Interim financial information

Linx S.A.

March 31, 2019
with Independent auditors' report

Linx S.A.

Notes to the interim financial statements
March 31, 2019
(In thousands of Brazilian reais)

Contents

Linx S.A.

Balance sheets
As of March 31, 2019 and December 31, 2018
(In thousands of Brazilian reais)

		Parent company		Consolidated	
	Note	**31/03/2019**	**31/12/2018**	**31/03/2019**	**31/12/2018**
Assets					
Current assets					
Cash and cash equivalents	4	**50**	50	**49.945**	49.850
Financial assets	5	**59.528**	60.108	**413.239**	413.374
Trade accounts receivable	6	**-**	-	**173.025**	167.102
Recoverable taxes	7	**8.346**	8.848	**31.584**	35.094
Other receivables	9	**1.620**	49	**32.696**	43.407
Total current assets		**69.544**	69.055	**700.489**	708.827
Non-current assets					
Trade accounts receivable	6	**-**	-	**2.978**	3.280
Deferred taxes	17	**4.065**	4.100	**4.312**	4.449
Other receivables	9	**-**	-	**7.272**	7.213
Investments	10	**1.005.931**	987.300	**-**	-
Property, plant and equipment	11	**-**	-	**75.248**	74.273
Intangible assets	12	**-**	-	**958.561**	849.634
Total non-current assets		**1.009.996**	991.400	**1.048.371**	938.849
Total assets		**1.079.540**	1.060.455	**1.748.860**	1.647.676

See the accompanying notes to financial statements.

Linx S.A.

Balance sheets
As of March 31, 2019 and December 31, 2018
(In thousands of Brazilian reais)

		Parent company		Consolidated	
	Note	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Liabilities and shareholders' equity					
Current liabilities					
Suppliers		**104**	47	**12.543**	13.623
Loans and financing	13	**-**	-	**54.105**	40.720
Labor liabilities	14	**16**	16	**53.893**	43.801
Taxes payable		**111**	385	**11.400**	13.455
Income tax and social contribution		**-**	-	**1.652**	1.206
Accounts payable from acquisition of subsidiaries	15	**-**	-	**49.450**	57.099
Deferred revenue	16	**-**	-	**41.031**	40.053
Advance of dividends		**2.764**	2.764	**2.764**	2.764
Other liabilities		**30**	34	**17.380**	7.979
Total current liabilities		**3.025**	3.246	**244.218**	220.700
Non-current liabilities					
Loans and financing	13	**-**	-	**276.755**	209.261
Labor liabilities	14	**-**	-	**615**	-
Accounts payable from acquisition of subsidiaries	15	**-**	-	**45.494**	55.388
Deferred taxes	17	**-**	-	**77.189**	72.635
Deferred revenue	16	**-**	-	**13.736**	19.195
Provision for contingencies	19	**-**	-	**12.294**	10.960
Other liabilities		**-**	-	**2.044**	2.328
Total non-current liabilities		**-**	-	**428.127**	369.767
Shareholders' equity	18				
Capital		**488.829**	488.467	**488.829**	488.467
Capital reserves		**372.176**	369.879	**372.176**	369.879
Profit reserve		**179.798**	179.457	**179.798**	179.457
Income for the quarter		**17.180**	-	**17.180**	-
Additional dividend proposed		**22.236**	22.236	**22.236**	22.236
Other comprehensive income		**(3.704)**	(2.830)	**(3.704)**	(2.830)
		1.076.515	1.057.209	**1.076.515**	1.057.209
Total liabilities and shareholders' equity		**1.079.540**	1.060.455	**1.748.860**	1.647.676

See the accompanying notes to financial statements.

Linx S.A.

