
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16
OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August, 2022

Commission File Number: 001-38714

STONECO LTD.

(Exact name of registrant as specified in its charter)

**4th Floor, Harbour Place
103 South Church Street, P.O. Box 10240
Grand Cayman, KY1-1002, Cayman Islands
+55 (11) 3004-9680
(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F



Form 40-F



Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

STONECO LTD.

INCORPORATION BY REFERENCE

This report on Form 6-K shall be deemed to be incorporated by reference into the registration statement on Form S-8 (Registration Number: 333-265382) and Form F-3 (Registration Number: 333-244404) of StoneCo Ltd. and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

StoneCo Ltd.

By: /s/ Thiago dos Santos Piau

Name: Thiago dos Santos Piau

Title: Chief Executive Officer

Date: August 18, 2022

EXHIBIT INDEX

Exhibit No.	Description
99.1	StoneCo Ltd. – Unaudited Interim Condensed Consolidated Financial Statements For The Six Months Ended June 30, 2022.

**Unaudited Interim Condensed
Consolidated Financial Statements**

StoneCo Ltd.

June 30, 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Management of
StoneCo Ltd

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of StoneCo Ltd (the “Company”) as at June 30, 2022 which comprise the interim condensed consolidated statement of financial position as at June 30, 2022 and the related interim condensed consolidated statements of profit or loss, of other comprehensive income, changes in equity and cash flows for the three and six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

São Paulo, August 15, 2022.

ERNST & YOUNG
Auditores Independentes S.S.

StoneCo Ltd.

Unaudited interim condensed consolidated statement of financial position
As of June 30, 2022 and December 31, 2021
(In thousands of Brazilian Reais)

	Notes	June 30, 2022	December 31, 2021 (Recasted)
Assets			
Current assets			
Cash and cash equivalents	4	3,786,847	4,495,645
Short-term investments	5	2,488,038	1,993,037
Financial assets from banking solution	20.5	2,856,887	2,346,474
Accounts receivable from card issuers	6	17,635,623	19,286,590
Trade accounts receivable	7	521,927	886,126
Recoverable taxes		211,009	214,837
Prepaid expenses		125,214	169,555
Derivative financial instruments	20	46,096	219,324
Other assets		264,259	332,864
		27,935,900	29,944,452
Non-current assets			
Trade accounts receivable	7	51,084	59,595
Accounts receivable from card issuers	6	32,070	-
Receivables from related parties	13.2	5,021	4,720
Deferred tax assets	8.3	660,429	580,492
Prepaid expenses		144,371	214,092
Other assets		127,641	141,693
Long-term investments	5	221,457	1,238,476
Investment in associates		66,689	66,454
Property and equipment	9.1	1,680,647	1,569,520
Intangible assets	10.1	8,587,366	8,285,132
		11,576,775	12,160,174
Total assets		39,512,675	42,104,626

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

StoneCo Ltd.

Unaudited interim condensed consolidated statement of financial position
As of June 30, 2022 and December 31, 2021
(In thousands of Brazilian Reais)

	Notes	June 30, 2022	December 31, 2021 (Recasted)
Liabilities and equity			
Current liabilities			
Deposits from banking customers	20.5	2,704,963	2,201,861
Accounts payable to clients	11	14,596,737	15,723,331
Trade accounts payable		384,048	372,547
Loans and financing	12	2,416,897	2,578,755
Obligations to FIDC quota holders	12	981,986	1,294,806
Labor and social security liabilities		383,548	273,347
Taxes payable		235,375	176,453
Derivative financial instruments	20	192,831	23,244
Other liabilities		175,685	145,501
		22,072,070	22,789,845
Non-current liabilities			
Accounts payable to clients		11,415	3,171
Loans and financing	12	2,771,078	3,556,460
Obligations to FIDC quota holders	12	623,717	932,368
Deferred tax liabilities	8.3	564,920	635,831
Provision for contingencies	14	189,069	181,849
Labor and social security liabilities		18,196	32,749
Other liabilities		606,480	345,133
		4,784,875	5,687,561
Total liabilities		26,856,945	28,477,406
Equity			
Issued capital	15.1	76	76
Capital reserve	15.2	13,747,620	14,541,132
Treasury shares	15.3	(191,664)	(1,065,184)
Other comprehensive income		(281,602)	(35,792)
Retained earnings (accumulated losses)		(704,400)	96,214
Equity attributable to owners of the parent		12,570,030	13,536,446
Non-controlling interests		85,700	90,774
Total equity		12,655,730	13,627,220
Total liabilities and equity		39,512,675	42,104,626

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

StoneCo Ltd.

Unaudited interim consolidated statement of profit or loss
For the six and three months ended June 30, 2022 and 2021
(In thousands of Brazilian Reais, unless otherwise stated)

	Notes	Six months ended June 30,		Three months ended June 30,	
		2022	2021	2022	2021
Net revenue from transaction activities and other services	17	1,161,814	677,474	606,894	359,189
Net revenue from subscription services and equipment rental	17	869,991	292,837	437,840	152,888
Financial income	17	2,054,743	408,809	1,104,993	40,018
Other financial income	17	287,855	101,979	154,417	61,337
Total revenue and income		4,374,403	1,481,099	2,304,144	613,432
Cost of services		(1,300,538)	(542,085)	(626,170)	(302,415)
Administrative expenses		(510,269)	(239,452)	(272,020)	(121,845)
Selling expenses		(719,664)	(385,920)	(335,922)	(223,155)
Financial expenses, net		(1,662,958)	(250,098)	(954,711)	(157,602)
Mark-to-market on equity securities designated at FVPL		(850,079)	841,168	(527,083)	841,168
Other income (expenses), net		(102,142)	(105,689)	(70,315)	(64,173)
	18	(5,145,650)	(682,076)	(2,786,221)	(28,022)
Loss on investment in associates		(2,001)	(6,418)	(1,324)	(2,811)
Profit (loss) before income taxes		(773,248)	792,605	(483,401)	582,599
Current income tax and social contribution	8.1	(152,354)	(84,568)	(84,544)	(21,819)
Deferred income tax and social contribution	8.1	123,304	(23,718)	78,685	(34,776)
Net income (loss) for the period		(802,298)	684,319	(489,260)	526,004
Net income (loss) attributable to:					
Owners of the parent		(800,614)	687,512	(487,390)	529,176
Non-controlling interests		(1,684)	(3,193)	(1,870)	(3,172)
		(802,298)	684,319	(489,260)	526,004
Earnings (loss) per share					
Basic earnings (loss) per share for the period attributable to owners of the parent (in Brazilian Reais)	16	(R\$ 2.57)	R\$ 2.23	(R\$ 1.56)	R\$ 1.72
Diluted earnings (loss) per share for the period attributable to owners of the parent (in Brazilian Reais)	16	(R\$ 2.57)	R\$ 2.18	(R\$ 1.56)	R\$ 1.68

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

StoneCo Ltd.

Consolidated interim statement of other comprehensive income
For the six and three months ended June 30, 2022 and 2021
(In thousands of Brazilian Reais, unless otherwise stated)

Notes	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Net income (loss) for the period	(802,298)	684,319	(489,260)	526,004
Other comprehensive income				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Changes in the fair value of accounts receivable from card issuers at fair value through other comprehensive income	(55,789)	(44,469)	(25,155)	(34,699)
Exchange differences on translation of foreign operations	(17,089)	807	8,602	244
Changes in the fair value of cash flow hedge - bond hedge 20.4	(175,107)	960	(86,535)	960
Unrealized loss on cash flow hedge - highly probable future imports	-	1,512	-	-
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Effects IAS 29 in hyperinflationary economies	1,987	-	1,112	-
Changes in the fair value of equity instruments designated at fair value through other comprehensive income	(1,345)	207,831	(1,345)	(24,112)
Other comprehensive income (loss) for the period, net of tax	(247,343)	166,641	(103,321)	(57,607)
Total comprehensive income (loss) for the period, net of tax	(1,049,641)	850,960	(592,581)	468,397
Total comprehensive income (loss) attributable to:				
Owners of the parent	(1,046,424)	854,074	(595,405)	471,754
Non-controlling interests C1	(3,217)	(3,114)	2,824	(3,357)
	(1,049,641)	850,960	(592,581)	468,397

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

StoneCo Ltd.

Unaudited interim consolidated statement of changes in equity
For the six and three months ended June 30, 2022 and 2021
(In thousands of Brazilian Reais)

	Attributable to owners of the parent											
	Capital reserve											
	Issued capital	Additional paid-in capital	Transactions among shareholders	Special reserve	Other reserves	Total	Treasury shares	Other comprehensive income	Retained earnings (accumulated losses)	Total	Non-controlling interest	Total
Balance as of December 31, 2020	75	13,307,585	(86,483)	61,127	197,493	13,479,722	(76,360)	(5,002)	1,455,027	14,853,462	138,563	14,992,025
Net income (loss) for the period	-	-	-	-	-	-	-	-	687,512	687,512	(3,193)	684,319
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	166,261	-	166,261	380	166,641
Total comprehensive income	-	-	-	-	-	-	-	166,261	687,512	853,773	(2,813)	850,960
Share-based payments	-	-	-	-	51,160	51,160	-	-	-	51,160	23	51,183
Issuance of shares for purchased non-controlling interests	1	516,891	(208,481)	-	-	308,410	-	-	-	308,411	(77,911)	230,500
Issuance of shares for business acquisition	-	-	609,949	-	-	609,949	(609,949)	-	-	-	-	-
Transaction costs from subsidiaries	-	-	(7,716)	-	-	(7,716)	-	-	-	(7,716)	-	(7,716)
Repurchase of shares	-	-	-	-	-	-	(988,824)	-	-	(988,824)	-	(988,824)
Non-controlling interests arising on a business combination	-	-	-	-	-	-	-	-	-	-	23,874	23,874
Sales subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,220)	(1,220)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(902)	(902)
Cash proceeds from non-controlling interest	-	-	-	-	-	-	-	-	-	-	893	893
Others	-	-	-	-	-	-	-	-	-	-	79	79
Balance as of June 30, 2021	76	13,824,476	307,269	61,127	248,653	14,441,525	(1,675,133)	161,259	2,142,539	15,070,266	80,586	15,150,852
Balance as of December 31, 2021 (Recasted)	76	13,825,325	299,701	61,127	354,979	14,541,132	(1,065,184)	(35,792)	96,214	13,536,446	90,774	13,627,220
Net income (loss) for the period	-	-	-	-	-	-	-	-	(800,614)	(800,614)	(1,684)	(802,298)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	(245,810)	-	(245,810)	(1,533)	(247,343)
Total comprehensive income	-	-	-	-	-	-	-	(245,810)	(800,614)	(1,046,424)	(3,217)	(1,049,641)
Treasury shares - Delivered on business combination and sold	-	-	(703,656)	-	-	(703,656)	873,520	-	-	169,864	-	169,864
Equity transaction related to put options over non-controlling interest	-	-	-	-	(166,811)	(166,811)	-	-	-	(166,811)	-	(166,811)
Share-based payments	-	-	-	-	76,955	76,955	-	-	-	76,955	10	76,965
Non-controlling interests arising on a business combination	-	-	-	-	-	-	-	-	-	-	(941)	(941)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(933)	(933)
Others	-	-	-	-	-	-	-	-	-	-	7	7
Balance as of June 30, 2022	76	13,825,325	(403,955)	61,127	265,123	13,747,620	(191,664)	(281,602)	(704,400)	12,570,030	85,700	12,655,730

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

StoneCo Ltd.

