Quarterly Information

Linx S.A.

September 30, 2018
with Independent Auditor's Report

Linx S.A.

Quarterly Information

September 30, 2018

Contents

Dear Shareholders,

Management of Linx S.A. ("Linx" or "Company") hereby submits to your appreciation the Quarterly Information for the periods ended September 30, 2017 ("3rd quarter of 2017" or "3T17") and September 30, 2018 ("3rd quarter 2018" or "3T18").

Operating in the market for more than 30 years, Linx is a leader in retail technologies, using cloud, big data, intelligence, among other innovations, to create a broad portfolio of transaction and performance solutions, including management software (POS - point of sale and ERP - enterprise resource planning), SaaS (software as a service), with emphasis on Omnichannel (OMS and e-commerce), fintech (means of payment and TEF - Electronic Funds Transfer) and cross selling (NFC-e - electronic tax coupon and connectivity), among many others.

Operational and Financial Performance

With the World Cup in July and the coming presidential elections in Brazil, the third quarter remained really challenging for the retail industry, having taken the Trade Confidence Index (ICOM/FGV) to its lowest level in the past twelve months. Nevertheless, Linx maintained the same organic growth as in the past quarter, based on the increase in the areas of Fintech (Linx Pay Hub) and Omnichannel (Linx Omnicommerce), which already represent over 10% of the Company's recurring revenue each. Adoption of products relating to these areas continues to increase rapidly and will be reinforced by the launch of new products such as Linx Pay (sub-acquisition) and Linx Antecipa (advanced receivables), in addition to the roll-out of the nine large retailers that contracted the OMS (Order Management System) platform to make their operations Omnichannel.

In 3T18, **recurring revenue** reached R$160.0 million, a 17.9% increase over 3T17 and 2.8% over 2T18, representing 81% of gross operating revenue. This growth indicates the resilience of the business model based on recurring revenues, SaaS and of the new Linx Pay Hub and Linx Omnicommerce operations, whose increase is above Company average.

Service revenue reached R$38.6 million in the quarter, 28.2% higher than in 3Q17, mainly due to the increase in the number and size of implementation projects in the period, mainly in connection with OMS software.

(R$ thousand)	3Q18	3Q17	Δ%	2Q18	Δ%	9M18	9M17	Δ%
Net revenues	174.309	144.638	20,5%	170.745	2,1%	503.464	414.153	21,6%
Cost of sold services	(49.140)	(42.335)	16,1%	(49.886)	-1,5%	(143.961)	(123.724)	16,4%
Gross profit	125.169	102.303	22,4%	120.859	3,6%	359.503	290.429	23,8%
Operating expenses	(109.140)	(81.841)	33,4%	(99.679)	9,5%	(293.132)	(238.623)	22,8%
EBIT	16.029	20.462	-21,7%	21.180	-24,3%	66.371	51.806	28,1%
Depreciation and amortization	20.596	15.726	31,0%	18.974	8,5%	58.000	52.103	11,3%
EBITDA	36.625	36.188	1,2%	40.154	-8,8%	124.371	103.909	19,7%
EBITDA margin	21,0%	25,0%	-400 bps	23,5%	-250 bps	24,7%	25,1%	-40 bps

(R$ thousand)	3Q18	3Q17	Δ%	2Q18	Δ%	9M18	9M17	Δ%
EBITDA	36.625	36.188	1,2%	40.154	-8,8%	124.371	103.909	19,7%
Net partial earn-outs reversion	-	-	n.a.	-	n.a.	(7.664)	(2.109)	263,4%
Closure of the operations of Chaordic USA	1.027	-	n.a.	-	n.a.	1.027	-	n.a.
Organizational restructuring	4.069	-	n.a.	-	n.a.	4.069	-	n.a.
Expenses with the move of SP and Recife branches	-	330	n.a.	-	n.a.	-	2.391	n.a.
Adjusted EBITDA	41.722	36.518	14,2%	40.154	3,9%	121.803	104.191	16,9%
Adjusted EBITDA margin	23,9%	25,2%	-130 bps	23,5%	40 bps	24,2%	25,1%	-100 bps

EBITDA reached R$41.7 million in 3T18, a 14.2% increase as compared with adjusted 3T17 and a 3.9% increase as compared with adjusted 2T18.

In 3T18, non-recurring expenses amounted to R$5.1 million, as a result of the organizational restructuring in the quarter amounting to R$4.1 million and an adjustment of R$1.0 million referring to completion of the operation relating to acquisition of Chaordic in the USA.

Adjusted **EBITDA margin** was of 23.9% in the quarter, 130 bps below the adjusted EBITDA margin in 3T17, mainly due to the maintenance of the Company's investments in its new Fintech and Omnichannel, which continue to increase its addressable market in new markets and geographies, despite the maintenance of a very challenging scenario for the retail industry and the consolidation of two additional months of DCG's P&L. Adjusted EBITDA margin was 40 bps above 2T18, mainly due to commencement of the scale gain referring to the increase in the new operations linked to Fintech and Omnichannel.

Net income amounted to R$9.0 million in 3T18, a decrease of 54.0% as compared with R$19.6 million in 3T17 and a decrease of 50.7% as compared with 2T18. In addition, **cash profit** was R$18.4 million in the quarter, a decrease of 35.6% and of 37.4% as compared with 3T17 and 2T8, respectively.

Statutory Board Representation

Pursuant to the provisions set forth in CVM Rulings, Linx's Statutory Board represents that it has discussed, reviewed and agreed with the conclusions expressed in the independent auditor's report and with the annual financial statements for the year ended September 30, 2018, authorizing their disclosure.

Relationship with independent auditors

The financial statements of the Company and its subsidiaries are audited by Ernst & Young Auditores Independentes.

The Company's policy in engaging services not related to the external audit seeks to assess the existence of conflict of interests, thus, the following aspects are evaluated: the auditor shall not (i) audit his own work; (ii) have a management role in his client; or (iii) advocate his client's interests.

São Paulo, November 12, 2018.

Executive Board

São Paulo Corporate Towers
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A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and consolidated Interim Financial Information prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's report on review of quarterly information

The
Shareholders, Board of Directors and Officers
Linx S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Linx S.A. ("Company") for the quarter ended September 30, 2018, comprising the statement of financial position as at September 30, 2018, and the related statements of profit or loss and of comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, issued by the Brazilian FASB ("CPC") and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review on 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 on individual and consolidated interim financial information

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

Other matters

Statements of value added

We have also reviewed the individual and consolidated statement of value added (SVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR) and as supplemental information by IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not fairly prepared, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information.

São Paulo, November 12, 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Lazaro Angelim Serruya
Accountant CRC-1DF15801/O-7

Linx S.A.

Statements of financial position
September 30, 2018 and December 31, 2017
(In thousands of reais)

		Company		Consolidated	
	Note	**09/30/2018**	**12/31/2017**	**09/30/2018**	**12/31/2017**
Assets					
Current assets					
Cash and cash equivalents	6	**53**	33	**46,852**	42,918
Financial investments	7	**14,897**	6,891	**320,192**	487,816
Trade accounts receivable	8	**-**	-	**164,647**	128,177
Taxes recoverable	9	**8,856**	7,330	**39,228**	33,054
Intercompany loans	10	**-**	2,877	**-**	-
Other receivables		**742**	28	**45,525**	28,119
		24,548	17,159	**616,444**	720,084
Noncurrent assets					
Financial investments	7	**-**	-	**22,031**	20,990
Trade accounts receivable	8	**-**	-	**3,441**	2,952
Other receivables		**-**	-	**2,044**	1,485
Deferred taxes	18	**4,043**	4,157	**4,202**	4,272
Indemnification assets	20	**-**	-	**2,481**	-
		4,043	4,157	**34,199**	29,699
Investments	11	**1,088,606**	1,182,321	**-**	-
Property and equipment	12	**-**	-	**73,362**	62,332
Intangible assets	13	**-**	-	**850,914**	751,909
		1,088,606	1,182,321	**924,276**	814,241
Total assets		**1,117,197**	1,203,637	**1,574,919**	1,564,024

See accompanying notes.

Linx S.A.

Statements of financial position
September 30, 2018 and December 31, 2017
(In thousands of reais)

		Company		Consolidated	
	Note	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Liabilities and equity					
Current liabilities					
Trade accounts payable		**90**	7	**15,010**	8,518
Loans and financing	14	**-**	2,852	**41,329**	31,783
Labor liabilities	15	**118**	292	**53,134**	38,869
Taxes and contributions payable		**13**	743	**12,273**	13,194
Income and social contribution taxes		**92**	-	**1,454**	485
Accounts payable for acquisition of subsidiaries	16	**-**	-	**48,563**	56,087
Deferred revenue	17	**-**	-	**43,279**	8,478
Prepaid dividends		**-**	4,221	**-**	4,211
Other liabilities		**36**	25,002	**6,726**	7,613
		349	33,117	**221,768**	169,238
Noncurrent liabilities					
Loans and financing	14	**-**	-	**72,276**	65,505
Accounts payable for acquisition of subsidiaries	16	**-**	-	**64,282**	74,680
Deferred tax liabilities	18	**-**	-	**70,589**	80,324
Deferred revenue	17	**-**	-	**15,969**	-
Other liabilities		**-**	-	**2,131**	981
Provision for contingencies	20	**-**	-	**11,056**	2,776
		-	-	**236,303**	224,266
Equity	19				
Capital		**488,467**	486,032	**488,467**	486,032
Capital reserves		**441,743**	479,809	**441,743**	479,809
Income reserves		**135,323**	186,137	**135,323**	186,137
Income for the period		**53,837**	-	**53,837**	-
Additional dividend proposed		**-**	18,789	**-**	18,789
Other comprehensive income (loss)		**(2,522)**	(247)	**(2,522)**	(247)
Total liabilities and equity		**1,116,848**	1,170,520	**1,116,848**	1,170,520
Total liabilities		**1,117,197**	1,203,637	**1,574,919**	1,564,024

See accompanying notes.

Linx S.A.

Statements of profit or loss
Three and nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

		Company		Company		Consolidated		Consolidated	
		Quarter	Quarter	YTD	YTD	Quarter	Quarter	YTD	YTD
	Note	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2018 to 09/30/2018	01/01/2017 to 09/30/2017
Operating revenue, net	21	**-**	-	**-**	-	**174,309**	144,638	**503,464**	414,153
Cost of services rendered	22	**-**	-	**-**	-	**(49,140)**	(42,335)	**(143,961)**	(123,724)
Gross profit		**-**	-	**-**	-	**125,169**	102,303	**359,503**	290,429
Operating income (expenses)									
General and administrative expenses	22	**(468)**	(307)	**(1,151)**	(1,146)	**(59,468)**	(46,288)	**(165,653)**	(139,481)
Research and Development (R&D)	13/22	**-**	-	**-**	(3)	**(20,008)**	(16,855)	**(54,264)**	(47,406)
Sales	22	**(2)**	-	**(2)**	-	**(28,277)**	(18,265)	**(78,927)**	(51,730)
Equity pickup	11	**7,653**	10,114	**42,315**	57,992	**-**	-	**-**	-
Other operating income / *Earn out*	22	**-**	-	**-**	-	**122**	232	**8,290**	3,451
Other operating expenses	22	**-**	-	**-**	-	**(1,509)**	(664)	**(2,578)**	(3,457)
Income before finance income (costs), net of taxes		**7,183**	9,807	**41,162**	56,843	**16,029**	20,463	**66,371**	51,806
Finance income	23	**816**	9,764	**12,981**	11,760	**10,942**	8,452	**38,908**	48,217
Finance costs	23	**(74)**	(225)	**(191)**	(768)	**(13,353)**	(5,927)	**(34,969)**	(17,249)
Finance income (costs), net		**742**	9,539	**12,790**	10,992	**(2,411)**	2,525	**3,939**	30,968
Income before taxes		**7,925**	19,346	**53,952**	67,835	**13,618**	22,988	**70,310**	82,774
Current income and social contribution taxes	18	**-**	-	**-**	-	**(2,791)**	(421)	**(6,051)**	(3,976)
Deferred income and social contribution taxes	18	**1,112**	311	**(115)**	(61)	**(1,790)**	(2,910)	**(10,422)**	(11,024)
Net income for the period		**9,037**	19,657	**53,837**	67,774	**9,037**	19,657	**53,837**	67,774
Earnings per share									
Basic earnings per share (in reais)		**0.0559**	0.1186	**0.3329**	0.4088				
Number of shares		**161,744,066**	165,805,690	**161,744,066**	165,805,690				
Earnings per share									
Diluted earnings per share (in reais)		**0.0555**	0.1146	**0.3306**	0.3951				
Number of shares		**162,854,577**	171,554,905	**162,854,577**	171,554,905				

See accompanying notes.

Linx S.A.

Statements of comprehensive income
Three and nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Company		Consolidated		Consolidated	
	07/01/2018 to 09/30/2018	**07/01/2017 to 09/30/2017**	**01/01/2018 to 09/30/2018**	**01/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**	**01/01/2018 to 09/30/2018**	**01/01/2017 to 09/30/2017**
Net income for the period	**9,037**	19,657	**53,837**	67,774	**9,037**	19,657	**53,837**	67,774
Cumulative Translation Adjustments (CTA) on transactions in foreign currency	**(1,485)**	-	**(2,275)**	-	**(1,485)**	-	**(2,275)**	-
Unrealized losses in subsidiaries	**1,027**	-	**-**	-	**1,027**	-	**-**	-
Total comprehensive income	**8,579**	19,657	**51,562**	67,774	**8,579**	19,657	**51,562**	67,774

See accompanying notes.

Linx S.A.

