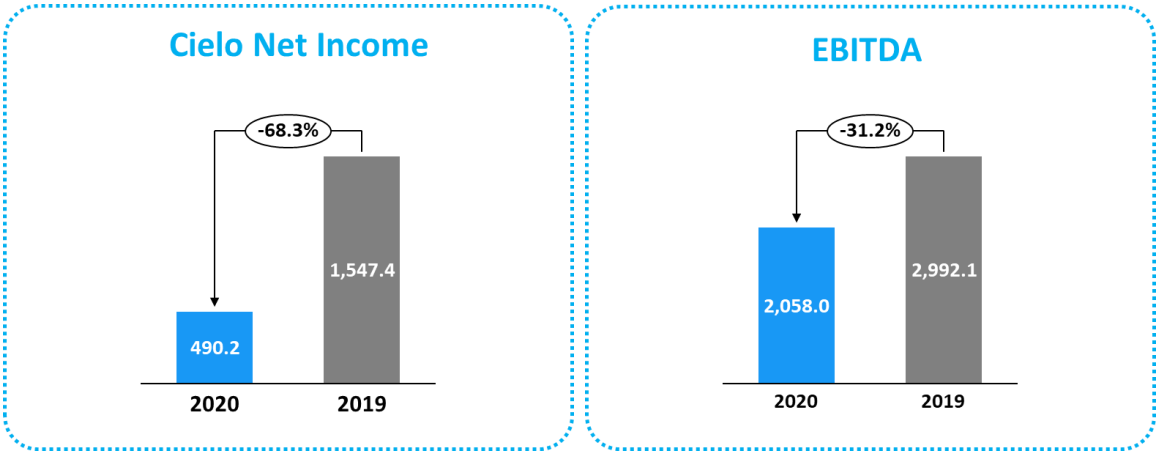
- Cielo's consolidated net revenue totaled R$ 11,186.0 million, a reduction of 1.5% compared to 2019, or R$ 167.8 million;

- Revenue from purchase of receivables (ARV), net of taxes, totaled R$ 502.7 million, a decrease of 55.2% compared to 2019. ARV reached 9.2% of the financial volume of credit captured by Cielo in the year, a reduction of 7.1 percentage points in relation to 2019;

- Total consolidated expenditures (costs and expenses), not considering the effects from share of profit (loss) of investees, totaled R$ 10,354.6 million, an increase of 9.5% compared to 2019, or R$ 898.2 million;

- Cielo's net profit totaled R$ 490.2 million, a decrease of 68.3% compared to 2019, or R$ 1,057.1 million; and

- Consolidated EBITDA totaled R$ 2,058.0 million, a reduction of 31.2% compared to 2019, or R$ 934.1 million.



OPERATING PERFORMANCE 2020

Financial Volume of Transactions

Annual Evolution

In 2020, Cielo's financial volume of transactions totaled R$ 644.0 billion, a decrease of 5.7% compared to 2019, or R$ 39.2 billion, compared to R$ 683.1 billion in 2019.

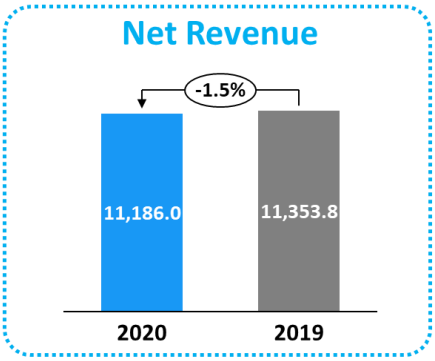
Specifically with credit cards, the financial volume of transactions totaled R$ 360.2 billion in 2020, a decrease of 12.5% compared to 2019.

With debit cards, the financial volume of transactions totaled R$ 283.8 billion in 2020, an increase of 4.5% in relation to 2019.

In addition, Cielo captured 6.2 billion transactions in 2020, a decrease of 13.5% compared to 2019.

FINANCIAL PERFORMANCE 2020

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2020 AND 2019



Net Revenue

Annual Evolution

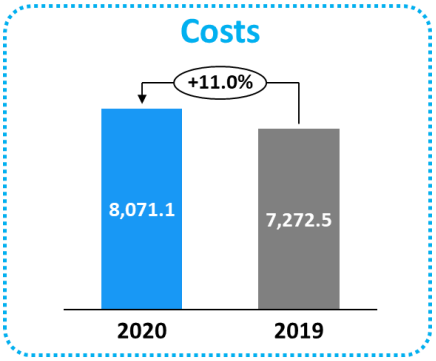
Cielo's consolidated net revenue totaled R$ 11,186.0 million in 2020, a decrease of R$ 167.8 million or 1.5% compared to R$ 11,353.8 million in 2019.

The decrease in net revenue is due to the decrease in the volume captured and the reduction in average prices due to a more competitive environment (both of which impact revenue from capture, transmission, processing and financial settlement of Cielo and Stelo transactions), the increase in discounts on POS equipment rentals granted to merchants and the drop in revenue from card management under the Ourocard arrangement of subsidiary Cateno – mainly due to the change in products profile (increase in the debit card share) and in customer segments (customers with lower average prices) – such effects also result from the impacts on the economic activity caused by the COVID-19 pandemic.

This reduction was partially offset by the positive impact resulting from the change in the subject matter of the incentive contracts with banks (contracting of intermediation, customer attraction and maintenance services provided by banks, which have been recorded as costs of services provided as from 1Q20), the appreciation of US dollar on revenues from the US-based operations (MerchantE), the expansion of the mobile phone credit resale business of subsidiaries M4U and the increase in revenue related to the "payment in two days" product in the Parent Company.

Cost of Services Rendered

Annual Evolution



Consolidated costs of services rendered totaled R$ 8,071.1 million in 2020, representing an increase of R$ 798.6 million or 11.0% compared to 2019. The increase was mainly due to the following events:

(i) Increase of R$ 423.2 million in **costs of services rendered in US-based subsidiary MerchantE**, exclusively due to the devaluation of the Brazilian real against the average US dollar rate in the year-over-year comparison;

(ii) Net increase of R$ 216.7 million in **costs with services rendered in subsidiary M4U**, directly related to the growth in the mobile phone credit resale business, especially in the virtual recharge modality;

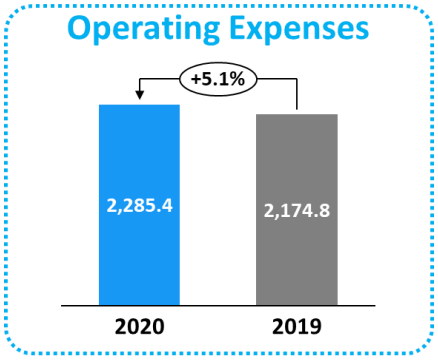
(iii) Increase of R$ 105.1 million in **costs relating to POS equipment and other costs of Cielo and Stelo**, mainly due to the increase in depreciation and amortization costs due to the acquisition of POS equipment and the amortization of 2019 subsidies related to the sale of equipment to merchants, partially offset by the reduction in expenses with spare parts and maintenance of POS equipment.

(iv) Increase of R$ 28.8 in **other costs**, including personnel expenses, corresponding to the increase in the number of employees, the salary increases by operation of the collective bargaining agreement in 2020 and the effects from bonus and promotions;

(v) Net increase of R$ 14.3 million in **costs relating to Cielo and Stelo's transactions**, due to expenses incurred with customer prospecting and maintenance services provided by banks as from January 1, 2020 (new contract), partially offset by the decrease in expenses with brand fees and

processing services (due to lower transaction volumes, lower expenses with projects and actions aimed at reducing expenses);

(vi) Net increase of R$ 10.8 million in **costs related to management of payment accounts of the Ourocard Arrangement of Cateno**, corresponding to embossing and card mailing costs, partially offset by lower expenses with in-person services at the agencies and invoice issuing (due to the migration to digital channels at lower cost).



Operating Expenses

Annual Evolution

Operating expenses totaled R$ 2,285.4 million in 2020, an increase of R$ 110.6 million or 5.1% compared to 2019. The increase mainly results from the following events:

Personnel expenses - Personnel expenses increased by R$ 55.7 million, or 7.8%, to R$ 772.5 million in 2020, compared to R$ 716.8 million in 2019. The increase occurred in the subsidiary MerchantE, mainly due to the effect from the US dollar appreciation, and in expenses with the restricted shares plan (share-based compensation) in Cielo (as a result of lower expenses in the previous year).

General and administrative expenses - General and administrative expenses, including depreciation, increased R$ 63.8 million or 14.3% to R$ 509.7 million in 2020, compared to R$ 445.9 million in 2019. The increase is mainly related to specific expenses for restructuring of subsidiary MerchantE, added to the effect from appreciation of the US dollar on expenses of the US-based subsidiary, offset by a reduction in expenses of Cielo and other subsidiaries, resulting from cost efficiency actions.

Sales and marketing expenses - Sales and marketing expenses decreased R$ 171.6 million or 31.5% to R$ 373.4 million in 2020, compared to R$ 545.0 million in 2019. The decrease is due to lower expenses with marketing campaigns and the optimization of the sales force for the signing up of new Cielo customers, by replacing outsourced by own sales force.

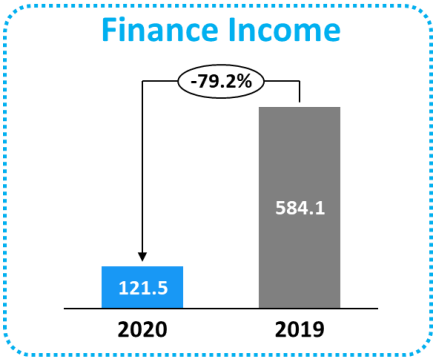
Other net operating expenses - Other net operating expenses increased R$ 151.6 million or 31.8%, to R$ 627.9 million in 2020, compared to R$ 476.3 million in 2019. This increase is related to the increase in operating losses of the subsidiary Cateno (total operating losses of R$ 208.5 million in 2020 and R$ 65.4 million in 2019), reflecting the challenges in a scenario of increasing volume captured through digital channels, intensified by the COVID-19 pandemic (preventive, detective and corrective actions were implemented by Cateno together with its customers, notably Banco do Brasil, in order to reverse this trend), as well as to the operating loss at Cielo in the amount of R$ 24.9 million for which corrective measures have already been implemented to prevent new events of this nature, an increase in the allowance for doubtful debts arising from the effects of the COVID19 pandemic (complement of provision in the amount of R$ 6.8 million), and loss on POS equipment at Cielo in the amount of R$ 42.8 million (all these events of Cielo considered as non-recurring). partially offset by the sale of a defaulting customers portfolio (doubtful debts already recognized as loss in previous periods) in the Parent Company for R$ 18.0 million (non-recurring event) and by the reimbursement of expenses of the Ourocard Arrangement of R$ 29.9 million in the subsidiary Cateno, pursuant to the contractual agreement between Cateno and Banco do Brasil S.A. (non-recurring event).

Share of profit (loss) of investees - Reduction in share of profit (loss) of investees by R$ 11.1 million or 120.4%, to negative R$ 1.9 million in 2020, compared to positive R$ 9.2 million in 2019. The decrease is

related to the effects of the COVID-19 pandemic on the profit or losses of the joint venture Orizon (the equity interest held by Cielo was sold in January 2021).

Finance Income

Annual Evolution



Finance result totaled R$ 121.5 million in 2020, representing a reduction of R$ 462.6 million or 79.2%, compared to R$ 584.1 million in 2019. This decrease is mainly due to the following:

Finance income - Finance income decreased R$ 21.1 million or 11.6%, to R$ 160.6 million in 2020, compared to R$ 181.7 million in 2019. This decrease is mainly related to the reduction in the average balance invested in subsidiary Cateno and to the drop in the CDI rate, partially offset by higher average balance invested in the Parent Company.

Finance costs - Finance costs decreased R$ 231.6 million or 31.1% to R$ 511.9 million in 2020, compared to R$ 743.5 million in 2019. This decrease is mainly related to the drop in the CDI rate and the partial settlement of foreign currency debts throughout 2020.

Purchase of receivables, net (ARV) – Revenue from purchase of receivables, net of taxes, totaled R$ 502.7 million in 2020, a decrease of R$ 620.3 million or 55.2% compared to R$ 1,123.0 million in 2019. The decrease is mainly related to the reduction in the volume of credit acquired and the drop of the discount rate. As from 2Q20, in the COVID-19 pandemic scenario, the Company started to adopt restrictive measures in the allocation of resources in high-risk segments and started to prioritize services to small and medium size merchants.

Exchange variation, net - Exchange variation, net totaled a loss of R$ 29.9 million in 2020, a variation of R$ 52.8 million, compared to the gain of R$ 22.9 million in 2019. This variation is related to the accounting effect of mark-to-market of derivative instruments hedging foreign-currency denominated liabilities and to the exchange rate effect on the cash position in foreign currency arising from credit card transactions carried out by foreigners in Brazil.

EBITDA

EBITDA

Annual Evolution

EBITDA totaled R$ 2,058.0 million in 2020, a decrease of 31.2% compared to 2019, or R$ 934.1 million, as shown below:

EBITDA (R$ million)	2020	2019
Cielo Net Income	490.2	1,547.4
Shareholders other that not of Cielo S.A.	141.3	205.7
Financial Income (Expenses)	(121.5)	(584.1)
Tax and Social Contribution	319.5	737.6
Depreciation e Amortization	1,228.5	1,085.5
EBITDA	**2,058.0**	**2,992.1**

EBITDA corresponds to the net profit, plus income tax and social contribution, depreciation and amortization expenses and finance income net of finance costs. For such calculation, the parent company's profit includes the non-controlling interests.

Management believes that EBITDA is an important parameter for investors because it provides relevant information about our operating results and profitability. However, EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil and, according to the International Financial Reporting Standards, it does not represent the cash flow for the reporting periods and it should not be considered as an alternative to profit as an operating performance measure or as an alternative to operating cash flow or as a measurement of liquidity. In addition, the EBITDA has a limitation which jeopardizes its use as a measure of profitability, since it does not consider certain costs deriving from businesses, which may significantly affect profit, such as financial expenses, taxes, depreciation, capital expenditures and other related charges.

IMPACTS FROM THE GLOBAL COVID-19 PANDEMIC

According to the Cielo Amplified Retail Index (ICVA), which reflects evolution of Brazilian retail sales on a monthly basis, retail sales posted a nominal decrease of 10.4% in 2020 compared to 2019, this result is still strongly impacted by the effects of COVID-19. In 4Q20, the ICVA showed a decrease of 10% in retail sales during the 2020 Black Friday, compared to the same period in the previous year. This decrease in in-store sales during the Black Friday was partially offset by e-commerce sales, which increased by 31.8%, and, if we were to exclude the more strongly impacted industries, such as tourism and transport, this increase would be of 60.4%.

The effects from the social distancing measures and the economic crisis caused by the COVID-19 pandemic were felt with the reduction in volume in Cielo and Cateno, and the consequent effect on Cielo's commission and Cateno's interchange revenue, in addition to the appreciation of the US dollar, which impacts revenues and expenses of the foreign subsidiaries Cielo Inc. and MerchantE.

Considering that Cielo's operational and financial performance is highly dependent on national consumption and, consequently, on the volume of transactions in the card market, the Company has maintained, since the beginning of the pandemic, more rigorous criteria for losses on overdue balances of customers assessed as involving high risk of default. This procedure will be maintained until the pandemic impacts are no longer felt, being reassessed monthly, according to the evolution of the collection portfolio.

Throughout the year, the Company implemented several initiatives aiming at adjusting its cost and capital structure to the current economic scenario. Additionally, as soon as the COVID-19 outbreak began in Brazil, the cash management strategy started to seek to increase the Company's liquidity. In view of possible scenarios

of extension of the social distancing procedures and the consequent extension of market liquidity restrictions, the Company believes that it maintains capacity to manage its cash in order to meet all its short-term commitments.

CORPORATE GOVERNANCE

Corporate Governance is a priority for the Company, which has as one of its goals its continuous improvement to support sustainable, long-term corporate performance. In this spirit, Cielo voluntarily adopts the best corporate governance practices besides those required for companies listed on the Novo Mercado of B3 (Brasil, Bolsa e Balcão), evidencing the commitment of Cielo and its Management to the interest of its shareholders and investors.

The maximization of its efficiency and creation of long-term value translate, for example, into: (a) the adoption of an appropriate decision-making system and the monitoring of compliance therewith; (b) the maintenance of a Corporate Governance Office, which aims to support management bodies and committees/advisory forums of the Company and its subsidiaries, as well as to ensure compliance with the best corporate governance practices; (c) the adoption of ethical and sustainable conduct; (d) the formal performance assessment of the Board of Directors members and related advisory bodies on an individual and group basis; (e) the presence of distinct personnel holding the positions of Chairman of the Board of Directors and Chief Executive Officer; (f) the existence of an annual calendar and minimum agenda for the Board of Directors, covering the subjects to be discussed over the year in meetings previously scheduled; (g) the exchange of information through the Corporate Governance Electronic Portal; (h) the existence of a Policy on Related Party Transactions and situations involving Conflicts of Interest; and (i) a Code of Ethics mandatorily adhered to by all employees and Management, which establishes basic principles that should guide the Company's relations and activities, in addition to reiterating the need to comply with current legislation, widely disseminated at the Company and publicly disclosed on Cielo's Investor Relations website.

It is worth pointing out that since 2013 Cielo has been adopting a Policy on Related Party Transactions and other situations concerned with conflict of interests ("Policy"), which aims at consolidating the procedures to be followed in the Company's businesses involving related parties, as well as other situations involving potential conflict of interests, conferring transparent procedures to its shareholders and the market in general, ensuring its strict alignment with Cielo's interests, always in compliance with the best Corporate Governance practices, being reviewed in July 2019 to comply with the recommendations of the Brazilian Corporate Governance Code – Publicly-Held Companies prepared by the Interagents Working Group, which is coordinated by the Brazilian Institute of Corporate Governance.

Regarding the approval of transactions with related parties, it is the responsibility of the Corporate Governance Committee to evaluate the transaction (the business and its rationale), as well as the documentation that evidences that the transaction will be carried out under fair market conditions (such as, but not limited to, commercial proposals and market surveys). Notwithstanding the submission of this documentation, in the cases in which the aforementioned Committee deems it necessary, an independent appraisal report must be submitted, prepared without the participation of any party involved in the transaction with a related party, be it a bank, lawyer, specialized consulting firm, among others, based on realistic assumptions and information endorsed by third parties. After analysis, the Corporate Governance Committee will recommend or not the topic to be decided about to Cielo's Board of Directors, which will have access to all documents related to transactions with related parties.

It is important to note that the Corporate Governance Committee, when called to evaluate transactions between the Company and any of its controlling shareholders, will exceptionally be composed of all independent directors, and such independent directors should be called upon to consider the matter as ad hoc members of the Committee, replacing the member(s) appointed by the conflicting controlling shareholder(s), in addition to the Committee members who are not in conflict.

In addition, the members of the Board of Directors in a position of conflict (i) *a priori*, will not participate in the meetings or (ii) if they are present due to other matters covered, they should be absent from discussions on the topic and abstain from voting to decide about the matter. If requested by the Chairman of the Board of

Directors or by the Chief Executive Officer, as the case may be, such members may partially participate in the discussions, aiming to support them with more information about the operation and the parties involved, but should always, however, be absent at the end of the discussions, including from the voting process to decide about the matter. The member(s) appointed by the controlling shareholder(s) who is (are) not in conflict regarding the matter to be decided about shall not participate in the meetings of the Board of Directors or Corporate Governance Committee when the matter to be decided about refers to a strategic issue of the conflicting shareholder.

Referring to Cielo's corporate governance bodies, the Board of Directors, which is a joint committee, is composed of 11 (eleven) members who do not perform management activities, out of which 3 (three) are independent, where their independence aims to protect the interests of Cielo and its minority shareholders. The Board of Directors is responsible, among other attributions, for setting the general direction of the Company's business, electing the members of the Executive Board and overseeing its management. Currently, the Company' Statutory Board is composed of ten (10) members and performs the general management of the Company, respecting the guidelines defined by the Board of Directors. Moreover, as another evidence of the Company's adherence to the best Corporate Governance practices, the Board of Directors has six (6) advisory committees, namely: Audit Committee, Finance Committee, Corporate Governance Committee, People and Compensation Management Committee, Sustainability Committee and Risk Committee; and the Executive Board has 11 (eleven) advisory forums: Disclosure Forum, Ethics Forum, Expenses Forum, Social and Cultural Investments Forum, Pricing Forum, Business Forum, Diversity Forum, Innovation Forum, Products and Services Forum, Information Security Management Forum and Data Privacy and Protection Forum.

Cielo's Supervisory Board, an independent management body, is currently installed to oversee the Management activities and is composed of 5 (five) members, 01 (one) of them is an independent member.

Cielo is committed to the inclusion of Sustainability-related issues in its practices, aiming at ensuring success of the business in the long term, contributing to a wholesome environment, a fairer society and Brazil's social and economic development.

To better structure the achievement of these commitments, in 2017 Cielo also revised its Sustainability Strategic Plan. Adherent to the Company's business plan, approved by the Board of Executive Officers, the Sustainability Committee and the Board of Directors, this plan enabled a clearer understanding of how sustainability may effectively add value and boost Cielo's business, which has an enormous potential to stimulate the Brazilian economy. At the end of the process, the plan structure foresees initiatives of potential competitive advantage in the market – employees' commitment to a culture of sustainability, the incentive to entrepreneurship and enhancement of the good practices already adopted by Cielo – environmental management, private social investment and critical suppliers' management from the sustainability viewpoint.

The plan has actions planned for the period from 2017 to 2021 and some practices have already started to be implemented, such as, for example, the Diversity Program, which was structured in the 2nd half of 2019. This program has a Diversity Forum, coordinated by the Company's Chief Executive Officer, who advises the Executive Board and four groups of affinities (Ethnicity, LGBTQI +, Gender and Special Needs) and aim at promoting acceptability and equality in all relationships. Another result already achieved as a consequence of the Strategic Planning was the certification of the Environmental Management System (SGA) NBR ISO14.001 for Cielo's headquarters.

In the fourth quarter of 2020, the review of the Strategic Sustainability Plan was initiated, effective until 2021, which aims at establishing new strategic guidelines for the Company's performance in connection with the sustainability pillars in the period from 2021 to 2025. The review is based on an assessment of sustainability performance, obtained with the programs and practices in force, in strategic dialogues with stakeholders and in the assessment of the material aspects that generate shared value.

The good practices, already implemented by the Company are adopted every day, by means of consistent environmental initiatives, such as for instance, the establishment of a climate-related strategy, which includes the elaboration of greenhouse gas emission inventories (GHG) in line with the best world-class practices, audited and published in the Public Registry of Brazil GHG Protocol Program and the offset of carbon emissions; the investment in social projects which promote education, by means of actions contributing to

improved basic education and/or technical education, as well as initiatives that enable income generation also contributing to the development of Brazilian entrepreneurs.

Aligned with its climate strategy, Cielo responds to the Carbon Disclosure Initiative (CDP) transparency initiative and it is included in the Carbon Efficient Index (ICO2) of B3 (Brasil, Bolsa e Balcão) and, since the first half of 2020, it has also been included in the climate resilience index, ICDPR-70, including companies reaching CDP score C or higher, among B3's 100 most liquid shares. The generation of value to the Company and the stakeholders with whom we maintain relationship occurs by means of an ethical conduct, assumption that guides and permeates all Cielo's activities. Through the Code of Ethical Conduct, Cielo seeks to ensure the best corporate practices in the relationship with all of its stakeholders.

In accordance with the principle of transparency, in May 2020, the Company published its 2019 Sustainability Report, which was prepared based on the guidelines of the Global Reporting Initiative (GRI), GRI Standards version, providing information on the Company's performance regarding the most significant aspects for the business sustainability, seeking to demonstrate its ability to generate value and performing on a longstanding basis.