Unaudited interim consolidated statement of cash flows
For the six months ended June 30, 2022 and 2021
(In thousands of Brazilian Reais, unless otherwise stated)

		Six months ended June 30,	
	Notes	2022	2021
Operating activities			
Net income (loss) for the period		(802,298)	684,319
Adjustments to reconcile net income (loss) for the period to net cash flows:			
Depreciation and amortization	9.2	381,743	181,813
Deferred income tax and social contribution	8.1	(123,304)	23,718
Loss on investment in associates		2,001	6,418
Interest, monetary and exchange variations, net		(221,463)	(491,487)
Provision for contingencies	14	1,580	3,373
Share-based payments expense		76,965	51,183
Allowance for expected credit losses		51,395	18,849
Loss on disposal of property, equipment and intangible assets	21.4	23,984	39,446
Effect of applying hyperinflation		1,525	-
Loss on sale of subsidiary		-	12,746
Fair value adjustment in financial instruments at FVPL		1,137,182	76,193
Fair value adjustment in derivatives		64,905	(4,826)
Remeasurement of previously held interest in subsidiary acquired		-	(12,010)
Working capital adjustments:			
Accounts receivable from card issuers		2,639,765	(555,433)
Receivables from related parties		6,338	(640)
Recoverable taxes		(37,228)	(44,049)
Prepaid expenses		114,062	(231,746)
Trade accounts receivable, banking solutions and other assets		465,068	(132,578)
Accounts payable to clients		(3,138,412)	962,847
Taxes payable		183,950	95,959
Labor and social security liabilities		92,917	(14,847)
Provision for contingencies		(2,944)	(5,325)
Trade accounts payable and other liabilities		16,217	42,516
Interest paid		(252,166)	(89,082)
Interest income received, net of costs		914,594	684,899
Income tax paid		(86,601)	(69,210)
Net cash (used in) / provided by in operating activities		1,509,775	1,233,046
Investing activities			
Purchases of property and equipment		(305,592)	(524,710)
Purchases and development of intangible assets		(153,078)	(76,305)
Acquisition of subsidiary, net of cash acquired		(62,373)	(9,468)
Sale of subsidiary, net of cash disposed of		-	(37)
Proceeds from (acquisition of) short-term investments, net		(404,932)	3,157,533
Acquisition of equity securities		(15,000)	(2,480,003)
Disposal of short- and long-term investments – equity securities		180,596	209,324
Proceeds from the disposal of non-current assets		20,552	100
Acquisition of interest in associates		(21,551)	(38,563)
Net cash used in investing activities		(761,378)	237,871
Financing activities			
Proceeds from borrowings	12	2,749,993	5,285,408
Payment of borrowings		(3,598,552)	(1,508,236)
Payment to FIDC quota holders		(625,000)	(1,620,000)
Proceeds from FIDC quota holders		-	584,191
Payment of leases	12	(45,423)	(45,200)
Repurchase of own shares		53,406	(988,824)
Acquisition of non-controlling interests		(691)	(602)
Transaction with non-controlling interests		-	230,500
Dividends paid to non-controlling interests		(933)	(902)
Cash proceeds from non-controlling interest		-	893
Net cash provided by financing activities		(1,467,200)	1,937,228
Effect of foreign exchange on cash and cash equivalents		10,005	17,522
Change in cash and cash equivalents		(708,798)	3,425,667
Cash and cash equivalents at beginning of period	4	4,495,645	2,446,990
Cash and cash equivalents at end of period	4	3,786,847	5,872,657
Change in cash and cash equivalents		(708,798)	3,425,667

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

1. Operations

StoneCo Ltd. (the “Company”), is a Cayman Islands exempted company with limited liability, incorporated on March 11, 2014. The registered office of the Company is located at 4th Floor, Harbour Place 103 South Church Street.

The Company is controlled by HR Holdings, LLC, which owns 45.6% of voting power, whose ultimate parents are an investment fund, the VCK Investment Fund Limited SAC A, and a trust duly organized, The Pontes Family Trust, each one owned by the co-founders of the Company. The individual Company’s shares are publicly traded on Nasdaq (STNE) and depositary receipts (BDRs) representing the Company’s shares are traded on the São Paulo exchange (B3 under the ticker STOC31).

On June 1, 2022, the Company announced the intention to submit to the Brazilian Central Bank, regarding the Company’s subsidiaries Stone Instituição de Pagamento S.A. and Stone Sociedade de Crédito Direto S.A., of a technical requirement of change of control regarding the corporate restructuring involving the conversion of Eduardo Pontes interests in Company’s Class B super-voting shares (which are currently held indirectly through holding companies) into Class A shares directly owned by his family vehicles. As a result of the detachment of Eduardo Pontes from HR Holdings and consequently the conversion of his original Super Voting Class B to Regular Voting Class A shares, the two co-Founders of the Company would collectively and individually have less than 50% of the voting power. The implementation of such corporate restructuring is still pending of the Brazilian Central Bank approval.

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in providing financial technology services and software solutions to clients allowing them to conduct electronic commerce seamlessly across in-store, online, and mobile channels and helping them better manage their businesses, become more productive and sell more - both online and offline.

The interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022 and 2021 were approved by the Audit Committee on August 15, 2022.

1.1. Recasted financial statements

The purchase price allocation was concluded by the Group for SimplesVet and VHSYS acquisitions on March 31, 2022 and for Linx acquisitions on June 30, 2022 (see details in Note 22.2). Therefore, retrospective adjustments were made in the statement of financial position as of December 31, 2021.

There were no impacts in the statement of profit or loss for the comparative period of six months ended June 30, 2021. The revised lines in the Statement of financial position are the follows:

	December 31, 2021 (As previously presented)	Adjustments	December 31, 2021 (Recasted)
Assets			
Current assets			
Recoverable taxes (a)	230,558	(15,721)	214,837
Total current assets	29,960,173	(15,721)	29,944,452
Non-current assets			
Deferred tax assets (b)	431,755	148,737	580,492
Intangible assets (c)	8,370,313	(85,181)	8,285,132
Total non-current assets	12,096,618	63,556	12,160,174
Total assets	42,056,791	47,835	42,104,626
Liabilities and equity			
Non-current liabilities			
Deferred tax liabilities (b)	617,445	18,386	635,831
Other liabilities (d)	348,458	(3,325)	345,133
Total non-current liabilities	5,672,500	15,061	5,687,561
Total liabilities	28,462,345	15,061	28,477,406
Equity			
Capital reserve (e)	14,516,767	24,365	14,541,132
Equity attributable to owners of the parent	13,512,081	24,365	13,536,446
Non-controlling interests (f)	82,365	8,409	90,774
Total equity	13,594,446	32,774	13,627,220
Total liabilities and equity	42,056,791	47,835	42,104,626

- a) The recoverability of tax credits previously recognized by Linx was reviewed by the Group.
- b) The Group identified deferred tax liabilities over tax amortization of goodwill previously recognized by Linx due to past business combinations. These amounts were derecognized on the consolidated financial statements due to acquisition of Linx by the Group. A deferred tax asset related to the tax benefit over the remaining fiscal amortization of goodwill was recognized. Additionally, the deferred tax liabilities over identified intangible assets were reviewed.
- c) The adjustments refer mainly to the goodwill impacted by the items a) and b) described above and a fair value of non-compete agreement signed with the Linx founders selling shareholders. Minor impacts refer to reviewed assessment of customer relationship, software, and trademarks and patents identified in the business combinations with SimplesVet, VHSYS and Linx.
- d) The adjustments refer mainly to reviewed contingent consideration of SimplesVet.
- e) The adjustments refer to the contingent consideration in the form of equity instruments originated from a non-compete agreement signed with the Linx founders selling shareholders.
- f) The adjustments refer to the fair value of non-controlling interests in SimplesVet and VHSYS over the adjustments described in the item c) above.

1.2. Seasonality of operations

The Group's revenues are subject to seasonal fluctuations as a result of consumer spending patterns. Historically, revenues have been strongest during the last quarter of the year as a result of higher sales during the Brazilian holiday season. This is due to the increase in the number and amount of electronic payment transactions related to seasonal retail events. Adverse events that occur during these months could have a disproportionate effect on the results of operations for the entire fiscal year. As a result of seasonal fluctuations caused by these and other factors, results for an interim period may not be indicative of those expected for the full fiscal year.

StoneCo Ltd.

Notes to unaudited interim condensed consolidated financial statements
June 30, 2022
(In thousands of Brazilian Reais, unless otherwise stated)

2. Group information

2.1. Subsidiaries

The consolidated financial statements of the Group include the following subsidiaries and structured entities:

Entity name	Principal activities	% of Group's equity interest	
		June 30, 2022	December 31, 2021
Stone Instituição de Pagamento S.A. (“Stone Pagamentos”)	Merchant acquiring	100.00	100.00
MNLT S.A. (“MNLT”)	Merchant acquiring	100.00	100.00
Pagar.me Instituição de Pagamento S.A. (“Pagar.me”)	Merchant acquiring	100.00	100.00
PDCA S.A. (“PDCA”)	Merchant acquiring	100.00	100.00
Stone Cartões Instituição de Pagamento S.A. (“Stone Cartões”)	Merchant acquiring	100.00	100.00
Linx Pay Meios de Pagamento Ltda. (“Linx Pay”)	Merchant acquiring	100.00	100.00
Stone Sociedade de Crédito Direto S.A. (“Stone SCD”)	Financial services	100.00	100.00
TAG Tecnologia para o Sistema Financeiro S.A.	Financial assets register	100.00	100.00
MAV Participações S.A. (“MVarandas”) (a)	Technology services	—	100.00
MLabs Software S.A. (“MLabs”)	Technology services	51.50	51.50
Equals S.A. (“Equals”)	Technology services	100.00	100.00
Questor Sistemas S.A. (“Questor”)	Technology services	50.00	50.00
Sponte Informática S.A. (“Sponte”)	Technology services	91.30	90.00
SimplesVet Tecnologia S.A. (“SimplesVet”) (Note 22.2)	Technology services	50.00	50.00
VHSYS Sistema de Gestão S.A. (“VHSYS”) (Note 22.2)	Technology services	50.00	50.00
Trampolin Pagamentos S.A. (“Trampolin”)	Technology services	100.00	100.00
Linx S.A. (“Linx”) (Note 22.2)	Technology services	100.00	100.00
Linx Sistemas e Consultoria Ltda. (“Linx Sistemas”)	Technology services	100.00	100.00
Linx Telecomunicações Ltda.	Technology services	100.00	100.00
Napse S.R.L. (“Napse Group”)	Technology services	98.00	98.00
Napse Uruguay SAS (“Napse Group”)	Technology services	99.00	—
Sociedad Ingeniería de Sistemas Napse I.T. de Chile Limitada (“Napse Group”)	Technology services	99.00	99.00
Synthesis IT Peru S.R.L. (“Napse Group”)	Technology services	99.00	99.00
Synthesis Holding LLC. (“Napse Group”)	Technology services	100.00	100.00
Synthesis US LLC (“Napse Group”)	Technology services	100.00	100.00
Retail Americas Sociedad de Responsabilidad Limitada de Capital Variable (“Napse Group”)	Technology services	99.00	99.00
Synthesis IT de México Sociedad de Responsabilidad Limitada de Capital Variable (“Napse Group”)	Technology services	99.00	99.00
Mercadapp Soluções em Software Ltda (b)	Technology services	—	100.00
Hiper Software S.A.	Technology services	100.00	100.00
Reclame Aqui LLC (“Reclame Aqui Group”) (Note 22.1)	Technology services	50.00	—
Obvio Brasil Software e Serviços S.A. (“Reclame Aqui Group”) (Note 22.1)	Technology services	50.00	—
O Mediador Tecnologia da Informação S/S Ltda (“Reclame Aqui Group”) (Note 22.1)	Technology services	50.00	—
Reclame Aqui Marcas e Serviços Ltda (“Reclame Aqui Group”) (Note 22.1)	Technology services	50.00	—
Thirdlevel Soluções de Internet S.A. (“Plugg.To”) (Note 22.1)	Technology services	100.00	—
Creditinfo Jamaica Ltd (“Creditinfo Caribbean”)	Credit bureau services	53.05	53.05
Creditinfo Guyana Inc (“Creditinfo Caribbean”)	Credit bureau services	53.05	53.05
Creditadvice Barbados Ltd (“Creditinfo Caribbean”)	Credit bureau services	53.05	53.05
Creditinfo ECCU Ltd (“Creditinfo Caribbean”)	Credit bureau services	53.05	—
Buy4 Processamento de Pagamentos S.A. (“Buy4”)	Processing card transactions	100.00	100.00
Buy4 Sub LLC	Cloud store card transactions	100.00	100.00
Vitta Corretora de Seguros Ltda. (“Vitta Group”)	Insurance services	100.00	100.00
Stone Seguros S.A. (“Stone Seguros”)	Insurance services	100.00	100.00
Vitta Tecnologia em Saúde S.A. (“Vitta Group”)	Health services	100.00	100.00
Vitta Serviços em Saúde Ltda. (“Vitta Group”)	Health services	100.00	100.00
Vitta Saúde Administradora de Benefícios Ltda. (“Vitta Group”)	Health services	100.00	100.00
StoneCo Pagamentos UK Ltd.	Service provider	100.00	100.00
Stone Logística Ltda.	Logistic services	100.00	100.00
Collact Serviços Digitais Ltda. (“Collact”) (c)	Customer relationship management	—	100.00
Stone Franchising Ltda.	Franchising management	100.00	100.00
Cappta S.A. (“Cappta”)	Electronic fund transfer	53.27	53.27
Ametista Serviços Digitais Ltda.	Electronic fund transfer	100.00	100.00
Esmeralda Serviços Digitais Ltda.	Electronic fund transfer	100.00	100.00
Diamante Serviços Digitais Ltda.	Electronic fund transfer	100.00	100.00
Safira Serviços Digitais Ltda.	Electronic fund transfer	100.00	100.00

TAPSO FIDC (“FIDC TAPSO”)	Investment fund	100.00	100.00
TAPSO II FIDC (“FIDC TAPSO II”)	Investment fund	100.00	100.00
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StoneCo Ltd.