Statements of changes in equity
Three and nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

			Capital reserves					Income reserves						
	Note	Capital	Goodwill on capital subscription	Stock option plan	Treasury shares	Share issue costs	Total	Legal reserve	Retained profits	Total	Retained earnings	Other comprehensive income	Additional dividend proposed	Total
Balances at December 31, 2016		480,808	539,571	9,741	-	(37,009)	512,303	7,037	134,255	141,292	-	-	18,875	1,153,278
Capital increase		5,224	-	-	-	-	-	-	-	-	-	-	-	5,224
Share issue costs		-	-	-	-	(413)	(413)	-	-	-	-	-	-	(413)
Repurchase of shares		-	-	-	(33,887)	-	(33,887)	-	-	-	-	-	-	(33,887)
Approval of additional dividends		-	-	-	-	-	-	-	-	-	-	-	(18,875)	(18,875)
Interest on capital		-	-	-	-	-	-	-	(10,000)	(10,000)	-	-	-	(10,000)
Stock option plan		-	-	1,501	-	-	1,501	-	-	-	-	-	-	1,501
Net income for the period		-	-	-	-	-	-	-	-	-	67,774	-	-	67,774
Balances at September 30, 2017		486,032	539,571	11,242	(33,887)	(37,422)	479,504	7,037	124,255	131,292	67,774	-	-	1,164,602
Balances at December 31, 2017		486,032	539,571	11,548	(33,887)	(37,423)	479,809	7,037	179,100	186,137	-	(247)	18,789	1,170,520
Prior year adjustments														
Effects of first-time adoption of IFRS 9		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,015)**	**(1,015)**	**-**	**-**	**-**	**(1,015)**
Effects of first-time adoption of IFRS 15		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,542)**	**(38,542)**	**-**	**-**	**-**	**(38,542)**
Opening balance at 01/01/2018		**486,032**	**539,571**	**11,548**	**(33,887)**	**(37,423)**	**479,809**	**7,037**	**139,543**	**146,580**	**-**	**(247)**	**18,789**	**1,130,963**
Capital increase	19	**2,435**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,435**
Repurchase of shares	19	**-**	**-**	**-**	**(39,127)**	**-**	**(39,127)**	**-**	**-**	**-**	**-**	**-**	**-**	**(39,127)**
Approval of additional dividends	19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,789)**	**(18,789)**
Interest on capital	19	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,000)**	**(11,000)**	**-**	**-**	**-**	**(11,000)**
Stock option plan	27	-	-	**1,061**	**-**	-	**1,061**	-	-	-	-	-	-	**1,061**
Loss due to corporate restructuring		-	-	-	**-**	-	-	-	**(1,088)**	**(1,088)**	-	-	-	**(1,088)**
Effect of application of IAS 29 (hyperinflation)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**831**	**831**	**-**	**-**	**-**	**831**
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,275)**	**-**	**(2,275)**
Net income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,837**	**-**	**-**	**53,837**
Balances at September 30, 2018		**488,467**	**539,571**	**12,609**	**(73,014)**	**(37,423)**	**441,743**	**7,037**	**128,286**	**135,323**	**53,837**	**(2,522)**	**-**	**1,116,848**

See accompanying notes.

Linx S.A.

Statements of cash flows
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Note	Company		Consolidated	
		09/30/2018	09/30/2017	09/30/2018	09/30/2017
Cash flows from operating activities					
Net income for the period		**53,837**	67,774	**53,837**	67,774
Adjustments to reconcile P&L to cash and cash equivalents provided by operating activities					
Depreciation and amortization	12/13	**-**	-	**58,000**	52,103
Equity pickup	11	**(42,315)**	(57,992)	**-**	-
Gain (loss) on sale of property and equipment and intangible assets	12/13	**-**	-	**-**	898
Addition to (reversal of) allowance for doubtful accounts	8	**-**	-	**1,648**	(1,532)
Gain (loss) on write-off/disposal of assets		**-**	-	**9,787**	-
Addition to (reversal of) present value adjustment		**-**	-	**(6,472)**	2,402
Stock option plan		**-**	-	**1,061**	1,502
Financial charges		**36**	-	**18,422**	9,022
Deferred taxes	18	**114**	62	**10,422**	11,024
Current taxes	18	**-**	-	**6,051**	3,976
Provisions for contingencies	20	**-**	-	**(201)**	173
Other operating income / *Earn out*	16	**-**	-	**(8,997)**	(3,540)
Financial investment yield (loss)	23	**(652)**	(1,484)	**(21,781)**	(47,455)
Other		**-**	-	**(1,168)**	-
		(42,817)	(59,414)	**66,772**	28,573
Changes in operating assets and liabilities:					
Trade accounts receivable		**-**	-	**(38,450)**	(13,107)
Taxes recoverable		**1,239**	1,059	**(5,986)**	(1,218)
Other receivables and judicial deposits		**2,163**	8,897	**(17,579)**	(14,179)
Trade accounts payable		**83**	(14)	**5,276**	(2,949)
Labor liabilities		**(174)**	222	**12,905**	15,166
Taxes and contributions payable		**(546)**	(144)	**(1,681)**	2,195
Deferred revenue		**-**	-	**(7,037)**	2,019
Other accounts payable		**26**	24,895	**(1,816)**	(5,379)
Income and social contribution taxes paid	18	**(2,703)**	-	**(5,270)**	(6,815)
Cash flow from (used in) operating activities		**11,108**	43,275	**60,971**	72,080
Cash flows from investing activities					
Acquisition of property and equipment		**-**	-	**(20,122)**	(23,964)
Acquisition of intangible assets		**-**	-	**(40,054)**	(29,498)
Acquisition of company, net of cash and cash equivalents acquired		**-**	-	**(75,218)**	(37,498)
Capital increase in subsidiaries		**-**	(1,500)	**-**	-
Prepayment of dividends received		**70,000**	-	**-**	-
(Contribution) of financial investments	7	**(62,913)**	(40,745)	**(391,636)**	(362,749)
Redemption of interest and financial investments	7	**55,405**	66,928	**581,654**	515,519
Cash flow from (used in) investing activities		**62,492**	24,683	**54,624**	61,810
Cash flow from financing activities					
Loan and financing inflows		**-**	-	**44,468**	-
Payments of loans and financing	14	**(2,799)**	(8,393)	**(30,907)**	(24,257)
Financial charges paid	14	**(89)**	(504)	**(6,862)**	(7,576)
Payments for acquisition of subsidiaries	16	**-**	-	**(45,393)**	(15,259)
Interest on capital paid		**(11,000)**	(10,000)	**(11,000)**	(10,000)
Treasury shares		**(39,127)**	(33,887)	**(39,127)**	(33,887)
Capital contribution by shareholders	19	**2,435**	5,224	**2,435**	5,224
Share issue costs		**-**	(414)	**-**	(414)
Dividends paid		**(23,000)**	(20,000)	**(23,000)**	(20,000)
Cash flow from (used in) financing activities		**(73,580)**	(67,974)	**(109,386)**	(106,169)
Foreign exchange difference on cash and cash equivalents		**-**	-	**(2,275)**	-
Increase (decrease) in cash and cash equivalents		**20**	(16)	**3,934**	27,721
Statement of increase (decrease) in cash and cash equivalents					
At beginning of period		**33**	52	**42,918**	7,227
At end of period		**53**	36	**46,852**	34,948
Increase (decrease) in cash and cash equivalents		**20**	(16)	**3,934**	27,721

See accompanying notes.

Linx S.A.

Statements of value added
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Revenues				
Sales of goods and services	**-**	-	**559,917**	463,224
Other revenues / *Earn out*	**-**	-	**8,290**	3,451
Allowance for doubtful accounts	**-**	-	**978**	1,532
	-	-	**569,185**	468,207
Inputs acquired from third parties				
Cost of sales and services	**-**	-	**(54,485)**	(123,724)
Materials, energy, third-party services and other expenses	**(264)**	(302)	**(89,415)**	(20,389)
Loss and recovery of asset values	**-**	-	**(3,510)**	(4,956)
	(264)	(302)	**(147,410)**	(149,069)
Gross value added	**(264)**	(302)	**421,775**	319,138
Depreciation and amortization	**-**	-	**(58,000)**	(52,103)
Net value added generated by the Company	**(264)**	(302)	**363,775**	267,035
Value added received in transfer				
Equity pickup	**42,315**	57,992	**-**	-
Finance income	**12,981**	11,760	**38,908**	48,217
	55,296	69,752	**38,908**	48,217
Total value added payable	**55,032**	69,450	**402,683**	315,252
Payment of value added				
Personnel	**889**	1,012	**227,639**	201,148
Salaries	**889**	1,012	**182,128**	162,358
Benefits	**-**	-	**27,256**	23,950
Unemployment Compensation Fund (FGTS)	**-**	-	**18,255**	14,840
Taxes, charges and contributions	**115**	61	**74,042**	29,839
Federal	**115**	61	**56,914**	15,000
State	-	-	**3,087**	2,996
Local	-	-	**14,041**	11,843
Debt remuneration	**191**	603	**47,165**	16,491
Interest	**191**	603	**34,969**	7,307
Rent	**-**	-	**12,196**	9,184
Debt remuneration	**53,837**	67,774	**53,837**	67,774
Retained profits	**53,837**	67,774	**53,837**	67,774

See accompanying notes.

1. Operations

Founded in 1985 and headquartered at Avenida Das Nações Unidas, 7221, 7º Andar, city and state of São Paulo, Linx S.A. (“Company” or “Linx”) provides ERP (Enterprise Resource Planning) and POS (Point of Sale or Point of Service) management software solutions, and connectivity solutions, TEF (Electronic Funds Transfer), e-commerce and CRM (Customer Relationship Management) to the retail industry in Brazil. The Company offers innovative and scalable technology, with focus upon and long-term specialization in the retail industry, its vertical model of operation, which combines its own teams in the commercial, implementation, consulting and support areas and through its differentiated business model.

Linx went public on February 8, 2013, and is engaged in holding interest in other commercial or civil entities, in Brazil or abroad, as an owner, shareholder or member, representing other entities of any nature in Brazil or abroad, and managing own and third parties’ assets.

Company’s shares are listed in the “Novo Mercado” segment on São Paulo Stock Exchange (B3), and are traded under ticker LINX3.

The following are direct subsidiaries of the Company:

Linx Sistemas e Consultoria Ltda. (“Linx Sistemas”): operates in the development of management software in the retail segment, rendering of technical support, advisory and training services.

Linx Telecomunicações Ltda. (“Linx Telecomunicações”): operates in the rendering of telecommunications services in general, which is understood as voice, data, image and sound transmission by any means, including network and circuit services, telephony, through any systems, including the Internet.

The following are indirect subsidiaries of the Company:

Napse S.R.L. (“Napse”): operates in the development and sales of point-of-sale (POS) automation software, electronic payment solutions (TEF) and promotion engine for large retail chains in the main Latin American markets.

Sback Tecnologia da Informação Ltda. (“Sback”): operates in the cloud platform - leader in retention, reengagement and recapture technologies through Big Data and Intelligence for engagement.

Percycle Serviços Ltda. (“Percycle”): operates in the leading native online media platform, uniting storeowners, brands and consumers.

(In thousands of reais)

1. Operations (Continued)

Itecgyn Informática Ltda. (“Itec”): operates in the development and sale of drugstore management and automation software.

Único Sistemas e Consultoria S.A. (“Único”): operates in the development of cloud-based loyalty and promotion management multichannel tools.

DCG Soluções para Venda Digital S.A. (“EZ Commerce”): operates in the development of e-commerce platforms, focusing on the development of technology solutions under the Software as a Service (SaaS) model, which allow digital sales and connection with marketplaces.

Linx Pay Meios de Pagamentos Ltda. (“Linx Pay”): operates to aggregate all fintech-related initiatives of the Company such as TEF (payment gateway), DUO (Smart POS) and the recently-launched Linx Pay Easy (sub-acquisition), in addition to the new products in line with Linx’s strategic position in this area.

The individual and consolidated interim financial statements include information on Linx S.A. and its subsidiaries indicated below:

	Interest percentage	
	09/30/2018	**12/31/2017**
Subsidiaries		
Linx Sistemas e Consultoria Ltda.	**99.99%**	99.99%
Linx Telecomunicações Ltda.	**99.99%**	99.99%
Indirect subsidiaries		
Synthesis Holding LLC	**100.00%**	100.00%
Napse S.R.L	**100.00%**	100.00%
Sback Tecnologia da Informação Ltda.	**100.00%**	100.00%
Percycle Serviços Ltda. (**)	**-**	100.00%
Itecgyn Informática Ltda. (*)	**100.00%**	-
Único Sistemas e Consultoria S.A. (*) (**)	**-**	-
DCG Soluções para Venda Digital S.A. (*)	**100.00%**	-
Linx Pay Meios de Pagamentos Ltda. (***)	**100.00%**	-

(*) Companies acquired by Linx Sistemas in 2018;

(**) Companies merged into Linx Sistemas in 2018;

(***) Change in corporate name (formerly Synthesis Brasil).

(In thousands of reais)

2. Corporate restructuring

2.1. Merger of Percycle

At June 30, 2018, Percycle Serviços Ltda. was effectively merged into the Company and its net assets were included in the consolidation by subsidiary Linx Sistema e Consultoria Ltda.

At May 31, 2018, net assets of Percycle Serviços Ltda at book value are as follows:

Assets		**Liabilities**	
Current assets		**Current liabilities**	
Cash and cash equivalents	568	Trade accounts payable	1,319
Trade accounts receivable	1.812	Labor liabilities	206
Taxes recoverable	739	Taxes and contributions payable	50
	3.119	Income and social contribution taxes	122
		Future capital contribution	1,500
			3,197
Noncurrent assets		**Noncurrent liabilities**	
Other receivables	101	Other accounts payable	562
	101		562
Property and equipment	45	**Equity**	
	146	Capital	1
		Income reserves	(495)
			(494)
	3,265		3,265

Net assets of Percycle Serviços Ltda. were valued by experts who issued a report on the merger of the company's equity at base date June 15, 2018. Merger of Percycle Serviços Ltda. entailed no capital increase or changes in interest held.

2.2. Merger of Único

At August 31, 2018, Único Sistemas e Consultoria S.A. was effectively merged into the Company and its net assets were included in the consolidation by subsidiary Linx Sistema e Consultoria Ltda.