Such agenda of sustainability promotes business opportunities and enables leading edges to Cielo, perceived by the financial market and the entire society. As an example, Cielo, for the eighth consecutive year adheres to the portfolio of the Corporate Sustainability Index (ISE) of B3, an acknowledgment which attests, amongst Cielo's initiatives, to good corporate governance practices, suppliers management – taking into account social and environmental aspects and actions to promote its employees' life quality.

Since 2011, the Company has been issuing the American Depositary Receipts (ADRs), Level I, listed on the OTCQX International market

RELATIONSHIP WITH AUDITORS

Pursuant to CVM Instruction No. 381/03, we inform that during 2020, the Company engaged the independent auditing services of KPMG.

The Company's policy when contracting independent auditor's services assures there is no conflict of interests, no loss of independence or objectivity. Therefore, Cielo's policy to engage independent auditors adopts the following internationally accepted principles: (a) the auditor shall not audit his own work, (b) the auditor shall not perform managerial duties at its client and (c) the auditor shall not promote the interests of its client.

Cielo declares that the independent auditors have been engaged to provide services not related to external audit during 2020, which consisted of provision of reasonable assurance about the Environmental, Social and Governance Information and the Sustainability Report 2019 and reasonable assurance about compliance with the clauses (obligations) of the Procedure Adjustment Agreement ("TCC") by and between CADE (Brazilian antitrust agency), Cielo and the review of the 2019 Reference Form. These engagements comply with the company's corporate governance requirement, which determines that every extraordinary engagement of independent auditor who audits its financial statements, directly or indirectly, needs to be previously analyzed by the Audit Committee and authorized by the Board of Directors. The contractual amount was R$ 498.5 thousand or approximately 19.0% of total auditor's fees referring to the audit of the 2020 financial statements of Cielo and its subsidiaries Cateno, Stelo, Orizon and Investment Funds (FIDCs).

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Cielo S.A.

Financial statements for the six-month period and the year ended December 31, 2020 and Independent Auditor's Report *(COSIF)*

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Independent auditors' report on the individual and consolidated financial statements

To
The Shareholders and Board of Directors of
Cielo S.A.
Barueri - SP

Opinion
We have audited the individual and consolidated financial statements of Cielo S.A. ("Company"), which comprise the balance sheet as of December 31, 2020, and the statements of profit or loss, of comprehensive income, changes in equity and cash flows for the six-month period and year then ended, and notes to the financial statements, comprising the summary of the significant accounting polices.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Cielo S.A. as of December 31, 2020, its individual and consolidated financial performance and its individual and consolidated cash flows for the six-month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to the payments institutions authorized to operate by the Central Bank of Brazil ("BACEN").

Basis for opinion
We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities, in accordance with the aforementioned standards, are described in the following section entitled "Auditor's responsibilities for the audit of the individual and consolidated financial statements". We are independent from the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Process of capturing, processing and settling transactions
The Company captures, processes and settles transactions made by holders of credit and debit cards, which are the basis for the recognition of operating revenues and other information presented in the individual and consolidated financial statements, particularly that about accounts payable to commercial businesses and accounts receivable from issuers. Due to the inherent high complexity of the processes for capturing, processing and settling transactions which, among others, is the basis of recognition of operating revenues and that could have an impact on the financial statements, we consider this to be a key audit matter.

How the matter was addressed in our audit
We tested the reconciliation of accounting balances with the information provided by the card brand, as well as tested a sample assessing the supporting documentation over the recognition and settlement of the related operating revenue. Our procedures included evaluating the disclosures made by the Company in the financial statements described in notes 2.8 and 7, 13 and 17.

According to the evidence we obtained by applying the procedures described above, we considered the process for capturing, processing and settling transactions and the disclosures to be acceptable in the context of the individual and consolidated financial statements taken as a whole.

Evaluation of recoverable value for intangible assets with a definite useful li fe (Subsidiary – Cateno Gestão de Contas e Pagamentos S.A.)
As described in notes 9 and 11, the value of investments accounted using the equity method in the individual financial statement includes values of intangible assets with definite useful lives (Exploration Law – Ourocard Payment Arrangement), classified in the consolidated financial statement in specific account. Due to the relevance of the balance and the high degree of judgment involved in the process of determining the value in use based on the future cash flows of the cash-generating units for the purposes of assessing the recoverable value of such assets, which may have an impact on the carrying value of the investment accounted for on the equity method in the individual financial statements and the value of intangible assets recorded in the consolidated financial statement, we considered this to be a key audit matter.

How the matter was addressed in our audit
Our audit procedures included the assessment of the recoverable value of intangible assets with defined useful lives. The current study for this assessment is the one that was carried out in the second half of 2020. With the technical support of our corporate finance specialists, we analyzed the reasonability the and consistency of the data and assumptions used in the last valuation model used by the Company to test the impairment, such as growth rates, discount rates, cash flow projections and profitability estimates, as well as the reasonableness of the mathematical calculations included in this model. Additionally, we compared the cash flow projections used by the Company in the last assessment made with the subsidiary's economic performance for the period ended December 30, 2020. Our procedures also included the evaluation of the disclosures made by the Company in the financial statements described in notes 9 and 11.

According to the evidence we obtained by applying the procedures described above, we considered acceptable the measuring of intangible assets with definite useful lives and disclosures in the context of the individual and consolidated financial statements taken as a whole.

Provision for bad debts
As described in notes 7 and 26, the main risks to which the Company is exposed are due to: (i) amounts receivable from issuers, (ii) the values of chargeback, reversal or cancellation when liquidating the receivables or acquisition of receivables from commercial establishments in deferred sales and (iii) non-payment of rent on the capture terminals used by commercial establishments. In order to address these risks, in addition to the credit analysis and assessment of the need for issuance of guarantees by the issuers, carried out through continuous monitoring of counterparties, the Company, according to note 7, constitutes a provision for bad debts. This provision is determined by means of a methodology that consists of assigning ratings and percentage of provision, according to the delay range of operations. Due to the relevance of the balance in the context of the individual and consolidated financial statements and the degree of judgment considered in the estimates used, we considered this to be a key audit matter.

How the matter was addressed in our audit
Our audit procedures included obtaining an understanding of the design of internal controls considered relevant and related to the credit risk analysis of issuers, subaquirers and merchants, as well as the preparation and approval of the provision methodology for bad debts. We carried out, by sampling, tests related to the rating assignment to the issuers in accordance with the current internal standard and the analysis of guarantees by the issuers. We evaluated data such as the due date, days overdue and rating assignment, used in the calculation of the provision and recalculated the provisioned book balances. We also evaluated the disclosures made by the Company in the individual and consolidated financial statements, described in notes 7 and 26, if they are in accordance with the accounting practices adopted in Brazil

applicable to the payments institutions authorized to operate by the Central Bank of Brazil ("BACEN").

According to the evidence we obtained by applying the procedures described above, we consider acceptable the provision for bad debts and their respective disclosures in the context of the individual and consolidated financial statements taken as a whole.

Other issues

Statements of value added
The statements of value added (DVA) for the six-month period and year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented herein as supplementary information in accordance with the accounting practices adopted in Brazil applicable to payments institutions authorized to operate by the Central Bank of Brazil, were subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether this statement is reconciled to the Company's financial statements and accounting records, as applicable, and whether their form and content is in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other Information that accompany the individual and consolidated financial statements and the auditor report
Company's management is responsible for these other information. The other information comprises the management's report.

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

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

Responsibilities of management and those charged with governance for the individual and consolidated financial statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting policies adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the individual and consolidated Financial Statements

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

As part of an audit in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

Osasco, January 26, 2021

KPMG Auditores Independentes
CRC 2SP028567/O-1 F-SP

Original report in Portuguese signed by
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Cielo S.A.

Statements of financial position as at December 31 2020 and 2019

(In thousands of Brazilian Reais - R$)

Assets	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019 (Restated)	12/31/2020	12/31/2019 (Restated)
Current assets					
Cash	4	34.083	59.863	127.969	237.604
Financial instruments, including derivatives	5	2.631.697	180.117	3.617.998	3.023.368
Credit rights investment fund	6	1.850.998	7.885.074	-	-
Income receivable	7	338.095	284.638	935.733	875.676
Receivables from card-issuing banks	7	70.034.602	71.864.873	70.211.977	72.192.036
Receivables from related parties	27	5.265	196.893	29.907	-
Taxes and contributions for offset/recoverable		497.087	130.527	810.768	488.487
Other operating receivables	7	186.678	273.120	262.894	414.993
Allowance for doubtful debts	7	(277.701)	(245.948)	(304.582)	(267.705)
Other receivables		43.975	85.636	67.480	100.770
Total current assets		**75.344.779**	**80.714.793**	**75.760.144**	**77.065.229**
Long-term assets					
Financial instruments, including derivatives	5	175.498	-	457.892	-
Escrow deposits	14	1.576.406	1.586.621	1.578.987	1.594.140
Tax credits	8	927.919	907.991	1.159.755	1.132.687
Other operating receivables	7	20.638	26.914	22.410	28.925
Other receivables		-	87	-	87
Permanent assets					
Investments	9	7.753.343	8.850.696	121.890	126.229
Property and equipment	10	929.880	830.152	986.756	881.384
Intangible assets	11	596.407	562.734	10.442.755	10.955.638
Total long-term and permanent assets		**11.980.091**	**12.765.195**	**14.770.445**	**14.719.090**
Total assets		**87.324.870**	**93.479.988**	**90.530.589**	**91.784.319**

Liabilities and equity	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019 (Restated)	12/31/2020	12/312019 (Restated)
Current liabilities					
Borrowings	12	40.214	917.685	40.960	918.337
Derivative financial instruments	6	2.079	47.513	2.079	47.513
Other payables		67.645.222	73.568.211	67.054.479	67.368.476
Social and statutory	15 and 22	223.244	152.385	277.043	203.223
Tax and social security	8	236.452	104.375	581.140	553.689
Obligations with senior quotas		-	-	3.041.462	2.000.352
Payables to merchants	13	61.529.245	62.805.144	61.765.044	63.340.980
Payables to related parties	27	5.059.410	9.906.443	-	-
Others		596.871	599.864	1.389.790	1.270.232
Total current liabilities		**67.687.515**	**74.533.409**	**67.097.518**	**68.334.326**
Long-term liabilities					
Borrowings	12	6.901.822	6.799.128	8.903.652	8.327.298
Other payables		3.244.679	2.717.196	1.923.707	2.020.115
Provision for contingencies	14	1.819.580	1.806.874	1.838.719	1.830.747
Deferred taxes and contributions		-	-	34.864	70.757
Provision for obligations with investees		1.390.012	861.815	104	51
Others		35.087	48.507	50.020	118.560
Total long-term liabilities		**10.146.501**	**9.516.324**	**10.827.359**	**10.347.413**
Equity					
Issued capital	15	5.700.000	5.700.000	5.700.000	5.700.000
Capital reserves	15	67.529	65.658	67.529	65.658
Earnings reserves	15	4.031.907	3.708.079	4.031.907	3.708.079
Other comprehensive income	15	(223.767)	12.716	(223.767)	12.716
(-) Treasury shares	15	(84.815)	(56.198)	(84.815)	(56.198)
		-			
Attributable to:					
Owners of the Company		9.490.854	9.430.255	9.490.854	9.430.255
Noncontrolling interests		-	-	3.114.858	3.672.325
Total equity		**9.490.854**	**9.430.255**	**12.605.712**	**13.102.580**
Total liabilities and equity		**87.324.870**	**93.479.988**	**90.530.589**	**91.784.319**

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of profit or loss

For the six-month period ended December 31, 2020 and years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R$, except earnings per share)

	Note	Parent Company			Consolidated	
		2nd Six-month Period/20	Year/20	Year/19 (Restated)	Year/20	Year/19 (Restated)
NET REVENUE	17	2.486.868	4.675.572	5.300.680	11.186.013	11.353.842
COST OF SERVICES PROVIDED	18	(1.451.810)	(2.820.654)	(2.637.562)	(8.071.148)	(7.272.480)
GROSS PROFIT		**1.035.058**	**1.854.918**	**2.663.118**	**3.114.865**	**4.081.362**
OPERATING INCOME (EXPENSES)						
Personnel	18	(136.249)	(287.011)	(289.046)	(772.533)	(716.827)
General and administrative	18	(278.174)	(511.125)	(508.868)	(509.658)	(445.902)
Sales and marketing	18	(61.592)	(129.743)	(300.968)	(373.416)	(544.988)
Share of profit (loss) of investees	9	73.367	(11.366)	227.999	(1.882)	9.206
Other operating expenses, net	19	(153.892)	(359.374)	(377.541)	(627.889)	(476.270)
OPERATING PROFIT		**478.518**	**556.299**	**1.414.694**	**829.487**	**1.906.581**
FINANCE INCOME (COSTS)						
Finance income	25	39.437	52.816	32.449	160.639	181.670
Finance costs	25	(117.147)	(336.470)	(523.647)	(511.907)	(743.476)
Purchase of receivables and FIDC	25	123.651	424.441	1.009.654	502.672	1.123.015
Exchange differences and MtM, net	25	(24.028)	(29.661)	22.927	(29.918)	22.895
		21.913	111.126	541.383	121.486	584.104
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		**500.431**	**667.425**	**1.956.077**	**950.973**	**2.490.685**
INCOME TAX AND SOCIAL CONTRIBUTION						
Current	8	(173.887)	(203.401)	(395.756)	(397.686)	(779.151)
Deferred	8	72.108	26.225	(12.929)	78.226	41.589
PROFIT FOR THE PERIOD		**398.652**	**490.249**	**1.547.392**	**631.513**	**1.753.123**
ATTRIBUTABLE TO:						
Owners of the Company					490.249	1.547.392
Noncontrolling interests					141.264	205.731
Earnings per share (in R$) - Basic	16	0,14692	0,18091	0,57042	0,18091	0,57042
Earnings per share (in R$) - Diluted	16	0,14678	0,18035	0,56958	0,18035	0,56958

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of comprehensive income

For the six-month period ended December 31, 2020 and years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Parent Company			Consolidated	
	2nd Six-month Period/20	**Year/20**	**Year/19 (Restated)**	**Year/20**	**Year/19 (Restated)**
Profit for the period	**398.652**	**490.249**	**1.547.392**	**631.513**	**1.753.123**
Comprehensive income					
Exchange differences on translating foreign operations:					
Exchange differences on foreign investments	73.637	(250.349)	(30.123)	(250.349)	(30.123)
Post-employment benefit	13.866	13.866	(16.783)	13.866	(16.783)
	-	-		-	-
Changes for the period	87.503	(236.483)	(46.906)	(236.483)	(46.906)
Total comprehensive income for the period	**486.155**	**253.766**	**1.500.486**	**395.030**	**1.706.217**
Attributable to:					
Owners of the Company				253.766	1.500.486
Noncontrolling interests				141.264	205.731

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of changes in equity
For the six-month period ended December 31, 2020 and years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

					Earnings reserves							
	Note	Issued capital	Capital reserve	Treasury shares	Legal	Capital budget	Additional dividends	Earnings retention	Other comprehensive income	Total owners of the Company	Noncontrolling interests	Total equity
Balances as at December 31, 2018 (Restated)		**5.700.000**	**71.255**	**(50.578)**	**1.049.745**	**1.820.386**	**709.500**	**-**	**59.622**	**9.359.930**	**3.666.004**	**13.025.934**
Aquisition of treasury shares		-	-	(22.829)	-	-	-	-	-	(22.829)	-	(22.829)
Restricted stock options granted	24	-	11.612	-	-	-	-	-	-	11.612	-	11.612
Sale/transfer of treasury shares under the stock option plan	24 and 15.b)	-	(17.209)	17.209	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	1.547.392	-	1.547.392	205.731	1.753.123
Allocation of profit for the period:											-	-
Legal reserve	15.e)	-	-	-	79.008	-	-	(79.008)	-	-	-	-
Interest on capital proposed	15.g)	-	-	-	-	-	-	(81.276)	-	(81.276)	-	(81.276)
Interest on capital paid	15.g)	-	-	-	-	-	-	(404.000)	-	(404.000)	-	(404.000)
Dividends paid	15.g)	-	-	-	-	-	(709.500)	(224.168)	-	(933.668)	-	(933.668)
Capital budget reserve		-	-	-	-	758.940	-	(758.940)	-	-	-	-
Other comprehensive income:												
Exchange differences on net foreign investments	15.d)	-	-	-	-	-	-	-	(30.123)	(30.123)	-	(30.123)
Post-employment benefit	15.d)	-	-	-	-	-	-	-	(16.783)	(16.783)	-	(16.783)
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	-	(199.410)	(199.410)
Balances as at December 31, 2019 (Restated)		**5.700.000**	**65.658**	**(56.198)**	**1.128.753**	**2.579.326**	**-**	**-**	**12.716**	**9.430.255**	**3.672.325**	**13.102.580**
Balances as at June 30, 2020		**5.700.000**	**65.025**	**(76.804)**	**1.133.333**	**2.579.326**	**-**	**56.305**	**(311.270)**	**9.145.915**	**3.652.792**	**12.798.707**
Acquisition of treasury shares		-	-	(12.654)	-	-	-	-	-	(12.654)	-	(12.654)
Restricted stock options granted	24	-	7.147	-	-	-	-	-	-	7.147	-	7.147
Sale/transfer of treasury shares under the stock option plan	22 and 15.b)	-	(4.643)	4.643	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	398.652	-	398.652	89.158	487.810
Allocation of profit for the period:											-	-
Legal reserve	15.e)	-	-	-	6.667	-	-	(6.667)	-	-	-	-
Interest on capital proposed	15.g)	-	-	-	-	-	-	(120.758)	-	(120.758)	-	(120.758)
Dividends proposed		-	-	-	-	-	-	(14.951)	-	(14.951)	-	(14.951)
Capital budget reserve		-	-	-	-	312.581	-	(312.581)	-	-	-	-
Other comprehensive income:												
Exchange differences on net foreign investments	15.d)	-	-	-	-	-	-	-	73.637	73.637	-	73.637
Post-employment benefit		-	-	-	-	-	-	-	13.866	13.866	-	13.866
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	-	(627.092)	(627.092)
Balances as at December 31, 2020		**5.700.000**	**67.529**	**(84.815)**	**1.140.000**	**2.891.907**	**-**	**-**	**(223.767)**	**9.490.854**	**3.114.858**	**12.605.712**
Balances as at December 31, 2019 (Restated)		**5.700.000**	**65.658**	**(56.198)**	**1.128.753**	**2.579.326**	**-**	**-**	**12.716**	**9.430.255**	**3.672.325**	**13.102.580**
Acquisition of treasury shares		-	-	(40.214)	-	-	-	-	-	(40.214)	-	(40.214)
Restricted stock options granted	24	-	13.468	-	-	-	-	-	-	13.468	-	13.468
Sale/transfer of treasury shares under the stock option plan	22 and 15.b)	-	(11.597)	11.597	-	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	490.249	-	490.249	141.264	631.513
Allocation of profit for the period:											-	-
Legal reserve	15.e)	-	-	-	11.247	-	-	(11.247)	-	-	-	-
Interest on capital proposed	15.g)	-	-	-	-	-	-	(151.470)	-	(151.470)	-	(151.470)
Dividends proposed		-	-	-	-	-	-	(14.951)	-	(14.951)	-	(14.951)
Capital budget reserve		-	-	-	-	312.581	-	(312.581)	-	-	-	-
Other comprehensive income:												
Exchange differences on net foreign investments	15.d)	-	-	-	-	-	-	-	(250.349)	(250.349)	-	(250.349)
Post-employment benefit		-	-	-	-	-	-	-	13.866	13.866	-	13.866
Effect of noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	-	(698.731)	(698.731)
Balances as at December 31, 2020		**5.700.000**	**67.529**	**(84.815)**	**1.140.000**	**2.891.907**	**-**	**-**	**(223.767)**	**9.490.854**	**3.114.858**	**12.605.712**

The accompanying notes are an integral part of these financial statements.

Cielo S.A.

Statements of cash flows

For the six-month period ended December 31, 2020 and years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Note	Parent Company			Consolidated	
		2nd Six-month Period/20	Year/20	Year/19	Year/20	Year/19
				(Restated)		(Restated)
Cash flows from operating activities		500.431	667.425	1.956.077	950.973	2.490.685
Profit before income tax and social contribution						
Adjustments to reconcile profit before income tax and social contribution						
to net cash generated by operating activities:		241.438	472.729	351.280	1.228.503	1.091.268
Depreciation and amortization	9, 10 and 11	27.199	42.995	18.293	83.910	19.412
Write-offs/losses on property and equipment and intangible assets	10 and 11	(73.367)	11.366	(227.999)	1.882	(9.206)
Share of profit (loss) of investees	9	-	-	-	(138.741)	(18.657)
Exchange differences on property and equipment and intangible assets	10 and 11	2.504	1.871	(5.597)	1.871	(5.597)
Stock options granted		71.609	255.540	306.772	511.854	389.382
Loss on doubtful debts and fraud	19	53.698	60.360	86.314	58.103	83.939
Provision for tax, civil and labor risks	14.a)	(16.089)	301.535	54.970	788.882	121.829
Exchange differences relating to interest on foreign borrowings	12	25.915	(302.417)	(119.687)	(302.417)	(119.687)
Gains (losses) on financial instruments		91.731	252.806	421.645	254.397	481.558
Interest on borrowings	12	13.375	33.700	14.658	33.700	14.658
Amortization of debt issuance costs	12	-	-	-	(250.349)	(30.123)
Effect of exchange differences on translation of foreign assets and liabilities		(129.681)	(445.140)	(1.058.892)	-	-
Yield from interest in FIDC						
(Increase)/decrease in operating assets:						
Income receivable		(62.370)	(53.457)	87.510	(89.964)	43.330
Receivables from card-issuing banks		(17.105.585)	1.606.484	(10.487.131)	1.505.082	(10.283.214)
Receivables from related parties		142.784	191.628	(177.436)	-	-
Tax credits		(65.812)	(19.928)	6.056	(26.985)	13.040
Taxes and contributions for offset/recoverable		(241.922)	(366.560)	(70.917)	(322.281)	(95.291)
Debtors for guarantee deposits		(2.991)	10.215	37.602	15.153	44.198
Prepaid expenses		31.846	41.748	(32.060)	33.377	(36.283)
Other assets		(62.671)	(102.282)	(226.453)	158.614	(321.223)
Financial instruments, including derivatives		175.891	130.065	42.928	(391.055)	42.928
Increase (decrease) in operating liabilities:						
Social and statutory		16.552	(14.285)	25.165	(14.333)	40.123
Tax and social security		37.376	13.725	(305.487)	30.884	(27.589)
Payables to merchants		14.960.932	(1.275.899)	9.926.867	(1.575.936)	9.669.821
Payables to related parties		73.523	(4.847.033)	480.692	-	-
Provisions for contingencies		(18.371)	(47.654)	(34.672)	(50.131)	(35.050)
Other liabilities		(4.816)	(4.190)	(90.724)	1.108.172	(208.127)
Cash from/(used) from operations		**(1.316.871)**	**(3.384.653)**	**979.774**	**3.603.165**	**3.356.124**
Income tax and social contribution paid		(2.117)	(58.824)	(338.543)	(358.786)	(998.993)
Net cash generated by (used in) operating activities		**(1.318.988)**	**(3.443.477)**	**641.231**	**3.244.379**	**2.357.131**
Cash flows from investing activities						
Acquisitions of shares of FIDC		(2.234.516)	(3.505.837)	(5.654.551)	-	-
Redemption of shares of FIDC		6.174.836	9.985.053	5.999.492	-	-
Redemption of sharess of subsidiary		1.305.064	1.305.064	-	-	-
Capital increase in subsidiaries	9	(10.500)	(65.500)	(73.114)	-	-
Acquisition of investment in subsidiaries		(29.797)	(29.797)	-	-	-
Dividends received from subsidiaries	9	182.441	350.414	533.387	2.124	2.060
Acquisitions of property, plant and equipment	10	(262.417)	(389.946)	(525.389)	(419.445)	(535.054)
Acquisitions of intangible assets	11	(128.261)	(258.882)	(275.505)	(348.590)	(571.205)
Net cash generated by (used in) investing activities		**4.996.850**	**7.390.569**	**4.320**	**(765.911)**	**(1.104.199)**
Cash flows from financing activities						
Borrowings	12	1.630.200	6.097.196	18.588.738	6.097.196	18.488.597
Payment of principal of borrowings, net of derivatives	12	(3.315.205)	(7.143.479)	(17.182.343)	(7.143.479)	(17.182.565)
Debt issuance costs incurred	12	(7.567)	(22.040)	(37.883)	(22.040)	(37.883)
Interest paid	12	(108.084)	(294.495)	(441.540)	(309.679)	(503.536)
Acquisition of treasury shares	15.c)	(12.654)	(40.214)	(22.829)	(40.214)	(22.829)
Sale/transfer of treasury shares under the stock option plan		4.643	11.597	17.209	11.597	17.209
Dividends and interest on capital paid		-	(81.277)	(1.503.167)	(217.687)	(1.702.579)
Redemption of shares paid to third parties		-	-	-	(559.313)	-
Net cash generated by (used in) financing activities		**(1.808.667)**	**(1.472.712)**	**(581.815)**	**(2.183.619)**	**(943.586)**
Increase (decrease) in cash and cash equivalents		**1.869.195**	**2.474.380**	**63.736**	**294.849**	**309.346**
Cash and cash equivalents						
Closing balance	4 and 5 a)	2.665.780	2.665.780	191.400	3.507.241	3.212.392
Exchange variation effect on cash and cash equivalents abroad		-	-	-	(65.694)	(13.382)
Opening balance	4 and 5 a)	796.585	191.400	127.664	3.212.392	2.903.046
Increase (decrease) in cash and cash equivalents						
The accompanying notes are an integral part of these financial statements.		**1.869.195**	**2.474.380**	**63.736**	**294.849**	**309.346**

Cielo S.A.