Notes to unaudited interim condensed consolidated financial statements

June 30, 2022

(In thousands of Brazilian Reais, unless otherwise stated)

FIDC Bancos Emissores de Cartão de Crédito - Stone III ("FIDC AR III")	Investment fund	100.00	100.00
SOMA FIDC ("FIDC SOMA")	Investment fund	100.00	100.00
SOMA III FIDC ("FIDC SOMA III")	Investment fund	100.00	100.00
STONECO EXCLUSIVO FIC FIM ("FIC FIM STONECO")	Investment fund	100.00	100.00
Retail Renda Fixa Crédito Privado Fundo de Investimento ("Retail Renda Fixa")	Investment fund	100.00	100.00
MPB Capital LLC	Investment company	100.00	100.00
DLP Capital LLC	Holding company	100.00	100.00
DLP Par Participações S.A. ("DLP Par")	Holding company	100.00	100.00
Reclame Aqui Holding Ltd. (Note 22.1)	Holding company	50.00	—
STNE Participações S.A.	Holding company	100.00	100.00
STNE Participações em Tecnologia S.A.	Holding company	100.00	100.00
VittaPar LLC. ("Vitta Group")	Holding company	100.00	100.00
StoneCo CI Ltd	Holding company	53.05	53.05

- (a) MVarandas was merged into Linx Sistemas on April 1, 2022.
- (b) Mercadapp was merged into Linx Sistemas on January 1, 2022.
- (c) Collact was merged into Stone Pagamentos on January 1, 2022.

The Group holds (call options) to acquire additional interests in some of its subsidiaries. Each of the options has been evaluated in accordance with pre-determined formulas and R\$ 44,560 were recorded in the consolidated statement of financial position as of June 30, 2022 as an asset under Derivative financial instruments (2021 – R\$ 9,044).

The Group also issued put options over Reclame Aqui non-controlling interests. The Company does not have a present ownership interest in the shares held by non-controlling shareholders, so the Group has elected as accounting policy for such put options to derecognize the non-controlling interests at each reporting date as if it was acquired at that date and recognize a financial liability at the present value of the amount payable on exercise of the non-controlling interests put option. The difference between the amount recognized of the financial liability and the non-controlling interests derecognized at each period is recognized as an equity transaction. The amount of R\$ 251,217 was recorded in the consolidated statement of financial position as of June 30, 2022 as an financial liability under Other liabilities (no amounts were recognized in 2021).

2.2. Associates

Entity name	Principal activities	% of Groups's equity interest	
		June 30, 2022	December 31, 2021
Alpha-Logo Serviços de Informática S.A. ("Tablet Cloud")	Technology services	25.00	25.00
Trinks Serviços de Internet S.A. ("Trinks")	Technology services	19.90	19.90
Neostore Desenvolvimento De Programas De Computador S/A ("Neostore") (i)	Technology services	40.02	-
RH Software S.A. ("RH Software") (ii)	Technology services	20.00	-
APP Sistemas S.A. ("APP")	Technology services	20.00	20.00
Delivery Much Tecnologia S.A. ("Delivery Much")	Food delivery marketplace	29.50	29.50

- (i) On July 02, 2021, our subsidiary Linx Sistemas signed an agreement to acquire an equity interest of 40% of the shares of Neostore Desenvolvimento de Programas de Computadores SA ("Neomode"), through the execution of an Investment Agreement with the shareholders of Neomode. The acquisition was conditioned to Brazilian Antitrust Authority ("CADE") approval, which occurred on November 19, 2021. The Company concluded the acquisition on

January 07, 2022, through a capital increase of R\$ 6,083 and loans conversion in the amount of R\$ 875, totalizing a transferred consideration of R\$ 6,957.

- (ii) On May 02, 2022, the Group acquired a 20% equity interest in RH Software, a private company based in the State of São Paulo, Brazil, for R\$ 2,320 through a loan agreement conversion. RH Software develops software directed to dental clinics, with which the Company expects to obtain synergies in its services to clients. The Group also holds a call option to acquire an additional equity interest in the period from 2 to 3 years counted from the date of closing of the agreement, which will allow the Group to acquire an additional 30% equity interest in RH Software.

The Group holds options (call options) to acquire additional interests in some of its associates. Each of the options has been evaluated in accordance with pre-determined formulas and no amounts in June 30, 2022 and December 31, 2021 were recorded in the consolidated statement of financial position as an asset under Derivative financial instruments.

3. Basis of preparation and changes to the Group's accounting policies and estimates**3.1. Basis of preparation**

The interim condensed consolidated financial statements for the three months ended June 30, 2022 have been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”).

The interim condensed consolidated financial statements are presented in Brazilian Reais (“R\$”), and all values are rounded to the nearest thousand (R\$ 000), except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2021.

The accounting policies adopted in this interim reporting period are consistent with those of the previous financial year, except for the policies related to segment information as described in Note 3.2 as follows.

3.2. Segment information

The information by segment is prepared and disclosed based on internal reports made available to Chief Executive Officer (“CEO”) and the Board of Directors (“BoD”), who are considered the chief operating decision-maker (“CODM”) of the Group. Since the first quarter of 2022, in line with the strategy and organizational structure, the Group presents two operating and reportable segments, namely “Financial Services”, “Software”, and presents other activities as “Non allocated activities”. For further details, see Note 23.

3.3. Estimates

The preparation of the financial statements of the Company and its subsidiaries requires management to make judgments and estimates and to adopt assumptions that affect the amounts presented referring to revenues, expenses, assets and liabilities at the financial statement date. Actual results may differ from these estimates.

The judgements, estimates and assumptions are frequently revised, and any effects are recognized in the revision period and in any future affected periods. The objective of these revisions is mitigating the risk of matter differences between the estimative and effective results in the future.

In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are set the consolidated financial statements for the year ended December 31, 2021, with no changes.

4. Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Denominated in R\$	3,681,356	4,431,019
Denominated in US\$	105,462	64,593
Denominated in other foreign currencies	29	33
	<u>3,786,847</u>	<u>4,495,645</u>

5. Short and Long-term investments

	Short-term		Long-term		Balance at 06/30/2022
	Listed securities	Unlisted securities	Listed securities	Unlisted securities	
Bonds (a)	433,689	2,052,285	-	-	2,485,974
Equity securities (b)	-	-	185,117	36,340	221,457
Investment funds (c)	-	2,064	-	-	2,064
	433,689	2,054,349	185,117	36,340	2,709,495

	Short-term		Long-term		Balance at 12/31/2021
	Listed securities	Unlisted securities	Listed securities	Unlisted securities	
Bonds (a)	645,826	1,336,344	-	-	1,982,170
Equity securities (b)	-	-	1,215,791	22,685	1,238,476
Investment funds (c)	-	10,867	-	-	10,867
	645,826	1,347,211	1,215,791	22,685	3,231,513

(a) Comprised of Brazilian Treasury Notes (“LFTs”), structured notes linked to LFTs and corporate bonds in the amount of R\$ 115,001, R\$ 2,052,285 and R\$ 318,689 (2021 – R\$ 344,032, R\$ 1,336,344 and R\$ 301,794) respectively, with maturities greater than three months, indexed to fixed and floating rates. As of June 30, 2022, bonds of listed companies are mainly indexed to fixed rates in USD and hedged to Brazilian reais using Non Deliverable Forwards (NDFs).

(b) Comprised of ordinary shares of listed and unlisted entities. These assets are measured at fair value, and the Group elected asset by asset the recognition of the changes in fair value of the existing listed and unlisted equity instruments through profit or loss (“FVPL”) or other comprehensive income (“FVOCI”). Fair value of unlisted equity instruments as of June 30, 2022 was determined based on recent negotiations of the securities.

· Assets at FVPL:

Comprised by Banco Inter’s shares, acquired on June, 2021. The change in fair value of equity securities at FVPL for the six months period ended June 30, 2022 was a loss of R\$ 850,079. In June 2022, the partial sale of shares in the amount of R\$180,596 was carried out.

· Assets as FVOCI:

On June 30, 2022, comprised mainly of ordinary shares in entities that are not traded in an active market

The change in fair value of equity securities at FVOCI for the year ended June 30, 2022 was R\$ (1,345) (December 31, 2021 – R\$ 216,446), which was recognized in other comprehensive income

(c) Comprised of foreign investment fund shares.

Short-term and long term investments are denominated in Brazilian reais and U.S. dollars.

6. Accounts receivable from card issuers

Accounts receivable are amounts due from card issuers and acquirers regarding the transactions of clients with card holders, performed in the ordinary course of business.

	June 30, 2022	December 31, 2021
Accounts receivable from card issuers (a)	17,129,853	18,865,658
Accounts receivable from other acquirers (b)	555,497	436,035
Allowance for expected credit losses	(17,657)	(15,103)
	17,667,693	19,286,590
Current	17,635,623	19,286,590
Non-current	32,070	-

(a) Accounts receivable from card issuers, net of interchange fees, as a result of processing transactions with clients.

As of June 30, 2022, R\$ 1,796,624 of the total Accounts receivable from card issuers are held by FIDC AR III (December 31, 2021 — R\$ 2,363,476). Accounts receivable held by FIDCs guarantee the obligations to FIDC quota holders. Accounts receivable from card issuers in the amount of R\$ 450,907 (December 31, 2021 — R\$ 451,618) guarantee the liability with debentures.

(b) Accounts receivable from other acquirers related to PSP (Payment Service Provider) transactions.

7. Trade accounts receivable

Trade accounts receivables are amounts due from clients mainly related to loans designated at fair value through profit or loss ("FVPL"), equipment rental and other services.

	June 30, 2022	December 31, 2021
Loans designated at FVPL (a)	129,417	511,240
Accounts receivable from subscription services	247,807	232,109
Accounts receivable from equipment rental	157,219	159,771
Receivables from registry operations	34,611	41,449
Chargeback	44,038	26,783
Insurance	7,052	21,293
Others	59,215	33,494
Allowance for expected credit losses	(106,348)	(80,418)
	573,011	945,721
Current	521,927	886,126
Non-current	51,084	59,595

(a) The Group has irrevocably elected to classify loans originated until June 30, 2021 at fair value with net changes recognized in the statement of profit or loss. The amount is held by FIDC SOMA and FIDC SOMA III. The Company changed its business model, and therefore, loans originated since July 1, 2021 are valued at amortized cost.

8. Income taxes

Income taxes are comprised of taxation over operations in Brazil and abroad, related to Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL). According to Brazilian tax law, income taxes and social contribution are assessed and paid by legal entity and not on a consolidated basis.