(In thousands of reais)

2. Corporate restructuring (Continued)

2.2. Merger of Único (Continued)

At July 31, 2018, net assets of Único Sistemas e Consultoria S.A. at book value are as follows:

Assets		**Liabilities**	
Current assets		**Current liabilities**	
Cash and cash equivalents	105	Trade accounts payable	1
Trade accounts receivable	491	Loans and financing	113
Other receivables	81	Labor liabilities	234
	677	Taxes and contributions payable	153
		Other accounts payable	28
			529
Noncurrent assets		**Noncurrent liabilities**	
Property and equipment	217	**Equity**	
	217	Capital	5,460
		Capital reserve	(2,900)
		Income reserves	(2,195)
			365
	894		894

Net assets of Único Sistemas e Consultoria S.A. were valued by experts who issued a report on the merger of the company's equity at base date August 10, 2018. Merger of Percycle Serviços Ltda. entailed no capital increase or changes in interest held.

3. Business combination

3.1. Acquisition of Itec

On March 21, 2018, a Share Purchase and Sale Agreement was entered into between Linx Sistemas and Consultoria Ltda. ("Linx"), a wholly-owned subsidiary of the Company (acquirer), and the representatives of Itecgyn Informática Ltda. (operates in the development and sale of drugstore management and automation software.

On March 21, 2018, this transaction was completed and control was transferred to the acquirer through payment and transfer of 100% of the acquired units of interest. The price established for the purchase of all units of interest was R$25,500 (at September 30, 2018, fair value amounts to R$24,712), payable as follows:

(In thousands of reais)

3. Business combination (Continued)

3.1. Acquisition of Itec (Continued)

- The amount of R$14,400 (fourteen million and four hundred thousand reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on March 22, 2018;

- The amount of R$2,000 (two million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on May 18, 2018;

Total additional price (“Contingent Portion”) of up to R$9,100 (whose fair value at September 30, 2018 is R$8,312), is as follows:

- The amount of R$2,000 (two million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Extended Consumer Price Index (IPC-A) - Brazilian Institute of Geography and Statistics - (IBGE) - until its effective payment according to the purchase and sale agreement;

- The amount of R$5,100 (five million and one hundred thousand reais) to the original members, should Itec achieve gross revenue targets under the purchase and sale agreement;

- The residual value of R$2,000 (two million reais) to the original members, should Itec achieve gross revenue targets under the purchase and sale agreement.

Upon completion of the acquisition on March 21, 2018, the Company became the indirect parent company of Itec, obtaining 100% of voting capital.

Purchase consideration	
Estimated price - acquisition base	16,400
Fair value of the contingent portion (*Earn out*)	8,312
Total consideration	**24,712**
Analysis of cash flow from acquisition	
Net cash acquired from subsidiary	122
Cash outflow, net	**122**

3.2. Acquisition of Único

On April 3, 2018, a Share Purchase and Sale Agreement was entered into between Linx Sistemas and Consultoria Ltda. (“Linx”), a wholly-owned subsidiary of the Company (acquirer), and the representatives of Único Sistemas e Consultoria S.A., which operates in the development of cloud-based loyalty and promotion management multichannel tools.

(In thousands of reais)

3. Business combination (Continued)

3.2. Acquisition of Único (Continued)

On April 3, 2018, this transaction was completed and control was transferred to the acquirer through payment and transfer of 100% of the acquired units of interest. The price established for the purchase of all units of interest was R$25,500 (at September 30, 2018, fair value amounts to R$24,101), payable as follows:

- The amount of R$15,000 (fifteen million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on April 4, 2018;

- The amount of R$1,000 (one million reais) to the original members, distributed according to the number of units of interest held by them, which was paid on May 14, 2018;

Total additional price (“Contingent Portion”) of up to R$9,100 (whose fair value at September 30, 2018 is R$8,101), is as follows:

- The amount of R$1,000 (one million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Extended Consumer Price Index (IPC-A) - Brazilian Institute of Geography and Statistics - (IBGE) - until its effective payment according to the purchase and sale agreement;

- The amount of R$8,000 (eight million reais) to the original members, should Único achieve gross revenue targets under the purchase and sale agreement.

Upon completion of the acquisition on March 21, 2018, the Company became the indirect parent company of Itec, obtaining 100% of voting capital.

Purchase consideration	
Estimated price - acquisition base	16,000
Fair value of the contingent portion (*Earn out*)	8,101
Total consideration	**24,101**
Analysis of cash flow from acquisition	
Net cash acquired from subsidiary	37
Cash outflow, net	**37**

(In thousands of reais)

3. Business combination (Continued)

3.3. Acquisition of DCG

On June 22, 2018, a Share Purchase and Sale Agreement was entered into between Linx Sistemas and Consultoria Ltda. ("Linx"), a wholly-owned subsidiary of the Company (acquirer), and the representatives of DCG Soluções para Venda Digital S.A. ("DCG" or acquiree), which operates in the development of e-commerce platforms and technological solutions under the Software as a Service (SaaS) model that allow the digital sale and connection with marketplaces.

On June 22, 2018, this transaction was completed and control was transferred to the acquirer through payment and transfer of 100% of the acquired units of interest. The price established for the purchase of all units of interest was R$67,000 (at September 30, 2018, fair value amounts to R$65,468), payable as follows:

- The amount of R$46,000 (forty six million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on June 25, 2018;

Total additional price ("Contingent Portion") of up to R$21,000 (whose fair value at September 30, 2018 is R$19,468), is as follows:

- The amount of R$3,000 (three million reais) to the original members, distributed according to the number of units of interest held by them, under the purchase and sale agreement;

- The amount of R$3,000 (three million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Interbank Deposit Certificate(CDI), until its effective payment under the purchase and sale agreement;

- The residual value of R$15,000 (fifteen million reais) to the original members, should DCG achieve gross revenue targets under the purchase and sale agreement.

Upon completion of the acquisition on June 22, 2018, the Company became the indirect parent company of DCG, obtaining 100% of voting capital.

Purchase consideration	
Estimated price - acquisition base	46,000
Fair value of the contingent portion (*Earn out*)	19,468
Total consideration	**65,468**
Analysis of cash flow from acquisition	
Net cash acquired from subsidiary	23
Cash outflow, net	**23**

(In thousands of reais)

3. **Business combination** (Continued)

3.4. Identifiable assets acquired and goodwill

Pursuant to IFRS 3 (R)/CPC 15 (R1) - Business Combinations, business acquisitions are accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated by total fair value of transferred assets, liabilities assumed at the date of acquisition from the former controlling members of the acquiree and the units of interest issued in exchange for control of the acquiree.

The fair value of identifiable assets acquired in business combinations was measured and recognized at transaction completion date:

Fair value recognized upon acquisition:	Itec	Único	DCG
Current assets	**546**	**358**	**2,942**
Cash and cash equivalents	122	37	23
Short-term investments	-	-	1,654
Trade accounts receivable	423	281	986
Other current assets	1	40	279
Noncurrent assets	**8,954**	**2,255**	**13,108**
Software (*)	7,178	2,000	10,842
Customer portfolio (*)	1,675	-	-
Other noncurrent assets	-	-	66
Property and equipment	101	255	527
Intangible assets	-	-	1,673
Current liabilities	**423**	**2,348**	**2,527**
Trade accounts payable	85	17	567
Loans and financing	-	226	404
Social liabilities	157	121	1,082
Tax liabilities	61	234	465
Other liabilities payable	120	1,750	9
Noncurrent liabilities	**-**	**200**	**620**
Loans and financing	-	-	620
Other liabilities payable	-	200	-
Fair value of assets acquired	9,500	2,613	16,050
Fair value of liabilities assumed	423	2,548	3,147
Total identifiable assets, net	**9,077**	**65**	**12,903**
Acquisition price (**)	**(24,712)**	**(24,101)**	**(65,468)**
Goodwill on operation (**)	**15,635**	**24,036**	**52,565**

(*) Surplus of identifiable assets.

(**) Net amount of present value adjustment, R$788 of which refer to ITEC, R$899 to Único and R$1.532 to DCG.

3. Business combination (Continued)

3.5. Assets acquired and liabilities assumed

The fair value and the gross amount of trade accounts receivable correspond to R$1,609 and R$3,152, respectively. There was no impairment loss on any trade accounts receivable, and the contractual amount is expected to be fully received.

Goodwill computed amounting to R$92,236 comprises future economic benefits stemming from synergies resulting from acquisition. Goodwill is expected to generate future tax benefits.

Since the acquisition date, the acquirees have contributed to the Company with net revenues of R$11,103 and pre-tax income of R$1,398.

At the date of the preparation of this individual and consolidated interim financial information, the Company is in the process of reviewing and adjusting the determination of fair value of identifiable assets acquired and liabilities assumed from the acquirees. This analysis is expected to be completed shortly, as soon as management has all relevant information of the facts, not exceeding a maximum period of 12 months from the acquisition date.

4. Basis of preparation

4.1. Statement of compliance

The individual and consolidated interim financial information was prepared in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, issued by the Brazilian FASB (“CPC”) and with International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is presented in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR).

Presentation of the Statement of Value Added (SVA) is required by the Brazilian Corporation Law and by accounting practices adopted in Brazil applicable to publicly-held companies. Such statement is not required for IFRS purposes. As a result, under IFRS, said statement is presented as supplementary information, without prejudice to the overall interim financial information.

4. Basis of preparation (Continued)

4.1. Statement of compliance (Continued)

Issue of this individual and consolidated interim financial information was approved by the Board of Directors on November 12, 2018.

All relevant information in the interim financial information, and only such information, is disclosed and corresponds to the information used by management in the management process.

Some items in the tables that comprise the notes have been reclassified to allow comparability between the information for the years ended September 30, 2018 and 2017, when applicable.

4.2. Basis of measurement

The individual and consolidated interim financial information was prepared based on historical cost (except when a different criterion was required), and adjusted to reflect measurement of assets and liabilities at fair value, or mark-to-market, when such assessments are required by the accounting standard.

4.3. Functional and reporting currency

The individual and consolidated interim financial information is presented in Brazilian reais (R$), which is the Parent Company's functional currency. Each subsidiary determines its own functional currency, and for those entities whose functional currency differs from the Brazilian real, the financial statements are translated into Brazilian reais at closing date.

The Company's individual and consolidated interim financial information for the periods ended September 30, 2018 and 2017 is presented in thousands of Brazilian reais (unless otherwise stated).

4.4. Use of estimates and judgment

The preparation of individual and consolidated interim financial information in accordance with the Accounting Pronouncements (CPC) requires that management make judgments, estimates and adopt assumptions that affect the application of accounting policies and reported asset, liability, revenue and expense amounts. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Reviews of accounting estimates are recognized in the period when estimates are reviewed and in any future periods affected.

(In thousands of reais)

4. Basis of preparation (Continued)

4.4. Use of estimates and judgments (Continued)

Significant assumptions concerning sources of uncertainty in future estimates and other significant sources of estimation uncertainty at period end, involving a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are included in the following notes:

- Note 8 - Trade accounts receivable;
- Note 18 - Income and social contribution taxes;
- Note 20 - Provision for contingencies

4.5. Segment information

Operating segments are defined as components of an enterprise for which separate financial information is available, not limited to revenues and are evaluated regularly by the chief operating decision maker in deciding how to allocate resources to an individual segment and in assessing segment performance. The Company is organized under a single operating segment.

5. Significant accounting practices

Accounting practices have been applied consistently to all periods presented in this individual and consolidated interim financial information. Accounting practices have been applied consistently by Company subsidiaries.

This interim financial information was prepared in accordance with accounting practices in line with those adopted in the preparation of the financial statements for the year ended December 31, 2017 (Note 5 - "Significant accounting practices") and shall be analyzed together with said financial statements, in addition to new pronouncements, interpretations and amendments that became effective as from January 1, 2018, as follows:

	Standards and amendments to standards
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IAS 29	Hyperinflationary Economies
IFRIC 22	Foreign currency transactions and advance consideration
Amendments to IAS 40	Transfers of investment property
Amendments to IFRS 2	Classification and measurement of share-based payments
Amendments to IAS 28	Adoption of IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts

(In thousands of reais)

5. Significant accounting practices (Continued)

Unless indicated below, the adoption of many of these standards, amendments and interpretations had no significant impact on the Company in their first-time adoption period:

(i) IFRS 9 - Financial Instruments (CPC 48 - Financial Instruments): IFRS 9 replaces the guidance contained in IAS 39 (CPC 38) - Financial Instruments: Recognition and Measurement. This standard includes new models for classification and measurement of financial instruments, as well as measurement of expected credit losses on financial and contractual assets, and also new requirements on hedge accounting. The Company adopted IFRS 9/CPC 48 using the cumulative effect method, with first-time adoption of the standard from January 1, 2018. As a result, the Company will not apply the requirements of this standard to the comparative period presented.

i) *Classification and measurement of financial assets and liabilities*

IFRS 9/CPC 48 contains three significant classification categories for financial assets: measured at amortized cost; at fair value through other comprehensive income (FVTOCI); and at fair value through profit or loss (FVTPL). This standard eliminates the existing IAS 39/CPC 38 categories of held to maturity, loans and receivables and available for sale.

Classification - Financial assets and liabilities

	Classification IAS 39/CPC 38	**Classification IFRS 9/CPC 48**
Financial assets (current/noncurrent)		
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial investments	FVTPL	FVTPL
Trade accounts receivable	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Financial liabilities (current/noncurrent)		
Trade accounts payable	Amortized cost	Amortized cost
Loans and financing	Amortized cost	Amortized cost
Accounts payable for acquisition of subsidiaries	Amortized cost	Amortized cost
Other liabilities	Amortized cost	Amortized cost

ii) *Impairment of financial assets*

IFRS 9/CPC 48 replaces the model of losses incurred of IAS 39/CPC 38 with an expected credit loss model. This new expected credit loss model will be applied to assets measured at amortized cost, contractual assets and debt instruments measured at FVTOCI. Allowances for doubtful accounts were measured considering the simplified approach and were calculated based on the actual experience of credit loss calculated based on the historical analysis of losses of the last 12 months.