Statements of profit or loss
Three-month periods ended March 31, 2019 and 2018
(In thousands of Brazilian reais)

		Parent company		Consolidated	
	Note	**31/03/2019**	**31/03/2018**	**31/03/2019**	**31/03/2018**
Net operating revenue	20	**-**	-	**176.805**	158.410
Cost of services rendered	21	**-**	-	**(59.999)**	(56.656)
Gross income		**-**	-	**116.806**	101.754
Operating revenue (expenses)					
General and administrative	21	**(1.248)**	(374)	**(43.962)**	(42.529)
Research and development	21/12	**-**	-	**(18.372)**	(16.207)
Selling	21	**-**	-	**(35.325)**	(22.059)
Equity in net income of subsidiaries	10	**17.557**	26.696	**-**	-
Other operating revenue	21	**-**	-	**8.124**	8.004
Other operating revenues (expenses), net	21	**-**	-	**(1.934)**	199
		16.309	26.322	**(91.469)**	(72.592)
Income before financial income (loss) and taxes		**16.309**	26.322	**25.337**	29.162
Net financial income (loss)					
Financial revenues	22	**923**	163	**10.284**	12.045
Financial expenses	22	**(66)**	(57)	**(12.048)**	(8.348)
		857	106	**(1.764)**	3.697
Income before income tax and social contribution		**17.166**	26.428	**23.573**	32.859
Current income tax and social contribution	17	**-**	-	**(2.025)**	(1.664)
Deferred income tax and social contribution	17	**14**	24	**(4.368)**	(4.743)
Net income for the quarter		**17.180**	26.452	**17.180**	26.452
Basic earnings per share - in Reais	25	**0,1082**	0,1611	**0,1082**	0,1611
Diluted earnings per share - in Reais	25	**0,1064**	0,1592	**0,1064**	0,1592

See the accompanying notes to financial statements.

Linx S.A.

Statements of comprehensive income
Three-month periods ended March 31, 2019 and 2018
(In thousands of Brazilian reais)

	Parent company		Consolidated	
	31/03/2019	**31/03/2018**	**31/03/2019**	**31/03/2018**
Net income for the quarter	**17.180**	26.452	**17.180**	26.452
Other comprehensive income to be reclassified to income (loss) for the year in subsequent periods				
Accumulated translation adjustments from operations in foreign currency	**(874)**	(120)	**(874)**	(120)
Other comprehensive income of the associated company under the equity method	**-**	(1.027)	**-**	(1.027)
Total comprehensive income	**16.306**	25.305	**16.306**	25.305

See the accompanying notes to financial statements.

Linx S.A.

Statements of changes in shareholders' equity
Three-month periods ended March 31, 2019 and 2018
(In thousands of Brazilian reais)

			Capital reserves					Profit reserves						
	Note	Capital	Goodwill in capital subscription	Stock option plan	Treasury shares	Expenditures with issuance of shares	Total	Legal reserve	Profit retention	Total	Retained earnings	Other comprehensive income	Additional dividends proposed	Total
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 from the first-time adoption of IFRS 9		-	-	-	-	-	-	-	(1.015)	(1.015)	-	-	-	(1.015)
Effects from the first-time adoption of IFRS 15		-	-	-	-	-	-	-	(35.668)	(35.668)	-	-	-	(35.668)
Opening balances at 01/01/2018		486.032	539.571	11.548	(33.887)	(37.423)	479.809	7.037	142.417	149.454	-	(247)	18.789	1.133.837
Capital increase		1.442	-	-	-	-	-	-	-	-	-	-	-	1.442
Stock option plan		-	-	379	-	-	379	-	-	-	-	-	-	379
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	(1.147)	-	(1.147)
Net income for the quarter		-	-	-	-	-	-	-	-	-	26.452	-	-	26.452
Balances at March 31, 2018		487.474	539.571	11.927	(33.887)	(37.423)	480.188	7.037	142.417	149.454	26.452	(1.394)	18.789	1.160.963
Balances at December 31, 2018		488.467	539.571	16.104	(148.373)	(37.423)	369.879	7.037	172.420	179.457	-	(2.830)	22.236	1.057.209
Capital increase	18	**362**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**362**
Effect from adoption of hyperinflation		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**341**	**341**	**-**	**-**	**-**	**341**
Accumulated translation adjustments from operations in foreign currency		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(874)**	**-**	**(874)**
Stock option plan	26	**-**	**-**	**2.297**	**-**	**-**	**2.297**	**-**	**-**	**-**	**-**	**-**	**-**	**2.297**
Net income for the quarter		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17.180**	**-**	**-**	**17.180**
Balances at March 31, 2019		**488.829**	**539.571**	**18.401**	**(148.373)**	**(37.423)**	**372.176**	**7.037**	**172.761**	**179.798**	**17.180**	**(3.704)**	**22.236**	**1.076.515**