8.1. Reconciliation of income tax expense

The following is a reconciliation of income tax expense to profit for the period, calculated by applying the combined Brazilian statutory rates of 34% for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Profit (loss) before income taxes	(773,248)	792,605	(483,401)	582,599
Brazilian statutory rate	34%	34%	34%	34%
Tax benefit/(expense) at the statutory rate	262,904	(269,486)	164,356	(198,084)
Additions (exclusions):				
Mark-to-market on equity securities designated at FVPL	(289,027)	159,822	(179,208)	159,822
Gain (loss) from entities not subject to the payment of income taxes	23,414	20,435	21,285	(10,900)
Other permanent differences	(10,570)	6,906	(8,542)	5,133
Different tax rates for companies abroad	1,860	(2,897)	(271)	(341)
Equity pickup on associates	(680)	(2,182)	(450)	(956)
Unrecorded deferred taxes	(22,539)	(31,958)	(8,162)	(16,848)
Use of tax losses previously unrecorded	188	-	188	(12)
Interest payments on net equity	-	5,932	-	5,932
R&D Tax Benefits	4,664	4,512	4,664	(210)
Other tax incentives	736	630	281	(131)
Total income tax and social contribution benefit/(expense)	(29,050)	(108,286)	(5,859)	(56,595)
Effective tax rate	n/a	14%	n/a	10%
Current income tax and social contribution	(152,354)	(84,568)	(84,544)	(21,819)
Deferred income tax and social contribution	123,304	(23,718)	78,685	(34,776)
Total income tax and social contribution benefit/(expense)	(29,050)	(108,286)	(5,859)	(56,595)

8.2. Nature and changes in deferred income taxes

Under Brazilian tax law, temporary differences and tax losses can be carried forward indefinitely, however the tax losses can only be used to offset up to 30% of taxable profit for the period.

	June 30, 2022	Changes in six months ended June 30, 2022	December 31, 2021 (Recasted)
Deferred tax recognized against other comprehensive income			
Assets at FVOCI	155,025	27,544	127,481
	155,025	27,544	127,481
Deferred tax recognized against profit or loss			
Losses available for offsetting against future taxable income	408,150	90,425	317,725
Deferred tax on other temporary differences	150,752	43,388	107,364
Tax deductible goodwill	89,618	(21,680)	111,298
Share-based compensation	55,875	14,725	41,150
Assets at FVPL	(6,991)	(2,408)	(4,583)
Technological innovation benefit	(10,523)	7,970	(18,493)
Temporary differences under FIDC	(95,918)	(26,362)	(69,556)
Deferred income taxes arising from business combinations	(650,479)	17,246	(667,725)
	(59,516)	123,304	(182,820)
Deferred tax, net	95,509	150,848	(55,339)

8.3. Unrecognized deferred taxes

The Group has accumulated tax loss carryforwards and other temporary differences in some subsidiaries in the amount of R\$ 121,474 (December 31, 2021 – R\$ 104,920) for which a deferred tax asset was not recognized and are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized with respect of these losses as they cannot be used to offset taxable profits between subsidiaries of the Group, and currently there is no other evidence of recoverability in the near future.

9. Property and equipment**9.1. Changes in Property and equipment**

	Balance at 12/31/2021	Additions	Disposals (a)	Effects of hyperinflation (IAS 29)	Business combination	Balance at 06/30/2022
Cost						
Pin Pads & POS	1,498,271	369,477	(46,716)	-	-	1,821,032
IT equipment	246,543	6,646	(2,427)	-	1,147	251,909
Facilities	90,186	2,829	(1,922)	-	-	91,093
Machinery and equipment	25,776	4,375	(7,623)	-	24	22,552
Furniture and fixtures	24,754	407	(618)	(210)	118	24,451
Vehicles and airplane	43,586	70	(16,181)	-	-	27,475
Construction in progress	14,078	16,794	(566)	-	-	30,306
Right-of-use assets - equipment	4,629	187	-	-	-	4,816
Right-of-use assets - vehicles	31,547	3,229	(1,598)	-	-	33,178
Right-of-use assets - offices	238,329	22,925	(23,030)	-	-	238,224
	2,217,699	426,939	(100,681)	(210)	1,289	2,545,036
Depreciation						
Pin Pads & POS	(438,346)	(179,769)	15,785	-	-	(602,330)
IT equipment	(95,553)	(25,896)	1,669	-	-	(119,780)
Facilities	(25,066)	(7,015)	269	-	-	(31,812)
Machinery and equipment	(17,861)	(3,532)	3,031	-	-	(18,362)
Furniture and fixtures	(5,516)	(1,314)	278	-	-	(6,552)
Vehicles and airplane	(2,498)	(1,986)	3,449	-	-	(1,035)
Right-of-use assets - equipment	(505)	(393)	-	-	-	(898)
Right-of-use assets - Vehicles	(14,187)	(5,733)	1,486	-	-	(18,434)
Right-of-use assets - Offices	(48,647)	(20,776)	4,237	-	-	(65,186)
	(648,179)	(246,414)	30,204	-	-	(864,389)
Property and equipment, net	1,569,520	180,525	(70,477)	(210)	1,289	1,680,647

(a) Includes Pin Pad & POS derecognized for not being used by customers after a period of time.

9.2. Depreciation and amortization charges

Depreciation and amortization expense has been charged in the following line items of the consolidated statement of profit or loss:

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Cost of services	240,855	114,821	117,286	62,517
General and administrative expenses	118,721	43,929	69,778	23,336
Selling expenses	21,866	23,063	9,817	11,518
Other income (expenses), net	301	-	-	-
Depreciation and Amortization charges	381,743	181,813	196,881	97,371
Depreciation charge	246,414	128,197	128,118	68,863
Amortization charge (Notes 10 and 22)	135,329	53,616	68,763	28,508
Depreciation and Amortization charges	381,743	181,813	196,881	97,371

10. Intangible assets**10.1. Changes in Intangible assets**

	Balance at 12/31/2021 (Recasted)	Additions	Disposals	Effects of hyperinflation (IAS 29)	Effects of changes in foreign exchange rates (IAS 21)	Business combination	Balance at 06/30/2022
Cost							
Goodwill - acquisition of subsidiaries	5,581,691	-	-	-	777	205,640	5,788,108
Customer relationship	1,747,150	2,418	-	-	(123)	83,122	1,832,567
Trademarks and patents	262,810	-	-	-	-	21,122	283,932
Software	1,083,402	100,473	(59,996)	672	(5,300)	10,732	1,129,983
Non-compete agreement	26,024	-	-	-	-	-	26,024
Operating license	12,443	-	-	-	(215)	-	12,228
Software in progress	43,960	16,346	(2,005)	-	-	-	58,301
Right-of-use assets - Software	72,463	15,308	(694)	-	-	-	87,077
	8,829,943	134,545	(62,695)	672	(4,861)	320,616	9,218,220
Amortization							
Customer relationship	(217,090)	(34,909)	-	-	66	-	(251,933)
Trademarks and patents	(6,908)	(495)	-	-	-	-	(7,403)
Software	(264,399)	(81,512)	46,328	-	1,800	-	(297,783)
Non-compete agreement	(1,106)	(5,039)	-	-	-	-	(6,145)
Operating license	(10,854)	(900)	-	-	409	-	(11,345)
Right-of-use assets - Software	(44,454)	(12,474)	683	-	-	-	(56,245)
	(544,811)	(135,329)	47,011	-	2,275	-	(630,854)
Intangible assets, net	8,285,132	(784)	(15,684)	672	(2,586)	320,616	8,587,366

11. Accounts payable to clients

Accounts payable to clients represent amounts due to accredited clients related to credit and debit card transactions, net of interchange fees retained by card issuers and assessment fees paid to payment scheme networks as well as the Group's net merchant discount rate fees which are collected by the Group as an agent.

12. Loans and financing and Obligations to FIDC quota holders

	Balance at 12/31/2021	Additions	Disposals	Payment	Business Combination	Changes in Exchange Rates	Interest	Balance at 06/30/2022
Obligations to FIDC AR quota holders (Note 12.1.1)	2,206,043	-	-	(736,176)	-	-	114,950	1,584,817
Obligations to FIDC TAPSO quota holders (Note 12.1.2)	21,131	-	-	(1,515)	-	-	1,270	20,886
Leases (Note 12.1.3)	273,455	41,649	(24,142)	(45,423)	-	115	7,367	253,021
Bonds (Note 12.1.4)	2,764,610	-	-	(50,395)	-	(175,297)	55,925	2,594,843
Bank borrowings (Note 12.1.5)	2,697,641	2,749,993	-	(3,667,810)	4,464	-	154,353	1,938,641
Debentures (Note 12.1.6)	399,509	-	-	(19,822)	-	-	21,783	401,470
	8,362,389	2,791,642	(24,142)	(4,521,141)	4,464	(175,182)	355,648	6,793,678
Current	3,873,561							3,398,883
Non-current	4,488,828							3,394,795

12.1. Description of loans and financing and obligations to FIDC quota holders

In the ordinary course of the business, the company funds its prepayment business through a mix of own cash, debt and receivables sales.

12.1.1. Obligations to FIDC AR quota holders

Payments mainly refer to the amortization of the principal and the payment of interest of the first series of FIDC AR III.

12.1.2. Obligations to FIDC TAPSO quota holders

In February 2022, the Group negotiated an amendment of the contract to postpone the payment date of the principal to March 2023 and the benchmark return rate became 100% of the CDI + 1.80% per year.

12.1.3. Leases

The Group has lease contracts for various items of offices, vehicles and software in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

12.1.4. Bonds

In June 2021, the Group issued its inaugural dollar bonds, raising USD 500 million in 7-year notes with a final yield of 3.95%. The total issuance was R\$ 2,510,350 (R\$ 2,477,408 net of the offering transaction costs, which will be amortized over the course of the debt).

12.1.5. Bank borrowings

During the second quarter of 2022 the Group issued CCBs (bilateral unsecured term loans), with multiple counterparties and maturities ranging from short (less than 12 months) to long term (above 12 months). The principal and the interests of this type of loan are mainly paid at maturity, which is between one to eighteen months counting from their issuance date. The proceeds of these loans were used mainly for the prepayment of receivables.

12.1.6. Debentures

On June 12, 2019 Stone Pagamentos approved the issuance of simple, secured and non-convertible debentures, sole series, for public distribution, with restricted distribution efforts, as amended, in the total amount of up to R\$ 400,000, received between June and July, maturing in 2022. The Debentures are secured by Stone Pagamentos' accounts receivable from card issuers and bear interest at a rate of 109.0% of the CDI rate.

The Group is compliant with all borrowing limits or covenants (where applicable) on any of its borrowing facilities.

13. Transactions with related parties

Related parties comprise the Group's parent companies, shareholders, key management personnel and any businesses which are controlled, directly or indirectly by the shareholders and directors over which they exercise significant management influence. Related party transactions are entered in the normal course of business at prices and terms approved by the Group's management.

13.1. Transactions with related parties

The following transactions were carried out with related parties:

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
<i>Sales of services</i>				
Associates (legal and administrative services) (a)	14	15	7	8
	14	15	7	8
<i>Purchases of goods and services</i>				
Entity controlled management personnel	-	(16)	-	(16)
Service provider	-	(240)	-	(240)
Associates (transaction services) (b)	(943)	(1,287)	(262)	(679)
	(943)	(1,543)	(262)	(935)

(a) Related to services provided to VHSYS (company unconsolidated in 2021) and Delivery Much.

(b) Related mainly to expenses paid to Trinks and VHSYS for consulting services, marketing expenses and sales commissions and software license to new customers acquisition.

13.2. Balance at the end of the period

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	June 30, 2022	December 31, 2021
Loans to management personnel	4,678	4,663
Convertible loans	343	57
Receivables from related parties	5,021	4,720

As of June 30, 2022, there is no allowance for expected credit losses on related parties' receivables. No guarantees were provided or received in relation to any accounts receivable or payable involving related parties.

The Group has outstanding loans with certain management personnel. The loans are payable in three to seven years from the date of issuance and accrue interest according to the National Consumer Price Index, the Brazilian Inter-Bank Rate or Libor plus an additional spread.

14. Provision for contingencies

The Group companies are party to labor, civil and tax litigation in progress, which are being addressed at the administrative and judicial levels, as well recognize risks of their activities that may require the recording of provisions.