(In thousands of reais)

5. Significant accounting practices (Continued)

(i) IFRS 9 - Financial Instruments (CPC 48 - Financial Instruments) (Continued)

ii) *Impairment of financial assets* (Continued)

Based on transactions analyzed at December 31, 2017, the Company recognized, on January 1, 2018, a decrease in retained earnings of R$1,015, before tax effects (34% income and social contribution taxes) arising from the opening balances of allowances for doubtful accounts.

(ii) IFRS 15 - Revenue from Contracts with Customers (CPC 47 - Revenue from Contracts with Customers): IFRS 15 introduces a comprehensive structure to determine if and when revenue is recognized and how it is measured, which is defined in five steps to be applied to revenue arising from contracts with customers. The Company adopted IFRS 15/CPC 47 using the cumulative effect method, with first-time adoption from January 1, 2018.

Based on the contractual analyses carried out in 2017, the Company recognized on January 1, 2018, a decrease in retained earnings of R$38,542, matched against deferred revenue and deferred tax liabilities that will be recognized in P&L according to the service rendering period determined by contract.

The impact of adopting IFRS 15/CPC 47 on the interim financial statements at September 30, 2018 is summarized below:

		Adjustments IFRS 15/CPC 47		
	As stated at 09/30/2018	Upon adoption of standard on 01/01/2018	By 09/30/2018 after adoption	No effect from IFRS 15/CPC47
Assets				
Deferred tax asset	33.988	(19.265)	2.588	17.311
Other asset accounts	1.570.717	-	-	1.570.717
Total assets	**1.604.705**	**(19.265)**	**2.588**	**1.588.028**
Liabilities				
Deferred revenue	59.248	(57.807)	6.578	8.019
Deferred tax liability	100.375	-	-	100.375
Other liabilities	328.234	-	-	328.234
Total noncurrent liabilities	**487.857**	**(57.807)**	**6.578**	**436.628**
Equity				
Income reserve	135.323	38.542	-	173.865
Other liability accounts	981.525	-	-	981.525
Total equity	**1.116.848**	**38.542**	**-**	**1.155.390**
Profit or loss				
Net revenue	503.464	-	(6.578)	496.886
Costs of services rendered	(143.961)	-	-	(143.961)
(=) Gross profit	**359.503**	**-**	**(6.578)**	**352.925**
Operating expenses	(293.132)	-	-	(293.132)
(=) Income before finance income (costs)	**66.371**	**-**	**(6.578)**	**59.793**
Finance income (costs)	3.939	-	-	3.939
(=) Income (loss) before taxes	**70.310**	**-**	**(6.578)**	**63.732**
Current and deferred IRPJ and CSLL	(16.473)	-	2.588	(13.885)
(=) Net income	**53.837**	**-**	**(3.990)**	**49.847**

5. Significant accounting practices (Continued)

(ii) IFRS 15 - Revenue from Contracts with Customers (CPC 47 - Revenue from Contracts with Customers) (Continued)

On the preparation date of this individual and consolidated interim financial information, the following IFRS and amendments had been issued; however, their adoption was not mandatory. The Company did not early adopt any pronouncement or interpretation that has been issued whose adoption is not mandatory.

(iii) IAS 29 - Applying accounting standard that sets out financial reporting in hyperinflationary economies

In July 2018, taking into consideration that the inflation rate accumulated in the past three years in Argentina was above 100%, application of 29 – Financial Reporting in Hyperinflationary Economies became a requirement for subsidiary Napse S.R.L., located in Argentina.

In accordance with IAS 29, non-monetary assets and liabilities, equity and statement of profit or loss of subsidiaries operating in hyperinflationary economies are restated for the changes in the general pricing power of the functional currency, through application of a general price index.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether these financial statements are based on a historical cost or current cost approach, should be stated in terms of the current measurement unit at the statement of financial position date and translated into Brazilian reais at the closing rate for the period.

In view of the foregoing, the Company applied IAS 29 accounting requirements for hyperinflationary economies for its subsidiary located in Argentina in these interim consolidated and individual financial statements as follows:

(i) The standard that sets out accounting and evidencing requirements for hyperinflationary economies was applied as from July 1, 2018 (under paragraph 4 of IAS 29, this standard must be applied for the financial statements of any entity as from the beginning of the period in which hyperinflation is identified);

(In thousands of reais)

5. Significant accounting practices (Continued)

(iii) IAS 29 - Applying accounting standard that sets out financial reporting in hyperinflationary economies (Continued)

(ii) Non-monetary assets and liabilities recorded under the historical cost convention (such as property, plant and equipment, and intangible assets) and equity of the subsidiary in Argentina were restated at an inflation rate. The hyperinflation impacts resulting from changes in the general pricing power until December 31, 2017 were disclosed directly under income reserve in equity. In accordance with paragraph 3 of IAS 29, there is no defined general price index, but the standard allows judgment as to when restatement of the financial statements becomes necessary. As such, the indices used were based on Resolution No. 539/18 issued by Argentina's Professional Council of Economic Sciences: i) from January 1, 2017 onwards, the country's Consumer Price Index (IPC); ii) until December 31, 2016, Argentina Wholesale Price Index (IPIM);

(iii) The statement of profit or loss, of comprehensive income, of cash flows and of changes in equity for the year ended December 31, 2017 and for the three-month periods ended March 30 and June 30 and the respective statements of financial position of the subsidiary in Argentina were not restated. In accordance with IAS 21 paragraph 42 (b), when the amounts are translated into the currency of an economy that is not hyperinflationary, the amounts presented for comparison purposes must be those that would be presented as current year amounts in the financial statement for the prior year (i.e. not adjusted for subsequent changes in the level of prices or subsequent changes in exchange rates);

(iv) Due to the lack of a similar pronouncement issued by the Brazilian FASB (CPC), the Company applied IAS 29 – Financial Reporting in Hyperinflationary Economies in the interim individual financial statements.

5.1. Standards issued but not yet effective

Standards and amendments to standards		Effective date (annual periods beginning on or after)
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
Amendments to IFRS	Prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	January 1, 2019
Annual improvements in IFRS standards	2015-2017 cycle	January 1, 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021

(In thousands of reais)

5. Significant accounting practices (Continued)

5.1. Standards issued but not yet effective (Continued)

Based on the analyses performed to date, the Company estimates that the adoption of these standards, amendments and interpretations will not significantly impact the consolidated quarterly information in the first-time adoption period.

(i) IFRS 16 - Leases: IFRS 16 was issued in January 2016 and replaces IAS 17 - Leases. It unifies the accounting treatment of operating and finance leases for the model similar to finance lease, with impact on property, plant and equipment and financial liabilities.

This standard is effective for annual periods beginning on January 1, 2019, and the Company is evaluating the content and possible impacts of adopting this pronouncement. Until the date of disclosure of this individual and consolidated interim financial information, the Company had not completed the identification of the effects of this standard, rendering it impossible to disclose any effects that may arise from application.

6. Cash and cash equivalents

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Cash and banks	**37**	17	**5,943**	12,547
Cash and banks - Itaú Nassau	**-**	-	**36,658**	25,307
Short-term investments	**16**	16	**4,251**	5,064
	53	33	**46,852**	42,918

Highly-liquid short-term investments are readily convertible into a known cash amount and subject to a low risk of change in value.

These substantially refer to fixed-income funds bearing interest of 101,31% of the Interbank Deposit Certificate (CDI).

Exposure of the Company and its subsidiaries to risk and a sensitivity analysis are disclosed in Note 24.

(In thousands of reais)

7. Financial investments

Type	Name	Investment date	Maturity	Average remuneration rate in relation to CDI (%)	Company 09/30/2018	Company 12/31/2017	Consolidated 09/30/2018	Consolidated 12/31/2017
Fund	Retail - Private Fixed-Income Credit	02/15/2013	Indefinite	104.07%	**14,897**	6,891	**320,192**	487,816
LF	Book-entry financial bill	10/13/2016	10/15/2018	103.00%	**-**	-	**22,031**	20,990
					14,897	6,891	**342,223**	508,806
				Current	**14,897**	6,891	**320,192**	487,816
				Noncurrent	**-**	-	**22,031**	20,990
					14,897	6,891	**342,223**	508,806

Investment fund breakdown is as follows:

Type	Code	Investment date	Issue	Maturity	Number	Index	Investment amount	12/31/2017 Net amount
Fixed income	DEBLA	02/25/2016	02/25/2016	02/22/2018	22,188	CDI D + 102%	7,588	9,367
Fixed income	LF	10/21/2016 to 12/12/2017	10/21/2016 to 12/12/2017	10/22/2018 to 06/09/2020	236	CDI D + 104.25%	70,800	79,531
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D + 111%	8,453	15,177
Fixed income	LFT	03/27/2015 to 09/18/2017	07/01/2000 to 01/11/2013	09/01/2018 to 09/01/2021	10,005	LFT	80,631	92,872
Fixed income	Fixed	12/29/2017	12/29/2017	05/15/2035	47,295	Fixed 6.90% p.a.	149,555	149,555
Investment fund	Other funds	-	-	-	660,673	-	141,358	141,358
Fixed income	LF	-	10/13/2016	10/15/2018	1	CDI 103%	20,990	20,990
								508,850
						Fund expenses		(44)
								508.806

Type	Code	Investment date	Issue	Maturity	Number	Index	Investment amount	09/30/2018 Net amount
Fixed income	LF	10/21/2016 to 03/19/2018	10/21/2016 to 03/19/2018	11/29/2018 to 06/09/2020	147	CDI D 101.75% to 104.5%	**41,500**	**47,881**
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D + 111%	**8,453**	**15,920**
Fixed income	LFS - eligible	08/01/2018	08/01/2018	08/01/2025	23	CDI D + 108.75	**6,900**	**7,013**
Fixed income	LFT	02/17/2016 to 02/22/2018	07/01/2000 to 01/13/2017	03/01/2021 to 03/01/2023	5,038	LFT/SELIC	**44,206**	**49,008**
Fixed income	Fixed	09/28/2018	09/28/2018	08/15/2024	3,298	Fixed 6.40% p.a.	**10,422**	**10,422**
Investment fund	Other funds	-	-	-	4,868,632	-	**189,986**	**189,986**
Fixed income	LF	-	10/13/2016	10/15/2018	1	CDI 103%	**22,031**	**22,031**
								342,261
						Fund expenses		**(40)**
						Balance in treasury		**2**
								342,223

(In thousands of reais)

7. Financial investments (Continued)

Management uses these funds solely for specific payments, such as acquisitions of companies and payment of IOE. These funds are not used to meet operating cash flow needs.

Exposure of the Company and its subsidiaries to risk and a sensitivity analysis are disclosed in Note 24.

8. Trade accounts receivable

	Consolidated	
	09/30/2018	**12/31/2017**
Trade notes receivable:		
Falling due	**143,379**	102,746
Overdue (a)	**29,654**	30,147
	173,033	132,893
(-) Allowance for doubtful accounts	**(4,369)**	(1,183)
(-) Present value adjustment	**(576)**	(581)
	168,088	131,129
Current	**164,647**	128,177
Noncurrent	**3,441**	2,952

(a) Breakdown of overdue receivables is as follows:

	Consolidated	
	09/30/2018	**12/31/2017**
From 1 to 30 days	**11,870**	14,181
From 31 to 60 days	**3,344**	4,684
From 61 to 90 days	**2,820**	3,145
From 91 to 180 days	**6,174**	4,481
Over 181 days	**5,446**	3,656
	29,654	30,147

The Company and its subsidiaries set up an allowance for doubtful accounts for receivables overdue for more than 180 days, which basically represents historical losses, checks bounced and trade notes under discussion in court. The Company adopted the criterion to deduct amounts referring to unidentified deposits received for over 180 days (R$2,184 and R$1,819 at September 30, 2018 and December 31, 2017, respectively).

(In thousands of reais)

8. Trade accounts receivable (Continued)

Allowances for doubtful accounts were measured considering the simplified approach and were calculated based on the actual experience of credit loss calculated based on the historical analysis of losses of the last 12 months.

Changes in this allowance, in the consolidated financial statements, are as follows:

	Consolidated	
Changes in ADA	09/30/2018	12/31/2017
Opening balance	**(1,183)**	(2,615)
First-time adoption of IFRS 9 on 01/01/18	**(1,539)**	-
Addition to allowance	**(3,363)**	(3,759)
Addition for acquisition	**(1,419)**	-
Use/reversal	**3,135**	5,191
Closing balance	**(4,369)**	(1,183)

9. Taxes recoverable

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
State VAT (ICMS)	**-**	-	**4,065**	3,231
Withholding taxes and contributions	**8,856**	7,330	**32,897**	26,815
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	**-**	-	**456**	566
Other	**-**	-	**1,810**	2,442
	8,856	7,330	**39,228**	33,054

10. Related parties

Statement of financial position balances

Assets - Trade accounts receivable

	Company			
	09/30/2018		12/31/2017	
	Current	Noncurrent	Current	Noncurrent
Linx Sistemas e Consultoria Ltda.	**-**	**-**	2,877	-
	-	**-**	2,877	-

(In thousands of reais)

10. Related parties (Continued)

Statement of financial position balances (Continued)

Trade accounts receivable (Continued)

Related-party balances substantially refer to a loan restated by reference to the Long-term interest rate (TJLP), plus 1% to 1.5% p.a., in addition to transfer of expenses. Loan balance was received from April 2014 to March 2018.

At September 30, 2018, the Company had an outstanding loan amounting to R$113,605 (R$97,288 at December 31, 2017) taken out from its shareholder (BNDES), as mentioned in Note 14.

Related-party transactions are carried out in the ordinary course of the Company's business, and under conditions agreed by the parties.

At September 30, 2018, no provision for impairment was necessary (allowance for doubtful accounts) involving related-party transactions.