Statements of value added

For the six-month period ended December 31, 2020 and years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R$)

	Note	Parent Company			Consolidated	
		2nd Six-month Period/20	Year/20	Year/19 (Restated)	Year/20	Year/19 (Restated)
REVENUES						
Sales of services	17	2.767.511	5.206.445	5.897.986	12.273.441	12.504.436
Losss on doubtful debts and fraud	19	(71.609)	(255.540)	(306.772)	(511.854)	(389.382)
		2.695.902	**4.950.905**	**5.591.214**	**11.761.587**	**12.115.054**
INPUTS PURCHASED FROM THIRD PARTIES						
Cost of services provided		(1.107.699)	(2.141.683)	(2.139.223)	(6.171.208)	(6.183.467)
Materials, electric energy, outside services and others		(329.604)	(620.572)	(775.633)	(1.266.080)	(763.448)
Other expenses, net		(28.665)	(34.885)	(54.728)	(29.056)	(70.847)
Impairment of assets		(53.618)	(68.949)	(16.041)	(86.979)	(16.041)
		(1.519.586)	**(2.866.089)**	**(2.985.625)**	**(7.553.323)**	**(7.033.803)**
GROSS VALUE ADDED		**1.176.316**	**2.084.816**	**2.605.589**	**4.208.264**	**5.081.251**
Retentions						
Depreciation and amortization	10 and 11	(241.438)	(472.729)	(351.279)	(1.228.503)	(1.085.469)
WEALTH CREATED, NET		**934.878**	**1.612.087**	**2.254.310**	**2.979.761**	**3.995.782**
WEALTH RECEIVED IN TRANSFER						
Share of profit (loss) of investees	9	73.367	(11.366)	227.999	(1.882)	9.206
Finance income, including purchase of receivables and exchange differences, net	25	139.060	447.596	1.065.030	633.393	1.327.580
		212.427	**436.230**	**1.293.029**	**631.511**	**1.336.786**
TOTAL WEALTH FOR DISTRIBUTION		**1.147.305**	**2.048.317**	**3.547.339**	**3.611.272**	**5.332.568**
DISTRIBUTION OF WEALTH						
Personnel and related taxes		(170.428)	(360.235)	(326.054)	(834.670)	(757.937)
Profit sharing	22	(39.273)	(79.522)	(79.164)	(124.825)	(118.105)
Taxes and contributions		(415.077)	(768.272)	(1.061.250)	(1.496.482)	(1.967.885)
Interest and rental expenses		(123.875)	(350.039)	(533.479)	(486.008)	(188.936)
Dividends and interest on capital paid		-	-	(628.168)	-	(628.168)
Dividends and interest on capital proposed		(135.709)	(166.421)	(81.276)	(166.421)	(81.276)
Earnings retention		(262.943)	(323.828)	(837.948)	(323.828)	(837.948)
Noncontrolling interests		-	-	-	(179.038)	(752.313)
WEALTH DISTRIBUTED		**(1.147.305)**	**(2.048.317)**	**(3.547.339)**	**(3.611.272)**	**(5.332.568)**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1 Operations
Cielo S.A. (the "Company" or "Cielo") was established in Brazil on November 23, 1995, and is primarily engaged in providing services related to credit and debit cards and other means of payment, including signing up of merchants and service providers, rental, installation and maintenance of POS (point-of-sale) terminals, data capture and processing of electronic and manual transactions, as well as the issuance and management of payment accounts.

Cielo is a corporation headquartered in the City of Barueri, State of São Paulo. Its shares are traded on B3 S.A. - Brasil, Bolsa, Balcão, under ticker symbol "CIEL3", and Cielo and its subsidiaries are part of the Banco do Brasil and Bradesco groups.

The Company's direct and indirect subsidiaries and joint ventures that, together with Cielo, are also referred to as "Group" throughout this report provide services related to means of payment or complementary to the acquiring services, such as provision of services in processing means of payments that involve cards, maintenance services and contacts with merchants for acceptance of credit and debit cards, data transmission services to load fixed or mobile phone credits, development and licensing of computer software, processing of electronic transactions, IT services for collection and management of accounts payable and receivable using the Internet, data processing services and support services to medical companies.

Significant events for the year
In the year ended December 31, 2020, we highlight the following events:

- In March 2020, the initial impacts from the COVID-19 pandemic started being perceived, with a reduction in the volume captured of Cielo and Gestão de Contas de Pagamentos S.A. ("Cateno"), and the consequent effect on fees and interchange revenue, respectively. As a cash management strategy, the focus was on strengthening the Company's liquidity. In addition, in the second quarter of 2020, the Company started to conduct a monthly follow-up of the developments of the pandemic and revise its accounting estimates considering the possible impacts from the social distancing. During the year, the Company adopted various initiatives to adapt its cost and capital structure to the current economic moment.
- In July, 2020, the senior and mezzanine shares from Fundo de Investimento em Direitos Creditórios Cielo ("FIDC Plus") were redeemed due to their maturities, and the Company conducted its second issue of shares in the domestic market in the amount of R$ 4,250,000. Such amount comprises R$3,000,000 in senior shares of the second series with yield equivalent to CDI + 1.25% per year and R$ 1,250,000 in mezzanine shares of the second series with yield equivalent to CDI + 1.30% per year. The senior shares have a 12-month term and maturity scheduled for July 2021. In November 2020, the Company made the early redemption of the mezzanine shares "B" from FIDC Plus in the amount of R$ 1,250,000.
- On August 27, 2020, the borrowing in foreign currency ("operation 4131") in the amount of US$ 121,000 (R$ 504,328) was settled. The swap derivative instrument, intended to hedge the borrowing against the fluctuations of the foreign currency, was also settled on the same date.

Corporate events

Acquisition of the remaining equity interest in Multidisplay

In May 2020, the Company agreed with the founding partners of Multidisplay Comércio e Serviços Tecnológicos S.A ("Multidisplay") the amount of R$ 29,797 to exercise the put option for the remaining equity interest held by them, after calculation based on the audited Financial Statements as of December 31, 2019, according to the option provided in the agreement entered into on July 4, 2016 for the acquisition of a supplementary portion of 41.34% (when the Company started holding 91.44% of Multidisplay).

On November 19, 2020, after approval from the Central Bank of Brazil, the process of acquisition by Cielo of shares equivalent to 8.56% of the capital of Multidisplay was completed, when Cielo started holding a 100% equity interest. As a result of the acquisition, goodwill from expected future profitability in the amount of R$ 26,157 was recognized.

Merger of Braspag

On September 30, 2020, the direct subsidiary Braspag Tecnologia em Pagamento Ltda. ("Braspag") was merged into indirect subsidiary Stelo S.A. ("Stelo"), with the transfer of all its assets, rights and obligations to Stelo. The purpose of the merger is to streamline the organizational structure and the accounting and corporate practices, and to enable cost reduction and improvement of results derived from a better operational and administrative organization of the economic group to provide more agility and efficiency in conducting the business. With this operation, Cielo started holding a direct interest of 21.36% and an indirect interest of 100% in Stelo.

Braspag was merged based on the balances stated in the valuation report as of August 31, 2020, with equity appraised at that base date at R$ 37,866 and merged into Stelo as from the issue of new shares.

On the same date, after the transfer of the balances, a capital increase in Stelo in the amount of R$ 65,500 was approved.

Redemption of shares of Cateno

In November 2020, the shares of Cateno were partially redeemed, in the total amount of R$ 1,864,378, settled in cash to the shareholders (in the amount of R$ 1,305,065, corresponding to a 70% interest) and BB Elo Cartões Participações S.A. (in the amount of R$ 559,313, corresponding to a 30% interest). The operation did not result in any change in the subsidiary's ownership structure.

2 Summary of significant accounting practices

2.1 Statement of compliance and approval of the Financial Statements

The Company's financial statements have been prepared under the assumption that the Company will continue as a going concern, and in accordance with the accounting guidelines established by Law No. 6,404/76 (Brazilian Corporation Law), including the changes introduced by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions of the National Monetary Council (CMN) and Central Bank of Brazil (BACEN), together referred to as "COSIF", and the Securities and Exchange Commission of Brazil (CVM), when applicable.

The financial statements was approved by the Company's Board of Directors and authorized for issue on January 26, 2021.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Company's Management to adopt estimates that affect certain assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses for the reporting period. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property and equipment and intangible assets, allowance for doubtful debts (on receivables from rental of POS equipment and receivables from card-issuing banks, for example), deferred income tax and social contribution (tax assets), impairment of goodwill (as applicable), provision for risks and fair value measurement of financial instruments. Since Management's judgment involves estimates concerning the probability of occurrence of future events, actual amounts may differ from those estimates. The Company reviews the estimates and assumptions at least semi-annually.

2.3 Functional and presentation currency

The financial statements are presented in Brazilian reais (R$), which is the Company's functional and presentation currency.

Management determined that the functional currency of its foreign subsidiaries is the US dollar. For Cielo USA, the main factor to determine the functional currency was the raising of US dollar denominated borrowings for the acquisition of control of Merchant e-Solutions, Inc ("MerchantE"). In addition, with respect to MerchantE, the cash flows and services provided are fully denominated in US dollars.

For purposes of presentation of the consolidated financial statements, the assets and liabilities of subsidiaries Cielo USA and MerchantE (based in the USA), originally denominated in US dollars, were translated into Brazilian reais at the exchange rates prevailing at period-end. Revenues and expenses were translated at the average monthly exchange rates. Exchange differences resulting from such translations were classified in other comprehensive income and accumulated in equity.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less estimated returns, trade discounts and/or bonuses granted and other similar deductions.

Revenues from the capture of transactions with credit and debit cards are recognized on the date of capture/processing of the transactions. Revenues from credit and debit card transactions and payment accounts management services, as well as other services provided to partners and merchants are recognized when the services are provided.

The income from dividends on investments is recognized when the shareholder's right to receive these dividends is established (provided that it is probable that future economic benefits will flow to the Company and the amount of revenue can be measured reliably).

The income from purchase of receivables to merchants is recognized on a "*pro rata temporis*" basis considering their maturities.

In the case of MerchantE, in the context of its agreements with the banks, it assumes liabilities of the acquirer bank and therefore it is accountable for the interchange fees. The bank also receives market rates for its services and therefore it is not exposed to the agreement's risks and rewards. Additionally, there are factors such as the portability of the contracts with merchants and the fact that MerchantE has a direct interaction with its customers in its daily routines and it holds the transaction's credit risk. As a result, MerchantE is the main debtor and recognizes revenue based on its gross amount and the interchange fee is recognized as cost of services provided.

2.5 Cash and cash equivalents

For purposes of the statement of cash flows, this balance includes cash and cash equivalents that are represented by cash in local currency and in foreign currency, investments in repurchase agreements (open market investments), investments in interbank deposits and investments in foreign currency, which are highly liquid and readily convertible into a known cash amount and with insignificant risk of change in fair value.

Open market investments

These investments are stated at cost, plus income earned through the end of the reporting period, less a provision for impairment, when applicable.

2.6 Financial instruments

Securities acquired for own portfolio are recorded at the amount actually paid, including brokerage fees and charges, and are classified into three different categories according to the Company's Management intent, in accordance with BACEN Circular Letter No. 3,068/01:

Trading securities

Trading securities are those acquired for the purpose of being actively and frequently traded. They are stated at cost, plus income earned and adjusted to market value in the statement of financial position, with a matching entry in profit or loss for the period;

Available-for-sale securities

Available-for-sale securities are those that are not classified as trading securities or as held-to-maturity. They are stated at cost, plus income earned with a matching entry in profit or loss for the period and adjusted to market value with a matching entry in equity, less tax effects, which will only be recognized in profit or loss upon their actual realization; and

Held-to-maturity securities

Held-to-maturity securities are those acquired for this purpose and for which there is financial ability to hold them to maturity. They are stated at cost, plus income earned with a matching entry in profit or loss for the period, and are not measured at market value.

The securities classified in the categories of trading securities and available-for-sale securities, as well as the derivative financial instruments, are stated in the statement of financial position at their fair value. Generally, the fair value is based on market price quotations for assets or liabilities with similar characteristics. If these market prices are not available, the fair values are based on quotations from market operators, pricing models, discounted cash flows or similar techniques, for which the fair value measurement can require significant judgment or estimate by Management.

The securities are assessed to verify if there is objective evidence of impairment. The objective evidence of impairment may include non-payment or late payment by the counterparty, indications of bankruptcy proceedings or even a significant or prolonged decline in the value of the asset. An impairment of a security is recognized in profit or loss for the period if its carrying amount exceeds its recoverable amount.

Pursuant to article 7 of Bacen Circular Letter No. 3,068 dated 11/08/2001, securities classified as trading securities are stated in the statement of financial position in current assets, irrespective of their maturity dates.

2.7 Derivative financial instruments and hedge transactions

The Company enters into derivative financial instruments mainly to manage its exposure to fluctuations in exchange rates. The Company measures its derivative financial instruments based on quotation obtained from market participants, which is the fair value at the end of the reporting period.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifying as a cash flow hedge or a hedge of exchange differences on foreign investments are recognized in other comprehensive income and when qualifying as a market risk hedge, the hedged item and the hedging instrument are recognized in the statement of profit or loss at their fair values.

The Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised, the cumulative unrealized gain or loss, which had been recognized in other comprehensive income, is immediately reported in the statement of profit or loss. Additionally, changes in the fair value of financial instruments not qualifying as hedge or qualifying as market risk hedge are recognized in the line item of Finance income, net, in the statement of profit or loss.

2.8 Receivables from card-issuing banks and payables to merchants

a) Operating receivables

Receivables from card-issuing banks

Refer to amounts of transactions carried out by holders of debit and credit cards issued by financial institutions, and the balances of receivables from card-issuing banks are net of interchange fees with receipt terms of less than one year.

Receivables for processed financial transactions

Refer mainly to receivables from card association members for financial transactions processed by MerchantE that have been authorized but not yet received. These receivables are generally settled on the following business day.

Receivables from merchants

Represent interchange and service fees for transaction processing receivable from merchants, as a result of MerchantE's practice to settle transactions at full amounts to merchants and collect these fees at the beginning of the next month.

b) Payables to merchants

Payables to merchants

Refer to the obligation to pay for the purchase of products and services made with cards to merchants accredited by the Company.

Payables to merchants for transactions processed

Refer to the balances due to merchants for processed transactions that have not yet been paid. MerchantE pays merchants the amounts received from card associations on the business day subsequent to the day the transaction is captured.

Merchant deposits

MerchantE maintains funds as a security deposit to hedge against the risk of a customer going bankrupt and being unable to pay for the services provided. The amount retained from each customer is based on the risk factors associated to the customer, which include, among others, the type of business and the volume of completed transactions.

2.9 Investments

In the individual financial statements, the investments in subsidiaries, joint ventures and associates are accounted for under the equity method of accounting, based on the equity value of the subsidiary or associate.

In the consolidated financial statements, subsidiaries are fully consolidated and associates and joint ventures are accounted for under the equity method of accounting.

The financial statements of foreign subsidiaries are conformed to the accounting criteria of the parent company and translated into the real currency at the period-end rate.

2.10 Property and equipment

Stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets. The estimated useful lives, residual values, and depreciation methods are reviewed on an annual basis, and the effect of any changes in estimates is accounted for on a prospective basis.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its continued use. Any gain or loss from the sale or derecognition of an item of property and equipment is determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Intangible assets

Intangible assets correspond to the rights acquired that have as object incorporeal property for the maintenance of the Company's activities or exercised for this purpose. Intangible assets are comprised by:

Separately acquired intangible assets

Separately acquired intangible assets with finite useful lives are stated at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis based on the estimated useful lives of the assets. The estimated useful life and amortization method are reviewed on an annual basis and the effect of any changes in estimates is accounted for on a prospective basis.

Internally generated intangible assets

Costs of research activities are recognized as expense in the period in which they are incurred. When no internally generated intangible asset can be recognized, the development costs are recognized in profit or loss when incurred.

2.12 Impairment of tangible and intangible assets

Annually, and if there is evidence, the Company reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that these assets may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount, and the impairment loss is immediately recognized in profit or loss.

2.13 Goodwill

Goodwill corresponds to the amount exceeding the carrying amount of the investments acquired at fair value, arising from expected future profitability and supported by economic and financial studies on which the purchase price of the businesses was based.

Goodwill from expected future profitability is amortized according to the projection periods that justified it, and is subject to impairment test annually or more frequently, whenever there is indication that the cash-generating unit may be impaired.

The goodwill arising from investments in subsidiaries, associate and joint ventures is included in the carrying amount of the investment in the individual financial statements. In the consolidated financial statements, the goodwill arising from the acquisition of subsidiaries is recognized in intangible assets.

2.14 Income tax and social contribution - current and deferred

Income tax and social contribution expenses represent the sum of current and deferred taxes.

Current taxes

The Company's provision for income tax and social contribution is calculated based on the taxable profit for the year. Income tax was calculated at the rate of 15%, plus a 10% surtax on the annual taxable profit exceeding R$240. Social contribution was calculated at the rate of 9% on the adjusted book profit.

Deferred taxes

Deferred income tax and social contribution are recognized on the differences between assets and liabilities recognized for tax purposes and the related amounts recognized in the financial statements. Deferred income tax and social contribution are determined based on the tax rates and tax laws in effect at the end of the reporting period, applicable when the income tax and social contribution are realized. The recovery of deferred tax assets is reviewed semi-annually and when it is no longer probable that future taxable profits will be available to allow the recovery of all or part of the assets, the asset balance is adjusted to the amount expected to be recovered.

Current and deferred taxes are recognized in profit or loss, except when they relate to items recognized under "Other comprehensive income" or directly in equity.

When current and deferred taxes result from the initial recognition of a business combination, the tax effect is considered in the recognition of the business combination.

2.15 Employee benefits

Supplementary Pension Plan

Refers to amounts in which the Company is the co-sponsor of a defined contribution pension plan. Contributions are made based on a percentage of the employee's compensation. Payments to defined contribution plans are recognized as expense when the services that entitle to such payments are provided.

Post-employment benefits

Represents amounts in which the Company has an actuarial liability resulting from post-employment benefit, relating to the expected expenses on healthcare plan.

2.16 Provision for contingencies

Recognized when there is a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, taking into consideration the risks and uncertainties related to the obligation.

The recognition, measurement and disclosure of provisions, contingent assets, contingent liabilities and legal obligations are made according to the criteria defined in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution No. 3,823/09.

2.17 Dividends and interest on capital

The proposal for payment of dividends and interest on capital made by the Company's Management that is included in the portion equivalent to the minimum mandatory dividend is recognized in line item "Social and statutory" in current liabilities as it is considered a legal obligation under the Company's bylaws. However, the portion of dividends exceeding the minimum mandatory dividend, when applicable, declared by Management after the accounting period to which the financial statements refer, but before the date of authorization for issue of the financial statements, is recognized in line item "Additional dividends proposed" in equity. For corporate and accounting purposes, interest on capital is included in the minimum mandatory dividend.

2.18 Stock option plan and restricted stock option plan

The Company offers a stock option plan and restricted stock option plan to its officers and some of its employees. Options or shares are priced at fair value at the grant date of the plans (calculated based on the average of the last 30 trading sessions) and are recognized on a straight-line basis in profit or loss as a matching entry to equity. At the end of each reporting period, the Company reviews its estimates of the number of options/shares that will be vested based on these conditions and recognizes the impact of the revision of the initial estimates, if any, in the statements of profit or loss, as a matching entry to equity.

2.19 Initial adoption of standards

Initial application for the year 2020

In January 2020, the Company adopted the new requirements for the publication of the financial statements provided in BACEN Resolution No. 2/2020, previously defined in revoked BACEN Circular Letter No 3,959/19, In the table below, we present the change for the Company regarding

the classification of its assets and liabilities.

Assets/Liabilities	Previous classification	Classification under Resolution BACEN No. 2
Cash	Cash and cash equivalents	Cash
Interbank investments	Interbank investments	Cash
Investments in investment funds and other financial investments	Securities and derivative financial instruments	Cash/Derivative financial instruments
Derivatives	Securities and derivative financial instruments	Financial instruments, including derivatives
Credit rights investment fund	Securities and derivative financial instruments	Credit rights investment fund
Other assets	Others	Other operating receivables
Other values and assets	Other values and assets	Other receivables
Escrow deposits	Debtors for guarantee deposits	Escrow deposits
Carrying value adjustments	Carrying value adjustments	Other comprehensive income

On August 12, 2020, BACEN issued Resolution No. 2/2020, which consolidates the rules for the preparation and disclosure of Financial Statements, revoking Circular Letter No. 3,959, and their provisions were incorporated into BACEN Resolution No. 2/2020, with no material impacts on the disclosure model adopted by the Company.

In the second half of 2020, BACEN started a process for restructuring and review of its regulatory framework. In the scope of this review, new standards that consolidate the various existing standards began to be issued, simplifying and facilitating the consultation. The new standards applicable to Payment Institutions and, consequently, to Cielo became effective on January 1, 2021 and are listed below.