14.1. Probable losses, provided for in the statement of financial position

The provisions for probable losses arising from these matters are estimated and periodically adjusted by management, supported by the opinion of its external legal advisors. The amount, nature and the movement of the liabilities is summarized as follows:

	Civil	Labor	Tax	Total
Balance as of December 31, 2021	15,610	16,383	149,856	181,849
Additions	9,164	3,187	656	13,007
Reversals	(8,076)	(3,331)	(20)	(11,427)
Interests	1,105	412	7,065	8,582
Payments	(2,786)	(158)	-	(2,944)
Business combination	-	2	-	2
Balance as of June 30, 2022	15,017	16,495	157,557	189,069

14.2. Possible losses, not provided for in the statement of financial position

The Group has the following civil and labor litigation involving risks of loss assessed by management as possible, based on the evaluation of the legal advisors, for which no provision was recognized:

	June 30, 2022	December 31, 2021
Civil	146,782	130,908
Labor	88,864	62,299
Tax	29,236	30,324
Total	264,882	223,531

The nature of the civil litigations is summarized as follows:

- The Group is party of a lawsuit action for damages brought by a sub-acquirer seeking indemnity for the withdrawal of the contract established between the parties. The amount considered as a possible loss is R\$ 2,430 on June 30, 2022 (no values as of on December 31, 2021).
- The Group is party to a lawsuit filed by a commercial establishment characterized as a customer of a subacquirer which had difficulties in the settlement of funds derived from debit and credit transactions carried out by the aforementioned establishments and the possible loss value of the action in which Stone was called as a co-respondent, on June 30, 2022 was R\$ 1,651 (no value as of on December 31, 2021).
- The Group is party of a Public Civil Action questioning accessibility requirements in machines and applications used for payments with credit cards and touch screen transactions. The amount is R\$ 2,023 as of June 30, 2022, considered as a possible loss.
- The Group is party to a collection lawsuits filed by a commercial partner, responsible for part of the capture and indication of commercial establishments. considered as a possible loss is R\$ 10,285 on June 30, 2022 (R\$ 9,728 on December 31, 2021).
- The Group is party to a collection lawsuits filed by a customer, whose high rate of disputed transactions through credit card (Chargebacks) terminated the contract between the parties. In the action, the plaintiff requires payment of the chargeback amounts which weren't paid. The amount considered as a possible loss is R\$ 6,326 on June 30, 2022 (R\$ 6,249 on December 31, 2021)
- The Group is party to considerable lawsuits whose root causes are connected with the business and it is usual in this operation. The demands are primarily related to indemnity claims due to: (i) retention of receivables, (ii) payment account operation, (iii) credit concession operation by SCD, (iv) disputed transactions through credit card (Chargebacks), (v) specific type of services Stone and (vi) discussion about any divergence of fees agreed and applied in the business relationship established between the group and the accredited commercial establishments and sub-acquirer had difficulties in settling the funds of debit and credit transactions carried out by the aforementioned establishments and the total amount of possible loss of the actions in which Stone was called. The total amount of R\$ 94,330 on June 30, 2022 (R\$ 42,924 as of December 31, 2021).

The nature of the labor litigations is summarized as follows:

In addition, in the Labor Courts, the main causes are connected to (i) placement in a different trade union and (ii) payment of overtime. The claims are issued by former employees and former employees of outsourced companies, contracted by Stone.

The nature of the tax litigations is summarized as follows:

- Action for annulment of tax debits regarding the tax assessment issued by the state tax authorities on the understanding that the Company would have carried out lease of equipment and data center spaces from January 2014 to December 2015, on the grounds that the operations would have the nature of services of telecommunications and therefore would be subject to ICMS tax at the rate of 25% and a fine equivalent to 50% of the updated tax amount for failure to issue ancillary tax obligations. As of June 30, 2022, the updated amount recorded as a probable loss is R\$ 23,170 (R\$ 21,934 as of December 31, 2021), and the amount of R\$ 28,546 (R\$ 27,376 as of December 31, 2021) is considered as a possible loss (contingency arising from Linx's acquisition).

15. Equity

15.1. Authorized capital

The Company has an authorized share capital of USD 50 thousand, corresponding to 630,000,000 authorized shares with a par value of USD 0.000079365 each. Therefore, the Company is authorized to increase capital up to this limit, subject to approval of the Board of Directors. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

15.2. Subscribed and paid-in capital and capital reserve

The Articles of Association provide that at any time when there are Class A common shares being issued, Class B common shares may only be issued pursuant to: (a) a share split, subdivision or similar transaction or as contemplated in the Articles of Association; or (b) a business combination involving the issuance of Class B common shares as full or partial consideration. A business combination, as defined in the Articles of Association, would include, amongst other things, a statutory amalgamation, merger, consolidation, arrangement or other reorganization.

The additional paid-in capital refers to the difference between the purchase price that the shareholders pay for the shares and their par value. Under Cayman Law, the amount in this type of account may be applied by the Company to pay distributions or dividends to members, pay up unissued shares to be issued as fully paid, for redemptions and repurchases of own shares, for writing off preliminary expenses, recognized expenses, commissions or for other reasons. All distributions are subject to the Cayman Solvency Test which addresses the Company's ability to pay debts as they fall due in the natural course of business.

Below are the movements of shares during the three months ended June 30, 2022:

	Number of shares		
	Class A	Class B	Total
As of December 31, 2021	266,490,063	46,041,185	312,531,248
Conversions	14,400,000	(14,400,000)	-
As of June 30, 2022	280,890,063	31,641,185	312,531,248

15.3. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in equity.

On May 13, 2019, the Company announced the adoption of its share repurchase program in an aggregate amount of up to US\$ 200 million (the "Repurchase Program"). The Repurchase Program went into effect in the second quarter of 2019 and does not have a fixed expiration date. The Repurchase Program may be executed in compliance with Rule 10b-18 under the Exchange Act.

As of June 2022, the Company holds 366,345 (December 2021 - 3,599,848) class A common shares in treasury. The reduction in treasury shares mainly refers to: (a) the acquisition of Reclame Aqui, in which the company transferred, in February 2022, 1,977,391 class A common shares, previously held in treasury, to some of the selling shareholders and, and (b) to the sale of 974,718 class A common shares shortly after being contributed by the Company as capital increase in Reclame Aqui.

16. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) for the period attributed to the owners of the parent by the weighted average number of ordinary shares outstanding during the period.

The numerator of the Earnings per Share ("EPS") calculation is adjusted to allocate undistributed earnings as if all earnings for the period had been distributed. In determining the numerator of basic EPS, earnings attributable to the Group is allocated as follows:

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Net income (loss) attributable to Owners of the Parent	(800,614)	687,512	(487,390)	529,176
Numerator of basic and diluted EPS	(800,614)	687,512	(487,390)	529,176

The following table contains the earnings per share of the Group for the six months ended June 30, 2022 and 2021 (in thousands except share and per share amounts):

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Numerator of basic EPS	(800,614)	687,512	(487,390)	529,176
Weighted average number of outstanding shares	311,240,266	308,889,329	312,161,248	308,162,686
Denominator of basic EPS	311,240,266	308,889,329	312,161,248	308,162,686
Basic earnings (loss) per share - R\$	(2.57)	2.23	(1.56)	1.72
Numerator of diluted EPS	(800,614)	687,512	(487,390)	529,176
Share-based payments	-	5,762,231	-	6,355,798
Weighted average number of outstanding shares	311,240,266	308,889,329	312,161,248	308,162,686
Denominator of diluted EPS	311,240,266	314,651,560	312,161,248	314,518,484
Diluted earnings (loss) per share - R\$	(2.57)	2.18	(1.56)	1.68

Notes to unaudited interim condensed consolidated financial statements
June 30, 2022
(In thousands of Brazilian Reais, unless otherwise stated)

17. Total revenue and income

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Timing of revenue recognition				
Net revenue from transaction activities and other services	1,161,814	677,474	606,894	359,189
Recognized at a point in time	1,161,814	677,474	606,894	359,189
Net revenue from subscription services and equipment rental	869,991	292,837	437,840	152,888
Financial income	2,054,743	408,809	1,104,993	40,018
Other financial income	287,855	101,979	154,417	61,337
Recognized over time	3,212,589	803,625	1,697,250	254,243
Total revenue and income	4,374,403	1,481,099	2,304,144	613,432

18. Expenses by nature

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
Personnel expenses	1,116,103	538,451	560,702	303,338
Financial expenses (a)	1,662,958	250,098	954,711	157,602
Mark-to-market on equity securities designated at FVPL (Note 5 (b))	850,079	(841,168)	527,083	(841,168)
Transaction and client services costs (b)	557,498	255,796	252,982	147,280
Depreciation and amortization (Note 9.2)	381,743	181,813	196,881	97,371
Marketing expenses and sales commissions (c)	316,646	160,518	137,429	99,068
Third parties services	158,167	69,093	91,950	35,825
Other	102,456	67,475	64,483	28,706
Total expenses	5,145,650	682,076	2,786,221	28,022

- (a) Financial expenses include discounts on the sale of receivables to banks, interest expense on borrowings, interest to fund FIDC quota holders, foreign currency exchange variations, net and the cost of derivatives covering interest and foreign exchange exposure.
- (b) Transaction and client services costs include card transaction capturing services, card transaction and settlement processing services, logistics costs, payment scheme fees, cloud services and other costs.
- (c) Marketing expenses and sales commissions relate to marketing and advertising expenses, and commissions paid to sales related partnerships.

The Group provides a standard benefit package to all employees, consisting primarily of health care plans, group life insurance, meal and food vouchers and transportation vouchers. The commission paid to salespeople are included in personnel expenses.

19. Share-based payment

The Group provides benefits to employees (including executive directors) of the Group through share-based incentives.

The total expense, including taxes and social charges, recognized for the programs for the six months ended June 30, 2022 was R\$ 73,412 (2021 - R\$ 78,509). The Group recorded in capital reserve the amount of R\$ 76,955 (2021 - R\$ 51,160) related to share-based payments.

Restricted share units and Stock Options

The Group has a Long-term incentive plan ("LTIP") to enable the Group to grant equity-based awards to employees and other service providers with respect to its Class A common shares, and it was granted restricted share unit ("RSUs") and stock options to certain key employees under the LTIP to incentivize and reward such individuals. These awards are scheduled to vest over a four-, five-, seven- and ten-year period, subject to and conditioned upon the achievement of certain performance conditions. Assuming achievement of these performance conditions, awards will be settled in, or exercised for, its Class A common shares. If the applicable performance conditions are not achieved, the awards will be forfeited for no consideration.

In February and March 2022, the Company has granted 85,243 and 107,487 RSUs with a fair value of R\$ 84.95 and R\$ 53.35, respectively, which were determined based on the fair value of the equity instruments granted and the exchange rate, both at the grant date. In the first quarter of 2022 the Group also cancelled 126,079 RSUs.

In the second quarter of 2022 the Company has granted 4,704,390 RSUs with an average price of R\$ 49.53. The prices were determined based on the fair value of the equity instruments granted and the exchange rate, at the grant date. Moreover, the Company accelerated 383,030 RSUs and the Group also cancelled 69,210 RSUs in the second quarter of 2022.

As of June 30, 2022, there were RSUs outstanding with respect to 10,903,949 Class A common shares and stock options outstanding with respect to 32,502 Class A common shares (with a weighted average exercise price of US\$ 24.92).

Performance share units

The Group granted awards as Performance share units ("PSUs"). These awards are equity classified and give beneficiaries the right to receive shares if the Group reaches minimum levels of total shareholder return ("TSR") or a determined market value in a given period and continue to provide services over a specified period. The PSUs granted will not result in delivering shares to beneficiaries and will expire if the minimum performance condition is not met. The fair value of the awards is estimated at the grant date using the Black-Scholes-Merton pricing model, considering the terms and conditions on which the PSUs were granted, and the related compensation expense will be recognized over the vesting period. The performance condition is considered in estimating the grant-date fair value.

In the second quarter of 2022 the Company granted 4,051,090 new PSUs with an average grant-date fair value of R\$ 2.57 and the Group also cancelled 1,221,000 PSUs. The grant-date fair value was determined based on historical data and current expectations and is not necessarily indicative of performance patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the PSUs is indicative of future trends, which may not necessarily be the actual outcome. For the grant mentioned above, the main two inputs to the model were: (i) Risk-free interest rate of 3.13% according to 3-month Libor forward curve for a 3 years period and annual volatility of 76.5%, based on the Company's stock price, and (ii) Risk-free interest rate of 3.10% according to 3-month Libor forward curve for a 5 years period and annual volatility of 77.3%, based on the Company's stock price.