10.1. Key management personnel compensation

Total key management personnel compensation (eight and seven management members in 2018 and 2017 respectively) for the three-month period ended September 30, 2018 and 2017 is summarized below:

	09/30/2018	**09/30/2017**
Payment of management fees	**9,950**	8,242
Share-based payments	**2,809**	2,189
	12,759	10,431

10.2. Profit or loss

For the nine-month period ended September 30, 2018, there were shared expenses amounting to R$8,117 (R$9,022 at September 30, 2017), and finance costs related to loan interest, amounting to R$36 (R$592 at September 30, 2017).

(In thousands of reais)

11. Investments

11.1. Investments in direct subsidiaries

	Company	
	09/30/2018	**12/31/2017**
Linx Sistemas e Consultoria Ltda.	**1,081,226**	1,175,322
Linx Telecomunicações Ltda.	**7,380**	6,999
	1,088,606	1,182,321

11.2. Information on direct subsidiaries

	Linx Sistemas	**Linx Telecomunicações**	**Total**
September 30, 2018			
Interests held	**99.99%**	**99.99%**	
Current assets	**586,765**	**8,855**	**595,620**
Noncurrent assets	**955,331**	**161**	**955,492**
Total assets	**1,542,096**	**9,016**	**1,551,112**
Current liabilities	**224,567**	**1,636**	**226,203**
Noncurrent liabilities	**236,303**	**-**	**236,303**
Total liabilities	**460,870**	**1,636**	**462,506**
Equity	**1,081,226**	**7,380**	**1,088,606**
Revenues	**609,934**	**11,814**	**621,748**
Expenses	**(568,000)**	**(11,433)**	**(579,433)**
Net income for the period	**41,934**	**381**	**42,315**

(In thousands of reais)

11. Investments (Continued)

11.3. Changes in investments

	Linx Sistemas	Linx Gerenciamento de Redes	Linx Telecomunicações	Total
Investment balance at December 31, 2016	1,070,023	49,135	4,562	1,123,720
Equity pickup	54,677	11,927	937	67,541
Cumulative translation adjustment	(247)	-	-	(247)
Capital increase	-	-	1,500	1,500
Stock option plan	1,807	-	-	1,807
Balance of merger	61,062	(61,062)	-	-
Dividend payment	(12,000)	-	-	(12,000)
Investment balance at December 31, 2017	1,175,322	-	6,999	1,182,321
Equity pickup	**41,934**	**-**	**381**	**42,315**
Cumulative translation adjustment	**(2,275)**	**-**	**-**	**(2,275)**
Loss due to corporate restructuring	**(1,088)**	**-**	**-**	**(1,088)**
Effect of application of IAS 29 (hyperinflation)	**831**	**-**	**-**	**831**
Dividend payment (*)	**(95,002)**	**-**	**-**	**(95,002)**
Stock option plan	**1,061**	**-**	**-**	**1,061**
First-time adoption of IFRS 9 and 15	**(39,557)**	**-**	**-**	**(39,557)**
Investment balance at September 30, 2018	**1,081,226**	**-**	**7,380**	**1,088,606**

(*) R$(25.002) referring to dividends paid in prior years, plus R$(70.000) referring to dividends paid in April 2018.

12. Property and equipment

	Consolidated						
	Balance at 12/31/2016	**Additions**	**Additions / acquisitions**	**Depreciation**	**Write-offs**	**Transfers**	**Balance at 09/30/2017**
Computers and electronic devices	8,251	1,923	48	(2,273)	(22)	1,819	9,746
Vehicles	4,178	986	82	(1,185)	(326)	-	3,735
Furniture and fixtures	4,457	811	92	(551)	(16)	3,518	8,311
Machinery, facilities and equipment	17,297	1,800	397	(2,075)	(6)	3,205	20,618
Construction in progress	-	18,120	-	-	(300)	(17,820)	-
Leasehold improvements	13,128	1,397	30	(5,640)	(135)	9,278	18,058
Buildings	2,941	-	-	(95)	-	-	2,846
Other components	1,006	-	-	-	-	-	1,006
Total	51,258	25,037	649	(11,819)	(805)	-	64,320

(In thousands of reais)

12. Property and equipment (Continued)

	Consolidated							
	Balance at 12/31/2017	Additions (*)	Additions / acquisitions (**)	IAS 29 (***)	Depreciation	Write-offs	Transfers	Balance at 09/30/2018
Computers and electronic devices	9,354	**4,030**	**321**	**-**	**(2,741)**	**(360)**	**639**	**11,243**
Vehicles	3,293	**4,128**	**192**	**16**	**(1,416)**	**(665)**	**-**	**5,548**
Furniture and fixtures	8,239	**636**	**203**	**22**	**(927)**	**(380)**	**1,419**	**9,212**
Machinery, facilities and equipment	20,023	**3,376**	**111**	**223**	**(2,288)**	**(160)**	**1,400**	**22,685**
Construction in progress	-	**6,135**	**-**	**-**	**-**	**-**	**(6,135)**	**-**
Leasehold improvements	17,605	**1,964**	**56**	**267**	**(2,012)**	**(1)**	**3,077**	**20,956**
Buildings	2,813	**-**	**-**	**-**	**(100)**	**-**	**-**	**2,713**
Other components	1,005	**400**	**-**	**-**	**-**	**-**	**(400)**	**1,005**
Total	62,332	**20,669**	**883**	**528**	**(9,484)**	**(1,566)**	**-**	**73,362**

(*) In the statement of cash flow, only additions related to cash disbursement are considered as investing activities.

(**) Amounts referring to acquisitions of Itec on March 21, 2018, Único on April 3, 2018 and DCG on June 22, 2018.

(***) Amounts referring to application of IAS 29 (hyperinflation) in Napse Argentina.

Annual depreciation rates are as follows:

Computers and electronic devices	20%
Vehicles	20%
Furniture and fixtures	10%
Machinery, facilities and equipment	10%
Leasehold improvements	10%
Buildings	4%

Additions to accumulated depreciation, stated in changes for the period, were recorded under “Operating, general and administrative expenses”.

(In thousands of reais)

13. Intangible assets

	Balance at 12/31/2016	Additions	Business combinations (Note 3)	Amortization	Write-offs	Transfers	Balance at 09/30/2017
Software	17,078	5,206	-	(4,399)	(93)	-	17,792
Software development	1,848	2,599	-	-	-	(2,300)	2,147
Software developed	34,812	20,235	-	(18,192)	-	2,300	39,155
Software development - capitalized interest	1,980	2,306	-	(1,113)	-	-	3,173
Brands acquired	44,033	-	-	(720)	-	-	43,313
Technology - acquisitions	25,754	-	8,230	(7,505)	-	-	26,479
Customer portfolio - acquisitions	69,845	-	16,335	(8,273)	-	-	77,907
Goodwill	405,289	-	52,815	-	-	-	458,104
Other	3	-	-	(81)	-	-	(77)
Total	600,642	30,346	77,380	(40,283)	(93)	-	667,992

	Consolidated								
	Balance at 12/31/2017	Additions (*)	Additions / acquisitions (**)	IAS 29 (***)	Business combinations (Note 3)	Amortization	Write-offs	Transfers (**)	Balance at 09/30/2018
Software	18.369	**11,095**	**1,673**	**303**	**-**	**(5,539)**	**(163)**	**-**	**25,738**
Software development	2.756	**7,625**	**-**	**-**	**-**	**-**	**-**	**-**	**10,381**
Software developed	40.208	**18,396**	**-**	**-**	**-**	**(19,846)**	**-**	**-**	**38,758**
Software development - capitalized interest	3.383	**2,720**	**-**	**-**	**-**	**(1,450)**	**(651)**	**-**	**4,002**
Brands acquired	43.072	**-**	**-**	**-**	**-**	**(721)**	**-**	**-**	**42,351**
Technology - acquisitions	39.143	**-**	**-**	**-**	**20,020**	**(9,781)**	**-**	**(3,806)**	**45,576**
Customer portfolio - acquisitions	82.731	**-**	**-**	**-**	**1,675**	**(11,179)**	**(1)**	**2,820**	**76,046**
Goodwill	522.244	**218**	**-**	**-**	**92,236**	**-**	**(7,625)**	**986**	**608,059**
Other	3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Total	751.909	**40,054**	**1,673**	**303**	**113,931**	**(48,516)**	**(8,440)**	**-**	**850,914**

(*) In the statement of cash flow, only additions related to cash disbursement are considered as investing activities.

(**) Amount referring to acquisition of DCG on June 22, 2018.

(***) Values referring to the application of IAS 29 (hyperinflation) in Napse Argentina.

(****) Transfers arising from restatements of acquisition reports.

Annual average amortization rates:

Software development	33%
Software developed	33%
Software development - capitalized interest	33%
Technology - acquisitions	10 to 20%
Customer portfolio - acquisitions	10 to 20%
Software	10 to 20%
Other	10 to 20%

Additions to accumulated amortization, stated in changes for the period, were recorded under “Operating, general and administrative expenses”.

(In thousands of reais)

13. Intangible assets (Continued)

13.1. Software development

The activities of subsidiary Linx Sistemas e Consultoria Ltda. assume ongoing development of new systems and applications in order to increase the range of options to current and potentially new customers, considering the growing market demand or IT solutions for businesses in general. In this context, various projects focused upon systems and applications to customers are under development. Amounts carried as intangible assets correspond to the portion of costs of the project development department, computed based on hours recorded by the respective employees. Each project is amortized from the moment the asset is available for use, for three years, on average. According to management, this is the expected period for financial return of the referred to projects. Amortization was recorded in the general and administrative expense account group, in P&L for the period.

For the nine-months period ended September 30, 2018, the amount of R$54,264 (R$47,406 in September 2017) was recognized in P&L for the period in the consolidated financial statements, referring to research and maintenance of software developed.

14. Loans and financing

				Guarantee	Company		Consolidated	
Type	Charges	Effective rate	Maturity	/ type	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Loan - BNDES	TJLP + 1.5% p.a.	9.274% p.a.	03/15/2018	14.1	**-**	2,852	**-**	2,852
Loan - BNDES	TJLP + 1.67% p.a.	9.446% p.a.	15/02/2021	14.1 (a)	**-**	-	**64,012**	83,330
Loan - BNDES	TJLP + 1.96% p.a.	9.751% p.a.	03/15/2022	14.1 (b)	**-**	-	**47,856**	9,882
Loan - BNDES	TJLP + 1.00% p.a.	8.768% p.a.	09/16/2019		**-**	-	**702**	1,224
Loan - Santander	33.39% p.a.	39.819% p.a.	01/05/2019		**-**	-	**77**	-
Loan - Itaú	TJLP + 7.20% p.a.	8.447% p.a.	04/16/2021		**-**	-	**856**	-
Other					**-**	-	**102**	-
					-	2,852	**113,605**	97,288
Current					**-**	2,852	**41,329**	31,783
Noncurrent					**-**	-	**72,276**	65,505

(In thousands of reais)

14. Loans and financing (Continued)

Amounts classified as noncurrent liabilities, Company and consolidated, will be paid as follows:

Period	Consolidated 09/30/2018	Consolidated 12/31/2017
2019	**10,140**	29,282
2020	**40,364**	28,760
2021	**18,343**	6,846
2022	**3,429**	617
	72,276	65,505

Changes are as follows:

	Company 09/30/2018	Company 12/31/2017
Prior balance at December 31, 2017	**2,852**	14,106
Financial charges	**36**	719
Financial charges paid	**(89)**	(659)
Repayments of loans and financing	**(2,799)**	(11,314)
	-	2,852

	Consolidated 09/30/2018	Consolidated 12/31/2017
Prior balance at December 31, 2017	**97,288**	130,767
Inflows for acquisition of subsidiaries (Note 3)	**1,250**	-
Loan and financing inflows	**44,468**	-
Financial charges	**8,368**	9,960
Financial charges paid	**(6,862)**	(9,480)
Repayments of loans and financing	**(30,907)**	(33,959)
	113,605	97,288

14.1. Covenants

(a) The loan taken out from the Brazilian Development Bank (BNDES), entered into on October 28, 2014, had covenants for early payment of debt. Whilst the agreement remains effective, two of the following indexes, computed on a semiannual basis based on the consolidated financial statements, must be met:

(a) General debt/total assets: equal to or lower than 60%;

(b) Net debt/EBITDA: equal to or lower than 2,0;

(c) EBITDA/net operating revenue: equal to or higher than 20%.

14. Loans and financing (Continued)

14.1. Covenants (Continued)

For index computation purposes, the following definitions and criteria are to be adopted:

- EBITDA: earnings before interest, income tax, depreciation and amortization;
- Net debt: balances of consolidated onerous debts, including loans and financing; intercompany loans, issue of fixed-income securities, promissory notes and debentures, whether convertible or not, in the local or international foreign market, as well as sale or assignment of future receivables, if accounted for as obligations; and other financial debt operations of the Company, recorded as current and noncurrent liabilities, less cash equivalents. In order to compute this index, net debt shall not consider amounts classified in the statement of financial position as accounts payable for acquisition of subsidiaries.

Should the agreed levels fail to be met, the Company must set up, within 180 days from the default date, security interest, accepted by the BNDES, for an amount corresponding to at least 130% of the financing amount or resulting debt, present bank surety to be provided by a financial institution, at BNDES discretion, or be in a financial position that gives it a notorious degree of solvency, for the total debt amount, unless the abovementioned levels have been met by then.

The Company detected no event of non-compliance with covenants at September 30, 2018.

(b) The loan taken out from the Brazilian Development Bank (BNDES), entered into on December 11, 2015, had covenants for early payment of debt. Whilst the agreement remains effective, two of the following indexes, computed on a semiannual basis based on the consolidated financial statements, must be met:

(a) General debt/total assets: equal to or lower than 60%;

(b) Net debt/EBITDA: equal to or lower than 2,0;

(c) EBITDA/net operating revenue: equal to or higher than 20%.