New standard	Scope	Revoked standards	Beginning of the effective period
BACEN Resolution No. 5	Establishes criteria for the accounting recognition and measurement of nonfinancial assets held for sale by payment institutions.	Revokes Circular Letter No. 3,965, of October 2, 2019.	01/01/2021
BACEN Resolution No. 6	Establishes criteria and procedures for the accounting recognition of components of property and equipment by payment institutions.	Revokes Circular Letter No. 3,817, of December 14, 2016.	01/01/2021
BACEN Resolution No. 7	Establishes criteria and procedures for the accounting recognition and measurement of components of intangible assets and prohibits the recording of deferred assets by payment institutions.	Revokes Circular Letter No. 3,818, of December 14, 2016.	01/01/2021
BACEN Resolution No. 8	Establishes criteria and procedures for the measurement, recognition and disclosure of share-based payment transactions carried out by payment institutions.	N/A	01/01/2021

BACEN Resolution No. 9	Consolidates the criteria for the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets by payment institutions.	Revokes Circular Letter No. 3,484, of February 2, 2010.	01/01/2021
BACEN Resolution No. 13	Consolidates the general accounting criteria applicable to payment institutions and to administrators of consortium under out-of-court liquidation, the accounting procedures applicable to institutions authorized to operate by the Central Bank of Brazil under out-of-court liquidation in the preparation and disclosure of financial statements.	Revokes the following: Circular Letter No. 3,819, of December 14 2016; Circular Letter No. 3,820, of December 14, 2016; and Circular Letter No. 3,896, of May 9, 2018.	01/01/2021
BACEN Resolution No. 15	Consolidates the general criteria for the measurement and recognition of current and deferred tax assets and liabilities applicable to consortium administrators and payment institutions and the procedures to be observed by the institutions authorized to operate by the Central Bank of Brazil in the filing for exemption from the criterion for setting up deferred tax asset or for its write-off and in the disclosure of information in explanatory notes.	Revokes the following: Circular Letter No. 3,174, of January 15 2003; and Circular Letter No. 3,776, of December 30, 2015.	01/01/2021
BACEN Resolution No. 33	Establishes criteria for the accounting recognition and measurement of investments in associates, subsidiaries and joint ventures held by consortium administrators and payment institutions and the procedures for disclosure in explanatory notes of information related to these investments by institutions authorized to operate by the Central Bank of Brazil.	Revokes the following: Circular Letter No. 1,963, of May 23, 1991, and Circular Letter No. 3,816, of December 14, 2016.	01/01/2022

After the analyses carried out, the Company did not identify any significant effects from the adoption of these standards on the financial statements.

2.20 Change in accounting policy - Recognition of share of profit (loss) of subsidiary Stelo

On September 14, 2018, the Company acquired indirect controlling interest in subsidiary Stelo through its subsidiary Aliança, which acquired a 70% shareholding interest in Stelo and thus started to hold a 100% shareholding interest in the company. As from said date, Stelo's activities have gained representativeness in the Group's strategy, mainly in its operations in the customer segment of Entrepreneurs.

In the consolidation of the financial statements up to December 31, 2019, the financial information of indirect subsidiary Stelo was used with a 30-day timing difference. In the individual financial statements, likewise, Stelo's financial information related to 30 days before the reporting date was used for the purpose of calculating the investment.

In order to obtain more relevant and reliable financial information relating to the Group's financial performance, the Company's Management elected to change the accounting policy for the consolidation of indirect subsidiary Stelo as from January 1, 2020, no longer recognizing share of profit (loss) of investee with a 30-day timing difference and timely consolidating its financial information as of the same reporting date of Cielo.

Management considers that the new accounting policy used to recognize share of profit (loss) of subsidiary Stelo would bring more transparency and adherence to the financial performance for the period and, consequently, easier interpretation of the results by investors and market agents.

This change in accounting policy was recorded pursuant to technical pronouncement CPC No. 23 - Accounting Policies, Changes in Accounting Estimates and Errors. As a result of the application of this pronouncement, the Company prepared the opening statement of financial position considering the application of the change in accounting policy in 2019. For purposes of comparison, consolidated financial information related to the statement of profit or loss for the year ended December 31, 2019 were also prepared.

Statement of financial position as at December 31, 2019

	Parent Company			Consolidated		
Assets:	**12/31/2019 Published**	**Effect from change in accounting policy (*)**	**12/31/2019 Restated**	**12/31/2019 Published**	**Effect from change in accounting policy (*)**	**12/31/2019 Restated**
Current assets	81,021,605	-	81,021,605	77,545,368	(79,648)	77,465,720
Noncurrent assets	12,495,482	(37,100)	12,458,382	14,346,887	(28,288)	14,318,599
Total assets	93,517,087	(37,100)	93,479,987	91,892,255	(107,936)	91,784,319
Liabilities and equity:						
Current liabilities	74,533,409	-	74,533,409	68,402,838	(68,512)	68,334,326
Noncurrent liabilities	9,516,324	-	9,516,324	10,349,737	(2,324)	10,347,413
Equity	9,467,354	(37,100)	9,430,255	13,139,680	(37,100)	13,102,580
Total liabilities and equity	93,517,087	(37,100)	93,479,988	91,892,255	(107,936)	91,784,319

Statement of profit or loss for the year ended December 31, 2019

	Parent Company			Consolidated		
Statement of profit or loss:	**Year 2019 Published**	**Effect from change in accounting policy (*)**	**Year 2019 Restated**	**Year 2019 Published**	**Effect from change in accounting policy (*)**	**Year 2019 Restated**
Net revenue	5,300,680	-	5,300,680	11,347,305	6,537	11,353,842
Gross profit	2,663,118	-	2,663,118	4,095,097	(13,735)	4,081,362
Operating profit before finance income (costs)	1,447,453	(32,759)	1,414,694	1,938,123	(31,542)	1,906,581
Operating profit before income tax and social contribution	1,988,836	(32,759)	1,956,077	2,521,241	(30,556)	2,490,685
Profit for the year	1,580,151	(32,759)	1,547,392	1,785,882	(32,759)	1,753,123

(*) Effect from change in the procedure for consolidation of Stelo, which started to be timely consolidated on the accrual basis.

3 Consolidated information

The consolidated financial statements include the financial information of the Company, its subsidiaries and its investment funds. When necessary, the subsidiaries' financial information is adjusted to conform their accounting policies to those established by the Group.

For subsidiaries and investment funds (FIDCs and FICs), the full consolidation concept was applied, which requires to account for investments in subsidiaries reflecting their total assets, liabilities, income and expenses in the parent, thus requiring the recognition of noncontrolling

interests.

In the Company's individual financial statements, the financial information of subsidiaries and joint ventures is accounted for under the equity method.

As regards the FIDCs, the Company consolidates their financial information because it believes that a significant part of the risks and rewards related to the FIDCs' yield is linked to the quotas held by the Company. In the process of consolidation of the FIDCs, assets and liabilities and gains and losses on transactions between the Company and the FIDCs were eliminated.

In the preparation of the consolidated financial statements, further to the provisions of the Chart of Accounts of Financial Institutions (COSIF), the consolidation procedures established by Technical Pronouncement CPC 36 (R3) – Consolidated Financial Statements were applied.

As at December 31, 2020, the Group is composed of the following companies:

	Equity interest (%)		
	12/31/2020	**12/31/2019**	**Core activities**
Direct subsidiaries and FIDCs:			
Servinet Serviços Ltda. ("Servinet")	99.99	99.99	Provision of maintenance services and contacts with merchants for acceptance of credit and debit cards.
Cateno Gestão de Contas de Pagamentos S.A. ("Cateno")	70.00	70.00	Provision of services in processing means of payments that involve credit, debit and multiple cards of private and prepaid brands (not including credit card management).
Cielo USA Inc, ("Cielo USA")	100.00	100.00	Holding ownership interests in other companies as partner or shareholder.
Multidisplay Comércio e Serviços Tecnológicos S.A. ("Multidisplay")	100.00	91.44	Provision of services in data transmission to load fixed or mobile phone credits.
Braspag Tecnologia em Pagamento Ltda. ("Braspag")	-	99.99	Development and licensing of software for electronic transaction processing; IT services for collection and management of accounts payable and receivable using the Internet. Braspag was merged into Stelo on September 30, 2020.
Aliança Pagamentos e Participações Ltda. ("Aliança")	99.99	99.99	Provision of services of contacts developing and maintenance with merchants and holding of ownership interests in other companies as partner or shareholder.
Cielo Cayman Island ("Cielo Cayman")	-	100.00	Holding of ownership interest in other companies as partner or shareholder. Cielo Cayman was wound up on March 23, 2020.
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC")	100.00	100.00	Acquisition of eligible credit rights and other financial assets.
Fundo de Investimentos em Direitos Creditórios Não-Padronizados Cielo ("FIDC Plus")	37.30	79.59	Acquisition of eligible credit rights arising from payment transactions originating from Cielo's acquisition system and other financial assets.
Fundos de Investimento em Cotas de Fundo de Investimentos ("FICs")	100.00	100.00	Funds for investments in financial assets with indeterminate duration.
Indirect subsidiaries			
M4Produtos e Serviços S.A. ("M4Produtos")	100.00	91.44	Provision of services in data transmission to load fixed or mobile phone, prepaid transportation, and mobile payment.

Merchant e-Solutions, Inc. (“MerchantE”)	100.00	100.00	Provision of services related to electronic payments with credit or debit cards.
Stelo S.A. (“Stelo”)	100.00	100.00	Provision of services related to credit and debit cards and other means of payment, including services of signing up of merchants.
Direct joint ventures:			
Companhia Brasileira de Gestão de Serviços. (“Orizon”)	40.95	40.95	Information processing for healthcare companies, management of back office services for health operators, electronic network interconnection services between health operators and medical and hospital service providers and other health system agents and drugstores.
Paggo Soluções e Meios de Pagamento S.A. (“Paggo”)	50.00	50.00	Provision of services relating to signing up of merchants for acceptance of credit and debit cards through the capture, transmission, data processing and settlement of electronic transactions.
Indirect joint ventures:			
Prevsaúde Comercial de Produtos e de Benefícios de Farmácia Ltda. (“Prevsaúde”)	40.95	40.95	Provision of medicine benefit services to corporate customers, healthcare plans, public customers, and large laboratories.
Guilher Comércio, Importação, Exportação e Distribuição de Medicamentos e Tecnologia para Saúde Ltda. (“Guilher”)	40.95	40.95	Import, export, distribution, and sale of medicines and pharmaceutical raw materials, products and technology equipment for health.

4 Cash

As at December 31, 2020 and 2019, the Company’s cash balance is composed as follows:

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
In local currency	21,204	35,236	23,698	27,470
In foreign currency	12,879	24,627	104,271	210,134
Total	**34,083**	**59,863**	**127,969**	**237,604**

5 Financial instruments, including derivatives

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Assets:				
Cash equivalent financial instruments	2,631,697	131,537	3,379,272	2,974,788
Derivative financial instruments	-	48,580	-	48,580
Other financial instruments	175,498	-	696,618	-
Total	**2,807,195**	**180,117**	**4,075,890**	**3,023,368**
Liabilities:				
Derivative financial instruments	2,079	47,513	2,079	47,513
Total	**2,079**	**47,513**	**2,079**	**47,513**

a. Cash equivalent financial instruments

As at December 31, 2020 and 2019, the balance of cash equivalent financial instruments comprises open market investments and marketable securities as follows:

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Open market investments	1,002	-	280,626	255,856
Marketable securities	2,630,695	131,537	3,098,646	2,718,932
Total	**2,631,697**	**131,537**	**3,379,272**	**2,974,788**

Open market investments

As at December 31, 2020 and 2019, the Company's balances of open market investments are as follows:

	Parent Company		
	Maturity	**Total**	
	0 - 30	**12/31/2020**	**12/31/2019**
Repurchase agreements	1,002	1,002	-
Total	**1,002**	**1,002**	**-**

	Consolidated			
	Maturity range		**Total**	
	0 - 30	**Over 180**	**12/31/2020**	**12/31/2019**
Foreign currency investments	213,543	-	213,543	255,840
Backed by debentures	59,247	16	59,263	16
Repurchase agreements	7,820	-	7,820	-
Total	**280,610**	**16**	**280,626**	**255,856**

The income from the investments described above is shown in note 25 – Finance income (costs).

Financial instruments

Breakdown of the asset and liability balances and classification of the portfolio by category and terms of the marketable securities classified as cash is as follows:

	Parent Company					
	12/31/2020				12/31/2019	
	Maturity range		Total		Total	
	0 - 30	**Above 365**	**Market value (1)**	**Cost (1)**	**Market value**	**Cost**
Trading securities						
Private securities	**993**	**2,629,702**	**2,630,695**	**2,622,796**	**131,537**	**131,537**
Investment fund shares	-	2,627,861	2,627,861	2,620,024	121,194	121,194
Bank Deposit Certificate – CDB	-	1,841	1,841	1,836	9,364	9,364
Others	993	-	993	936	979	979
Total	**993**	**2,629,702**	**2,630,695**	**2,622,796**	**131,537**	**131,537**

	Consolidated						
	12/31/2020					12/31/2019	
	Maturity range			Total		Total	
	0 - 30	**181 - 365**	**Above 365**	**Market value (1)**	**Cost (1)**	**Market value**	**Cost**
Trading securities							
Public securities	**-**	**-**	**11,067**	**11,067**	**11,067**	**114,271**	**114,271**
Treasury Financial Bills - LFT	-	-	-	-	-	81,264	81,264
National Treasury Bills - LTN	-	-	11,067	11,067	11,067	-	-
National Treasury Notes - NTN	-	-	-	-	-	33,007	33,007
Private securities	**993**	**4,001**	**3,082,585**	**3,087,579**	**3,084,438**	**2,604,661**	**2,604,661**
Investment fund shares	-	-	3,000,689	3,000,689	2,997,611	1,941,649	1,941,649
Bank Deposit Certificate- CDB	-	4,001	4,650	8,651	8,645	134,714	134,714
Financial Bills - LF	-	-	31,017	31,017	31,017	497,542	497,542
Others	993	-	46,229	47,222	47,165	30,756	30,756
Total	**993**	**4,001**	**3,093,652**	**3,098,646**	**3,095,505**	**2,718,932**	**2,718,932**

(1) The market value of the financial instruments is determined according to the market price quotation available at the end of the reporting period. If there is no available market price quotation, the values are estimated based on quotations from distributors, pricing models, quotation models or quotations of prices for instruments with similar characteristics. In the case of investments in investment funds, the updated cost reflects the market value of the

respective shares. Even though securities have maturities of more than 90 days, investments are highly liquid and readily convertible into a known cash amount, without any restriction as to their settlement, and are used as part of the Company's cash management.

The income from the investments described above is shown in note 25 – Finance income (costs).

b. Transactions with derivative financial instruments

Policy on the use of derivatives

According to the internal policy, the Company's finance income (costs) must arise from the generation of cash from its activities rather than from speculative gains in the financial market. Accordingly, it considers that derivatives should only be used to hedge against potential exposures arising from the risks to which it is subject, without speculative purposes. The offsetting entry to a derivative transaction should be an unhedged asset or liability.

The criterion adopted for definition of the notional value of the derivatives is linked to the amount of the debt and/or assets exposed to risks.

Market risk hedge

When contracting a derivative financial instrument in the form of a swap operation, the Company designated it as a hedge instrument for the US dollar borrowing in the amount of US$ 239,166, equivalent to R$ 1,000,000, matured and settled on August 30, 2019. On the same date, the remaining balance of the borrowing in the amount of US$ 121,000 was renewed, with maturity scheduled for August 27, 2020, for which a new swap operation was contracted to provide hedge against the currency risk and the interest rate exposure.

The terms of the borrowing agreement (as described in note 12) and the swap agreement were entered into in such a way that the comparison between the long position (Company's receivables) of the swap and the borrowing balance (Company's payables), both adjusted at fair value, does not result in losses or gains arising from exchange differences and interest rate contracted in the hedged item.

In order to document the designation strategy adopted and the effectiveness of the derivative instrument, the Company used the hypothetical derivative method, which is based on a comparison of the change in the fair value of a hypothetical derivative with terms identical to the critical terms of the variable-rate obligation, and this change in the fair value of the hypothetical derivative is considered a representation of the present value of the cumulative change in the expected future cash flow of the hedged obligation. Accordingly, gains and losses on the hedging instrument and the hedged item are recognized at fair value in profit or loss for the period in which they occur. The method used by the Company to determine the market value consists in calculating the future value based on contracted conditions and determine the present value based on market curves extracted from the Brazilian stock exchange B3 S.A. – Brasil, Bolsa, Balcão.

The operation was settled on August 27, 2020, on its maturity date. As at December 31, 2019, the swap contract position reflected a fair value payable of R$ 13,480, as shown below:

12/31/2020							12/31/2019
		Appreciation				Fair value (market value)	Fair value (market value)
Operation maturity	Notional value R$	Long position	Short position	MTM long position	MTM short position	Amount receivable / (payable)	Amount receivable / (payable)
08/27/2020	504,328	-	-	-	-	-	(13,480)

Until the settlement of the operation on August 27, 2020, the hedging relationship established by the Company was effective, according to prospective tests performed. Therefore, no reversal due to ineffectiveness of the hedge was recognized.

Non-Deliverable Forward - "NDF"

With the objective of providing hedge against exchange rate fluctuation for the remaining portion of the Bonds, on June 28, 2019, the Company contracted two "NDF" instruments in the notional amount of US$ 53,500 each, totaling US$ 107,000, with average future exchange rate of R$ 3.89475, both effective July 1, 2019 and settled on January 2, 2020.

In order to maintain hedge against exchange rate fluctuation, the Company contracted a "NDF" instrument in the notional amount of US$ 98,000 with future rate of R$ 4.0647, maturing on July 1, 2020. The transaction was settled in advance on June 15, 2020 with a positive adjustment in the amount of R$ 107,151. On the same date the Company contracted two new "NDF" instruments in the total notional amount of US$ 73,700 with maturity dates according to the payment of the semiannual installments of interest and bullet principal from November 13, 2020 to November 14, 2022.

The method used by the Company to determine the market value consists in calculating the future value based on contractual conditions and determining the present value based on market curves.

As at December 31, 2020, the NDF position corresponded to a fair value payable of R$ 2,079 (R$ 14,547 receivable as at December 31, 2019), as follows:

12/31/2020				12/31/2019
	Appreciation		Fair value (market value)	Fair value (market value)
Operation maturity	Notional value R$	Short position	Amount receivable/(payable)	Amount receivable/(payable)
06/15/2020	-	-	-	14,547
05/14/2021	11,187	(52)	(52)	-
11/12/2021	11,343	(77)	(77)	-
05/13/2022	11,562	(79)	(79)	-
11/14/2022	362,400	(1,871)	(1,871)	-
Total	**396,492**	**(2,079)**	**(2,079)**	**14,547**

On November 13, 2020, the first NDF contract was settled, together with the portion of interest of the Bonds with positive adjustment of R$ 365 in profit or loss.

c. Other financial instruments

As at December 31, 2020, the balance of other financial instruments comprises held-to-maturity securities as follows:

	Parent Company				
	12/31/2020			12/31/2019	
	Total			Total	
	Maturity above 365	Market value (*)	Cost	Market value	Cost
Held-to-maturity securities					
Private securities					
Fixed income securities abroad	175,498	175,498	175,498	-	-
Total	**175,498**	**175,498**	**175,498**	-	-

	Consolidated							
	12/31/2020						12/31/2019	
	Maturity range				Total		Total	
	0 - 30	31 - 180	181 - 365	Above 365	Market value	Cost	Market value	Cost
Held-to-maturity securities								
Public securities	-	-	-	**84,567**	**84,567**	**84,000**	-	-
National Treasury Bills - LTN	-	-	-	84,567	84,567	84,000	-	-
Private securities	**79,681**	**146,043**	**13,002**	**373,325**	**612,051**	**609,494**	-	-
Financial Bills - LF	79,681	68,496	13,002	197,827	359,006	357,996	-	-
Fixed-income securities abroad[1]	-	-	-	175,498	175,498	175,498	-	-
Others	-	77,547	-	-	77,547	76,000	-	-
Total	**79,681**	**146,043**	**13,002**	**457,892**	**696,618**	**693,494**	-	-

(1) As part of the structure created to hedge against exchange rate fluctuation of the Bonds, the Company contracted a financial investment in foreign currency with Banco do Brasil, from New York, in the amount of US$ 33,630 at an interest rate of 3.15% p.a. with maturity on November 14, 2022. This investment, together with the "NDFs" described in the previous item, hedges against the exchange rate fluctuation of the Bonds. In November 2020, the income earned since the beginning of the investment in the amount of US$ 436 or R$ 2,305 was amortized.

The income from financial instruments is shown in note 25 – Finance income (cost).

6 Credit rights investment fund

Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC") started its activities on August 5, 2016 in the form of an open-ended condominium, exclusive and for an indeterminate period. From July 31, 2017 until the updating of the regulation on June 3, 2019, the fund did not operate new purchases of receivables, operating again with new purchases from that date. Fundo de Investimento em Direitos Creditórios Cielo ("FIDC Plus") began its activities on July 28, 2017 in the form of a closed condominium, restricted to professional investors and with indefinite term. In July 2020, the Company redeemed all of its FIDC Plus shares due to their maturities and carried out the second issue of shares in the domestic market in the amount of R$4,250,000. In November 2020, all of its mezzanine shares "B" from FIDC Plus in the amount of R$ 1,250,000 were redeemed.

Both are governed by CMN Resolution No. 2,907/01, by CVM Instructions No. 356/01 and No. 444/06, by the terms of the Regulation, and by all other applicable legal and regulatory provisions.

Purpose of the funds

The purpose of FIDC Plus and FIDC is to provide shareholders with appreciation of their shares through the investment of their funds mainly in credit rights arising from payment transactions made by end users using payment instruments for purchase of goods, products and services in merchants, as well as for purchase of credit portfolios operated by partnering financial institutions on Cielo's acquisition system, complying with the other applicable rules and standards.

Other information

The yield of the senior II and mezzanine B shares from FIDC Plus is paid semiannually, and an extraordinary amortization of mezzanine shares is possible, from 120 days of their issue, as long as the minimum subordination level is 20%. The Fitch Ratings agency assigned to senior II shares

the risk rating "AAA".

The credit rights of FIDC Plus are measured at the purchase price and remunerated based on the internal rate of return (TIR) of the contracts, under the pro rata temporis criterion. The internal rate is calculated based on the purchase price, amount on maturity and term for receiving the credit rights.

Structure and composition of the Funds

The equity structure of the FIDC and FIDC Plus as at December 31, 2020 is presented below:

	Number of shares	Total value of shares	Cielo's interest	Third parties' interest
FIDC	**57,285**	**41,324**	**41,324**	**-**
FIDC Plus	**150,280,030**	**4,851,136**	**1,809,674**	**3,041,462**
Senior	3,000,000	3,041,462	-	3,041,462
Subordinated	147,280,030	1,809,674	1,809,674	-
Total	**150,337,315**	**4,892,460**	**1,850,998**	**3,041,462**

The statements of financial position as at December 31, 2020 and 2019 are as follows:

	12/31/2020			12/31/2019		
	Assets	**Liabilities**	**Equity**	**Assets**	**Liabilities**	**Equity**
FIDC	41,427	103	41,324	82,047	217	81,830
FIDC Plus	4,851,691	555	4,851,136	9,805,299	1,704	9,803,595
Total	**4,893,118**	**658**	**4,892,460**	**9,887,346**	**1,921**	**9,885,425**

The statements of profit or loss of the funds for the six-month period and the years ended December 31, 2020 and 2019 are as follows:

	2nd Six-Month Period			Year		
	12/31/2020			12/31/2020		
	FIDC	**FIDC Plus**	**Total**	**FIDC**	**FIDC Plus**	**Total**
Income – Credit rights	6,085	180,367	186,452	13,417	522,494	535,911
Finance income	340	21,993	22,333	775	49,483	50,258
Finance costs	-	(4,311)	(4,311)	-	(15,698)	(15,698)
Other operating expenses	(15,808)	(479)	(16,287)	(29,698)	(1,085)	(30,783)
Profit/(Loss) for the year	**(9,383)**	**197,570**	**188,187**	**(15,506)**	**555,194**	**539,688**

	2nd Six-Month Period			Year		
	12/31/2019			12/31/2019		
	FIDC	**FIDC Plus**	**Total**	**FIDC**	**FIDC Plus**	**Total**
Income – Credit rights	9,351	545,189	554,540	9,380	1,162,265	1,171,645
Finance income	108	6,762	6,870	159	13,169	13,328
Finance costs	-	(553)	(553)	-	(1,228)	(1,228)
Other operating expenses	(4,972)	(405)	(5,377)	(5,129)	(71)	(5,200)
Profit/(Loss) for the year	**4,487**	**550,993**	**555,480**	**4,410**	**1,174,135**	**1,178,545**

7 Operating receivables

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Receivables from payment transactions	338,095	284,638	935,733	875,676
Receivables from card-issuing banks	70,034,602	71,864,873	70,211,977	72,192,036
Receivables from card-issuing banks (a)	69,984,534	71,758,516	69,984,534	71,758,516
Chargeback (b)	2,242	48,099	2,242	48,099
Receivables from processed financial transactions (c)	-	-	12,214	169,652
Receivables from customer interchange (d)	-	-	165,161	157,511
Others	47,826	58,258	47,826	58,258
Other operating receivables	207,316	300,034	285,304	443,918
Allowance for other doubtful debts (e)	(277,701)	(245,948)	(304,582)	(267,705)
Total	**70,302,312**	**72,203,597**	**71,128,432**	**73,243,925**
Current	70,281,674	72,176,683	71,106,022	73,215,000
Noncurrent	20,638	26,914	22,410	28,925
Total	**70,302,312**	**72,203,597**	**71,128,432**	**73,243,925**

(a) Refer to amounts receivable from card-issuing banks resulting from transactions carried out with credit and debit cards made by cardholders, already net of advances and assignments with card-issuing banks. In the first half of 2020, receivables totaling R$ 4,775,198 were assigned at an average cost of 142.74% of DI (R$ 2,000,000 at an average cost of 109.84% of DI at December 31, 2019). As at December 31, 2020, there are no outstanding balances of assignments.