See the accompanying notes to financial statements.

Linx S.A.

Statements of cash flows
Three-month periods ended March 31, 2019 and 2018
(In thousands of Brazilian reais)

		Parent company		Consolidated	
	Note	31/03/2019	31/03/2018	31/03/2019	31/03/2018
Cash flows from operating activities					
Net income for the quarter		**17.180**	26.452	**17.180**	26.452
Adjustments to reconcile income to cash and cash equivalents generated by (used in) operational activities:					
Depreciation and amortization	12/11	**-**	-	**24.348**	18.430
Equity in net income of subsidiaries	10	**(17.557)**	(26.696)	**-**	-
Allowance for doubtful accounts	6	**-**	-	**529**	89
Losses (gains) on write-off/disposal of goods		**-**	-	**429**	8.146
Addition (reversal) of adjustment to present value		**-**	-	**1.531**	(8.961)
Stock option plan		**690**	-	**2.297**	379
Financial charges		**-**	28	**7.642**	2.669
Deferred taxes	17	**(14)**	(24)	**4.368**	4.743
Current taxes	17	**-**	-	**2.025**	1.664
Provisions for contingency	19	**-**	-	**1.334**	758
Other operating revenue		**-**	-	**(9.232)**	(8.997)
Revenue from interest earning bank deposits		**(923)**	(112)	**(6.526)**	(8.157)
Effect from adoption of hyperinflation		**-**	-	**519**	-
Other		**-**	-	**-**	(1.027)
		(17.804)	(26.804)	**29.264**	9.736
Change in operating assets and liabilities:					
Trade accounts receivable		**-**	-	**(6.124)**	(6.350)
Recoverable taxes		**551**	814	**3.415**	(3.047)
Other credits and judicial deposits		**(1.571)**	2.893	**(9.021)**	(4.838)
Suppliers		**58**	3	**(1.256)**	2.340
Labor liabilities		**-**	71	**10.707**	6.652
Taxes and contributions payable		**(274)**	(741)	**(2.123)**	(1.445)
Deferred revenue		**-**	-	**(4.481)**	(140)
Other accounts payable		**(4)**	(12)	**9.117**	(158)
Income tax and social contribution paid	17	**-**	-	**(1.093)**	(697)
Cash flow generated (invested) by operating activities		**(1.864)**	2.676	**45.585**	28.505
Cash flows from investment activities					
Acquisition of fixed assets		**-**	-	**(4.770)**	(2.559)
Acquisition of intangible assets		**-**	-	**(18.442)**	(15.208)
Acquisition of entity, net of cash and cash equivalents acquired		**-**	-	**-**	(14.200)
Investment in short-term investments	5	**(344)**	(1.430)	**(117.514)**	(139.777)
Redemption of interest and interest earning bank deposits	5	**1.846**	175	**124.175**	148.496
Cash flow generated (invested) by investing activities		**1.502**	(1.255)	**(16.551)**	(23.248)
Cash flows from financing activities					
Additions of loans and financing		**-**	-	**-**	44.468
Payments of loans and financing	13	**-**	(2.846)	**(13.895)**	(9.637)
Financial charges paid	13	**-**	(34)	**(3.851)**	(1.978)
Payment for the acquisition of subsidiaries	15	**-**	-	**(10.681)**	(33.601)
Capital transfers from shareholders	18	**362**	1.442	**362**	1.442
Cash flow generated (invested) by financing activities		**362**	(1.438)	**(28.065)**	694
Exchange rate change on cash and cash equivalents		-	-	**(874)**	(120)
Increase (decrease) in cash and cash equivalents		**-**	(17)	**95**	5.831
Statement of increase (decrease) in cash and cash equivalents					
At the beginning of the quarter		**50**	33	**49.850**	42.918
At the end of the quarter		**50**	16	**49.945**	48.749