14. Loans and financing (Continued)

14.1. Covenants (Continued)

For index computation purposes, the following definitions and criteria are to be adopted:

- EBITDA: earnings before interest, income tax, depreciation and amortization;
- Net debt: balances of consolidated onerous debts, including loans and financing; intercompany loans, issue of fixed-income securities, promissory notes and debentures, whether convertible or not, in the local or international foreign market, as well as sale or assignment of future receivables, if accounted for as obligations; and other financial debt operations of the Company, recorded as current and noncurrent liabilities, less cash equivalents. In order to compute this index, net debt shall not consider amounts classified in the statement of financial position as accounts payable for acquisition of subsidiaries.

Should the agreed levels fail to be met, the Company must set up, within 180 days from the default date, security interest, accepted by the BNDES, for an amount corresponding to at least 130% of the financing amount or resulting debt, present bank surety to be provided by a financial institution, at BNDES discretion, or be in a financial position that gives it a notorious degree of solvency, for the total debt amount, unless the abovementioned levels have been met by then.

The Company detected no event of non-compliance with covenants at September 30, 2018.

14.2. Changes in liabilities from financing activities

In 2017, the Company adopted the amendments to IAS 7 (CPC 03 (R2) that were issued as part of the IASB Disclosure Initiative. These amendments require that entities provide disclosures that allow the users of the financial statements to assess changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to comply with this requirement, the Company discloses the following changes in liabilities arising from financing activities:

(In thousands of reais)

14. Loans and financing (Continued)

14.2. Changes in liabilities from financing activities (Continued)

	12/31/2016	Payments	Receipts	Foreign exchange difference	New acquisitions	Other (***)	12/31/2017
Loans and financing	130,767	(43,439)	-	-	-	9,960	97,288
Accounts payable for acquisition of subsidiaries	80,594	(19,324)	-	1,725	71,092	(3,320)	130,767
Capital	480,808	-	5,224	-	-	-	486,032
Dividends paid	20,000	(20,000)	-	-	-	23,000	23,000
Income reserve (*)	141,292	(17,000)	-	-	-	61,845	186,137
Capital reserve (**)	512,303	(34,301)	-	-	-	1,807	479,809
Total liabilities from financing activities	1,365,764	(134,064)	5,224	1,725	71,092	93,292	1,403,033

	12/31/2017	Payments	Receipts	Foreign exchange difference	New acquisitions	Other (***)	09/30/2018
Loans and financing	97,288	**(37,769)**	**44,468**	**-**	**1,250**	**8,368**	**113,605**
Accounts payable for acquisition of subsidiaries	130,767	**(45,393)**	**-**	**7,437**	**38,881**	**(18,847)**	**112,845**
Capital	486,032	**-**	**2,435**	**-**	**-**	**-**	**488,467**
Dividends paid	23,000	**(23,000)**	**-**	**-**	**-**	**-**	**-**
Income reserve (*)	186,137	**(11,000)**	**-**	**-**	**-**	**(39,814)**	**135,323**
Capital reserve (**)	479,809	**(39,127)**	**-**	**-**	**-**	**1,061**	**441,743**
Total liabilities from financing activities	1,403,033	**(156,289)**	**46,903**	**7,437**	**40,131**	**(49,232)**	**1,291,983**

(*) Payment of Interest on Equity.

(**) Repurchase of shares and share issue costs.

(***) Other non-cash changes

15. Labor liabilities

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Vacation pay, 13th monthly salary and related charges	**-**	-	**38,205**	22,466
Social Security Tax (INSS) payable	**16**	11	**5,863**	5,234
Provision for profit sharing	**-**	-	**1,496**	4,191
Unemployment compensation fund (FGTS) payable	**-**	-	**1,755**	1,907
Salaries payable	**-**	-	**1,286**	1,836
Other	**102**	281	**4,529**	3,235
	118	292	**53,134**	38,869

(In thousands of reais)

16. Accounts payable for acquisition of subsidiaries

Accounts payable for acquisition of subsidiaries refer to amounts due to former owners upon acquisition of shares or units of interest representing capital of those companies. Debts are restated according to contractual provisions and are to be settled as follows:

	Consolidated	
	09/30/2018	**12/31/2017**
Napse portions subject to restatement by reference to exchange fluctuation and LIBOR rate (London Interbank Offered Rate)	**44,108**	15,941
Portions subject to restatement by reference to CDI – 3.17%	**15,580**	495
Portions subject to restatement by reference to the Extended Consumer Price Index (IPCA) – 2.60%	**56,873**	106,171
Portions subject to restatement by reference to the General Market Price Index (IGPM) – 5.40%	**7,682**	9,872
Present value adjustment	**(11,398)**	(1,712)
	112,845	130,767
Current liabilities	**48,563**	56,087
Noncurrent liabilities	**64,282**	74,680

The amount classified as noncurrent liabilities will be paid as follows:

	Consolidated	
Period	**09/30/2018**	**12/31/2017**
2019	**5,081**	32,276
2020	**33,338**	26,530
2021	**20,954**	4,754
2022	**4,873**	11,120
2023	**23**	-
2024	**13**	-
	64,282	74,680

Out of the total payable at September 30, 2018, R$54,142 refers to contingent consideration (R$87,093 at December 31, 2017). The Company expects to fully settle amounts related to contingent considerations and there were no significant changes in expectations in relation to the prior year.

(In thousands of reais)

16. Accounts payable for acquisition of subsidiaries (Continued)

Changes in the consolidated are as follows:

	Consolidated	
	09/30/2018	**12/31/2017**
Prior balance	**130,767**	80,594
Addition for acquisition	**111,500**	159,796
Payments of principal/financial charges paid	**(120,793)**	(108,028)
Restatement of financial charges/ foreign exchange differences	**368**	5,685
Contingencies (*)	**-**	(2,427)
Earn Out (**)	**(8,997)**	(4,853)
	112,845	130,767

(*) Contingencies arising from the acquired companies, offset by the amounts that the Company has to pay to former management.

(**) These amounts refer to reversal of unrealized *earn out* of acquired companies Intercamp, Neemu and Synthesis.

17. Deferred revenue

	Consolidated	
	09/30/2018	**12/31/2017**
Service revenue (*)	**8,018**	8,478
Royalty income (**)	**51,230**	-
	59,248	8,478
Current	**43,279**	8,478
Noncurrent	**15,969**	-

(*) This refers to time bank balances contracted by customers, which are recognized after the service is rendered and the service form is written down.

(**) This refers to the deferred balances of software contracts (Royalties) arising from the first-time adoption of IFRS 15/CPC 47 and subsequent amendments.

(In thousands of reais)

18. Income and social contribution taxes

18.1. Income and social contribution tax expense

Tax on pre-tax income is different from the theoretical amount that would be obtained from the use of the statutory tax rate, applicable to the profit of consolidated entities, as follows:

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Current taxes				
Current tax on income for the year	**-**	-	**(6,051)**	(3,976)
Deferred taxes				
Deferred tax on income for the year	**(115)**	(61)	**(10,422)**	(11,024)
Income and social contribution tax expenses for effective income	**(115)**	(61)	**(16,473)**	(15,000)

Reconciliation of the expense calculated by applying the combined tax rates and income and social contribution tax expenses charged to P&L is as follows:

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Income before income and social contribution taxes	**53,952**	67,835	**70,309**	82,774
Income and social contribution tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at the rate of 34%	**(18,344)**	(23,064)	**(23,905)**	(28,143)
Permanent differences				
Equity pickup	**14,387**	19,717	**-**	-
Law No. 11196/05 (R&D incentive)	**-**	-	**6,297**	6,211
Forecasted payment of interest on equity	**3,745**	3,400	**3,745**	3,400
Tax loss (offsetting and recording)	**109**	-	**663**	-
Income and social contribution tax difference determined under the taxable profit regime whereby profit is computed as a percentage of gross revenue	**-**	-	**2,548**	3,232
Effects of tax rates of foreign subsidiaries	**-**	-	**(4,238)**	-
Other differences, net	**(12)**	(114)	**(1,583)**	300
Income tax expense adjustment to effective rate	**(115)**	(61)	**(16,473)**	(15,000)
Effective rate	**1%**	0.09%	**23%**	18%

(In thousands of reais)

18. Income and social contribution taxes (Continued)

18.2. Deferred taxes

Deferred income and social contribution taxes are recorded so as to reflect future tax effects on temporary differences existing between assets and liabilities tax base and the corresponding carrying amount.

Temporarily deferred income and social contribution taxes are as follows:

	Consolidated			
	12/31/2017	Recognized in P&L	Recognized in equity	09/30/2018
Deferred income and social contribution tax on difference between accounting and tax goodwill	(58,885)	**(15,917)**	**-**	**(74,802)**
Deferred income and social contribution taxes on assets identified - Napse (*)	(8,352)	**1,432**	**299**	**(6,621)**
Deferred income and social contribution taxes on first-time adoption of IFRS 9 and 15	-	**(3,017)**	**19,788**	**16,771**
Deferred income and social contribution taxes on assets identified in acquisitions	(21,967)	**2,830**	**-**	**(19,137)**
Deferred taxes on income and social contribution tax losses	4,078	**671**	**-**	**4,749**
Deferred income and social contribution taxes on share issue costs	4,108	**-**	**-**	**4,108**
Allowance for doubtful accounts	160	**(160)**	**-**	**-**
Provision for employee benefits	2,192	**(1,256)**	**-**	**936**
Provision for contingencies	200	**675**	**-**	**875**
Provision for present value adjustment	922	**(217)**	**-**	**705**
Provision for commission payment	161	**(161)**	**-**	**-**
Stock option plan	806	**361**	**-**	**1,167**
Deferred shares	567	**542**	**-**	**1,109**
Technology amortization - companies not merged	-	**894**	**-**	**894**
Customer portfolio amortization - companies not merged	-	**474**	**-**	**474**
Other provisions	(42)	**2,551**	**-**	**2,509**
Commissions – representatives	-	**(124)**	**-**	**(124)**
Deferred taxes, net	(76,052)	**(10,422)**	**20,087**	**(66,387)**
Deferred tax assets	4,272			**4,202**
Deferred tax liabilities	(80,324)			**(70,589)**

(*) Set-up of income and social contribution taxes arising from non-intention to merge with Napse

(In thousands of reais)

19. Equity

19.1. Capital

The Company is authorized to increase capital up to the limit of R$1.000.000 (one billion reais), irrespective of amendments to its Articles of Incorporation, as deliberated by the Board of Directors.

Capital solely comprises common shares, and each common share corresponds to one vote in Annual Meeting deliberations.

The competent body to decide on issues is the Board of Directors, which will set the conditions for issue, subscription, form and term of payment, price per share, how they will be put (publicly or privately), and domestic and/or foreign distribution.

At the Board of Directors' discretion, the Company may issue, with no preemptive right or with term reduction, as addressed by article 171, paragraph 4 of Law No. 6404 of December 15, 1976, as amended ("Brazilian Corporation Law"), shares, debentures convertible into shares or subscription warrant, to be put through sale on a stock exchange or public subscription, or even through barter transactions for shares in a public offering of acquisition of control, under the terms established by law, within the limit of authorized capital.

On February 28, 2018, the Company's capital increase was approved, within the limit of authorized capital, in the amount of R$1,442, from R$486,032 (total at 12/31/2017 to R$487,474, through issue of 166,212 new common registered book-entry shares, with no par value.

On August 28, 2018, the Company's capital increase was approved, within the limit of authorized capital, in the amount of R$993, from R$487,474 to R$488,467, through issue of 71,172 new common registered book-entry shares, with no par value.

Capital comprises subscribed and paid-up authorized shares, and is held as follows:

	Consolidated	
Shareholder	**Shares**	**Total capital (%)**
Founding shareholders	29,220,337	17.57%
Treasury shares	4,453,415	2.68%
Free Float (*)	132,609,630	79.75%
	166,283,382	100%

(*) BNDES Participações S.A., Genesis Asset Managers and Standard Life Aberdeen hold over 5% of shares.

(In thousands of reais)

19. Equity (Continued)

19.2. Capital reserves

As part of the issue of shares occurred on September 26, 2016, goodwill was recorded on capital subscription in the amount of R$325,440, and transaction costs incurred in raising funds through the issue of shares in the amount of R$12,317 recorded in a reducing account, net of deferred income and social contribution taxes.

Capital reserve is set up as follows:

	09/30/2018	12/31/2017
Goodwill on capital subscription (a)	**539,571**	539,571
Stock option plan (Note 27)	**12,609**	11,548
Share issue costs (b)	**(37,423)**	(37,423)
Treasury shares (c)	**(73,014)**	(33,887)
	441,743	479,809

(a) Pursuant to Law No. 6404/76, the price of share issue with no par value may be set and a portion of this amount may be allocated to capital reserve.

(b) Pursuant to Accounting Pronouncement CPC 08 - Transaction Costs and Premiums on issue of Marketable Securities, transaction costs incurred in raising funds through issue of new shares were recorded separately, as an equity reducing account.

(c) On June 22, 2018, the Board of Directors approved the opening of the Company's Share Buyback Program. The purpose of the Buyback Program is to meet the exercise of deferred stock programs and possibly stock option programs. Shares may also be held in treasury, sold or canceled, without reduction of Company capital, in compliance with the provisions of paragraph 1 of article 30 of Brazilian Corporation Law, and the standards set forth in CVM Ruling No. 567/15.

19. **Equity** (Continued)

19.3. Legal reserve

This is set up with allocation of 5% of net income for each financial year, under the terms of article 193 of Law No. 6404/76, limited to 20% of capital.

For the period ended September 30, 2018, pursuant to paragraph 1 of article 193 of Law No. 6404/76, the Company did not set up a legal reserve, as the capital reserve amount exceeded the percentage of 30% of capital.

19.4. Dividends

The Company's Articles of Incorporation establish mandatory minimum dividend of 25%, calculated on annual net income, adjusted in accordance with article 202 of Law No. 6404/1976.