(b) Refer basically to receivables for transactions challenged by credit card holders that are under analysis by the Group at the end of the reporting period (chargeback).

(c) Receivables recognized in subsidiary MerchantE relating to amounts due from card association members for processed transactions that had been authorized but not yet received by MerchantE at the end of the reporting periods. These amounts receivable are usually received on the business day following the transaction capture date. Card associations send to MerchantE the amounts due to merchants for processing, net of the interchange fee retained by the card-issuing banks

(d) These are represented by the amounts receivable related to interchange fees and service fees charged for the processing of transactions receivable from merchants, a result of the practice adopted by MerchantE to settle transactions for the full amounts to merchants and to collect these fees at the beginning of the following month.

(e) Refer to the allowance recognized based on the expected losses and on transactions already in arrears carried out with merchants, related to products and services provided by the Company, as well as collection of cancelations and chargebacks, as presented in note 26 – Risk management. This allowance is determined through a methodology that consists of attributing the ratings and percentages of the allowance, in accordance with the level of transactions in arrears.

8 Income tax, social contribution and other taxes

a. Current income tax and social contribution

The reconciliation of the income tax and social contribution expense in relation to the nominal rate of these taxes for the years ended December 31, 2020 and 2019 is as follows:

	Parent Company			Consolidated	
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Profit before income tax and social contribution	500,431	667,425	1,956,077	950,973	2,490,685
Statutory rates - %	34%	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(170,147)	(226,925)	(665,066)	(323,331)	(846,833)
Tax benefit of interest on capital	41,058	51,500	164,994	51,500	164,994
Tax benefit of R&D	2,235	4,946	10,928	4,946	10,928
Share of profit (loss) of investees	24,945	(3,864)	77,520	(640)	3,130
Goodwill on investment acquisition	(101)	(101)	(5,890)	-	(5,890)
Income tax and social contribution of prior years	-	-	10,197	-	10,197
Tax benefit MerchantE[1]	-	-	-	20,272	-
Difference of income tax rate USA	-	-	-	(32,009)	(25,478)
Effect on Stelo's tax loss	-	-	-	(38,426)	(53,029)
Effect on permanent differences, net (*)	231	(2,732)	(1,368)	(1,772)	4,419
Income tax and social contribution	**(101,779)**	**(177,176)**	**(408,685)**	**(319,460)**	**(737,562)**
Current	(173,887)	(203,401)	(395,756)	(397,686)	(779,151)
Deferred	72,108	26,225	(12,929)	78,226	41,589

[1] In 2020, the tax benefit used by MerchantE was increased by R$ 17,969 (non-recurring impact), offered by the American government, which allowed the offset of taxes retroactive to the last 5 years against the loss for 2020, in order to mitigate the impact from the COVID on the American economy (before the approval of this benefit, companies were only authorized to offset taxes of the last 2 years).

Incentives to Cultural and Artistic Activities ("Rouanet Law"), Sports, Child and Adolescent Rights Fund and Fund for the Elderly and National Program for the Support and Health Care of Physically Disabled People (PRONAS/PCD) are recognized in line item " Income tax expense – current". The tax incentives recorded as income tax expense - current totaled R$5,488 as at December 31, 2020 (R$ 6,338 in consolidated) and R$ 9,465 as at December 31, 2019 (R$9,965 in consolidated).

b. Deferred income tax and social contribution

Deferred income tax and social contribution arise from temporary differences caused mainly by temporarily non-deductible provisions, and are classified in noncurrent assets and noncurrent liabilities, according to the expected realization of the credit.

Deferred income tax and social contribution reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and the related carrying amounts. The reported amounts are reviewed monthly.

Breakdown of deferred income tax and social contribution – Assets

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Provision for tax, labor and civil risks	605,261	601,178	610,917	607,779
Accrual for sundry expenses	209,409	206,154	321,710	326,979
Income tax and social contribution tax losses in subsidiary	-	-	93,678	93,678
Allowance for losses on POS equipment, doubtful debts and fraud	113,249	100,659	133,451	104,251
Total	**927,919**	**907,991**	**1,159,755**	**1,132,687**

	Parent Company				Consolidated			
	Income tax	**Social contribution**	**Total**	**Present value**	**Income tax**	**Social contribution**	**Total**	**Present value**
Within 12 months	237,248	85,409	322,658	314,114	334,677	120,484	455,160	443,108
After 12 months	445,045	160,216	605,261	589,234	518,084	186,510	704,595	685,937
Total	**682,293**	**245,625**	**927,919**	**903,348**	**852,761**	**306,994**	**1,159,755**	**1,129,045**

According to Management's best estimate, the tax credits recognized on the accrual for sundry expenses and allowance for losses on POS equipment, doubtful debts and fraud in the amount of R$ 322,658 (R$ 455,160 in consolidated) will be realized mainly during the next 12 months. The remaining portion, in the amount of R$ 605,261 (R$ 704,595 in consolidated), will be realized over a period of more than 12 months and includes credits on provisions for risks, which depend on the final outcome of each lawsuit partially estimated in up to 5 years, except for the provision for labor risks which is estimated to be realized in up to 10 years, according to the development of the lawsuit described in note 14.

Breakdown of deferred income tax - Liabilities recognized in domestic and foreign companies

	Consolidated	
	12/31/2020	**12/31/2019**
Fair value of intangible assets of MerchantE, acquired in 2012	1,923	6,220
Fair value of intangible assets of Cielo USA	26,753	58,349
Deferred tax liability on negative goodwill	6,188	6,188
Total	**34,864**	**70,757**

c. Taxes payable

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Income tax and social contribution, net of prepayments	210,891	66,314	479,082	440,182
Contribution for Social Security Funding - Cofins	5,324	17,190	25,572	29,008
Tax on Services – ISS	5,165	4,522	49,529	48,289
Social Integration Program - PIS	1,103	3,496	5,442	12,953
Other taxes payable	13,969	12,853	21,515	23,257
Total	**236,452**	**104,375**	**581,140**	**553,689**

9 Investments

	Parent company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
In subsidiaries	7,605,594	8,724,467	-	-
In joint ventures	121,890	126,229	121,890	126,229
Goodwill on acquisition of investments	25,859	-	-	-
Total	**7,753,343**	**8,850,696**	**121,890**	**126,229**

In the consolidation of the financial statements for direct subsidiaries Multidisplay and Cielo USA, as well as for indirect subsidiaries M4Produtos and MerchantE, the financial information as at November 30, 2020 was used to calculate the investments as at December 31, 2020. Accordingly, the share of profit (loss) of investees refers to the twelve-month period ended November 30, 2020.

The detail of the nature of the goodwill arising on the acquisition of investments recorded in the line item of investments is provided in note 11 (a) – Goodwill on acquisition of investments.

The main information on direct and indirect subsidiaries and joint ventures relating to investment amounts and share of profit (loss) of investees recorded in the individual and consolidated financial statements is presented in the table below:

		12/31/2020							12/31/2020		
	% Equity interest	Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss)	Share of profit (loss) of investees for the six-month period	Share of profit (loss) of investees for the year	Investments
Subsidiaries:											
Servinet	99.99	119,575	84,223	35,352	288,000	283,823	16,501	11,802	5,525	11,801	35,348
Multidisplay (i)	100.00	152,319	92,470	59,849	1,320,629	73,700	34,271	21,577	9,930	21,577	59,849
Braspag	99.99	-	-	-	63,379	36,764	24,396	17,870	8,512	17,868	-
Cielo USA (ii)	100.00	739,484	2,129,391	(1,389,907)	-	(159,708)	(256,909)	(277,792)	(136,479)	(277,792)	-
Cateno (iv)	70.00	11,080,610	697,751	10,382,859	2,622,368	938,445	642,362	464,420	206,058	325,094	7,268,001
Stelo (v)	21.36	360,448	116,407	244,041	183,473	(34,534)	(99,650)	(108,398)	(871)	(871)	52,135
Aliança	99.99	197,974	7,713	190,261	8,648	8,883	(107,046)	(107,161)	(17,849)	(107,161)	190,261
Subtotal									**74,826**	**(9,484)**	**7,605,594**
Joint ventures:											
Orizon (iii)	40.95	341,804	29,689	312,115	127,942	29,451	(10,060)	(4,459)	(1.416)	(1.825)	121.890
Paggo (ii)	50.00	130	339	(209)	-	-	(112)	(113)	(43)	(57)	-
Subtotal									**(1,459)**	**(1,882)**	**121,890**
Total Parent Company									**73,367**	**(11,366)**	**7,727,484**
Total Consolidated									**(1,459)**	**(1,882)**	**121,890**
Indirect subsidiaries:											
M4Produtos	100.00	169,399	141,132	28,267	118,853	62,309	7,876	4,881			
MerchantE	100.00	704,569	319,375	385,194	2,317,179	421,220	(162,264)	(97,143)			
Indirect joint ventures:											
Prevsaúde	40.95	18,097	989	17,108	7,059	4,140	3,041	2,481			
Guilher	40.95	7,647	4,884	2,763	5,285	1,415	669	665			

(i) The investment held by Cielo includes adjustment to the equity of subsidiary Multidisplay due to the special goodwill reserve generated in the corporate restructuring process in which Servrede was merged into its then subsidiary Multidisplay.

(ii) As at December 31, 2020, Cielo USA and Paggo had negative equity (capital deficit), for this reason the investment amount was reclassified to "Provision for obligations with investees".

(iii) The amount of R$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill initially reflected in CBGS Ltda, and transferred to indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into its then subsidiary Orizon.

(iv) Cateno's balance of assets is mainly comprised of the right to use the Ourocard payment arrangement.

(v) As at September 30, 2020, Braspag was merged into Stelo, as described in note 1 – Operations. After the transaction, Cielo started holding a 21.36% direct interest in Stelo and started to recognize the share of profit (loss) of this investment. The balance of R$ (871) refers to the share of profit (loss) determined from the date of the event on 09/30/2020 to 12/31/2020.

		12/31/2019			12/31/2019				12/31/2019	12/31/2019
	% Equity interest	Assets	Liabilities	Equity	Revenues	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss)	Share of profit (loss) of investees for the year	Investments
Subsidiaries:										
Servinet	99.99	105,950	84,045	21,905	286,541	282,956	16,212	10,952	10,952	21,905
Multidisplay (i)	91.44	154,665	90,867	63,798	1,088,170	58,322	34,758	27,969	25,576	59,745
Braspag	99.99	62,383	29,383	33,000	52,004	29,929	18,114	12,197	12,197	33,000
Cielo USA (ii)	100.00	825,540	1,687,306	(861,766)	-	(107,416)	(125,923)	(148,904)	(148,904)	-
Cateno (iv)	70.00	12,989,690	762,119	12,227,571	2,773,299	1,100,045	911,712	677,789	474,452	8,559,300
Aliança	99.99	252,626	202,109	50,517	5,426	5,515	(155,661)	(155,480)	(155,480)	50,517
Subtotal									**218,793**	**8,724,467**
Joint ventures:										
Orizon (iii)	40.95	355,641	33,031	322,610	149,774	50,805	16,243	22,550	9,234	126,229
Paggo (ii)	50.00	243	340	(97)	-	-	(56)	(56)	(28)	-
Subtotal									**9,206**	**126,229**
Total Parent Company									**227,999**	**8,850,696**
Total Consolidated									**9,206**	**126,229**
Indirect subsidiaries:										
M4Produtos	91.44	208,749	181,632	27,117	126,011	70,232	27,939	18,747		
MerchantE	100.00	847,726	399,638	448,088	1,903,514	378,463	(29,456)	(15,505)		
Stelo	100.00	524,052	276,527	247,526	188,075	(57,986)	(131,187)	(155,967)		
Indirect joint ventures:										
PrevSaúde	40.95	16,191	1,565	14,626	8,162	5,530	4,551	3,958		
Guilher	40.95	11,292	9,195	2,097	6,040	976	162	689		

(i) The investment held by Cielo includes adjustment to the equity of subsidiary Multidisplay due to the special goodwill reserve generated in the corporate restructuring process in which Servrede was merged into its then subsidiary Multidisplay.

(ii) As at December 31, 2019, Cielo USA and Paggo had negative equity, for this reason the investment amount was reclassified to "Provision for obligations with investees".

(iii) The amount of R$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill initially reflected in CBGS Ltda, and transferred to indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into its then subsidiary Orizon.

(iv) Cateno's balance of assets is mainly comprised of the right to use the Ourocard payment arrangement.

Changes in investments for the years ended December 31, 2020 and 2019 are as follows:

	Parent Company	Consolidated
Investment at December 31, 2018	**8,960,900**	**119,055**
Provision for obligations with investees (a)	142,836	28
Dividends received:		
Braspag	(20,673)	-
Multidisplay	(26,056)	-
Orizon	(2,060)	(2,060)
Servinet	(25,000)	-
Cateno	(459,598)	-
Share of profit (loss) of investees	227,999	9,206
Goodwill amortization	(17,323)	-
Capital contribution – Aliança	73,114	-
Other effects on equity of subsidiary	(3,443)	-
Investment at December 31, 2019	**8,850,696**	**126,229**
Provision for obligations with investees (a)	279,491	(332)
Dividends received:		
Orizon	(2,124)	(2,124)
Multidisplay	(25,500)	-
Braspag	(11,463)	-
Cateno	(311,327)	-
Capital contribution in subsidiaries	65,500	-
Future capital increase in subsidiaries (b)	195,000	-
Acquisition of interest in subsidiary – Multidisplay (c)	29,797	-
Goodwill amortization	(297)	-
Redemption of shares – Cateno (d)	(1,305,064)	-
Share of profit (loss) of investees	(11,366)	(1,882)
Investment at December 31, 2020	**7,753,343**	**121,890**

(a) Refers to an investment with negative equity recognized under "Provisions for obligations with investees".

(b) Capital increase through the use of advances made in 2019 (Aliança).

(c) As described in note 1 in corporate events, in November 2020 Cielo acquired the remaining 8.56% interest in the capital of Multidisplay in the amount of R$ 29,797. This transaction resulted in the recognition of goodwill from expected future profitability in the amount of R$ 26,157.

(d) In November 2020, the shares of Cateno were partially redeemed, in the total amount of R$ 1,864,378, settled in cash to the shareholders Cielo (in the amount of R$ 1,305,064, equivalent to a 70% interest) and BB Elo Cartões Participações S.A. (in the amount of R$ 559,313, equivalent to a 30% interest). The transaction did not result in any change in the subsidiary's ownership structure.

10 Property and equipment

		Parent Company			
		12/31/2020			12/31/2019
	Annual depreciation rate-%	Cost	Accumulated depreciation	Net	Net
POS equipment	20	1,858,481	(1,065,381)	793,100	729,572
Data processing equipment	20	248,751	(144,522)	104,229	60,315
Machinery and equipment	10 - 20	28,539	(25,822)	2,717	4,599
Facilities	10	49,201	(25,527)	23,674	28,285
Furniture and fixtures	10	11,276	(6,378)	4,898	5,903
Vehicles	20	1,664	(402)	1,262	1,478
Total		**2,197,912**	**(1,268,032)**	**929,880**	**830,152**

		Consolidated			
		12/31/2020			12/31/2019
	Annual depreciation rate-%	Cost	Accumulated depreciation	Net	Net
POS equipment	20	1,859,106	(1,065,735)	793,371	729,946
Data processing equipment	20	313,096	(197,830)	115,266	68,988
Machinery and equipment	10 - 20	52,703	(33,051)	19,652	15,951
Facilities	10	98,428	(50,105)	48,323	54,402
Furniture and fixtures	10	19,515	(10,669)	8,846	10,569
Vehicles	20	1,773	(475)	1,298	1,528
Total		**2,344,621**	**(1,357,865)**	**986,756**	**881,384**

Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

	Parent company				
	12/31/2019	Additions	Disposals/ Estimated losses	Depreciation	12/31/2020
POS equipment	729,572	321,665	(42,995)	(215,142)	793,100
Data processing equipment	60,315	67,611	-	(23,697)	104,229
Machinery and equipment	4,599	129	-	(2,011)	2,717
Facilities	28,285	302	-	(4,913)	23,674
Furniture and fixtures	5,903	123	-	(1,128)	4,898
Vehicles	1,478	116	-	(332)	1,262
Total	**830,152**	**389,946**	**(42,995)**	**(247,223)**	**929,880**

	12/31/2018	Additions	Disposals/ Estimated losses	Depreciation	12/31/2019
Total	**523,853**	**525,389**	**(18,272)**	**(200,818)**	**830,152**

	Consolidated					
	12/31/2019	Additions	Disposals/ Estimated losses	Depreciation	Exchange difference	12/31/2020
POS equipment	729,946	321,840	(43,161)	(215,312)	58	793,371
Data processing equipment	68,988	74,951	(244)	(30,081)	1,652	115,266
Machinery and equipment	15,951	17,433	(11,476)	(5,117)	2,861	19,652
Facilities	54,402	4,703	(1,098)	(9,684)	-	48,323
Furniture and fixtures	10,569	402	(334)	(1,831)	40	8,846
Vehicles	1,528	116	-	(346)	-	1,298
Total	**881,384**	**419,445**	**(56,313)**	**(262,371)**	**4,611**	**986,756**

	12/31/2018	Additions	Disposals/ Estimated losses	Depreciation	Exchange difference	12/31/2019
Total	**580,794**	**535,054**	**(18,668)**	**(216,535)**	**739**	**881,384**

As at December 31, 2020 and 2019, the property and equipment balance includes estimated losses on POS equipment in the amounts of R$31,149 and R$32,380, respectively.

11 Intangible assets

The breakdown of intangible assets is as follows:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Goodwill on acquisition of investments	-	-	29,960	5,974
Other intangible assets	596,407	562,734	10,412,795	10,949,664
Total	**596,407**	**562,734**	**10,442,755**	**10,955,638**

a. Goodwill on acquisition of investments

As at December 31, 2020 and 2019, the goodwill on acquisition of investments in subsidiaries is recognized in line item "Intangible assets" in the consolidated statement of financial position, broken down as follows:

	Consolidated	
	12/31/2020	**12/31/2019**
Multidisplay – Tax benefit on goodwill (a)	4,101	5,974
Multidisplay – Additional acquisition of 8.56% (b)	25,859	-
Total	**29,960**	**5,974**

(a) Acquisition of control - Multidisplay: In August 2010, the Company acquired through its direct subsidiary Servrede, 50.1% of the shares of Multidisplay for R$ 50,650, generating initial goodwill of R$ 31,348. In the corporate restructuring process carried out in 2012, Servrede was merged into its then subsidiary Multidisplay, the tax benefit on goodwill of R$ 10,658 was merged into Multidisplay and the remaining amount of goodwill of R$ 20,690 was re-established in the Company, as provided for in CVM Instructions No. 319/99 and No. 349/01. The tax benefit is amortized according to its realization and the goodwill was amortized over the period of the study of projections of future results that justified it.

(b) Additional acquisition of control – Multidisplay – On November 19, 2020, the acquisition of 8.56% of the capital of Multidisplay Comércio e Serviços Tecnológicos S.A ("Multidisplay") by Cielo was concluded, and Cielo became the holder of a 100% interest. On May 29, 2020, the Company formalized its agreement in relation to the amount of R$ 29,797 for the Exercise of the Put Option for the remaining interest held by the founding partners of Multidisplay, after calculation based on the audited financial statements as of December 31, 2019, according to the option provided in the agreement entered into on July 4, 2016 regarding the acquisition of the additional 41.34% interest (when the Company started holding 91.44% of Multidisplay).

Changes in goodwill for the years ended December 31, 2020 and 2019 are as follows:

	Consolidated
Balance at December 31, 2018	**28,579**
Realization of tax benefit on goodwill	(5,282)
Amortization of goodwill for the period	(17,323)
Balance at December 31, 2019	**5,974**
Realization of tax benefit on goodwill	(1,874)
Acquisition of interest – Multidisplay	26,157
Amortization for the period	(297)
Balance at December 31, 2020	**29,960**

b. Other intangible assets

The breakdown of other intangible assets is as shown below:

		Parent Company			
		12/31/2020			12/31/2019
	Annual amortization rate - %	**Cost**	**Accumulated amortization**	**Net**	**Net**
Software	20	1,222,456	(650,082)	572,374	499,370
Relationship with customers	20	112,032	(87,999)	24,033	63,364
Total		**1,334,488**	**(738,081)**	**596,407**	**562,734**

		Consolidated			
		12/31/2020			12/31/2019
	Annual amortization rate - %	Cost	Accumulated amortization	Net	Net
Right to use Ourocard Payment-Arrangement (a)	3.33	11,572,000	(2,250,111)	9,321,889	9,707,622
Software (b)	6.66 - 20	1,996,393	(1,167,939)	828,454	726,434
Relationship with customers (c)	4 - 20	1,242,561	(1,048,234)	194,327	410,702
Project development (d)	20	90,705	(23,825)	66,880	88,496
Non-compete agreement (e)	7.5 - 50	102,995	(102,820)	175	10,188
Service agreements (f)	8 - 20	32,218	(31,222)	996	6,148
Trademarks (g)	10	74	-	74	74
Total		**15,036,946**	**(4,624,151)**	**10,412,795**	**10,949,664**

(a) **Right to Use Ourocard Payment Arrangement** - Under the scope of the association agreement between the Company and BB Elo Cartões, a wholly-owned subsidiary of Banco do Brasil, in February 2015 Cateno was granted rights over post-paid payment accounts management activities under the Ourocard Payment Arrangement, rights over the management of the purchase functionalities through debit under the Ourocard Payment Arrangement, and participation in the Ourocard Payment Arrangement as a Payment Institution. By means of an Economic and Financial Appraisal Report issued by an independent auditing firm and prepared based on a future profitability method using a discounted cash flow, the rights under the above-described Ourocard Payment Arrangement were valued at R$11,572,000 with a 30-year useful life. The intangible assets are amortized under the straight-line method at a rate of 3.33% per year. The useful life and amortization method are reviewed annually.

(b) **Software -** refers to software licenses acquired from third parties and used to provide services relating to information processing and business transactions with customers. Additionally, in 2012, when 100% of MerchantE's capital stock was acquired, the fair value adjustment of the software platform was recognized in Cielo USA in the amount of R$223,300 (equivalent to US$110,000). The independent appraisal firm engaged to issue the appraisal report measured the software platform's fair value using the average of the values obtained from applying the Relief-from-Royalty (at a 16% royalty fee) and Cost Approach - Third-party Cost Estimates methodologies. The useful life defined for this software platform is 12 years.