See the accompanying notes to financial statements.

Linx S.A.

Statements of value added
Three-month periods ended March 31, 2019 and 2018
(In thousands of Brazilian reais)

	Parent company		Consolidated	
	31/03/2019	**31/03/2018**	**31/03/2019**	**31/03/2018**
Revenues				
Gross sales of services and goods	**-**	-	**196.555**	176.277
Other revenues	**-**	-	**8.124**	8.004
Allowance for doubtful accounts	**-**	-	**(529)**	73
	-	-	**204.150**	184.354
Inputs acquired from third parties				
Cost of services and goods sold	**-**	-	**(13.200)**	(17.550)
Materials, energy, outsourced services and other operating items	**(270)**	(107)	**(31.907)**	(24.199)
Loss and recovery of asset values	**-**	-	**(1.202)**	(959)
	(270)	(107)	**(46.309)**	(42.708)
Gross added value	**(270)**	(107)	**157.841**	141.646
Depreciation and amortization	**-**	-	**(24.348)**	(18.430)
Net value added produced by the Company	**(270)**	(107)	**133.493**	123.216
Added value received as transfer				
Equity in net income of subsidiaries	**17.557**	26.696	**-**	-
Financial revenues	**923**	163	**10.284**	12.045
	18.480	26.859	**10.284**	12.045
Total added value payable	**18.210**	26.752	**143.777**	135.261
Payment of value added				
Personnel	**978**	267	**87.960**	71.471
Direct remuneration	**978**	267	**71.675**	57.383
Benefits	**-**	-	**10.391**	8.811
FGTS	**-**	-	**5.894**	5.277
Taxes, duties and contributions	**(14)**	(24)	**26.561**	24.730
Federal	**(14)**	(24)	**20.218**	19.252
State	**-**	-	**1.150**	1.001
Municipal	**-**	-	**5.193**	4.477
Third-party capital remuneration	**66**	57	**12.076**	12.608
Interest	**66**	57	**12.048**	8.348
Rents	**-**	-	**28**	4.260
Own capital remuneration	**17.180**	26.452	**17.180**	26.452
Retained earnings	**17.180**	26.452	**17.180**	26.452

See the accompanying notes to financial statements.

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"), corporation, 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), OMS (Order Management System) and payment methods 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 our differentiated business model.

Linx went public as of February 8, 2013, and is engaged in holding interest in other Brazilian or foreign commercial or civil companies, as partner, shareholder or quotaholder and also the representation of other companies of any nature in Brazil or abroad and the management of own or third-party assets.

The Company's shares are listed on the New Market segment of São Paulo Stock Exchange B3 and are traded under the ticker symbol LINX3.

2. Preparation basis

2.1 Statement of conformity

The individual and consolidated interim financial statements were prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement, issued by the Accounting Pronouncement Committee and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB applicable to the preparation of Quarterly Information - ITR and presented in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of Quarterly Information - ITR.

Presentation of Statement of Value Added is required by the Brazilian corporate law and by accounting practices adopted in Brazil and applicable to listed companies. The IFRS do not require the presentation of this statement. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to interim financial statements as a whole.

All relevant pieces of information characteristic of interim financial statements, and only them, are being evidenced and correspond to those used by Management.

Some captions of the statement of income for the quarter ended March 31, 2018 were reclassified to allow comparisons with the information of March 31, 2019.