20. Financial instruments**20.1. Financial risk management**

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk, cash flow or fair value interest rate risk, and price risk), liquidity risk and fraud risk. The Group's overall financial risk management program seeks to remove or at least minimize potential adverse effects from its financial results. The Group uses derivative financial instruments to mitigate certain risk exposures. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Financial risk management is carried out by the global treasury department ("Global treasury") on the Group level, designed by the integrated risk management team in accordance with policies and approved by the Board of Directors. Global treasury identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. On the specific level of the subsidiaries, mostly the operations related to merchant acquiring operation in Brazil, the local treasury department ("Local Treasury") executes and manages the financial instruments under the specific policies, respecting the Group's strategy. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, anti-fraud, use of derivative financial instruments, and non-derivative financial instruments, and investment of surplus liquidity.

The war in Ukraine has intensified global market volatility and supply chain disruptions which started with the COVID-19 pandemic, affecting the global economy specially through rising inflation and interest rates, which may adversely affect our ability to access capital to meet liquidity needs, execute the existing strategy, pursue further business expansion, and maintain revenue growth. The risks are being monitored closely, and the Group intends to follow health and safety guidelines as they evolve.

20.2. Financial instruments by categoryAssets as per statement of financial position

	<u>Amortized cost</u>	<u>FVPL</u>	<u>FVOCI</u>	<u>Total</u>
As of June 30, 2022				
Short and Long-term investments	-	2,673,931	35,564	2,709,495
Financial assets from banking solution	-	2,856,887	-	2,856,887
Accounts receivable from card issuers	45,742	-	17,589,881	17,635,623
Trade accounts receivable	443,594	129,417	-	573,011
Derivative financial instruments	-	46,096	-	46,096
Receivables from related parties	5,021	-	-	5,021
Other assets	391,900	-	-	391,900
	886,257	5,706,331	17,625,445	24,218,033
As of December 31, 2021				
Short-term investments	-	3,209,604	21,909	3,231,513
Financial assets from banking solution	-	2,346,474	-	2,346,474
Accounts receivable from card issuers	132,605	-	19,153,985	19,286,590
Trade accounts receivable	434,481	511,240	-	945,721
Derivative financial instruments	-	219,324	-	219,324
Receivables from related parties	4,720	-	-	4,720
Other assets	474,557	-	-	474,557
	1,046,363	6,286,642	19,175,894	26,508,899

Liabilities as per statement of financial position

	Amortized cost	FVPL	Total
As of June 30, 2022			
Deposits from banking customers	2,704,963	-	2,704,963
Accounts payable to clients	14,608,152	-	14,608,152
Trade accounts payable	384,048	-	384,048
Loans and financing	5,187,975	-	5,187,975
Obligations to FIDC quota holders	1,605,703	-	1,605,703
Derivative financial instruments	-	192,831	192,831
Other liabilities	428,809	353,356	782,165
	24,919,650	546,187	25,465,837
As of December 31, 2021			
Deposits from banking customers	2,201,861	-	2,201,861
Accounts payable to clients	15,726,502	-	15,726,502
Trade accounts payable	372,547	-	372,547
Loans and financing	6,135,215	-	6,135,215
Obligations to FIDC quota holders	2,227,174	-	2,227,174
Derivative financial instruments	-	23,244	23,244
Other liabilities	162,178	328,456	490,634
	26,825,477	351,700	27,177,177

20.3. Fair value measurement

The table below presents a comparison by class between book value and fair value of the financial instruments of the Group:

	June 30, 2022			December 31, 2021		
	Book value	Fair value	Hierarchy level	Book value	Fair value	Hierarchy level
Financial assets						
Short and Long-term investments (a)	2,709,495	2,709,495	I / II	3,231,513	3,231,513	I / II
Financial assets from banking solution (e)	2,856,887	2,856,887	I	2,346,474	2,346,474	I
Accounts receivable from card issuers (b)	17,635,623	17,635,560	II	19,286,590	19,283,921	II
Trade accounts receivable (c) (d)	573,011	573,011	II / III	945,721	945,721	II / III
Derivative financial instruments (f)	46,096	46,096	II	219,324	219,324	II
Receivables from related parties (c)	5,021	5,021	II	4,720	4,720	II
Other assets (c)	391,900	391,900	II	474,557	474,557	II
	24,218,033	24,217,970		26,508,899	26,506,230	
Financial liabilities						
Deposits from banking customers (g)	2,704,963	2,704,963	II	2,201,861	2,201,861	II
Accounts payable to clients (i)	14,608,152	14,162,097	II	15,726,502	14,628,794	II
Trade accounts payable (c)	384,048	384,048	II	372,547	372,547	II
Loans and financing (h)	5,187,975	5,179,648	II	6,135,215	6,121,966	II
Obligations to FIDC quota holders (h)	1,605,703	1,809,478	II	2,227,174	2,324,553	II
Derivative financial instruments (f)	192,831	192,831	II	23,244	23,244	II
Other liabilities (c) (j)	782,165	782,165	II/III	490,634	490,634	II/III
	25,465,837	25,215,230		27,177,177	26,163,599	

(a) Short and Long-term investments are measured at fair value. Listed securities are classified as level I and unlisted securities classified as level II, for those the fair value is determined using valuation techniques, which employ the use of market observable inputs.

(b) Accounts receivable from card issuers are measured at FVOCI or at amortized cost, depending on the asset's contractual cash flow characteristics and the Group's business model for managing each of them. For those assets measured at FVOCI, fair value is estimated by discounting future cash flows using market rates for similar items. For those assets measured at amortized cost, carrying values are assumed to approximate their fair values, taking into consideration that the realization of these balances and short settlement terms.

- (c) The carrying values of trade accounts receivable, receivables from related parties, other assets, trade accounts payable and other liabilities are measured at amortized cost and are recorded at their original amount, less the provision for impairment and adjustment to present value, when applicable. The carrying values are assumed to approximate their fair values, taking into consideration that the realization of these balances, and settlement terms do not exceed 60 days. These amounts are classified as level II in the hierarchy level.
- (d) Included in Trade accounts receivable there are Loans designated at FVPL with an amount of R\$ 129,417 in the six months ended June 30, 2022, this portfolio registered a loss of R\$ 287,103, and total net cashflow effect was an inflow of R\$ 387,233. Loans are measured at fair value through profit or loss and are valued using valuation techniques, which employ the use of market unobservable inputs, and therefore is classified as level III in the hierarchy level.

As of December 31, 2021	511,240
Collections	(387,233)
Interest income recognized in the statement of profit or loss as Financial Income	292,513
Fair value recognized in the statement of profit or loss as Financial income	(287,103)
As of June 30, 2022	129,417

The significant unobservable inputs used in the fair value measurement of Loans designated at FVPL categorized within Level III of the fair value hierarchy, are the expected loss rate and the discount rate used to evaluate the asset. To calculate expected loss rate, the Company considers a list of assumptions, the main being: an individual projection of client's transactions, the probability of each contract to default and scenarios of recovery. These main inputs are periodically reviewed, or when there is an event that may affect the probabilities and curves applied to the portfolio.

In determining the discount rate, we consider that the rate should be a current rate commensurate with nature of the loan portfolio and the valuation method used. When rates for actual recent transactions are available and appropriate to reflect the interest rate as of the measurement date, we consider those rates. When such rates are not available, we also obtain non-binding quotes. Based on all available information we make a judgment as to the rate to be used. In prior periods we used the interest rate that we paid to senior holders of FIDCs on recent transactions. Considering we did not raise funding through FIDCs since February 2021 and the changes observed in the benchmark interest rate in Brazil and in the credit markets we currently build an interest rate curve for unsecured loans granted to us based on recent loans obtained and in quotes from financial institutions.

- (e) Financial assets from banking solutions are measured at fair value. Sovereign bonds are priced using quotation from Anbima public pricing method.
- (f) The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Non-deliverable forward contracts are valued using valuation techniques, which employ the use of market observable inputs.
- (g) Deposits from banking customers are measured at amortized cost considering the immediate liquidity due to costumers' payment account deposits.
- (h) Loans and financing, and obligations to FIDC quota holders are measured at amortized cost. Fair values are estimated by discounting future contractual cash flows at the interest rates available in the market that are available to the Group for similar financial instruments.
- (i) Accounts payable to clients, are measured at amortized cost. Fair values are estimated by discounting future contractual cash flows at the average of interest rates applicable in prepayment business.
- (j) There are contingent considerations included in other liabilities arising on business combinations that are measured at FVPL. Fair values are estimated in accordance with pre-determined formulas explicit in the contracts with selling shareholders. The amount as of June 30, 2022 is R\$ 353,356 and is classified as level III in the hierarchy level.

The movement of the contingent consideration is summarized as follows:

As of December 31, 2021	328,456
Additions (Note 22.1.3)	36,015
Remeasurement at fair value recognized in the statement of profit or loss as Other income (expenses), net	3,832
Payments	(23,506)
Interest recognized in the statement of profit or loss as Financial expenses, net	8,559
As of June 30, 2022	353,356

The significant unobservable inputs used in the fair value measurement of contingent consideration categorized within Level III of the fair value hierarchy are based on projections of revenue, net debt, number of clients, net margin and the discount rates used to evaluate the liability.

The Group has performed sensitivity analysis considering an increase of 10% and a decrease of 10% in projections of revenue, and number of clients. The result was an increase of contingent consideration in the total amount of R\$ 50,265 considering increase in unobservable inputs and a decrease of contingent consideration in the total amount of R\$ 60,062 considering decrease in unobservable inputs.

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flows at the interest rates available in the market that are available to the Group for similar financial instruments. The effective interest rates at the balance sheet dates are usual market rates and their fair value does not significantly differ from the balances in the accounting records.

20.4. Hedge accounting – bonds

During 2021, the Company entered into hedge operations to protect its inaugural dollar bonds (Note 12.1.4), subject to foreign exchange exposure using cross-currency swap contracts. The transactions have been elected for hedge accounting and classified as cash flow hedge of the variability of the designated cash flows of the dollar denominated bonds due to changes in the exchange rate. The details of the cross-currency swaps are presented as follows.

Notional in US\$	Notional in R\$	Pay rate in local currency	Trade date	Due date	Fair value as of June 30, 2022 – Asset (Liability)	Loss recognized in income in six months ended June 30, 2022 (a)	Loss recognized in OCI in three months ended June 30, 2022 (b)	Fair value as of December 31, 2021 – Asset (Liability)
50,000	248,500	CDI + 2.94%	23-Jun-2021	16-Jun-2028	(10,820)	(17,301)	(19,255)	25,736
50,000	247,000	CDI + 2.90%	24-Jun-2021	16-Jun-2028	(10,478)	(17,301)	(18,991)	25,814
50,000	248,500	CDI + 2.90%	24-Jun-2021	16-Jun-2028	(11,589)	(17,301)	(18,595)	24,307
75,000	375,263	CDI + 2.99%	30-Jun-2021	16-Jun-2028	(19,666)	(25,950)	(26,929)	33,213
50,000	250,700	CDI + 2.99%	30-Jun-2021	16-Jun-2028	(13,500)	(17,300)	(17,815)	21,615
50,000	250,110	CDI + 2.98%	30-Jun-2021	16-Jun-2028	(13,063)	(17,301)	(17,971)	22,209
25,000	127,353	CDI + 2.99%	15-Jul-2021	16-Jun-2028	(8,175)	(8,651)	(8,436)	8,912
25,000	127,353	CDI + 2.99%	15-Jul-2021	16-Jun-2028	(8,266)	(8,651)	(8,359)	8,744
50,000	259,890	CDI + 2.96%	16-Jul-2021	16-Jun-2028	(20,365)	(17,305)	(15,350)	12,290
25,000	131,025	CDI + 3.00%	06-Aug-2021	16-Jun-2028	(9,844)	(7,648)	(7,850)	5,654
25,000	130,033	CDI + 2.85%	10-Aug-2021	16-Jun-2028	(10,659)	(9,658)	(7,809)	6,808
25,000	130,878	CDI + 2.81%	11-Aug-2021	16-Jun-2028	(10,501)	(8,654)	(7,747)	5,900
Net amount					(146,926)	(173,021)	(175,107)	201,202

(a) Recognized in the statement of profit or loss, in “Financial expenses, net”.