(c) **Relationship with customers:**

- **Braspag -** The main component of intangible assets is the customers portfolio, which was appraised using the "Income Approach" methodology, considering the balance of active customers and the respective churn rate, using estimated useful life of 120 months.
- **MerchantE -** MerchantE customers portfolio was classified in three main groups: "e-commerce", "bank customer" and "B2B/Other". Each portfolio was assessed separately using the "Excess Earnings" methodology, considering their specific and individual characteristics. As discount rate, 10% per year was used for "e-commerce" and "bank customer" portfolios, and 11% for "B2B/Others". The estimated useful life was based on the years in which each portfolio reaches approximately 80% to 90% of the accumulated amount of the discounted cash flow. An interval between the lowest and the highest values obtained was adopted.
- **Subsidy on Sale of Transaction Capture Solutions** – Corresponds to the subsidy paid by the Company and its subsidiary (Stelo) on sale of POS equipment to merchants and represents expected future profitability with customers, after the sale of said equipment, being recognized along the estimated average useful life of 15 months.

(d) **Project development -** refers to expenses on development of new products or services designed to increase the Company's and its subsidiaries' revenues.

(e) **Non-compete agreement:**

- **Multidisplay and M4Produtos -** Non-compete agreement ("with and without") value was calculated using the "Income Approach" methodology, with discount rate of 17.5% per year, perpetuity of 4% per year and estimated useful life of 89 months.
- **MerchantE -** MerchantE entered into an agreement with Synovus Financial Corporation, under which no competition shall exist in relation to the portfolio acquired from Columbus Bank and Trust Company ("CB&T") and any new customers acquired through CB&T as a result of the Recommendation Agreement. The fair value of this agreement was estimated using the "With and Without" methodology, while its useful life was defined to be the expiration date of the agreement.

(f) **Service agreements:**

- **Multidisplay and M4Produtos -** the four service agreements with telecommunication operators were measured based on the discounted cash flow of each agreement, by using a discount rate of 16.5% per year, during the residual useful life of each agreement, of approximately 53 months.
- **MerchantE -** when MerchantE acquired CB&T's customer portfolio, it entered into an agreement under which it would have preference in referring new customers. The fair value of this agreement was estimated based on the "Excess Earnings" methodology, and its useful life was defined to be the expiration date of the agreement, that is, 2020.

(g) **Trademarks (Cateno and Braspag) –** estimated using the "Relief-from-Royalty" methodology, having as assumption a royalty fee of 0.3% based on parameters obtained from the "Royalty Source Intellectual Property Database", and a discount rate of 10%.

Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

	Parent company				
	12/31/2019	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**12/31/2020**
Software	499,370	225,799	-	(152,795)	572,374
Relationship with customers	63,364	33,083	-	(72,414)	24,033
Total	**562,734**	**258,882**	**-**	**(225,209)**	**596,407**

	12/31/2018	**Additions**	**(Disposals)/ Reversals**	**Amortizations**	**12/31/2019**
Total	**420,389**	**275,505**	**(21)**	**(133,139)**	**562,734**

	Consolidated						
	12/31/2019	**Additions**	**Transfers**	**(Disposals)/ Reversals**	**Amortizations**	**Exchange differences**	**12/31/2020**
Right to use Ourocard Payment-Arrangement	9,707,622	-	-	-	(385,733)	-	9,321,889
Software	726,434	260,755	19,114	(8,293)	(229,868)	60,312	828,454
Relationship with customers	410,702	37,576	-	-	(306,591)	52,640	194,327
Project development	88,496	24,102	(19,114)	(15,917)	(19,346)	8,659	66,880
Non-compete agreement	10,188	-	-	(3,387)	(21,912)	15,286	175
Service agreements	6,148	-	-	-	(2,385)	(2,767)	996
Trademarks	74	-	-	-	-	-	74
Total	**10,949,664**	**322,433**	**-**	**(27,597)**	**(965,835)**	**134,130**	**10,412,795**

	12/31/2018	**Additions**	**Transfers**	**(Disposals)/ Reversals**	**Amortizations**	**Exchange differences**	**12/31/2019**
Total	**11,218,695**	**571,205**	**-**	**(744)**	**(857,410)**	**17,918**	**10,949,664**

Expenses on depreciation of property and equipment and amortization of intangible assets were recognized in “General and administrative expenses” and “Cost of services provided” in the statement of profit or loss.

12 Borrowings

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Private debentures (a)	3,360,718	3,402,483	3,360,718	3,402,483
Public debentures (b)	2,986,697	2,978,983	2,886,634	2,878,841
Long-term financing - "ten-year bonds" (d)	504,598	389,450	2,607,237	2,018,414
Financing of R&D	90,023	112,413	90,023	112,413
Working capital (c)	-	350,064	-	350,064
Borrowing in foreign currency - Operation 4131 (e)	-	483,420	-	483,420
Total	**6,942,036**	**7,716,813**	**8,944,612**	**9,245,635**
Current	40,214	917,685	40,960	918,337
Noncurrent	6,901,822	6,799,128	8,903,652	8,327,298
Total	**6,942,036**	**7,716,813**	**8,944,612**	**9,245,635**

(a) Private debentures

On February 27, 2015, the Company conducted the first, second and third issuances of simple debentures, in a single series, unsecured, nonconvertible and for private distribution. The three issuances totaled R$3,459,449 with maturity date on December 30, 2023. The private debentures’ yield includes interest based on the cumulative percentage change between 100.00% and 111.00% of the average daily interest rate of the Interbank Deposits (“DI”), as applicable, as shown in the table below:

	Principal	**Remuneration**
1st issuance	2,359,449	111% of DI
2nd issuance	700,000	100% of DI until 3/31/2015 and 111% of DI after 3/31/2015
3rd issuance	400,000	100% of DI from the payment date to the day of removal from office of the “Transition Committee”, or until the end of the

nine-year period counted from the base date to be defined in the amendment to the Debenture Indenture, In case of any of the events, interest will be based on 111% of DI.

Interest will be paid on a semiannual basis from the issuance date, except for the last accrual period that will be shorter as it will start on August 27, 2023, and will end with payment on the maturity date together with the principal amount. Exceptionally on March 27, 2015, the principal amount of R$122,324 related to the 1st issuance of private debentures was partially paid, remaining a balance payable of R$2,237,125. There are no covenants imposing financial restrictions related to the financial transaction of issue of Private Debentures.

(b) Public debentures

In June 2019, the Company conducted the 5th issuance of simple debentures, in a single series, unsecured, nonconvertible and for public distribution in accordance with CVM Instruction No. 476. The issuance totaled R$ 3,000,000 with maturity date on June 18, 2022. The amount was fully allocated to the reorganization of the Company's debts. The public debentures' yield includes interest based on the cumulative percentage change of 103.8% of the average daily interest rate of DI. The costs directly related to the debenture issuance process (banks, rating agency, auditors and lawyers' fees) were recorded in liabilities and are allocated to profit or loss over the term of the agreement, using the amortized cost method.

The public debentures are subject to covenants pursuant to which the Company must keep Net Debt/Consolidated Adjusted EBITDA ratio equal to or lower than 3, measured on a quarterly basis.

(c) Working capital

In March 2019, the Company started to raise funds for working capital through CCB (Bank Credit Bill) and other short-term credit lines. In the year ended December 31, 2020, no new transactions were carried out.

(d) Long-term financing - Ten-year bonds

In November 2012, the Company and its subsidiary Cielo USA completed a financial transaction whereby bonds were issued in the total amount of US$875 million, of which US$470 million were issued by the Company and US$405 million were issued by subsidiary Cielo USA. The amount raised by Cielo USA was used to pay the acquisition of control of MerchantE. The financing obtained is subject to an interest rate of 3.75% per year. Interest is paid on a semiannual basis and principal will be paid in November 2022. The costs directly associated with the issuance of these bonds (banks, auditors and lawyers' fees) were recognized in liabilities and are allocated to profit or loss over the term of the agreement, using the amortized cost method. There are no covenants imposing financial restrictions related to the financial transaction of issuance of bonds.

In June 2019, there was the partial repurchase of the Bonds, related to the portion issued by the Company in the amount of US$ 372.9 million, with the remaining debt balance of US$ 97.1 million in the Parent Company and US$ 405 million in Cielo USA.

(e) Operation 4131

The Company has a credit line with MUFG Bank, LTD to raise in dollar the equivalent of R$ 500,000. The contract is valid for one year and can be renewed yearly. In conjunction with the aforementioned loan, the Company contracts a swap to hedge against fluctuations related to exchange rate fluctuations, with a liability equivalent to the daily average interest rate of the DI.

On August 30, 2019, the operation with MUFG Bank, LTD was renewed in the amount of US$ 121,000, equivalent to R$ 504,328, which includes fixed interest of 2.135% p.a. for the period from 08/30/2019 to 02/27/2020 and 2.235% p.a. for the period from 02/28/2020 to the maturity of the operation on 08/27/2020. In addition, the Company contracted a swap to hedge this borrowing against exchange rate and interest rate fluctuations, with the short position considering all transaction costs equivalent to 104.15% of the average daily DI interest rate. Interest and said financial instrument are to be paid on 11/27/2019, 02/27/2020, 05/27/2020 and 08/27/2020, the latter together with the balance of loan principal. On August 27, 2020, the borrowing in foreign currency ("Operation 4131") in the amount of US$ 121,000 (R$ 504,328) was settled. The swap derivative instrument, which was intended to hedge the borrowing against exchange rate fluctuations, was also settled on the same date.

The Company and its subsidiaries were compliant with the financial ratio related to the covenants of its borrowings described above.

Changes in borrowings for the years ended December 31, 2020 and 2019 are as follows:

	Parent Company	**Consolidated**
Balance at December 31, 2018	**6,298,568**	**7,862,977**
New borrowings	18,588,738	18,488,597
Payment of principal	(17,182,343)	(17,182,565)
Exchange differences (on principal and interest)	54,970	121,829
Mark-to-market adjustment	(1,863)	(1,863)
Accrued interest and charges	423,508	483,421
Interest paid	(441,540)	(503,536)
Debt issuance costs incurred	(37,883)	(37,883)
Amortization of debt issuance costs	14,658	14,658
Balance at December 31, 2019	**7,716,813**	**9,245,635**

Balance at December 31, 2019	**7,716,813**	**9,245,635**
New borrowings	6,097,196	6,097,196
Payment of principal	(7,143,479)	(7,143,479)
Exchange differences (principal and interest)	301,535	788,882
Mark-to-market adjustment	5,278	5,278
Accrued interest and charges	247,528	249,119
Interest paid	(294,495)	(309,679)
Debt issuance costs incurred	(22,040)	(22,040)
Amortization of debt issuance costs	33,700	33,700
Balance at December 31, 2020	**6,942,036**	**8,944,612**

Breakdown of borrowings recorded in long-term liabilities

Borrowings classified as noncurrent as at December 31, 2020 by maturity date are broken down as follows:

Year of maturity	**Parent Company**	**Consolidated**
2022	3,527,419	5,531,718
2023	3,359,681	3,359,681
2024	22,556	22,556
Total borrowings	**6,909,656**	**8,913,955**
Debt issuance costs	(7,834)	(10,303)
Total	**6,901,822**	**8,903,652**

13 Other payables – Others - Payables to merchants

	Parent Company		**Consolidated**	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Payables to merchants (a)	61,529,245	62,805,144	61,584,758	63,013,645
Amounts to be settled to merchants (b)	-	-	49,065	201,943
Merchant deposits (c)	-	-	131,221	125,392
Total	**61,529,245**	**62,805,144**	**61,765,044**	**63,340,980**

(a) Refer to amounts for transactions related to sale of products and services using credit and debit cards payable to merchants, Company customers, net of compensation for the services rendered by Cielo and card-issuing banks.

(b) Refer to amounts to be settled by subsidiary MerchantE to its merchants for transactions captured and processed up to the reporting date. These amounts are settled on the business day following that of transaction capture.

(c) Subsidiary MerchantE requires deposits as guarantee from customers in case of losses on any amounts challenged by card holders (chargeback) due to fraud in the transaction or bankruptcy of merchant.

In addition to the services of payments of the amounts transacted in credit and debit cards to merchants, the Company also guarantees accredited merchants that they will receive the amounts from credit card transactions. Based on the immaterial amount of the Company's history of losses due to default from card-issuing banks and the current credit risks of these institutions, the Company estimates that the fair value of the guarantees provided to merchants is not material and, therefore, is not recognized as a liability.

14 Provisions, contingent assets and contingent liabilities

a. Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before courts and government agencies, arising in the normal course of business and involving tax, labor, civil and other matters.

The Company and its subsidiaries, based on information from their legal counsel, on the analysis of pending lawsuits and past experience on the amounts claimed in labor, civil and tax lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the years ended December 31, 2020 and 2019, as follows:

	Parent Company					
	12/31/2019	**Additions**	**Write-offs/ reversals**	**Monetary adjustment**	**Payments**	**12/31/2020**
Tax	1,691,220	44,435	(34,927)	5,591	-	1,706,319
Civil	48,808	53,927	(27,507)	8,282	(30,954)	52,556
Labor	66,846	13,024	(10,041)	7,576	(16,700)	60,705
Total	**1,806,874**	**111,386**	**(72,475)**	**21,449**	**(47,654)**	**1,819,580**

	12/31/2018	**Additions**	**Write-offs/ reversals**	**Monetary adjustment**	**Payments**	**12/31/2019**
Total	**1,755,232**	**120,313**	**(50,115)**	**16,116**	**(34,672)**	**1,806,874**

	Consolidated					
	12/31/2019	**Additions**	**Write-offs/ reversals**	**Monetary adjustment**	**Payments**	**12/31/2020**
Tax	1,701,471	45,247	(37,406)	5,688	-	1,715,000
Civil	50,160	56,292	(29,138)	8,371	(31,615)	54,070
Labor	79,116	17,052	(16,773)	8,770	(18,516)	69,649
Total	**1,830,747**	**118,591**	**(83,317)**	**22,829**	**(50,131)**	**1,838,719**

	12/31/2018	**Additions**	**Write-offs/ reversals**	**Monetary adjustment**	**Payments**	**12/31/2019**
Total	**1,782,197**	**126,994**	**(59,624)**	**16,569**	**(35,389)**	**1,830,747**

The additions refer basically to the complement of the provision for tax risks in the years ended December 31, 2020 and 2019 , recorded with a matching entry in line items “Tax on services” and “Other operating expenses, net”, and to the complement of the provision for civil and labor risks, represented by new lawsuits and by changes in the assessment of the likelihood of loss on the lawsuits made by the legal counsel, which were recorded with a matching entry in “Other operating expenses, net” in the statement of profit or loss.

b. Escrow deposits

In the years ended December 31, 2020 and 2019, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows:

	Parent Company			
	12/31/2019	**Additions**	**Write-offs**	**12/31/2020**
Tax	1,554,151	6	-	1,554,157
Labor	28,366	5,603	(17,282)	16,687
Civil	4,104	4,468	(3,010)	5,562
Total	**1,586,621**	**10,077**	**(20,292)**	**1,576,406**

	12/31/2018	**Additions**	**Write-offs**	**12/31/2019**
Total	**1,624,223**	**16,726**	**(54,328)**	**1,586,621**

	12/31/2019	**Additions**	**Write-offs**	**12/31/2020**
Tax	1,557,888	1,964	(4,552)	1,555,300
Labor	32,088	8,545	(22,549)	18,085
Civil	4,164	4,468	(3,030)	5,602
Total	**1,594,140**	**14,977**	**(30,131)**	**1,578,987**

	12/31/2018	**Additions**	**Write-offs**	**12/31/2019**
Total	**1,637,377**	**28,580**	**(71,817)**	**1,594,140**

Tax lawsuits

The Company discusses in court the diverging interpretation of the tax legislation application materialized in tax deficiency notices, as well as the lawfulness and constitutionality of certain taxes and contributions. Among the issues included in the Company's provision for tax risks, we highlight the following:

- **Cofins - Non-cumulative Regime –** In February 2004, the Company filed a writ of mandamus seeking to eliminate the demand for Cofins under the Law at a rate of 7.6%, making an escrow deposit for the monthly calculated amounts and recording the difference between the cumulative and non-cumulative regimes as provision for risks. In May 2017, after the judgment of Extraordinary Appeal No. 570,122/RS - with general repercussion recognized in relation to the matter raised and outcome unfavorable to the taxpayers -, the Company decided to stop making escrow deposits, starting to pay the taxes. The writ of mandamus remains awaiting a decision at a higher court for a final settlement of the dispute, as a result of the judgment not yet published in the records of the Extraordinary Appeal. As at December 31, 2020 and 2019, the amount of the provision for risks recognized and the amount of the escrow deposit is R$ 1,517,142.
- **ISS (LC 157/16) -** As a result of the amendments introduced by Supplementary Law No. 157/16 regarding the place of payment of the Tax on Services ("ISS") and subsequently suspended by force of an injunction granted by the Federal Supreme Court ("STF"), the Company recognized a provision for risks for the amount allegedly due to the other municipalities of the Federation during the period the Law was in effect. As at December 31, 2020, the amounts of the provision for risks is R$ 21,428 in the Parent Company and R$ 24,453 in the Consolidated. As at December 31, 2019, this balance comprises R$ 20,732 in the Parent Company and R$ 23,757 in the Consolidated.

Based on the opinion of their legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of provisions for tax risks will occur in up to 5 years and understands that the development of the lawsuits will depend on external factors not under the

control of the Company and its subsidiaries.

Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were passed on to merchants in view of noncompliance with clauses of the accreditation contract, and compensation for losses caused by transactions not passed on at that time.

Based on the opinion of their legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of the mentioned provision for civil risks will occur within 5 years and understands that the development of the lawsuits will depend on external factors not under the control of the Company and its subsidiaries.

Additionally, as at December 31, 2020, the Company is a party to public civil lawsuits and civil inquiries, most of them filed by the Public Prosecutor's Office or associations, whose intention is to defend collective interests (such as consumers' rights and labor rights), Court decisions may grant rights to groups of people (even without their consent), In many situations, the group's decision on availing a favorable outcome will only be made after the final decision.

Labor lawsuits

Refer to labor lawsuits filed by former employees of the Company and its subsidiaries and also by former employees of their suppliers. In general, these lawsuits discuss matters such as salary equalization, overtime, labor effects from annual bonus, differentiated union membership, recognition of employment relationship and pain and suffering.

The likelihood of loss on labor lawsuits is assessed depending on the content of the claim, the evidence provided and the history of loss on similar lawsuits, The Company and its subsidiaries periodically assess the effectiveness of the provision recognized based on the lawsuits settled.

The lawsuits filed by former employees of the Company's suppliers are borne, as a general rule, by the companies themselves which in turn are liable for the lawyers' fees and other expenses related to the lawsuits, including any agreements or final sentences. If the Company and its subsidiaries make payments in view of these lawsuits, the Company has an internal process for offset or reimbursement of these amounts with outsourced companies.

Based on the opinion of their legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of 60.29% of the mentioned provision for labor risks will occur within 5 years, and 39.71% within 10 years, and understands that the development of the lawsuits will depend on external factors not under the control of the Company and its subsidiaries.

c. Contingent liabilities classified as possible losses

Additionally, as at December 31, 2020, the Company and its subsidiaries are also parties to tax, civil and labor lawsuits assessed by their legal counsel as possible likelihood of losses, for which no provision was recognized, as follows:

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Tax	731,934	140,052	732,476	192,463
Civil	223,465	221,007	229,220	228,879
Labor	60,290	55,293	81,313	69,545
Total	**1,015,689**	**416,352**	**1,043,009**	**490,887**

The Company is a party to administrative proceedings that, due to the nature of their discussion and the jurisprudential understanding of the matter, are not classified as probable loss risk. The main discussions are as follows:

- **Social Security Contribution** – In February 2020, the Company received a tax assessment notice requiring the payment of social security contribution on amounts distributed in 2015 as employee profit sharing and stock options, in the monetarily adjusted amount of R$ 64,157. Based on the opinion of the Company's legal counsel, the risk of loss was classified as possible.
- **IRPJ/CSLL** – In December 2020, a tax assessment notice was issued against the Company, requiring the payment of IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) on the amounts allegedly excluded improperly, as interest on capital, from the calculation of taxable profit between the years 2015 and 2016, in the monetarily adjusted amount of R$ 430,457. Based on the opinion of the Company's legal counsel, the risk of loss was classified as possible.
- **PIS/Cofins** – In December 2018, a tax assessment notice was issued against the Company, requiring the payment of PIS and Cofins (taxes on revenue) at the rate of 9.25% on revenues from the purchase of receivables ("ARV"), related to the calendar years 2014 and 2015, in the monetarily adjusted amount of R$ 713,438 (R$ 693,637 at December 31, 2019). Based on the opinion of the Company's legal counsel, the risk of loss was classified as remote

15 Equity

a. Issued capital

Capital as at December 31, 2020 is R$5,700,000 (R$ 5,700,000 as at December 31, 2019) represented by 2,716,815,061 common shares (2,716,815,061 common shares as at December 31, 2019), all of them subscribed and paid in.

As mentioned in note 16, the number of shares net of treasury shares as at December 31, 2020 is 2,707,153,769 (2,712,719,487 shares as at December 31, 2019).

The Company's capital can be increased by up to 2,400,000,000 additional common shares, regardless of any amendments to bylaws, at the discretion of the Board of Directors, which has the power to establish the share issue price, the terms and conditions for subscription and payment of shares up to the limit of the authorized capital.

b. Capital reserve

This reserve comprises the balances of share-based payment and goodwill on subscription of shares related to the capital contributions made by shareholders exceeding the amount earmarked for capital formation.

The capital reserve balance as at December 31, 2020 is R$ 67,529 (R$ 65,658 as at December 31, 2019).

c. Treasury shares

At a meeting held on February 19, 2020, the Board of Directors approved the share buyback program ("Program"), effective from March 2 to March 10, 2020, whereby the Company acquired a total of up to 4,006,776 (four million, six thousand, seven hundred and seventy-six) common shares, with no par value, of its own issue, as detailed in the Notice on Trading of Own Shares,

prepared pursuant to Annex 30-XXXVI of CVM Instruction No. 480 disclosed on said date.

At a meeting held on June 24, 2020, the Board of Directors approved the opening of a new share buyback program in complement to the share buyback program approved on February 19, 2020 ("Program"), whereby a total of up to 2,595,332 (two million, five hundred and ninety-five thousand, and three hundred and thirty-wo) common shares were acquired, effective in the period from June 25, 2020 to July 3, 2020.

Changes in treasury shares are as follows:

	Shares	Amount	Average cost R$ per share
Balance at December 31, 2019	(4,095,574)	(56,198)	13.72
Sale in February	350,334	4,808	13.72
Sale in March	154,422	2,118	13.72
Repurchase in March	(4,006,776)	(27,560)	6.88
Sale in April	2,798	28	10.11
Repurchase in July	(2,595,332)	(12,653)	4.87
Sale in July	528,836	4,642	8.78
Balance at December 31, 2020	**(9,661,292)**	**(84,815)**	**8.78**

d. Other comprehensive income

This balance refers to cumulative adjustments for translation into foreign currency of foreign investments and post-employment benefits, which are reclassified to profit or loss upon the actual realization of the balances. The balances below reflect cumulative translation adjustments at the end of the reporting period, as follows:

	12/31/2020	12/31/2019
Exchange differences on foreign investments	(220,850)	29,499
Post-employment benefits, net	(2,917)	(16,783)
Total	**(223,767)**	**12,716**

e. Earnings reserve - legal

It is set up on the basis of 5% of the profit calculated at the end of the period, pursuant to article 193 of Law No. 6,404/76, up to the limit of 20% of the share capital. The balance of the legal reserve as at December 31, 2020 is R$ 1,140,000 (R$ 1,128,753 as at December 31, 2019).

f. Earnings reserve - capital budget

At the meeting held on January 26, 2021, the Board of Directors approved the Financial Statements for the six-month period and the year ended December 31, 2020, as recommended by the Audit Committee, and the capital budget proposal for the year 2021. Subsequently, the Financial Statements and the capital budget proposal were submitted for the analysis of the Supervisory Board, which expressed an opinion favorably to their approval by the General Meeting of Shareholders.