The issue of individual and consolidated interim financial statements was approved by the Board of Directors on May 02, 2019.

2.2 Basis of measurement

The individual and consolidated interim financial statements have been prepared based on historical cost (except when different criteria is required) and adjusted to reflect the valuation of assets and liabilities measured at fair value or considering the mark-to-market, when such valuations are required by accounting standard.

2.3 Functional and presentation currency

Individual and consolidated interim financial statements are presented in Real (R$), parent company's functional currency. Each subsidiary determines its own functional currency, and in those in which functional currency is different from real, the financial statements are translated into real as of closing date.

The Company's individual and consolidated interim financial information for the quarters ended March 31, 2019 and 2018 is presented in thousands of reais (unless otherwise stated).

2.4 Use of estimates and judgments

The individual and consolidated interim financial statements were prepared in accordance with several measurement bases used in accounting estimates. The accounting estimates were based on objective and subjective factors, with a basis on Management's judgment for determination of the adequate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of fixed assets and its recoverability in operations, evaluation of financial assets at fair value, credit risk analysis to determine the allowance for doubtful accounts, and the analysis of the remaining risks to determine other provisions, including for contingencies.

The settlement of transactions involving these estimates may result in significantly different amounts described in the financial statements due to the probabilistic treatment inherent to the estimation process. Estimates and assumptions are reviewed by the Company at least annually.

(In thousands of Brazilian reais)

3. Significant accounting policies

The accounting policies have been consistently applied to all the periods presented in these individual and consolidated interim financial statements. The accounting policies have also been consistently applied by the Company’s subsidiaries.

3.1. Presentation of segment information

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The main operating decision maker, in charge of allocating funds and evaluating performance of operating segments is the Executive Board, also in charge of the Company's strategic decision making. The Executive Board makes its operational and strategic decisions observing consolidated income (loss), that is, has only one operating segment.

3.2. Consolidation basis

The individual and consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2019. The parent company’s individual financial statements, financial statements of subsidiaries are recognized under the equity method.

The individual and consolidated interim financial statements include information of Linx S.A. and its subsidiaries, as follows:

	Ownership percentage	
	03/31/2019	**12/31/2018**
Subsidiaries		
Linx Sistemas e Consultoria Ltda.	**99.99%**	99.99%
Linx Telecomunicações Ltda.	**99.99%**	99.99%
Indirect subsidiaries		
Napse S.R.L.	**100.00%**	100.00%
Sback Tecnologia da Informação Ltda.	**100.00%**	100.00%
DCG Soluções para Venda Digital S.A.	**100.00%**	100.00%
Linx Pay Meios de Pagamentos Ltda.	**100.00%**	100.00%

The Company and its subsidiaries (jointly, “Group”) is the direct parent company of the following companies:

Linx Sistemas e Consultoria Ltda. (“Linx Sistemas”): is engaged in developing management software for the retail segment, providing technical support, advisory and training.

Linx Telecomunicações Ltda. (“Linx Telecomunicações”): engaged in the provision of telecommunication services in general, such as transmission of voice, data, images and sound by any means, including services of networks and circuits, telephony, by any systems, including via Internet.

It is the indirect parent company of the following companies:

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 technologies of retention, reengagement and recapture through Big Data and Intelligence for engagement.

DCG Soluções para Venda Digital S.A. (“DCG”): operating in the development of e-commerce platform, focused on the development of technology solution in the Software as a Service (SaaS) model that allows digital sales and connection with marketplaces.

Linx Pay Meios de Pagamentos Ltda. (“Linx Pay”): operates with the purpose of aggregating all of the Company’s initiatives related to fintech such as TEF (payment gateway), DUO (Smart POS) and the newly launched Linx Pay Easy (sub-acquiring), besides the new products aligned with Linx’s strategic positioning in such area.