The capital budget proposal at December 31, 2017 prepared by Company management and approved by the Board of Directors on April 16, 2018 allocates the amount of R$44,845 to the 2017 retained profits reserve.

20. Provision for contingencies

The Company and its subsidiaries are defendants to legal and administrative proceedings filed with various courts and government agencies, in the ordinary course of their business, involving tax, civil and labor claims and other matters.

At September 30, 2018, based on information provided by its legal advisors, management maintains a provision amounting to R$11,056 (R$2,776 at December 31, 2017).

The Company and its subsidiaries are party to other proceedings assessed by legal advisors as possible loss, not reliably estimated, amounting to R$9,219 at September 30, 2018 (R$2,773 at December 31, 2017), for which no provision was set up, considering that accounting practices adopted in Brazil do not require such procedure.

Possible contingencies of companies acquired will be guaranteed by their former owners, as per the purchase and sale agreements. The Company has sufficient amounts retained to meet these commitments, classified as “Other receivables” in the statement of financial position, based on diligences conducted during the acquisition processes.

(In thousands of reais)

20. Provision for contingencies (Continued)

	Consolidated				
Changes	**Labor**	**Civil**	**Tax**	**Additions acquisitions (*)**	**Total**
Balance at December 31, 2017	1,339	344	1,093	-	2,776
Additions	**1,721**	**1,016**	**-**	**8,481**	**11,218**
Write-offs	**(1,895)**	**(369)**	**(601)**	**-**	**(2,865)**
Restatement	**31**	**79**	**-**	**-**	**110**
Foreign exchange difference	**309**	**-**	**(492)**	**-**	**(183)**
Balance at September 30, 2018	**1,505**	**1,070**	**-**	**8,481**	**11,056**

(*) Provision for contingent liabilities due to acquisition of Itec, Único and DCG (amounts prior to date of acquisition by Linx Sistemas). This provision was matched against contingent assets.

Indemnification assets are set up as follows:

	Consolidated		
	Contingent liabilities	**Contingent portion (*earn out*)**	**Indemnification assets**
Itec	1,847	2,000	(153)
Único	496	1,000	(504)
DCG	6,138	3,000	3,138
	8,481	**6,000**	**2,481**

21. Operating revenue, net

Reconciliation between gross and net revenue stated in the statement of profit or loss for the period is as follows:

	Consolidated			
	Nine-month period ended		**Three-month period ended**	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Gross operating revenue				
Maintenance revenue	**470,201**	397,318	**159,986**	135,657
Royalty income	**22,757**	32,508	**8,897**	12,389
Royalty income (IFRS 15)	**(15,809)**	-	**(18,621)**	-
Service revenue	**97,246**	44,193	**48,321**	17,720
	574,395	474,019	**198,583**	165,766
Sales deductions				
PIS	**(3,384)**	(2,937)	**(1,149)**	(1,014)
COFINS	**(15,616)**	(13,556)	**(5,298)**	(4,682)
ISS	**(12,703)**	(11,506)	**(4,478)**	(3,855)
INSS	**(21,367)**	(18,246)	**(7,315)**	(6,800)
Other	**(3,383)**	(3,230)	**(1,232)**	(1,386)
Cancellations and rebates	**(14,478)**	(10,391)	**(4,802)**	(3,391)
	(70,931)	(59,866)	**(24,274)**	(21,128)
	503,464	414,153	**174,309**	144,638

(In thousands of reais)

22. Costs and expenses

	Company		Consolidated		Company		Consolidated	
	Nine-month period ended				Three-month period ended			
	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Nature								
Rent	**-**	-	**(12,196)**	(9,184)	**-**	-	**(3,835)**	(2,609)
Commissions	**-**	-	**(26,037)**	(18,422)	**-**	-	**(8,071)**	(7,047)
Depreciation and amortization	**-**	-	**(58,000)**	(52,103)	**-**	-	**(20,596)**	(15,726)
Maintenance and conservation	**-**	-	**(4,906)**	(5,145)	**-**	-	**(1,550)**	(1,940)
Personnel	**(889)**	(1,012)	**(227,639)**	(201,148)	**(390)**	(277)	**(81,530)**	(69,789)
Advertising and publicity	**(2)**	-	**(9,025)**	(4,738)	**(2)**	-	**(2,467)**	(1,768)
Third-party services	**(45)**	(8)	**(44,339)**	(25,493)	**(9)**	-	**(14,162)**	(9,034)
Travel and lodging	**-**	-	**(10,693)**	(8,881)	**-**	-	**(3,560)**	(3,153)
Expense with link	**-**	-	**(26,825)**	(22,217)	**-**	-	**(9,979)**	(7,492)
IT expenses	**-**	-	**(2,260)**	(2,572)	**-**	-	**(713)**	(690)
Other revenues/Earn out	**-**	-	**8,290**	3,288	**-**	-	**122**	75
Other	**(217)**	(129)	**(23,463)**	(15,732)	**(69)**	(30)	**(11,939)**	(5,002)
	(1,153)	(1,149)	**(437,093)**	(362,347)	**(470)**	(307)	**(158,280)**	(124,175)
Function								
Cost of services rendered	**-**	-	**(143,961)**	(123,724)	**-**	-	**(49,140)**	(42,335)
General and administrative expenses	**(1,151)**	(1,146)	**(165,653)**	(139,481)	**(468)**	(307)	**(59,468)**	(46,288)
Selling expenses	**(2)**	-	**(78,927)**	(51,730)	**(2)**	-	**(28,277)**	(18,265)
Research and Development (R&D)	**-**	(3)	**(54,264)**	(47,406)	**-**	-	**(20,008)**	(16,855)
Other operating income (expenses)	**-**	-	**5,712**	(6)	**-**	-	**(1,387)**	(432)
	(1,153)	(1,149)	**(437,093)**	(362,347)	**(470)**	(307)	**(158,280)**	(124,175)

23. Finance income (costs)

	Company		Consolidated		Company		Consolidated	
	Nine-month period ended				Three-month period ended			
	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Finance income								
Interest income	**12,095**	10,593	**1,376**	1,166	**184**	10,150	**(441)**	(32)
Financial investment yield	**429**	430	**20,151**	44,776	**224**	(784)	**6,953**	11,581
Discounts obtained	**8**	-	**823**	32	**-**	-	**627**	16
Foreign exchange gains	**-**	-	**15,553**	1,679	**-**	-	**5,460**	(2,537)
Other income	**449**	737	**1,005**	564	**408**	398	**(1,657)**	(576)
	12,981	11,760	**38,908**	48,217	**816**	9,764	**10,942**	8,452
Finance costs								
Interest expense	**(1)**	(11)	**(301)**	227	**(1)**	(1)	**(143)**	352
Interest on loans and financing	**(36)**	(592)	**(5,978)**	(7,534)	**-**	(149)	**(1,819)**	(2,076)
Discount granted	**(8)**	-	**(8,729)**	(6,722)	**-**	-	**(3,143)**	(2,594)
Foreign exchange losses	**-**	-	**(13,183)**	(514)	**-**	-	**(4,712)**	(498)
Tax on Financial Transactions (IOF)	**(5)**	(20)	**(503)**	(489)	**(5)**	(4)	**(162)**	(83)
Other expenses	**(141)**	(145)	**(6,275)**	(2,217)	**(68)**	(71)	**(3,374)**	(1,028)
	(191)	(768)	**(34,969)**	(17,249)	**(74)**	(225)	**(13,353)**	(5,927)
	12,790	10,992	**3,939**	30,968	**742**	9,539	**(2,411)**	2,525

(In thousands of reais)

24. Financial instruments

The Company and its subsidiaries are exposed to the following risks arising from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

24.1. Credit risk

Credit risk is the risk of financial loss for the Company and its subsidiaries in the event a customer or counterparty to a financial instrument fails to meet their contractual obligations, which mainly arise from receivables from its subsidiaries and customers.

The exposure of the Company and its subsidiaries to credit risk is mainly influenced by the individual characteristics of each customer. The Company and its subsidiaries established a credit policy under which every new customer has their credit capacity analyzed individually under the standard terms and conditions of payment.

The Company has a diversified customer portfolio, with low concentration level. Its major customer accounts for 2.3% of revenue only.

Subsidiaries set up an allowance for doubtful accounts that represents their estimated losses incurred in relation to trade accounts receivable (see Note 8). The key component in this allowance is specific and related to significant individual risks.

At September 30, 2018, maximum exposure referring to cash and cash equivalents, short-term investments and trade accounts receivable is as follows:

i) <u>Cash and cash equivalents and financial investments</u>

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Cash and cash equivalents (Note 6)	**53**	33	**46,852**	42,918
Financial investments (Note 7)	**14,897**	6,891	**342,223**	508,806
	14,950	6,924	**389,075**	551,724

(In thousands of reais)

24. Financial instruments (Continued)

24.1. Credit risk (Continued)

ii) Trade accounts receivable

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Trade accounts receivable (Note 8)	**-**	-	**168,088**	131,129
	-	-	**168,088**	131,129

24.2. Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will face difficulty in meeting financial obligations associated with their financial liabilities that are settled with payments in cash or with another financial asset. Approach of the Company and its subsidiaries in managing the liquidity risk is guaranteeing, to the fullest extent, that the Company and its subsidiaries will always have sufficient liquidity to fulfill their obligations on maturity, under normal conditions, with no unacceptable losses or the risk of damaging their image.

Contracted financial liabilities mature as follows:

	Company			
Transaction	**Up to 1 year**	**Up to 2 years**	**From 3 to 5 years**	**Total**
	90	-	-	90
Trade accounts payable	36	-	-	36
Other liabilities	**126**	**-**	**-**	**126**

	Consolidated				
Transaction	**Up to 1 year**	**Up to 2 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Trade accounts payable	15,010	-	-	-	15,010
Loans and financing (Note 14)	41,329	50,504	21,772	-	113,605
Accounts payable for acquisition of subsidiaries - Earn Out (Note 16)	27,306	21,398	6,256	-	54,960
Accounts payable for acquisition of subsidiaries – retained portions (Note 16)	6,540	2,694	2,167	13	11,414
Accounts payable for acquisition of subsidiaries – other (Note 16)	14,717	9,956	21,798	-	46,471
Other liabilities	6,726	2,131	-	-	8,857
	111,628	86,683	51,993	13	250,317

As amounts included in this table are non-discounted cash flows, they will not be reconciled to the amounts disclosed in the statement of financial position for accounts payable for acquisition of subsidiaries.

24. **Financial instruments** (Continued)

24.2. Liquidity risk (Continued)

The Company and its subsidiaries usually have cash on demand sufficient to meet their expected operating needs, including payment of financial liabilities; this excludes the potential impact of external circumstances that may be reasonably foreseen, such as natural disasters.

24.3. Market risk

Interest and inflation rate risk: the interest rate risk arises from the portion of debt pegged to the Long-Term Interest Rate (TJLP), IPCA, IPC, IGPM and the CDI and short-term investments in CDI, which may adversely affect the finance income or costs in the event an unfavorable change in interest and inflation rates takes place. Exposure to this risk is stated in the sensitivity analysis.

24.4. Operational risk

The operational risk arises from direct or indirect losses arising from a variety of causes related to proceedings, personnel, technology and infrastructure of the Company and its subsidiaries, as well as external factors, except for credit, market and liquidity risks, as those due to legal and regulatory requirements and generally accepted corporate behavior standards. The Company and its subsidiaries intend to manage the operational risk and the risk in service quality in order to avoid financial losses and damage to their reputation.

24.5. Capital management

The Executive Board makes it a policy to keep a strong capital base to keep the trust of investors, lenders and market, and maintain the business future development. The Executive Board monitors returns on capital, which the Company defines as income from operating activities divided by total equity. The Executive Board also monitors the level of dividends to its shareholders.

(In thousands of reais)

24. Financial instruments (Continued)

24.6. Financial instrument analysis

The following table presents a comparison by class of the carrying amount and fair value of the Company's financial instruments:

	Company				Consolidated			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	09/30/2018	09/30/2018	12/31/2017	12/31/2017	09/30/2018	09/30/2018	12/31/2017	12/31/2017
Financial assets								
Cash and cash equivalents (Note 6)	**53**	**53**	33	33	**46,852**	**46,852**	42,918	42,918
Financial investments (Note 7)	**14,897**	**14,897**	6,891	6,891	**342,223**	**342,223**	508,806	508,806
Trade accounts receivable (Note 8)	**-**	**-**	-	-	**168,088**	**168,088**	131,129	131,129
Other receivables	**742**	**742**	28	28	**47,569**	**47,569**	29,604	29,604
Total	**15,692**	**15,692**	6,952	6,952	**604,732**	**604,732**	712,457	712,457
Financial liabilities								
Trade accounts payable	**90**	**90**	7	7	**15,010**	**15,010**	8,518	8,518
Loans and financing (Note 14)	**-**	**-**	2,852	2,852	**113,605**	**113,605**	97,288	97,288
Accounts payable for acquisition of subsidiaries (Note 16)	**-**	**-**	-	-	**112,845**	**112,845**	130,767	130,767
Other liabilities	**36**	**36**	25,002	25,002	**8,857**	**8,857**	8,594	8,594
Total	**126**	**126**	27,861	27,861	**250,317**	**250,317**	245,167	245,167

Amounts of these instruments recognized in the statement of financial position do not significantly differ from their fair values.

- Trade accounts receivable/payable approximate their carrying amount mostly due to their short-term maturity.
- Loans and financing and accounts payable for acquisitions are restated as per the agreement, and represent the balance to be settled on termination date of the contractual obligations.