The capital budget will be used to strengthen the Company's working capital, allowing more robustness and financial stability with a view to (a) enabling the growth projected for the fiscal year 2021 of the volume paid in advance, in up to two busines days, to Cielo's merchant customers, arising from cash and installment credit card transactions captured by the Company; and (b) repurchase of shares issued by the Company, under the terms and up to the limit permitted by CVM Instruction 567. The capital budget reserve totals R$ 2,891,007 as at December 31, 2020

and 2,579,326 as at December 31, 2019.

The Financial Statements for the year ended December 31, 2020 and the respective capital budget proposal for 2021 will be submitted for analysis of the Company's shareholders in an Ordinary General Meeting ("AGM") to be held on April 23, 2021.

g. Dividends and interest on capital

Under the Company's bylaws, shareholders are entitled to a mandatory minimum dividend of 30% of the profits earned (after the recognition of the legal reserve) at the end of each financial year.

The allocation of the remaining balance of the profit for the year will be decided at the ordinary general meeting. At year-end, the Company recognizes the provision for the minimum dividend that has not yet been distributed during the year up to the limit of the aforementioned mandatory minimum dividend. Under the bylaws, the Company may prepare semiannual or shorter period statements of financial position and, in accordance with the limits provided for in applicable law, the Board of Directors may approve the distribution of dividends from the profit account. The Board of Directors may also propose interim dividends from the existing profit account based on the latest statement of financial position approved by the shareholders.

At the meetings held on December 20, 2019 and January 27, 2020, the Company's Board of Directors approved, ad referendum of the Ordinary General Meeting, the distribution of interest on capital for the 4th quarter of 2019, in the amount of R$ 81,276, which was paid on February 13, 2020. The approved amounts, net of tax withholdings, represent 30% of profit, after setting up of the legal reserve, for the 4th quarter of 2019.

At a meeting held on April 28, 2020, the Company's Board of Directors approved a change in the periodicity of payment of dividends and/or interest on capital for fiscal year 2020, from quarterly to annual and, consequently, suspension, until December 31, 2020, of the application of item 3.1 of the Company's Earnings Policy, which governs the quarterly distribution of earnings. This change is justified because it is in line with the strategy of cash preservation and management adopted by the Company since the beginning of the outbreak of the COVID-19 pandemic.

At the meetings held on December 22, 2020 and January 26, 2021, the Company's Board of Directors approved, ad referendum of the Ordinary General Meeting, the distribution of interest on capital in the amount of R$ 151,470 and dividends in the amount of R$ 14,951, respectively, totaling R$ 166,421 (net of income tax withholding corresponding to 30% of the profit for the year after setting up of the legal reserve), which will be paid on February 17, 2021. The approved amounts will be distributed based on the shareholding position at December 29, 2020 for interest on capital and February 1, 2021 for dividends.

h. Regulatory capital

Central Bank Circular Letter No. 3,681/13 requires accrediting payment institutions to maintain permanently equity adjusted by profit or loss accounts in an amount corresponding to at least 2% of the average monthly amount of the payment transactions processed by the institution in the last twelve months.

As at December 31, 2020, the Company maintains the required minimum regulatory capital.

16 Earnings per share

a. Change in the number of common shares

Shares issued	**Common**
Shares at December 31, 2019	2,712,719,487
Exercise of stock options:	
February	350,334
March	154,422
April	2,798
July	528,836
Repurchase of shares – March	(4,006,776)
Repurchase of shares – July	(2,595,332)
Total	**2,707,153,769**

b. Earnings per share

The following tables reconcile the profit and the weighted average number of outstanding shares with the amounts used to calculate the basic and diluted earnings per share.

Basic earnings per share

	Parent Company and Consolidated		
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**
Profit for the year available for common shares	398,652	490,249	1,547,392
Weighted average number of outstanding common shares (in thousands)	2,713,406	2,709,907	2,712,719
Earnings per share (in R$) – basic	**0.14692**	**0.18091**	**0.57042**

Diluted earnings per share

	Parent Company and Consolidated		
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**
Profit for the year available for common shares	398,652	490,249	1,547,392
Diluted denominator:			
Weighted average number of outstanding common shares (in thousands)	2,713,406	2,709,907	2,712,719
Potential increase in common shares as a result of the stock option plan	2,539	8,442	3,984
Total (in thousands)	2,715,945	2,718,349	2,716,703
Earnings per share (in R$) – diluted	**0.14678**	**0.18035**	**0.56958**

17 Net operating revenue

	Parent Company			Consolidated	
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Gross operating revenue	2,767,511	5,206,445	5,897,986	12,273,441	12,504,436
Taxes on services	(280,643)	(530,873)	(597,306)	(1,087,428)	(1,150,594)
Total	**2,486,868**	**4,675,572**	**5,300,680**	**11,186,013**	**11,353,842**

The gross operating revenue is derived from the capture, transmission, processing and financial settlement of the transactions made with credit and debit cards, management of payment accounts related to the Ourocard Payment Arrangement, rental of POS equipment, and provision of services in data transmission to load fixed or mobile phone credits.

18 Expenses by nature

The Company elected to present the consolidated statement of profit or loss classified by function.

The breakdown of cost of services provided and net operating expenses by nature is as follows:

	Parent Company			Consolidated	
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Personnel expenses	(242,409)	(499,922)	(459,486)	(1,064,147)	(971,394)
Depreciation and amortization	(241,438)	(472,729)	(351,279)	(1,228,503)	(1,085,469)
Professional services	(289,444)	(521,192)	(531,100)	(333,680)	(292,974)
Acquiring costs (a)	(1,177,785)	(2,258,155)	(2,424,699)	(5,592,198)	(5,413,373)
Prospecting of customers (b)	(168,199)	(337,223)	(300,968)	(580,896)	(544,988)
Cost of mobile phone credits in subsidiary	-	-	-	(1,245,662)	(1,029,792)
Others, net (c)	37,558	(18,686)	(46,453)	(309,558)	(118,477)
Total	**(2,081,717)**	**(4,107,907)**	**(4,113,985)**	**(10,354,644)**	**(9,456,467)**
Classified as:					
Cost of services provided	(1,451,810)	(2,820,654)	(2,637,562)	(8,071,148)	(7,272,480)
Personnel expenses	(136,249)	(287,011)	(289,046)	(772,533)	(716,827)
General and administrative expenses	(278,174)	(511,125)	(508,868)	(509,658)	(445,902)
Sales and marketing	(61,592)	(129,743)	(300,968)	(373,416)	(544,988)
Other operating expenses, net	(153,892)	(359,374)	(377,541)	(627,889)	(476,270)
Total	**(2,081,717)**	**(4,107,907)**	**(4,113,985)**	**(10,354,644)**	**(9,456,467)**

(a) Acquiring costs are mainly represented by expenses on logistics and maintenance of POS equipment, supplies to merchants, accreditation and customer service, telecommunication services, and capture and processing of transactions.

(b) Costs with prospecting and affiliation of customers include brand development campaigns, advertising and publicity, endomarketing, commercial actions for new customer accreditations, and customer affiliation and accreditation services.

19 Other operating expenses, net

Represented by:

	Parent Company			Consolidated	
	2nd Six-Month Period	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Allowance for doubtful debts and chargeback (a)	(71,609)	(255,540)	(306,772)	(511,854)	(389,382)
Provision for risks	(33,476)	(51,107)	(71,913)	(61,378)	(81,692)
Write-offs and provision (reversals) for losses on property and equipment (c)	(53,618)	(68,949)	(16,041)	(86,979)	(16,041)
Others	4,811	16,222	17,185	32,322	10,845
Total	**(153,892)**	**(359,374)**	**(377,541)**	**(627,889)**	**(476,270)**

(a) These refer to losses on the collection portfolio mainly represented by receivables from rental of POS equipment, losses from fraud due to sales values challenged by card users and that have already been settled with merchants, as well as chargeback from customers. In 2020, the subsidiary Cateno incurred operating losses in the amount of R$ 208,476 (R$ 65,352 in 2019), as a result of the challenges in a scenario of growing expansion of the volume captured through digital channels, potentialized by the COVID-19 pandemic (preventive, detective and corrective actions were implemented by Cateno with its customers, notably Banco do Brasil, to reverse the trend). Additionally, in 2020, the Parent Company sold its portfolio of default customers (uncollectible receivables already allocated to loss in prior periods) for R$ 17,996, incurring an operating loss of R$ 24,897 for which corrective measures have already been implemented to prevent new events of this nature, and recorded an increase in the allowance for doubtful debts arising from the effects of the COVID19 pandemic (complement of R$ 6,802), events considered as non-recurring

(b) The amounts refer basically to losses/write-offs of POS equipment (in 2020 non-recurring events of losses occurred with capture terminals in the amount of R$ 42.800).

(c) In 2020, the reimbursement of expenses with the Ourocard Arrangement to subsidiary Cateno in the amount of R$ 29,907 was recorded, according to the contractual agreement between Cateno and Banco do Brasil S.A.

20 Commitments

The Company and its subsidiaries are primarily engaged in the capture, transmission, processing and financial settlement of transactions made using credit and debit cards. In order to conduct said activities, the Company and its subsidiaries entered into the following agreements:

a. Lease agreements

As at December 31, 2020, future annual payments under lease agreements in effect are as follows:

Up to 1 year	20,474
1 year to 5 years	68,720
Above 5 years	3,699
Total	**92,893**

Most agreements specify a penalty for termination equivalent to three-month rent, and a partial return can be negotiated for each case.

b. Suppliers of telecommunications, technology (processing of transactions), logistics services, call center and back office

As at December 31, 2020, based on contracts in effect, the minimum commitments with suppliers of technology, telecommunications, logistics services, call center, back office and telesales are as follows:

Up to 1 year	313,188
1 year to 5 years	409,963
Total	**723,151**

The call center and transaction capture and processing contracts, as well as the telecom and back office contracts, do not provide for penalty for termination.

21 Employee benefits

Post-employment benefits

The Company and its subsidiary Servinet have an actuarial liability arising from post-employment benefits, relating to estimated expenses on healthcare plan, the amount provisioned for these expenses as at December 31, 2020 is R$ 15,398 (R$34,210 as at December 31, 2019).

The rates used in the year were: nominal discount rate of 4.33% p.a., with inflation index of 3% p.a., generating an expected turnover of 23% p.a. and retirement at 60 years old.

Pension Plan

The Company and its subsidiary Servinet, Aliança and Stelo contribute monthly to a defined contribution pension plan ("PGBL") for their employees, and contributions made during the year ended December 31, 2020 amounted to R$ 7,956 (R$ 9,514 in the year ended December 31, 2019), recognized in line items "Cost of services provided" and "Personnel expenses".

Other benefits

In addition to the supplementary pension plan, the Company and its subsidiaries offer their employees other benefits, including: health insurance, dental assistance, life and personal accident insurance, professional training and a long-term incentive plan, the total amount of these expenses was R$ 81,874 in the year ended December 31, 2020 (R$ 88,806 in the year ended December 31, 2019).

The Company has a Corporate Education Program that aims to leverage learning, ensuring the mapping and the dissemination of key knowledge through practical and educational activities that encourage the creation, acquisition, dissemination, use and sharing of knowledge, focusing on business results. In addition, in the Company, actions are developed for all employees, for example, leadership development, e-learning, contract training, on-demand training, continued education and languages. The costs related to the actions described are recognized in profit or loss when incurred.

22 Profit sharing

The Company and its subsidiaries pay profit sharing to their employees and officers, subject to the achievement of operational goals and specific objectives established and approved at the beginning of each fiscal year.

The shares of employees and officers in profit for the years ended December 31, 2020 and 2019 were as follows:

	Parent Company			Consolidated	
	2nd Six-Month Period	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Employees	35,191	70,027	65,146	112,821	102,499
Statutory directors	4,082	9,495	14,018	12,004	15,606
Total	**39,273**	**79,522**	**79,164**	**124,825**	**118,105**

23 Compensation of key management personnel

Key management personnel include the members of the Board of Directors and the statutory directors. Expenses recognized in the Company's profit or loss for the years are as follows:

	2nd Six-Month Period			12/31/2020			12/31/2019		
	Fixed	**Others(*)**	**Total**	**Fixed**	**Others(*)**	**Total**	**Fixed**	**Others(*)**	**Total**
Statutory directors	3,917	5,653	9,570	8,480	13,918	22,398	8,232	15,340	23,572
Board of Directors	1,419	-	1,419	2,833	-	2,833	2,776	-	2,776
Total	**5,336**	**5,653**	**10,989**	**11,313**	**13,918**	**25,231**	**11,006**	**15,340**	**26,348**

(*) The balance corresponds to variable compensation and severance pay of statutory directors and does not include the stock option plan (see note 24).

The overall annual compensation proposed by Management (Executive Board and Board of Directors, including advisory committees) and the Supervisory Board for 2020, approved at the Ordinary General Meeting held on July 24, 2020, is R$52,307 (R$ 49,000 for 2019), including the relevant taxes and contributions in accordance with applicable legislation.

Proposed annual compensation for the Supervisory Board for the current year is R$677 (R$601 in 2019).

24 Restricted shares plan

At the Extraordinary General Meeting held on June 1, 2009, the shareholders approved the stock option plan relating to the Company's common shares, effective for ten years from the date of the first grant to beneficiaries.

At the Extraordinary General Meeting held in April 2011, the shareholders approved changes to the Plan, introducing the possibility of eligible beneficiaries electing stock option plan, restricted stock option plan or a combination of both plans.

At a meeting of the Board of Directors held on February 25, 2015, the exclusive granting of restricted shares for the year 2015 was approved, without altering the current Plan. This decision was maintained for the grants of subsequent years.

On April 18, 2019, the Extraordinary General Meeting that approved the Restricted Stock Option plan, effective for ten years from the date of the first grant to beneficiaries, was held.

The programs are recognized in the statement of profit or loss for the year, matched against the capital reserve, in accordance with the predefined terms and conditions of each plan. In case statute barring /cancellation of shares events take place, a reversal is made in the period in which they occur for the total amount recognized along the corresponding period during which the plan was effective.

As at December 31, 2020, the position of the restricted stock option plan is as follows:

		Quantity of shares						
Program	**Status**	**Granted**	**Cancelled**	**Exercised**	**To be exercised**	**Grant Period**	**Value per granted share - R$**	**Fair value per share - R$**
Restricted Shares 2018	Active	901,988	(316,725)	(476,694)	108,569	July 2018	17.07	17.07
Restricted Shares 2019	Active	2,419,297	(658,332)	(254,067)	1,506,898	July 2019	6.73	6.73
Restricted Shares 2020	Active	5,042,968	(698,705)	-	4,344,263	July 2020	3.94	3.94
Sócio Cielo 2018	Active	437,187	(165,502)	(229,968)	41,717	March 2018	25.32	25.32
Sócio Cielo 2019	Active	995,372	(347,876)	(361,717)	285,779	March 2019	10.89	10.89
Sócio Cielo 2020	Active	2,898,458	(743,262)	-	2,155,196	March 2020	7.12	7.12
Total Shares	***	**12,695,270**	**(2,930,402)**	**(1,322,446)**	**8,442,422**	***	***	***

In the year ended December 31, 2020, R$ 13,468 (R$ 11,612 as at December 31, 2019) was recognized net of charges, with the portion of statutory directors corresponding to R$ 4,215 (R$ 9,039 as at December 31, 2019), with a total of 1,306,390 (1,026,925 as at December 31, 2019) shares exercised by employees registered under Brazilian Consolidated Labor Laws (CLT) and statutory directors. The net change, recorded in "Capital reserve" line item in equity, totaled R$ 1,871 (R$ 5,597 as at December 31, 2019).

25 Finance income (costs)

	Parent Company			Consolidated	
	2nd Six-Month Period	Year		Year	
	12/31/2020	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finance income:					
Interest on financial investments	39,046	52,485	12,605	157,365	160,184
Other finance income	2,339	2,953	21,432	9,416	29,183
PIS and Cofins (b)	(1,948)	(2,622)	(1,588)	(6,142)	(7,697)
Total	**39,437**	**52,816**	**32,449**	**160,639**	**181,670**
Finance costs:					
Interest and charges on borrowings	(89,083)	(276,875)	(472,138)	(354,769)	(557,772)
Third-party interest in investment funds	-	-	-	(95,001)	(125,182)
Interest on provision for contingencies	(8,656)	(21,238)	(14,877)	(23,359)	(17,281)
Other finance costs	(19,408)	(38,357)	(36,632)	(38,778)	(43,241)
Total	**(117,147)**	**(336,470)**	**(523,647)**	**(511,907)**	**(743,476)**
FIDCs yield:					
Purchase of receivables (a)	139,064	460,646	1,054,449	509,954	1,162,873
Other credit rights	(9,383)	(15,506)	4,443	13,417	9,380
PIS and Cofins (b)	(6,030)	(20,699)	(49,238)	(20,699)	(49,238)
Total	**123,651**	**424,441**	**1,009,654**	**502,672**	**1,123,015**
Exchange differences and mark-to-market of financial instruments, net	(24,028)	(29,661)	22,927	(29,918)	22,895
Total	**21,913**	**111,126**	**541,383**	**121,486**	**584,104**

(a) In parent company, the balance refers to the income on investments in the FIDC Plus. In consolidated, the balance refers to the purchase of receivables net of pro rata temporis adjustment, comprising income from receivables relating to cash and installment sales transactions carried out by FIDC Plus, recognized according to the maturity date of the transactions.

(b) Expenses on Pis and Cofins on finance income earned by the Company, at the rates of 0.65% and 4%, respectively. The expenses incurred in the year were recognized as "Finance Income" and "Purchase of Receivables", in the proportion of their levy, for better presentation of the line items.

26 Risk management

Cielo has a structure designed for risk management, based on management practices under the terms of BACEN Circular Letter No. 3,681/13.

a. Risk Management Structure and Governance

The Group adopts the concept of 3 (three) lines of defense for its risk management structure, the first represented by the performance of managers in the business and support areas, who ensure that risk management is within the scope of their direct organizational responsibilities; the 2nd

line is represented by the Risk, Compliance and Prevention Board, which acts in an advisory and independent manner in risk management, compliance, fraud prevention, money laundering prevention, business continuity management, information security, data privacy and protection , crisis management and control environment, reporting to the CEO and the Board of Directors, through the Risk Committee; and, finally, the 3rd line of defense, represented by the Internal Audit, which provides independent opinions to the Board of Directors, through the Audit Committee, on the risk management process, the effectiveness of internal controls and corporate governance.

The Company maintains updated and robust policies, processes, procedures and controls to reduce, control and monitor its exposure to risks, in order to manage risks and keep them within acceptable limits to achieve its business and operational objectives. More information on the Group's risk management methodology, governance and structure, as well as risk factors and preventive and mitigating actions and controls, can be found in the Corporate Risk Management and Internal Controls Policy and in item 4.1 of the Reference Form, both documents are available on the Company's website (https://ri.cielo.com.br/).

b. Credit risk management

The Company has rights subject to credit risk with financial institutions, customers and business partners recorded under cash, financial instruments, including derivatives, income receivable and receivables from card-issuing banks, as follows:

		Parent Company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash	4	34,083	59,863	127,969	237,604
Financial instruments, including derivatives	5	2,805,116	132,604	4,073,811	2,975,855
Credit Rights Investment Fund - FIDC	6	1,850,998	7,885,074	-	-
Income receivable	7	338,095	284,638	935,733	875,676
Receivables from card-issuing banks	7	70,034,602	71,864,873	70,211,977	72,192,036
Total		**75,062,894**	**80,227,052**	**75,349,490**	**76,281,171**

Counterparty Credit Risk - Issuer Risk

In acquiring operations, card-issuing banks are required to make payment to Cielo for the amounts related to transactions carried out by holders of cards issued by those banks, so that, thereafter, payment of such amounts can be made to accredited merchants. Card-issuing banks may default on their financial obligations due to lack of liquidity, operational failure, cardholder default, types of bankruptcy or other reasons. In these circumstances, Cielo may be liable to pay receivables to merchants without receiving the amounts from the issuing bank. Such risks may or may not exist for Cielo, depending on the risk/guarantee model adopted by the card's banner in its operation with card issuers and accreditors, and the Company assesses and manages these risks, requiring or dispensing with, the pledge of guarantees from card issuers according to the model.

For payment arrangements that are not guaranteed by a payment arrangement settlor, the Company requests guarantees from card issuers (when permitted by the payment arrangement settlor) at amounts it deems necessary to cover its credit risk. In order to assess the risk and consequently define the necessary guarantees, the issuers are assigned an internal rating.

As at December 31, 2020, Cielo's exposure to issuers is as follows:

Internal rating of issuers	Guarantee requirement	Total exposure at December 31, 2020	% Guarantee in relation to exposure	Total exposure at 12.31.2019	% Guarantee in relation to exposure
Group 1	No	97.8%	-	95.2%	-
Group 2	Yes	2.2%	49%*	4.8%	22%*
Total receivables from card-issuing banks		**100%**		**100%**	

** Part of the exposure stems from the limitation of the arrangement's settlor in requesting guarantee from the issuer.*

The 5 largest issuing banks, classified in Group 1, represent 77.5% of the balance of receivables from card-issuing banks and are represented by the main financial institutions in the country, which have strict monitoring and control processes and a solid economic and financial position. For issuers classified in Group 1, which do not require guarantee, there is intense monitoring of the transactions and risks posed, with the possibility of revising the internal rating and requesting guarantees if indications of increased credit risk are identified. Guarantees may be required or waived depending on the volume transacted, the size and regulation of the banners or issuers.

Law No. 14,031/2020 establishes that amounts received by payment arrangement participants must be earmarked for the compliance with the obligation of settlement of transactions to which they relate, among other aspects, These changes introduced by Law No. 12,865/2013 are not yet reflected in the payment arrangement regulations at the time of disclosure of these financial statements so that, depending on the arrangement regulations, accreditors could, in thesis, be held liable for the default on obligations of third parties.

Credit Risk with Payment Arrangement Participants

In its operation, the Company may also be at risk with sub-accreditors with whom it maintains a commercial relationship, depending on the rule established by each banner in relation to the responsibilities applicable to sub-accreditors, as well as any judicial decisions, in the event the sub-accreditors do not carry out the settlement of the amounts transacted by the merchants associated with them. The Company adopts risk and control analysis procedures that prevent sub-accreditors from prepaying all the amounts available in their financial schedule with the Company. In addition, the Company may, pursuant to the risk analysis carried out, request guarantees such as bank guarantees and government bonds.

It should be noted that Law No. 14,031/2020 is also applicable to sub-accreditors, as payment arrangement participants, who must comply, in addition to other obligations, with the segregation of the payment flow.

In the midst of the crisis caused by the COVID-19 pandemic, in the second quarter of 2020 the Cielo Group started to adopt stricter criteria in the monitoring of sub-accreditors, as well as in relation to the relationship strategy, including: restrictions on prepayment of receivables, proof of settlement for establishments that are sub-accreditors and new guarantee models.

The proportion of sub-accreditors on the volume traded in the Cielo system in the years ended December 31, 2020 and 2019 corresponds to 5.4% and 7.5%, respectively.

Credit Risk when receiving products and services provided to Customers

The products and services provided by Cielo are charged to its customers through compensation in their financial schedules. If these customers stop transacting in the Cielo system, eventually,

there will be no balance in their schedules for the collection of contracted products or services. If Cielo is unable to make collection by any other means (such as a bank payment slip), there may be losses for Cielo related to the non-payment of products and services.