3.3. New or reviewed pronouncements with first-time adoption in 2019

These individual and consolidated interim financial statements have been prepared using accounting policies consistent with those adopted for the preparation of the financial statements for the year ended December 31, 2018 (Note 3 – “Significant Accounting Policies”) and must be reviewed together with these financial statements, as well as considering the new pronouncements, interpretations and amendments that came into effect from January 1, 2019, described below:

(In thousands of Brazilian reais)

Standards and amended standards	
IFRS 16	Financial lease operations
IFRIC 23	Uncertainty related to income tax treatments
Amendments to IFRS 9	Characteristics of prepayment with negative remuneration
Amendments to IAS 28	Long-term Investment in Associated Companies and Joint Ventures
IFRS Standards Annual Improvements	Cycle 2015–2017
Amendments to IAS 19	Alteration of plan, Restriction or Settlement

Unless as stated below, the adoption of these standards, amendments and interpretations had no material impacts on the Company upon their first-time adoption:

IFRS 16/CPC 06 (R2) - Lease operations

CPC 06 (R2) – Lease transactions, issued by the Accounting Pronouncement Committee, is equivalent to international standard IFRS 16 – Leases, issued in January 2016 to replace prior version of said standard (CPC 06 (R1), equivalent to international standard IAS 17). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for most leases in a single equity model. Accounting for lessors under IFRS 16 is substantially unchanged in comparison to IAS 17. Lessors will continue to classify leases as either operating leases or financial leases, applying principles similar to those of IAS 17. Therefore, IFRS 16 has had no impact on leases in which the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method with the first-time adoption date of January 1, 2019. The Company chose to use the practical expedient of transition, allowing the standard to be applied only to contracts that were previously identified as the leases in accordance with IAS 17 and IFRIC 4 on the date of first-time adoption. The Company also chose to apply the recognition exemptions for leases that, on the start date, have a lease term of 12 months or less and do not contain a purchase option.

Reconciliation of new consolidated balance sheet balances for year ended December 31, 2018 and opening balance on January 1, 2019, affected by the new rule:

(In thousands of Brazilian reais)

	Financial Statements disclosed on 12/31/2018	Impact concerning the adoption of IFRS 16/CPC 06 (R2)	Financial statements - 01/01/2019
Assets			
Advance	10,394	(10,394)	**-**
Other non-current assets	698,433	-	**698,433**
Current assets	708,827	(10,394)	**698,433**
Intangible assets (Right to use)	849,634	102,190	**951,824**
Other non-current assets	89,215	-	**89,215**
Non-current assets	938,849	102,190	**1,041,039**
Total assets	1,647,676	91,796	**1,739,472**
Liabilities			
Leasing payable	-	6,531	**6,531**
Other current liabilities	220,700	-	**220,700**
Current liabilities	220,700	6,531	**227,231**
Leasing payable	-	85,265	**85,265**
Other non-current liabilities	369,767	-	**369,767**
Non-current liabilities	369,767	85,265	**455,032**
Shareholders' equity	1,057,209	-	**1,057,209**
Total liabilities and shareholders' equity	1,647,676	91,796	**1,739,472**

(In thousands of Brazilian reais)

	Financial Statements disclosed on 03/31/2019	Impact concerning the adoption of IFRS 16/CPC 06 (R2)	Financial Statements as of 03/31/2019 without effect of said standards
Income (loss)			
Net revenue	**176,805**	**-**	**176,805**
Costs of services rendered	**(59,999)**	**-**	**(59,999)**
Gross income	**116,806**	**-**	**116,806**
Operating expenses	**(91,469)**	**4,065**	**(87,404)**
Income (loss) before financial income and expenses	**25,337**	**4,065**	**29,402**
Financial results	**(1,764)**	**2,004**	**240**
Income (loss) before tax	**23,573**	**6,069**	**29,642**
Current and deferred income tax and social contribution	**(6,393)**	**-**	**(6,393)**
Net income	**17,180**	**6,069**	**23,249**

(a) Nature of the effect of the adoption of IFRS 16

The Company has lease contracts for various items of facilities, equipment and others. Prior to the adoption of IFRS 16, the Company classified each of its leases (as the lessee) on the start date as either a financial lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased asset to the Company; otherwise, it was classified as an operating lease. Prior to the adoption of IFRS 16, the Company did not have any financial lease contracts. In an operating lease, the leased property was not capitalized and the lease payments were recognized as a rental expense in the income statement on a straight-line basis over the lease term. Any prepaid and accrued rent were recognized in prepaid expenses, suppliers, and other accounts payable, respectively.