(In thousands of reais)

24. Financial instruments (Continued)

24.6. Financial instrument analysis (Continued)

Financial instruments by category:

	Company				
	09/30/2018		12/31/2017		
	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets					
Cash and cash equivalents (Note 6)	**-**	**53**	33	-	-
Financial investments (Note 7)	**14,897**	**-**	-	6,891	-
Other receivables	**-**	**742**	28	-	-
	14,897	**795**	61	6,891	-
Financial liabilities					
Trade accounts payable	**-**	**90**	-	-	7
Loans and financing (Note 14)	**-**	**-**	-	-	2,852
Other liabilities	**-**	**36**	-	-	25,002
	-	**126**	-	-	27,861

	Consolidated				
	09/30/2018		12/31/2017		
	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets					
Cash and cash equivalents (Note 6)	**-**	**46,852**	42,918	-	-
Financial investments (Note 7)	**342,223**	**-**	-	508,806	-
Trade accounts receivable (Note 8)	**-**	**168,088**	131,129	-	-
Other receivables	**-**	**47,569**	29,604	-	-
	342,223	**262,509**	203,651	508,806	-
Financial liabilities					
Trade accounts payable	**-**	**15,010**	-	-	8,518
Loans and financing (Note 14)	**-**	**113,605**	-	-	97,288
Accounts payable for acquisition of subsidiaries (Note 16)	**-**	**112,845**	-	30,961	99,806
Other liabilities	**-**	**8,857**	-	-	8,594
	-	**250,317**	-	30,961	214,206

24. Financial instruments (Continued)

24.7. Fair value hierarchy

The following table presents financial instruments recorded at fair value, by fair value hierarchy level, using an assessment method.

Different levels were defined, as follows:

- Level 1 - prices quoted (unadjusted) in active markets for identical assets and liabilities;
- Level 2: *inputs*, except for quoted prices included in Level 1 that can be observed for the asset or liability, directly (prices) or indirectly (derived from prices);
- Level 3: assumptions for assets or liabilities that are not based on data observable in the market (unobservable inputs).

Non-derivative financial instruments measured at fair value are financial investments that were classified in Level 2.

24.8. Sensitivity analysis of financial assets and liabilities

Significant risks related to the Company's operations are in connection with TJLP, CDI, IPCA, IGPM and SELIC variation for financing taken out from BNDES and accounts payable for acquisitions of entities, and CDI for financial investments.

Financial investments remunerated by the CDI are marked to market, according to quotations disclosed by the corresponding financial institutions, whereas others mostly refer to Bank Deposit Certificates (CDB). Therefore, the value recorded for these notes are not different from their market values.

In order to analyze sensitivity of financial investment indexes on financial investments, to which the Company is exposed at September 30, 2018, three different scenarios were defined for CDI increase risk. Based on the index of September 2018, which was 6.39%, a deterioration of 25% and 50% was considered for scenarios I and II, respectively, in the risk variations.

(In thousands of reais)

24. Financial instruments (Continued)

24.8. Sensitivity analysis of financial assets and liabilities (Continued)

Company					
Transaction	**Balance at 09/30/2018**	**Risk**	**Scenario I (Probable)**	**Scenario II**	**Scenario III**
Financial investments	**14,897**	Decrease	6.39%	4.79%	3.20%
Finance income		in CDI	952	714	477

Consolidated					
Transaction	**Balance at 09/30/2018**	**Risk**	**Scenario I (Probable)**	**Scenario II**	**Scenario III**
Financial investments	**342,223**	Decrease	6.40%	4.80%	3.20%
Finance income		in CDI	21,902	16,427	10,951

In order to analyze sensitivity of debt indexes, to which the Company is exposed at September 30, 2018, three different scenarios were defined for index increase risk. This was based on TJLP, IPCA, IGPM, CDI and SELIC amounts in force at September 30, 2018, available at CETIP, IBGE, Central Bank of Brazil, FGV, among others. Accordingly, a probable scenario was defined for 2018, based on which an increase of 25% and 50%, respectively, was calculated for scenarios I and II, in the risk variations.

For each scenario, the gross finance costs were calculated not taking into account the levy of taxes and the maturity flow of each contract scheduled for 2018. The base date used for the financing was September 30, 2018, projecting the indexes for one year and checking the sensitivity in each scenario.

Consolidated					
Transaction	**Balance at 09/30/2018**	**Risk**	**Scenario I (Probable)**	**Scenario II**	**Scenario III**
Financing - BNDES	**113,605**	Increase	7,452	9,316	11,179
Rate subject to variation		in TJLP	6.56%	8.20%	9.84%
Acquisition of companies	**7,682**	Increase	638	797	956
Rate subject to variation		in IGPM	8.30%	10.38%	12.45%
Acquisition of companies	**14,445**	Increase	695	868	1,043
Rate subject to variation		in CDI	4.81%	6.01%	7.22%
Acquisition of companies	**53,872**	Increase	1,584	1,982	2,376
Rate subject to variation		in IPCA	2.94%	3.68%	4.41%
Acquisition of companies	**36,846**	Devaluation	1,474	1,842	2,211
Rate subject to variation		of R$	4.00%	5.00%	6.00%

(In thousands of reais)

25. Insurance coverage

The Company and its subsidiaries have insurance coverage for assets subject to risk at amounts deemed sufficient to cover losses, if any, considering the nature of the activities performed. At September 30, 2018, insurance coverage against operational risks, in consolidated, amounted to R$7,500 for civil liability of professionals, R$70,000 for D&O civil liability, R$119,000 for operational risks and R$600 for vehicles. The insurance coverage mentioned in these notes is not part of the audit review.

26. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit (loss) attributable to the Company's shareholders by the weighted average number of common shares as follows:

	Company	
	09/30/2018	**09/30/2017**
Net income for the period	**53,837**	67,774
Weighted average number of shares	**161,744,066**	165,805,690
Basic earnings per share (in reais)	**0.3329**	0.4088

b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, to assume the conversion of all potentially diluted common shares. The Company has a stock option plan, with 4,060,627 stock options granted, and total dilutive potential of 1,110,511 stock options, already including the initial grant.

	Company	
	09/30/2018	**09/30/2017**
Net income for the period	**53,837**	67,774
Weighted average number of shares (*)	**162,854,577**	171,554,905
Diluted earnings per share (in reais)	**0.3306**	0.3951

(*) Post-stock-split amounts at June 13, 2016.

27. Share-based payment

At the Special General Meeting held on December 4, 2012, the Stock Option Plan of Linx S.A. was approved. Such plan establishes the general conditions for grant of shares issued by the Company, under the terms of article 168, paragraph 3 of Law No. 6404/76.

The plan is intended to attract and retain management and staff members of the Company and its direct and indirect subsidiaries, by giving them the opportunity of becoming Company shareholders, subject to certain conditions, in order to: (i) reward them for their positions and length of service at the Company; (ii) encourage achievement of the Company's business purposes; (iii) align the interests of Company shareholders to those of Company management; and (iv) encourage performance, and favor retention of Company's key personnel, as their participation in Company's capital will allow them to benefit from the results to which they have contributed, and such results will be reflected on share price appreciation.

The plan is managed by the Board of Directors, which establishes the grant programs. Directors are responsible for defining: (i) creation and application of general standards related to option grant, under the terms of the Plan, and solution of doubts regarding interpretation of the Plan; (ii) establishment of performance-related goals for Company's top management, in order to determine objective criteria to elect beneficiaries; (iii) election of Plan Beneficiaries and authorization to grant stock options in their favor, establishing all conditions of the options to be granted, as well as the modification of such conditions, when necessary, to adapt the options to the terms of law, supervening rule or regulation; and (iv) issue of new shares of the Company within the authorized capital limit or the disposal of treasury shares, to satisfy the exercise of stock options granted under the Plan.

In order to meet the exercise of stock options granted on the terms of the Plan, the Company may, at Board of Directors' discretion: (a) issue new shares within the authorized capital limit; or (b) sell treasury shares.

On February 28, 2013, the Board of Directors approved the initial grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 1,842,951 stock options, with a strike price of R$6.24 (six reais and twenty-four cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

27. Share-based payment (Continued)

On February 28, 2014, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 406,059 stock options, with a strike price of R$11.28 (eleven reais and twenty-eight cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation, and adjusted according to any payments of dividends and/or interest on equity.

On February 27, 2015, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 432,855 stock options, with a strike price of R$15.01 (fifteen reais and a cent), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation, and adjusted according to any payments of dividends and/or interest on equity.

On February 29, 2016, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 566,592 stock options, with a strike price of R$15.50 (fifteen reais and fifty cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation, and adjusted according to any payments of dividends and/or interest on equity.

On March 31, 2017, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 391,618 stock options, with a strike price of R$16.57 (sixteen reais and fifty-seven cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On March 31, 2018, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 420,552 stock options, with a strike price of R$19.16 (nineteen reais and sixteen cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

27. Share-based payment (Continued)

On March 31, 2017, the Board of Directors approved grant of deferred stock options, totaling 945,048 stock options, with a strike price of R$15.70 (fifteen reais and seventy cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On March 31, 2018, the Board of Directors approved grant of deferred stock options, totaling 398,489 stock options, with a strike price of R$19.16 (nineteen reais and sixteen cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On March 23, 2017, the Board of Directors approved the opening of the Company's share buyback program at its sole discretion and under the terms of the Buyback Program to acquire up to 2,000,000 (two million) registered, book-entry, common shares, with no par value, issued by the Company, corresponding to up to 1.206% of the total shares issued by the Company and up to 1.206% of the Outstanding shares. The purpose of the Buyback Program is to meet the exercise of deferred stock programs and possibly stock option programs. Shares may also be held in treasury, sold or canceled, without reduction of the Company's capital, in compliance with the provisions of item 1 of article 30 of the Brazilian Corporation Law, and the standards set forth in CVM Ruling No. 567/15. Maximum term described under the terms of the 18-month (eighteen-month) Share Buyback Program, beginning March 23, 2017 and ending September 23, 2018.

The fair value of each option granted is estimated at the grant date, based on the Black-Scholes stock pricing model, which considered the following variables and results:

(In thousands of reais)

27. Share-based payment (Continued)

Stock Options

	Grant			Fair value assumptions				
				Expected				
Number	**Date**	**Number of options**	**Strike price - reais**	**Price of of options**	**Dividends - %**	**Volatility - %**	**Risk-free interest rate - %**	**Maturity**
1ª	02/28/2013	1,842,951	6.24	4.24	3.30%	25.24%	10.27%	4 years
2ª	02/28/2014	406,059	11.28	3.94	0.80%	25.11%	10.12%	4 years
3ª	02/27/2015	432,855	15.01	3.95	1.28%	24.00%	7.05%	4 years
4ª	02/29/2016	566,592	15.50	4.67	0.85%	25.01%	7.25%	4 years
5ª	03/31/2017	391,618	16.57	3.83	1.34%	24.25%	9.71%	4 years
6ª	03/31/2018	420,552	19.16	2.99	1.39%	23.69%	7.43%	4 years

Deferred shares

	Grant			Fair value assumptions				
				Expected				
Number	**Date**	**Number of options**	**Strike price - reais**	**Price of of options**	**Dividends - %**	**Volatility - %**	**Risk-free interest rate - %**	**Maturity**
1ª	03/31/2017	945,048	15.70	14.85	1.34%	24.25%	9.71%	4 years
2ª	03/31/2018	398,489	19.16	18.12	1.39%	23.69%	7.43%	4 years

The accumulated effect for the year ended September 30, 2018 totals R$1,061 (R$1,503 at September 30, 2017), recorded in the statement of profit or loss as expenses with salaries. This effect had no impact on Company's cash.

Accumulated balance in equity, presented as capital reserve under Stock option plan, amounts to R$12,609 (R$11,548 at December 31, 2017).

28. Subsequent event

28.1. Launch of Linx Pay (sub-acquisition)

On October 18, 2018, Linx S.A. ("Linx" or "Company") went public to inform the launch of Linx Pay Meios de Pagamento Ltda. ("Linx Pay"), a company part of Linx Sistemas e Consultoria Ltda., subsidiary of the Company.

Linx Pay operates to aggregate all fintech-related initiatives of the Company such as TEF (payment gateway), DUO (Smart POS) and the recently-launched Linx Pay (sub-acquisition), in addition to the new products in line with Linx's strategic position in this area.

28. Subsequent event (Continued)

28.2. Financing taken out from BNDES

On October 25, 2018, Linx S.A. ("Linx" or "Company") went public to inform that, according to the Board of Director's Meeting held on that same date, the contracting of financing was approved by the Company's subsidiary, Linx Sistemas e Consultoria Ltda. ("Linx Sistemas"), from the National Bank for Economic and Social Development (BNDES), on which the Company figures as Intervening Guarantor for the faithful compliance of the obligations assumed by Linx Sistemas under the agreement at issue, amounting to R$388,441 (three hundred and eighty-eight million, four hundred and forty-one thousand reais), divided into two subloans, allocated as follows:

<u>Subloan "A":</u> Amounting to R$387,641 (three hundred and eighty-seven million, six hundred and forty-one thousand reais) intended for actions in infrastructure, research and development, training, marketing and sales.

<u>Subloan "B":</u>

Amounting to R$800 (eight hundred thousand reais) intended for investments in social projects.

Conventional interest will be applied on principal amount financed, deriving from (i) Subloan "A", corresponding to the rate composed of (i) Long-Term Rate ("TLP") and (ii) BNDES spread plus 1.37% (one point thirty-seven per cent) p.a.; and (ii) Subloan "B", corresponding to the rate composed of (i) TLP and (ii) BNDES spread of 0.97% (zero point ninety-seven per cent) p.a.

Total term of the financing agreement will be 120 (one hundred and twenty) months, with grace period of 36 (thirty six) months, and repayment of the amount financed in 84 (eighty-four) monthly installments.

28. Subsequent event (Continued)

28.3. Merger of Itec

On October 31, 2018, Itecgyn Informática Ltda. (“Itec”) was effectively merged and its net assets were included in the consolidation by subsidiary Linx Sistema e Consultoria Ltda.

The merger of Itecgyn Informática Ltda. entailed no capital increase or changes in interest held by the Company.

Alberto Menache
Chief Executive Officer

Pedro Holmes Monteiro Moreira
Chief Financial and IR Officer

Eloisa Moraes Souza de Oliveira
Accountant CRC-1SP247057/O-9