As at December 31, 2020, the allowance for bad debts totaled R$ 277,701 in parent company and R$ 304,582 in consolidated (as at December 31, 2019, the balance was R$ 245,948 in parent company and R$ 267,705 in consolidated).

Customer Credit Risk - Chargeback and Deferred Sales

The Company's customers must comply with their obligations to deliver the products and provide the services contracted with their end customers, who pay for the transactions by credit or debit card. In situations of default on the part of the Company's customers in the delivery of the goods or provision of services, or cancellation by the end customer, it is possible to demand the reversal of the payment made to merchants through (i) cancellation, which is requested by the merchant or (ii) chargeback, which is a request from the holder directly to the card issuer. In both cases, the amounts returned to the final bearer are debited, by the creditor, directly to the merchant's financial schedule. In the case of cancellation, if the financial schedule of the merchant does not have enough balance, this, as a rule, is not accepted.

If the Company is unable to offset the amounts of chargebacks directly on the financial schedule of a merchant (regardless of the reason), or by means of any other form of collection (example bank payment slip), the financial burden of such chargebacks falls to Cielo. Historically, cancellations and chargebacks occur more frequently in transactions in merchants that carry out deferred sales, when the service or product is not consumed instantly, but after its purchase. This type of transaction typically takes place in sectors such as tourism and entertainment, or even in sales through electronic channels (e-commerce), and the exposure to these potential losses arising from chargebacks increases as the Company provides solutions for the acquisition of receivables or payment in a reduced cycle to these establishments.

The crisis initiated by the COVID-19 pandemic severely affected the tourism and entertainment sectors, which include airlines, increasing the aforementioned risks, especially due to the issue of provisional acts, which already became laws, that extend the deadlines applicable to cancellations and chargebacks which, associated to the reduction of the financial schedule of these customers, may reduce chargebacks in the schedules or render them impossible.

As additional actions to cope with the increased exposure, Cielo intensified monitoring, risk analysis procedures and restricted operations of prepayment of receivables, as well as payment of receivables in a reduced cycle, in an attempt to maintain the schedule for as long as possible.

The proportion of customers in relation to the total volume of transactions in the period and the chargeback in the years 2020 and 2019 ratios are as follows:

	Year/2020		Year/2019	
	Volume	**Chargeback ratio[3]**	**Volume**	**Chargeback ratio[3]**
Tourism and Entertainment, including airlines (typically with deferred sales)	4.5%	0.80%	9.7%	0.56%
E-commerce (without Tourism and Entertainment)	13.7%	0.93%	9.9%	1.06%
Durable and semi-durable goods[1]	21.5%	0.04%	22.3%	0.05%
Non-durable goods[2]	34.9%	0.01%	32.8%	0.01%
Services and others	25.4%	0.07%	25.3%	0.10%
Total	**100.0%**	**0.19%**	**100.0%**	**0.20%**

[1]Durable and semi-durable goods: Cielo's customer segment of clothing, furniture, appliances, department stores, construction materials, among others.
[2]Non-durable goods: supermarkets and hypermarkets, drugstores and pharmacies, gas stations, among others.
[3] Value of chargebacks in relation to transacted volume.

c. Management of Operating Risks

The Company faces risks arising from its operation, such as: risks arising from failures, interruptions or breach of information technology systems, processes or infrastructure, unauthorized data disclosures, failures in the authorization of payment transactions, processing failures, internal and external factors, unfavorable decisions in judicial or administrative proceedings, among others. For these risks, the Company adopts methodology for identification, assessment, monitoring, management and reporting of risks and action plans for risk mitigation, according to guidelines defined in the Corporate Risk Management and Internal Controls Policy, as well as in the applicable regulation, including, but not limited to, BACEN Circular Letter No. 3,681/2018 and Resolution No. 2,554/1998.

Regarding the risk of fraud in transactions with credit and debit cards, the Company uses an anti-fraud system that flags and identifies suspicious fraud transactions at the time of authorization and sends an alert to the card-issuing bank to contact the cardholder.

d. Capital risk management

The Group manages its capital to ensure that its companies can continue as going concerns, and at the same time maximize the return to all their stakeholders by optimizing the debt and equity balance.

The Group's capital structure consists of its equity and net debt (borrowings less and cash and financial instruments, including derivatives).

The minimum equity applicable to Cielo, in accordance with the BACEN regulation, is 2% of the monthly average of the payment transactions (see note 15). There is no requirement of minimum equity for the other Group companies.

e. Liquidity risk management

The Group manages the liquidity risk by maintaining appropriate reserves, bank and other credit facilities to raise borrowings that it considers appropriate, based on an ongoing monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and liabilities.

The indebtedness ratio at the end of the reporting period is as follows:

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Cash	34,083	59,863	127,969	237,604
Financial instruments, including derivatives (a)	2,805,116	132,604	4,073,811	2,975,855
Debit (b)	(6,942,036)	(7,716,813)	(8,944,612)	(9,245,635)
Net debt	**(4,102,837)**	**(7,524,346)**	**(4,742,832)**	**(6,032,176)**
Equity (c)	9,490,854	9,430,255	12,605,712	13,102,580
Net debt ratio	**43.23%**	**79.79%**	**37.62%**	**46.04%**

(a) Derivative financial instruments comprise the swap and NDF contracts positions, mentioned in note 5.
(b) Debt is defined as short- and long-term borrowings, as mentioned in note 12.
(c) Equity includes the entire share capital and reserves of the Group managed as capital.

f. Market risk management

Foreign exchange rate risk

The exposures to foreign exchange rate risks are managed according to parameters established by the policies approved by the Group.

The Company carries certain transactions in foreign currency, which comprise transactions carried out by foreign credit card holders in merchants based in Brazil (the transaction between card holder and merchant is made in local currency, but the issuer settles it to the Company in foreign currency) and foreign-currency denominated borrowings. The Company has hedging transactions against currency fluctuations, which consist in pre-sale of US dollars in hedge structures, which significantly reduces any risks of exposure to currency fluctuation.

On August 31, 2012, the Company acquired the control of MerchantE through its holding Cielo USA, both located in the United States of America, whose transactions are conducted in the functional currency, the US dollar. The result of exchange rate changes on these investments as at December 31, 2020 amounted to a loss of R$ 250,349 (a loss of R$ 30,123 as at December 31, 2019). This exchange rate change was recognized in comprehensive income, directly in equity.

Foreign currency sensitivity analysis

The Company is mainly exposed to US dollar fluctuations.

The sensitivity analysis includes only monetary items outstanding and denominated in foreign currency and adjusts their translation at the end of each reporting period for a change of 10%, 25% and 50% in exchange rates. The sensitivity analysis includes borrowings from third parties when they are denominated in a currency different from that of the creditor or debtor.

As at December 31, 2020 and 2019, estimating an increase or decrease by 10%, 25% and 50% in exchange rates, there would be an increase or decrease in profit or loss and equity, as follows:

	Parent Company and Consolidated					
	12/31/2020			12/31/2019		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss (a)	6,363	15,907	31,815	3,909	9,772	19,544
Equity (b)	138,999	347,483	694,967	86,183	215,447	430,893

(a) Scenario of exposure in profit or loss on the bonds hedge structure.
(b) Scenario of investment in foreign subsidiary.

Interest risk on financial investments

The Company's profit or loss is subject to fluctuations resulting from financial investments with floating interest rates.

Pursuant to its financial policies, the Group has invested its resources in first-tier banks. The Group operates with financial instruments within the limits of approval established by Management.

Interest rate sensitivity analysis - Financial investments and borrowings

Income from financial investments and interest on the Group's borrowings are mainly affected by the variations in DI rate (source: Cetip). Estimating an increase or a decrease of 10%, 25% or 50% in interest rates would increase or decrease profit or loss as follows:

	Parent Company					
	12/31/2020			**12/31/2019**		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss	(19,818)	(49,545)	(99,091)	(34,258)	(85,646)	(171,292)

	Consolidated					
	12/31/2020			**12/31/2019**		
	10%	**25%**	**50%**	**10%**	**25%**	**50%**
Profit or loss	(9,046)	(22,614)	(45,228)	(19,187)	(47,967)	(95,934)

27 Related-party balances and transactions

In the normal course of their activities and under market conditions, the Company and its subsidiaries conduct transactions with related parties, such as receivables from card-issuing banks which are part of financial groups in which the controlling shareholders (Banco Bradesco S.A. and Banco do Brasil S.A.) hold interests, as well as financial services contracted with the shareholder banks and expenses and revenues with services provided by direct and indirect subsidiaries and investment funds.

In conducting their business and engaging services, the Company and its subsidiaries make market quotations and research to find the best technical and pricing terms. Also, the type of business conducted by the Company requires it to enter into agreements with several card issuers, some of which are its direct and indirect shareholders, The Company and its subsidiaries believe that all the agreements entered into with related parties are carried out on an arm's-length basis.

The tables below include the balances as at December 31, 2020 and 2019, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company and its subsidiaries, as well as the movements related to the years ended December 31, 2020 and 2019:

	Parent Company						Consolidated	
	12/31/2020					12/31/2019	12/31/2020	12/31/2019
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total	Total	Total
Assets (Liabilities):								
Cash and financial instruments (a)	176,403	5,971	-	-	182,374	17,562	221,676	121,528
Receivables from card-issuing banks (b)	20,808,077	-	-	-	20,808,077	23,175,115	20,808,077	23,175,115
Borrowings (c)	(3,360,718)	(100,062)	-	-	(3,460,780)	(3,502,625)	(3,360,718)	(3,402,483)
Intermediation, customer prospecting and maintenance services (m)	(20,356)	-	-	-	(20,356)	-	(20,356)	-
Receivables from related parties (d)	-	2,345	2,870	50	5,265	196,893	29.907	-
Payables to related parties (e)	-	(87,140)	(263,873)	(4,708,397)	(5,059,410)	(9,906,443)	-	-

	Parent Company						Consolidated	
	12/31/2020					12/31/2019	12/31/2020	12/31/2019
	Controlling shareholders (i)	Direct subsidiaries (ii)	Indirect subsidiaries (iii)	Investment funds (iv)	Total	Total	Total	Total
Income:								
Income from financial investments (a)	9,480	-	-	-	9,480	1,047	42,192	74,111
Income from other services provided (f)	8,740	2,909	4,708	750	17,107	54,451	38,647	49,088
Income from rental of POS equipment (g)	72,938	-	-	-	72,938	84,196	72,938	84,196
Costs								
Finance costs	(127,491)	(2,845)	-	-	(130,336)	(279,425)	(127,491)	(276,511)
Other finance costs – Affiliation fees (1)	(462)	-	-	-	(462)	(4,664)	(462)	(4,664)
Provision of data processing services (h)	-	(28,517)	-	-	(28,517)	(18,657)	-	-
Other operating expenses (i)	(34,339)	(1,516)	(2,116)	-	(37,971)	(50,382)	(34,339)	(44,280)
Contracts for provision of services with Servinet and Aliança (j)	-	(345,093)	-	-	(345,093)	(339,756)	-	-
Provision of payment management services (k)	-	-	-	-	-	-	(28,580)	(28,657)
Intermediation, customer prospecting and maintenance services (m)	(131,336)	-	-	-	(131,336)	-	(131,336)	-
Residual balance of domicile bank incentives 2019 (n)	(27,384)	-	-	-	(27,384)	-	(27,384)	-

The related parties consist of: (i) Banco Bradesco e Banco do Brasil; (ii) Servinet, Multidisplay, Braspag, Cateno e Aliança; (iii) M4Produtos e Stelo; (iv) FIC, FIDC and FIDC Plus.

(a) Balances related to the amounts held in current account and financial investments, whose terms, charges and remuneration rates were agreed under conditions similar to those applicable to unrelated parties.

(b) The amounts receivable from issuing banks refer to the amounts to be paid by the issuers to the Company arising from credit and debit card transactions, which will subsequently be paid by the Company to accredited merchants.

(c) Refer to the balances related to the issuance of Private Debentures held by BB Elo Cartões, a company of the Banco do Brasil conglomerate and the balances related to the issuance of Public Debentures held by Cateno (see note 12).

(d) Refers mainly to the other receivables from Stelo in the amount of R$ 2,027 and to the restricted stock option plan of Servinete in the amount of R$ 1,657. In the consolidated in 2020, the balance of R$ 29,907 refers to the reimbursement of the excess expenses of Cateno according to the annual limit based on a percentage of the transacted volume, as per the agreement signed with Banco do Brasil.

(e) Refers mainly to the amounts of debit and credit card transactions and cell phone recharges captured by the Company and which will be passed on to the direct subsidiary (Multidisplay), indirect subsidiary (Stelo) and FIDC Plus (advance on future receivables portfolio).

(f) Refer to: (i) fraud prevention and bank account lock services provided by the Company to shareholder banks; (ii) fees for processing transactions for M4Produtos and Multidisplay; (iii) provision of financial, administrative, procurement, legal and HR services, as well as apportionment of shared expenses to Braspag, Cateno and Stelo; (iv) collection and settlement services for FIDC and FIDC Plus; and (v) compensation by Banco do Brasil to Cateno for costs and expenses exceeding the annual limit defined based on a percentage of the volume transacted by Cateno under the Ourocard Arrangement. These transactions with related parties are carried out at prices and conditions similar to those observable with other issuing banks and in the market in general.

(g) Refers to the lease of POS equipment with the controlling banks, which sublease such equipment to their customers.

(h) Refers to data processing, software development and licensing services provided by Braspag and Stelo.

(i) Refer to: (i) services contracted with shareholder banks (corporate collective life insurance, hospital and dental insurance and private pension contract); (ii) mobile transaction capture solution development services for M4Produtos and (iii) transaction preprocessing services for Braspag and Stelo. The Company believes that the financial conditions adopted by the shareholders, regarding prices, terms and other conditions, are similar to those adopted with third parties.

(j) Provision of services by subsidiaries Servinet and Aliança of prospecting for the signing up and maintenance of contacts with merchants for the acceptance of credit and debit cards, as well as other means of payment. The remuneration provided for the services rendered is based on

the costs incurred by Servinet and Aliança when these services are provided, plus taxes and contributions, as well as a remuneration margin.

(k) Provision of services by Banco do Brasil to Cateno to act as Payment Institution managing postpaid accounts and purchases using debit cards under the Ourocard Payment Arrangement, while activities involving Granted Rights to Cateno are not performed by it.

(l) Affiliation fees refer to the expenses with the partnering banks as an incentive to the signing up of new customers made at the points of sale of these institutions in the year.

(m) Refer to intermediation, prospecting and maintenance services for customers contracted as from January 1, 2020 with the controlling banks Banco do Brasil and Bradesco. In the year ended December 31, 2020, the calculation of the remuneration for these services was R$ 149,336 and of the amount determined, R$ 18,000 were not paid and were intended for promotional actions defined in mutual agreement and of interest between the parties.

(n) In the fourth quarter of 2020, a residual complement related to incentives to banks of R$ 27,384 (non-recurring event) was recognized, after a review by a specialized company of the calculation of agreements terminated in 2019.

Main related-party transactions

Balances of card-issuing banks

Receivables from card-issuing banks refer to amounts that should be settled by issuers to the Company for transactions carried out with credit and debit cards, which will be subsequently paid by the Company to the accredited merchants.

Domicile bank incentives

Until 2019, the Company had agreements with Banco Bradesco S.A. and Banco do Brasil S.A. for the purpose of increasing the volume of transactions using credit and debit cards captured and processed by the Company, settled through current accounts of merchants accredited by the Company with said banks. Based on the monthly calculation of the volume of such transactions, the Company assigned certain amounts to its partners as an incentive.

In the second quarter of 2020, a specialized company concluded the review of the incentives for 2019 resulting from commercial agreements and agreements with various customers entered into between January 1, 2018 and the termination of the agreements at December 31, 2019 and the retention of amount for sales actions that were not used, both factors impacted the calculation of the amount due, resulting in a residual balance of incentives in the amount of R$ 27,384 referring to prior years, recorded in 2020.

Intermediation, customer prospecting, referencing and maintenance services

Effective January 1, 2020, the Company entered into a binding memorandum of understanding, separately, with Banco Bradesco S.A. and Banco do Brasil S.A. for the provision of intermediation, customer prospecting, referencing and maintenance services, as per the Communication of Related Party Transactions disclosed to the market on December 30, 2020, pursuant to Annex 30 of CVM Instruction 480, available on Cielo's website. The purpose of this service is to increase the volume of sales comprising transactions carried out with credit and debit cards captured and processed by Cielo. In return for the provision of services, banks are entitled to remuneration of 10 basis points calculated on the eligible volume. The eligible volume includes the amount captured only in domestic transactions, but it does not include transactions in which Cielo provides VAN services and takes into account the minimum profitability criterion for each merchant.

Assignment of receivables from card-issuing banks

The Company has agreements for assignment of amounts that will still fall due, related to transfers of amounts that the bank, as the issuer, must make to the Company for transactions carried out by the bank’s customers, as holders of credit cards. These assignment transactions are performed in order to generate short-term working capital and the amounts deposited in checking account are net of assignment fees, on a pro rata basis, calculated at market rates that do not differ significantly

from those adopted by the card-issuing banks that are not the Company's shareholders.

These transactions with related parties are carried out at prices and under conditions similar to the transactions carried out with other issuers of credit or debit cards.

Purchase of receivables (ARV) - Subsidiaries
Subsidiaries Stelo, Multidisplay and M4Produtos make advances on maturing amounts, referring to the payments that the Company should make to these subsidiaries for the credit card transactions captured and processed by the Company. These transactions are carried out with FIDC Plus for the purpose of generating short-term working capital.

Contract for anti-fraud system
The Company has an agreement with Banco Bradesco S.A. and Banco do Brasil S.A. to provide access to the anti-fraud system for monitoring by banks of transactions with cards issued by them.

Use of Cielo authorized network (Value Added Network - VAN)
The Company entered into service agreements with Companhia Brasileira de Soluções e Serviços – CBSS. These services include the capture, authorization and processing of transactions with ALELO cards, as well as services provided to merchants, operational and financial back office services, fraud prevention, issuance of statements and financial control over the electronic transactions resulting from these transactions.

Participation of Accredited Merchants in Elo Payment Arrangements
The Company participates in Elo Payment Arrangements, established by Elo Serviços S.A. The Company participates in Elo Arrangements as Accrediting Institution, which includes the provision of services relating to accreditation and maintenance of merchants, the participation in the processing and settlement of transactions made with payment instruments of Elo Arrangements and license for the use of Elo brands, in conformity with the technical specifications contained in its manuals. The Company pays Elo for its participation as accrediting institution in Elo Arrangements, and the conditions and prices of such participation are similar to those practiced with the other accrediting institutions and other arrangement settlors ("banners").

As a result of participation in the Elo Payment Arrangements, Cielo has agreements to conduct marketing campaigns, similar to commercial relationships with other payment arrangement settlors.

Bank account lock
Refers to bank account lock service agreements entered into with various banks, whose service consists of ensuring to the banks the locking of the bank accounts of the accredited merchants that carry out financial transactions with them. These related-party transactions are carried out at prices and under conditions similar to transactions carried out with other domicile banks. Owing to doubts about construction of Bacen Resolution 4,707/2018 and Bacen Resolution 4,734/2019, the Company temporarily suspended collection of the services, until the market and the incumbent regulatory authority reach a consensus on this issue.

Share bookkeeping services
A share bookkeeping service agreement entered into between Cielo and Banco Bradesco S.A. whereby the latter provides share bookkeeping and share certificate issuance services to the Company.

Operating services - Stock option program
Agreement for rendering operating services for the stock option program and the related grants entered into with Bradesco Corretora de Títulos e Valores Mobiliários S.A..

Payment management services
Banco do Brasil entered into an agreement with Cateno in order to operate as Payment Institution in managing post-paid accounts and purchase functions through debit under the Ourocard Payment Arrangement while Cateno's Granted Rights are not exercised by it. The agreement has a clause for compensation of 0.01% on the total financial volume of transactions under the Contracting party's management.

Right to Use Ourocard Payment Arrangement
As mentioned in Note 11 – Intangible Assets, Cateno has entered into agreements with BB Elo Cartões and Banco do Brasil granting it rights to operate the Ourocard Payment Arrangement. The agreements provide for a compensation for costs and expenses associated to Ourocard Payment Arrangement exceeding an annual limit defined based on a percentage of the transacted volume. Due to the increase in operating expenses in 2020 and the impacts on the volume arising from the COVID-19 pandemic, the amount of the expenses exceeding the limit, of R$29,907, was recognized as reimbursement of expenses in the fourth quarter of 2020.

Securities bookkeeping services
Agreement entered into with Banco Bradesco S.A. for the provision of debenture bookkeeping and custodian agent services.

Securities management services
Agreement entered into with Banco Bradesco BBI S.A. for the provision of services of coordination and distribution of promissory notes and debentures, the latter pursuant to the terms of CVM Instruction No. 400.

Public and private securities operating management services
The agreement entered into with Banco do Brasil S.A. is aimed at regulating the provision of services relating to movement, custody and financial settlement of transactions carried out with public securities registered with SELIC and with private securities registered with CETIP.

Representation services with CIP
Agreement entered into with Banco do Brasil S.A. for the bank's representation with CIP (Interbank Payment Clearing House) aiming at the provision of services relating to settlement of transactions carried out with credit and/or debit cards and provision of STR (Reserve Transfer System) issuance services.

Management of payment accounts
Agreement entered into with Cateno Gestão de Contas de Pagamento S.A. to provide and manage means of payment on a prepaid basis to merchants accredited by the Company.

Granting of Livelo incentive points
Agreement entered into with Livelo S.A. to grant Livelo points to participants in incentive campaigns developed by the Company.

Merchant accrediting agreements
Agreements entered into between the Company and its subsidiaries Stelo, Braspag and M4 for the Company to provide merchant accrediting and transaction processing and settlement services.

Elo brand agreements
Agreements entered into between the Company and Elo brand (Elo Serviços S.A.) for the Company to render payment transaction capturing, routing and processing related to Elo payment arrangements, as well as for the supply, by Cielo, of specific labor for the development of specific technology projects and the licensing of the transaction processing platform for Elo.

Platform licensing
Agreement entered into between Carson Serviços Financeiros (subsidiary of the Bradesco Group) for platform licensing that permits the registration of credit cards for use on the app, receipt features through the acquiring system, and marketplace promotion solutions, as well as the provision of corrective and preventative maintenance services and management of the platform.

Other widespread agreements
In addition to the recorded balances, the Company engages other services from the main shareholders, namely:

- Cash management services;
- Insurance;
- Health insurance and private pension services;
- Corporate credit card;
- Payment to suppliers;
- Travel services.

28 Noncash transactions

In preparing the Company's statements of cash flows, only the transactions involving cash were included in net cash provided by financing and investing activities. The table below sets out all the remaining changes in the balances of investments and financing not involving cash and/or cash equivalents:

	Parent Company		Consolidated	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Exchange differences on net foreign investment	(250,349)	(30,123)	-	-
Exchange differences on borrowings	301,535	54,970	773,698	121,829
Post-employment benefits	13,866	(16,783)	13,866	(16,783)
Advance for future capital increase – Aliança	246,905	-	-	-
Minimum dividends and interest on capital proposed	166,421	81,276	166,421	81,276

29 Insurance

As at December 31, 2020, the Company has the following insurance coverage:

Type	Insured amount
Civil liability of Directors and Officers	270,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood)	249,184
POS equipment warehousing	230,000
POS equipment transportation	2,500,000
Fleet	1,739

30 Events after the reporting period

On January 7, 2021, after the approvals from the Central Bank of Brazil and the CADE (Brazilian Antitrust Agency), all of the shares of Companhia Brasileira de Gestão de Serviços ("Orizon"), representing 40.95% of the capital of Orizon, were sold to Bradseg Participações S.A. for R$ 128,992. The effects of the transaction generated a net gain of approximately R$ 4,687, which are recognized in the statement of financial position as at January 2021.