After the adoption of IFRS 16, the Company applied a single recognition and measurement approach to all leases in which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

According to the modified retrospective method of adoption, the Company applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment on the date of first-time adoption.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease obligations for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Right-of-use assets for most leases were recognized based on the book value as if the standard had been applied, and the incremental loan rate was used on the date of first-time adoption. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liability, adjusted by any related advance payments and accrued lease payments recognized previously. Lease liabilities were recognized based on the present value of the remaining lease payments, minus the incremental loan rate on the date of first-time adoption.

The Company also applied the available practical expedients, in which:

• It used a single discount rate for a portfolio of leases with reasonably similar characteristics;
• It relied on its assessment of whether the leases are onerous immediately before the date of first-time adoption;
• It applied short-term lease exemptions to leases with a term ending within 12 months on the date of first-time adoption;
• Retrospective outlook used in determining the lease term, when the contract contains options to extend or terminate the lease.

Based on the exposed as of January 1, 2019:

• Right-of-use assets in the amount of R$ 102,190 were recognized and presented separately in the balance sheet.
• Other lease liabilities in the amount of R$ 91,796 were recognized and included in loans and financing, subject to interest and a discount rate of 9.15%.
• Advance disbursements of R$ 10,394 relating to previous operating leases were unrecognized.

(b) Summary of the new accounting policies

Right-of-use assets

The Company recognizes right-of-use assets on the start date of the lease (i.e., the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, minus any accumulated depreciation and impairment losses, and adjusted by any further re-measuring of the lease liabilities. The cost of right-of-use assets includes recognized lease liabilities, initial direct costs incurred, and lease payments made before or on the start date, minus lease incentives received. Unless it is reasonably certain that the Company will take ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis during the shortest period of their estimated useful life and of the lease term.

Lease liabilities

On the start date of the lease, the Company recognizes lease liabilities measured at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (including inflation-linked payments), minus any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Company is reasonably certain to exercise, and payments of fines levied on the termination of a lease, if the lease term reflects the Company that exercises the termination option. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which the event or condition that determines the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental loan rate on the start date of the lease if the implicit interest in the lease is not easily determinable. After the start date, the value of the lease liability is increased to reflect the addition of interest, and reduced for lease payments made. Moreover, the book value of the lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed inflation-linked payments, or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., leases maturing over 12 months or less from the start date and no purchase option). It also applies the low-value asset recognition exemption to leases of office equipment that is considered low-value (i.e., below US$ 5 thousand). Payments of short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis throughout the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that this option will not be exercised.

The Company has the option, under some of its leases, to lease the assets for additional periods of three to five years. The Company applies judgment in determining whether it is reasonably certain to exercise the renewal option. In other words, it considers all the relevant factors that create an economic incentive to exercise the renewal option. After the start date, the Company reviews the lease term if there is a significant event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example, a change in the business strategy).