(b) Recognized in equity, in “Other comprehensive income”. The balance in the cash flow hedge reserve as of June 30, 2022 is a loss of R\$ 229,251.

20.5. Financial assets from banking solution and deposits from banking customers

Financial assets from banking solution are deposited by the Company in Brazilian Central Bank's ("BACEN") custody accounts or in Brazilian National Treasury Bonds, in order to guarantee the deposits from banking customers, as required for companies under BACEN regulation.

20.6. Offsetting of financial instruments

Financial asset and liability balances are offset (i.e. reported in the consolidated statement of financial position at their net amount) only if the Company and its subsidiaries currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As of June 30, 2022, and December 31, 2021, the Group has no financial instruments that meet the conditions for recognition on a net basis.

21. Other disclosures on cash flows**21.1. Non-cash operating activities**

	June 30, 2022	June 30, 2021
Fair value adjustment to accounts receivable from card issuers	84,528	67,378
Fair value adjustment on equity instruments/listed securities designated at FVOCI	(1,345)	213,753
Fair value adjustment on loans designated at FVPL	(287,103)	(917,361)
Mark-to-market on equity securities designated at FVPL	(850,079)	841,168

21.2. Non-cash investing activities

	June 30, 2022	June 30, 2021
Property and equipment and intangible assets acquired through lease	41,649	59,161

21.3. Non-cash financing activities

	June 30, 2022	June 30, 2021
Unpaid consideration for acquisition of non-controlling shares	1,132	2,486
Shares of the Company delivered at Reclame Aqui acquisition	169,864	-

21.4. Property and equipment, and intangible assets

	June 30, 2022	June 30, 2021
Additions of property and equipment (Note 9)	(426,939)	(417,301)
Additions of right of use (IFRS 16)	26,341	53,535
Payments from previous period	(51,614)	(33,353)
Purchases not paid at period end	46,393	33,143
Prepaid purchases of POS	100,227	(160,734)
Purchases of property and equipment	<u>(305,592)</u>	<u>(524,710)</u>
Additions of intangible assets (Note 10)	(134,545)	(82,088)
Additions of right of use (IFRS 16)	15,308	5,626
Payments from previous period	(41,898)	-
Purchases not paid at period end	7,279	-
Capitalization of borrowing costs	778	157
Purchases and development of intangible assets	<u>(153,078)</u>	<u>(76,305)</u>
Net book value of disposed assets (Notes 9 and 10)	86,161	51,878
Net book value of Leases write off	(24,141)	(1,108)
Loss on disposal of property and equipment and intangible assets	(23,984)	(39,446)
Disposal of Linked's property, equipment and intangible assets, including goodwill	-	(11,224)
Outstanding balance	<u>(17,484)</u>	<u>-</u>
Proceeds from disposal of property and equipment and intangible assets	<u>20,552</u>	<u>100</u>

22. Business combinations**22.1. Acquisitions in 2022**Reclame Aqui

On February 17, 2022 the Group acquired 50% of equity interest in Reclame Aqui Holdings Limited (“Reclame Aqui”). The Group also has the right to join the Board of Directors of Reclame Aqui with two seats out of four. Reclame Aqui is an unlisted company based in Cayman Islands, with operations in Brazil, which provides customer relationship software and other solutions to help companies better engage and serve their clients.

Plugg.to

On June 08, 2022, the Group acquired 100% of equity interest in ThirdLevel Soluções de Internet S.A (“Plugg.to”), a private company headquartered in the State of São Paulo, Brazil, for R\$ 39,880. Plugg.to develops technology that works as a marketplace hub, offering fast and intelligent integrations between virtual store platforms, ERP's and marketplaces, with which the Group hopes to obtain synergies in its services to customers. The agreement with the selling shareholders provides for a contingent consideration linked to the achievement of certain operational goals and to the performance of net revenue for fiscal years 2023 and 2024. The amount of contingent consideration is limited to R\$25,000. The acquisition is under review for business combination rules.

22.1.1. Financial position of the business acquired

The net assets acquired, at fair value, the consideration paid, and the goodwill amount recognized on the business combination date are presented below.

	Reclame Aqui (as of Feb 17, 2022)	Plugg.to (as of June 13, 2022)	Total
Fair value	(a)	(a)	
Cash and cash equivalents	418	362	780
Short-term investments	9,024	-	9,024
Trade accounts receivable	7,938	1,864	9,802
Recoverable taxes	148	91	239
Receivables from related parties	62	-	62
Property and equipment	1,285	-	1,285
Intangible assets - Customer relationship (b)	83,122	-	83,122
Intangible assets - Software (b)	10,732	-	10,732
Intangible assets - Trademarks and patents (b)	21,122	-	21,122
Other assets	63,651	97	63,748
Total assets	197,502	2,414	199,916
Trade accounts payable	17,401	3,943	21,344
Loans and financing	4,463	-	4,463
Labor and social security liabilities	2,190	541	2,731
Taxes payable	3,364	313	3,677
Other liabilities	3,154	-	3,154
Total liabilities	30,572	4,797	35,369
Net assets and liabilities	166,930	(2,383)	164,547
Consideration paid (Note 22.1.2)	330,245	39,880	370,125
Goodwill	163,315	42,263	205,578

- (a) Identification and measurement of assets acquired, liabilities assumed, consideration transferred, and goodwill are preliminary.
- (b) The Company carried out a preliminary fair value assessment of the assets acquired in the business combination, having identified customer relationship, software, and trademark and patents as intangible assets. Details on the methods and assumptions adopted to evaluate these assets are described on Note 22.1.2.

22.1.2. Intangible assets arised from business combinationCustomer relationship

	Reclame Aqui
Amount	83,122
Method of evaluation	MEEM (*)
Estimated useful life (a)	5 years
Discount rate (b)	14.0%
Source of information	Acquirer's management internal projections
(*) Multi-Period Excess Earnings Method ("MEEM")	

(a) Useful lives were estimated based on internal benchmarks.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

Software

	Reclame Aqui
Amount	10,732
Method of evaluation	Replacement cost
Estimated useful life (a)	5 years
Discount rate (b)	14.0%
Source of information	Historical data

(a) Useful lives were estimated based on internal benchmarks.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

Trademark and patents

	Reclame Aqui
Amount	21,122
Method of evaluation	Relief from royalties
Estimated useful life (a)	Indefinite
Discount rate (b)	14.0%
Source of information	Acquirer's management internal projections

- (a) Useful lives were estimated based on internal benchmarks.
- (b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

22.1.3. Consideration paid

The consideration paid on business combination is composed by the sum of the following values, if any: (i) consideration transferred, (ii) non-controlling interest in the acquiree and (iii) fair value of the acquirer's previously held equity interest in the acquiree. The consideration paid in the preliminary assessments is presented as follows.

	Reclame Aqui	Plugg.to	Total
Cash consideration paid to the selling shareholders	42,273	20,880	63,153
Cash consideration to be paid to the selling shareholders	10,000	19,000	29,000
Shares of the Company delivered to selling shareholders (a)	113,779	-	113,779
Capital increase in the acquiree (a)	64,013	-	64,013
Non-controlling interest in the acquiree (b)	83,464	-	83,464
Call option in the acquiree (c)	(19,299)	-	(19,299)
Contingent consideration (d)	36,015	-	36,015
Total	330,245	39,880	370,125

- a) The Group used Treasury shares to pay some of the selling shareholders. The Group also used Treasury shares for part of Capital increase in Reclame Aqui (see note 15.3).
- b) The Group has elected to measure the non-controlling interests in the acquiree using the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.
- c) The Group has a call option to acquire the remaining equity interest to hold 100% of Reclame Aqui, which can be exercised between January 1, 2027 and June 30, 2027. The option has been measured in accordance with pre-determined formulas and was recorded in the consolidated statement of financial position as Derivative financial instruments. R\$ 19,299 represents a preliminary estimate on acquisition date. This value is periodically remeasured, which may result in an increase or decrease of the estimate, and as of June 30, 2022 this option is included in the amount of R\$ 44,560 mentioned in Note 2.1.
- d) Reclame Aqui contingent consideration will be paid to the selling shareholders in two periods – after the closing of the 2023 (1st period) and 2025 (2nd period) fiscal years. The amount is based on predetermined formulas which consider mainly the net revenue of Reclame Aqui at the end of 2023 and 2025.

Additionally, the Group holds a put option to sell the totality of its shares on Reclame Aqui to VLP Holding Ltd (non-controller shareholder of Reclame Aqui). VLP Holding Ltd also has a put option to sell the totality of its shares on Reclame Aqui to the Group. This option can be exercised by VLP Holding Ltd between July 1, 2027 and July 31, 2027, provided that: (i) the Company decides not to exercise the call option mentioned in the item c) above and (ii) certain metrics based on net revenue of Reclame Aqui are achieved. See note 2.1 for further details about accounting policy elected to those options.

22.1.4. Revenue and profit contribution

The combined statement of profit or loss from the acquisition date through June 30, 2022 for all companies acquired in 2022, is presented below:

	Six months ended June 30, 2022
Net revenue from subscription services and equipment rental	26,469
Other financial income	536
Total revenue and income	27,005
Cost of services	(50)
Administrative expenses	(23,782)
Selling expenses	(51)
Financial expenses, net	(189)
Other income (expenses), net	(857)
	(24,929)
Loss before income taxes	(2,076)
Loss for the period	(2,076)

Total revenue and net income for the Group is presented below on a pro-forma basis assuming the acquisitions occurred at the beginning of the year of each acquisition:

	Six months ended June 30, 2022
Pro-forma total revenue and income	4,383,301
Pro-forma net income	(807,713)

This pro-forma financial information is presented for informational purposes only and does not purport to represent what the Company's results of operations would have been had it completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods.

22.2. Acquisitions in 2021 – assessments concluded in 2022

During 2021, the Company conducted business combinations with some companies, including SimplesVet, VHSYS and Linx. The acquisitions of these companies were measured in 2021 based on preliminary assessments and included in the December 31, 2021 consolidated financial statements. The assessments were completed in the first quarter of 2022 for SimplesVet and VHSYS and in the second quarter of 2022 for Linx. The effects of the differences between the preliminary assessments (as originally recognized on December 31, 2021) and the final assessments was retrospectively accounted in the consolidated financial statements as of December 31, 2021. Therefore, the December 31, 2021 comparative statement of financial position was revised in these interim condensed consolidated financial statements (see Note 1.1).

22.2.1. Financial position of the business acquired

The net assets acquired, at fair value, the consideration paid, and the goodwill amount recognized on the business combination date considering the preliminary and the final assessments are presented below.

22.2.1.1. Simplesvet

Fair value	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash and cash equivalents	11,107	-	11,107
Trade accounts receivable	96	-	96
Recoverable taxes	-	20	20
Property and equipment	179	-	179
Intangible assets - Customer relationship (a)	15,924	(9,098)	6,826
Intangible assets - Software (a)	2,807	12,859	15,666
Other assets	137	(21)	116
Total assets	30,250	3,760	34,010
Trade accounts payable	106	-	106
Labor and social security liabilities	566	-	566
Taxes payable	-	580	580
Deferred tax liabilities	6,369	1,279	7,648
Other liabilities	843	(580)	263
Total liabilities	7,884	1,279	9,163
Net assets and liabilities (b)	22,366	2,481	24,847
Consideration paid (Note 22.2.3.1)	39,583	(2,102)	37,481
Goodwill	17,217	(4,583)	12,634

- (a) The Company carried out a fair value assessment of the assets acquired in the business combination, having identified customer relationship, and software as intangible assets. Details on the methods and assumptions adopted to evaluate these assets are described on Note 22.2.2.
- (b) The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by Simplesvet. The valuation had not been completed by the date the 2021 financial statements were approved for issue by the Board of Directors. In the first quarter of 2022, the valuation was completed.

22.2.1.2. VHSYS

Fair value	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash and cash equivalents	13,731	-	13,731
Trade accounts receivable	351	-	351
Recoverable taxes	-	38	38
Property and equipment	2,232	4	2,236
Intangible assets	2,522	(2,522)	-
Intangible assets - Customer relationship (a)	6,134	(5,462)	672
Intangible assets - Software (a)	14,583	8,215	22,798
Intangible assets - Trademarks and patents (a)	-	21,513	21,513
Other assets	109	(60)	49
Total assets	39,662	21,726	61,388
Trade accounts payable	3,515	-	3,515
Loans and financing	1,525	-	1,525
Labor and social security liabilities	2,019	-	2,019
Taxes payable	-	174	174
Provision for contingencies	-	2	2
Deferred tax liabilities	7,044	7,393	14,437
Other liabilities	177	(177)	-
Total liabilities	14,280	7,392	21,672
Net assets and liabilities (b)	25,382	14,334	39,716
Consideration paid (Note 22.2.3.2)	55,411	7,167	62,578
Goodwill	30,029	(7,167)	22,862

- (a) The Company carried out a fair value assessment of the assets acquired in the business combination, having identified customer relationship, and software as intangible assets. Details on the methods and assumptions adopted to evaluate these assets are described on Note 22.2.2.
- (b) The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by VHSYS. The valuation had not been completed by the date the 2021 financial statements were approved for issue by the Board of Directors. In the first quarter of 2022, the valuation was completed.

22.2.1.3. Linx

Fair value	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash and cash equivalents	41,618	-	41,618
Short-term investments	431,444	-	431,444
Accounts receivable from card issuers	349,471	-	349,471
Trade accounts receivable	212,567	-	212,567
Recoverable taxes	43,927	(15,721)	28,206
Prepaid expenses	4,735	-	4,735
Deferred tax assets	47,362	148,737	196,099
Property and equipment	200,420	-	200,420
Intangible assets	56,917	-	56,917
Intangible assets - Customer relationship (a)	1,471,741	(899)	1,470,842
Intangible assets - Software (a)	340,780	-	340,780
Intangible assets - Trademarks and patents (a)	214,578	-	214,578
Intangible assets - Non-compete agreement (a)	-	24,365	24,365
Other assets	77,367	-	77,367
Total assets	3,492,927	156,482	3,649,409
Accounts payable to clients	332,902	-	332,902
Trade accounts payable	107,205	-	107,205
Loans and financing	346,151	-	346,151
Labor and social security liabilities	85,829	-	85,829
Taxes payable	34,635	-	34,635

Deferred tax liabilities	608,749	9,714	618,463
Provision for contingencies	164,259	-	164,259
Other liabilities	111,233	-	111,233
Total liabilities	1,790,963	9,714	1,800,677
Net assets and liabilities (b)	1,701,964	146,768	1,848,732
Consideration paid (Note 22.2.3.3)	6,737,900	24,365	6,762,265
Goodwill	5,035,936	(122,403)	4,913,533

- (a) The Company carried out a fair value assessment of the assets acquired in the business combination, having identified customer relationship, software, trademarks and patents, and non-compete agreement as intangible assets. Details on the methods and assumptions adopted to evaluate these assets are described on Note 22.2.2.
- (b) The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by Linx. The valuation had not been completed by the date the 2021 financial statements were approved for issue by the Board of Directors. In the second quarter of 2022, the valuation was completed.

22.2.2. Intangible assets arised from business combination

The assumptions adopted to measure the fair value of intangible assets identified in business combination considering the final assessments are described below.

Customer relationship

	SimplesVet	VHSYS	Linx
Amount	6,826	672	1,470,842
Method of evaluation	MEEM (*)	MEEM (*)	MEEM (*)
Estimated useful life (a)	8 years	3 years and 4 months	31 years and 6 months to 34 years and 6 months
Discount rate (b)	14.0%	13.9%	10.3%
Source of information	Acquirer's management internal projections	Acquirer's management internal projections	Acquirer's management internal projections

(*) Multi-Period Excess Earnings Method ("MEEM")

- (a) Useful lives were estimated based on internal benchmarks. In the case of Linx useful life considers the observed behavior of Linx customers who historically present a very low level of churn. The asset was measured for each of the Linx subsidiaries and for this reason the useful life is variable.
- (b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

Software

	SimplesVet	VHSYS	Linx
Amount	15,666	22,798	340,780
Method of evaluation	Replacement cost	Replacement cost	Relief from royalties
Estimated useful life (a)	6 years	6 years	4 years to 10 years
Discount rate (b)	13.6%	13.5%	10.3%
Source of information	Historical data	Historical data	Acquirer's management internal projections

- (a) Useful lives were estimated based on internal benchmarks. The asset was measured for each of the Linx subsidiaries and for this reason the useful life is variable.
- (b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

Trademark and patents

	VHSYS	Linx
Amount	21,513	214,578
Method of evaluation	Relief from royalties	Relief from royalties
Estimated useful life (a)	Indefinite	Indefinite
Discount rate (b)	13.5%	10.3%
Source of information	Acquirer's management internal projections	Acquirer's management internal projections

(a) Useful lives were estimated based on internal benchmarks.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

Non-compete agreement

	Linx
Amount	24,365
Method of evaluation	With / without
Estimated useful life (a)	5 years
Discount rate (b)	10.3%
Source of information	Acquirer's management internal projections

(a) Useful lives were estimated based on non-compete agreement terms.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

22.2.3. Consideration paid

The consideration paid on business combination is composed by the sum of the following values, if any: (i) consideration transferred, (ii) non-controlling interest in the acquiree and (iii) fair value of the acquirer's previously held equity interest in the acquiree. The consideration paid in the preliminary and the final assessments is presented as follows.

22.2.3.1. Simplexvet

	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash consideration paid to the selling shareholders	15,650	-	15,650
Cash consideration to be paid to the selling shareholders	5,750	-	5,750
Non-controlling interest in the acquiree (a)	11,183	1,241	12,424
Contingent consideration (b)	7,000	(3,343)	3,657
Total	39,583	(2,102)	37,481

(a) The Group has elected to measure the non-controlling interests in the acquiree using the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

(b) The final amount of contingent consideration was evaluated for the acquisition date based on predetermined formulas mainly considering the amount of revenue and profitability that the acquired company will have at the end of 2022 in different expected scenarios.

22.2.3.2. VHSYS

	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash consideration paid to the selling shareholders	18,656	-	18,656
Previously held equity interest in the acquiree, at fair value (a)	24,064	-	24,064
Non-controlling interest in the acquiree (b)	12,691	7,167	19,858
Total	55,411	7,167	62,578

- (a) Refers to the acquiree's shares previously acquired from the selling shareholders. As a result of the acquisition of VHSYS in steps, the Group recognized a gain of R\$ 12,010 in 2021 by the difference between the previously held 33.33% interest in VHSYS, at fair value, in the amount of R\$ 24,064, and its carrying amount, of R\$ 12,054.
- (b) The Group has elected to measure the non-controlling interests in the acquiree using the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

22.2.3.3. Linx

	Preliminary amounts (as presented on December 31, 2021)	Adjustments	Final amounts (as presented on June 30, 2022)
Cash consideration paid to the selling shareholders	4,752,811	-	4,752,811
Previously held equity interest in the acquiree, at fair value (a)	1,335,603	-	1,335,603
Shares of the Company issued to selling shareholders	618,514	-	618,514
Contingent consideration (b)	30,972	24,365	55,337
Total	6,737,900	24,365	6,762,265

- (a) Refers to the acquiree's shares previously acquired in stock market or from the selling shareholders.
- (b) Refers to share-based payments that may be paid in the next months and to a non-compete agreement signed with the Linx founders selling shareholders.

23. Segment information

Until the second quarter of 2021, the Group evaluated the business as a single reportable segment. From the third quarter of 2021 onwards, due to the acquisition of Linx, and the complexity of the business, the Company began to have two operating and reportable segments: StoneCo (ex-Linx) and Linx, as the CODM reviewed and monitored operations and evaluated performance considering such separate views. Starting in the first quarter of 2022, in line with the strategy and organizational structure of the Company, the Group is presenting two reportable segments, namely “Financial Services” and “Software” and certain non allocated activities:

- Financial services: Comprised of our financial services solutions which includes mainly payments solutions, digital banking, credit, insurance solutions as well as the registry business TAG.
- Software: Comprised of two main activities (i) Core, which is comprised by POS/ERP solutions, TEF and QR Code gateways, reconciliation and CRM, and (ii) Digital, which includes OMS, e-commerce platforms, engagement tools, ads solutions and marketplace hubs.
- Non allocated activities: Comprised of non-strategic businesses, including results on disposal / discontinuation of non-core businesses.

The change in segments reflect changes in our internal organization with Financial Services and Software each representing strategic business units monitored separately and having a member of the leadership team responsible for such unit.

The Group used and continues to use Adjusted net income (loss) adjusted as the measure reported to the CODM about the performance of each segment.

The measurement of Adjusted net income (loss) from April 1, 2022 no longer excludes bond expenses (see note 12.1.4) in the segmented statement of profit or loss. As such in the statement of profit or loss as from April 1, 2022 the bond expenses are included in Financial Services Segment Statement of Profit or Loss. Information for prior periods (including the comparative periods and results from January 1, 2022 to March 31, 2022) have not been retroactively adjusted to reflect the new criteria. The effect in Adjusted net income of no longer excluding bond expenses from April 1, 2022 to June 30, 2022 amounts to R\$ 95.4 million.

Segmented Statement of Profit or Loss

	June 30, 2022		
	Financial Services	Software	Non allocated
Total revenue and income	3,653,880	677,349	43,174
Cost of services	(967,601)	(327,028)	(5,908)
Administrative expenses	(276,582)	(149,444)	(20,348)
Selling expenses	(590,288)	(120,040)	(9,336)
Financial expenses, net	(1,543,437)	(23,120)	(608)
Other income (expenses), net	(45,498)	(4,672)	(18,700)
Total adjusted expenses	(3,423,406)	(624,304)	(54,900)
Loss on investment in associates	-	(784)	(1,217)
Adjusted profit (loss) before income taxes	230,474	52,261	(12,943)
Income taxes and social contributions	(37,644)	(23,224)	(154)
Adjusted net income (loss) for the period	192,830	29,037	(13,097)

	Financial Services	June 30, 2021 Software	Non allocated
Total revenue and income	1,392,610	73,697	14,792
Cost of services	(504,468)	(31,791)	(5,826)
Administrative expenses	(181,196)	(32,375)	(6,941)
Selling expenses	(374,929)	(7,241)	(3,750)
Financial expenses, net	(242,679)	(434)	6,417
Other income (expenses), net	(35,839)	(1,968)	(1,761)
Total adjusted expenses	(1,339,111)	(73,809)	(11,861)
Loss on investment in associates	(813)	(43)	(5,562)
Adjusted profit (loss) before income taxes	52,686	(155)	(2,631)
Income taxes and social contributions	(9,552)	(3,537)	133
Adjusted net income (loss) for the period	43,134	(3,692)	(2,498)

Reconciliation of segment adjusted net income (loss) for the period with net income (loss) in the consolidated financial statements

	June 30, 2022	June 30, 2021
Adjusted net income – Financial Services	192,830	43,134
Adjusted net income (loss) – Software	29,037	(3,692)
Adjusted net income (loss) – Non allocated	(13,097)	(2,498)
Segment adjusted net income	208,770	36,944
Adjustments from adjusted net income to consolidated net income (loss)		
Mark-to-market from the investment in Banco Inter and related cost of funds up March 31, 2022	(930,638)	836,151
Amortization of fair value adjustment (a)	(71,443)	(15,700)
Share-based compensation expenses (b)	(44,560)	(67,088)
Other expenses (c)	3,602	(10,657)
Tax effect on adjustments	31,971	(95,331)
Consolidated net income (loss)	(802,298)	684,319

- (a) Related to acquisitions. Consists of expenses resulting from the changes of the fair value adjustments as a result of the application of the acquisition method.
- (b) Consists of expenses related to the vesting of one-time pre-IPO pool of share-based compensation as well as non-recurring long term incentive plans.
- (c) Consists of the fair value adjustment related to associates call option, M&A and Bond issuance expenses, earn-out interests related to acquisitions, gains/losses in the sale of companies and dividends from Linx.