(In thousands of Brazilian reais)

c) Amounts recognized in the statement of financial position and in results

Presented below are the book values of the Company's right-of-use assets and lease liabilities and the financial activity during the period:

	Right-of-use assets				
	Lease of property	Other equipment	Cloud (*)	Total	Lease liabilities
January 1, 2019	**90,924**	**872**	**10,394**	**102,190**	**91,796**
Addition	**-**	**-**	**8,194**	**8,194**	**-**
Depreciation	**(2,404)**	**(22)**	**(1,639)**	**(4,065)**	**-**
Interest expense	**-**	**-**	**-**	**-**	**2,003**
Payment	**-**	**-**	**-**	**-**	**(3,563)**
March 31, 2019	**88,520**	**850**	**16,949**	**106,319**	**90,236**

(*) Lease of cloud storage space

4. Cash and cash equivalents

	Parent company		Consolidated	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Cash and banks	**34**	34	**45,841**	45,422
Short-term interest earning bank deposits	**16**	16	**4,104**	4,428
	50	50	**49,945**	49,850

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

Interest earning bank deposits refer substantially to Fixed Income Fund remunerated at rate of 101.03% of the Interbank Deposit Certificate (CDI).

The exposure of the Company and its subsidiaries to risk and the sensitivity analysis are disclosed in Note 23.8.

5. Financial assets

					Parent Company		Consolidated	
Type	Name	Date of investment	Maturity	Average yield in relation to CDI (%)	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Fund	Retail Renda Fixa Crédito Privado	10/03/2016	Indefinite	103.20%	**59,528**	60,108	**413,239**	413,374
					59,528	60,108	**413,239**	413,374

(In thousands of Brazilian reais)

Investment fund breakdown is as follows:

Type	Code	Date of investment	Issue	Maturity	Quantity	Index	Amount of the investment	12/31/2018 - Net value
Fixed income	Financial Bills	10/21/2016–03/19/2018	10/21/2016–03/19/2018	04/22/2019–06/09/2020	81	CDI D 101.75–104.5%	21,700	25,033
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D 111%	8,453	16,166
Fixed income	Eligible LFS	08/01/2018	08/01/2018	08/01/2025	17	CDI D 108.75%	5,100	5,273
Fixed income	LFT	10/03/2016–12/21/2018	07/01/2000–01/05/2018	09/01/2021–03/01/2024	7,066	LFT / SELIC	65,133	69,779
Fixed income	LTN	12/31/2018	12/31/2018	07/01/2020	50,503	PRE 6.40% p.a.	45,303	45,303
Investment fund	Other funds	-	-	-	5,940,011	-	235,767	235,767
Fixed income	LAMDI	11/27/2018–12/03/2018	11/27/2018–12/03/2018	11/29/2019–12/03/2019	16,000	CDI 103.0–103.75%	16,000	16,088
								413,409
						Fund expenses		(36)
						Treasury balance		1
								413,374

Type	Code	Date of investment	Issue	Maturity	Quantity	Index	Amount of the investment	03/31/2019 - Net value
Fixed income	Financial Bills	11/16/2017–03/19/2019	11/16/2017–03/19/2019	02/17/2020–03/18/2022	293	CDI D 102–105.5%	**72,336**	**73,557**
Fixed income	Eligible LFS	08/01/2018	08/01/2018	08/01/2025	23	CDI D 108.75%	**5,100**	**5,377**
Fixed income	LFT	10/03/2016–12/21/2018	07/01/2000–01/05/2018	09/01/2021–03/01/2024	7,066	LFT / SELIC	**65,133**	**70,838**
Fixed income	LTN	03/28/2019	03/28/2019	05/15/2019	2,677	PRE 6.40 p.a.	**8,770**	**8,770**
Investment fund	Other funds	-	-	-	5,764,138	-	**233,368**	**233,368**
Fixed income	LAMDI	11/27/2018–02/26/2019	11/27/2018–02/26/2019	11/29/2019–02/28/2020	3	CDI 103%	**21,366**	**21,284**
								413,194
						Fund expenses		**41**
						Treasury balance		**4**
								413,239

Management's policy is to use these funds only and solely for punctual payments, such as acquisition of companies and payment of interest on own capital, not using funds invested in this account to cover operating cash flow needs.

The exposure of the Company and its subsidiaries to risk and the sensitivity analysis are disclosed in Note 23.8.

(In thousands of Brazilian reais)

6. Trade accounts receivable

	Consolidated	
	03/31/2019	**12/31/2018**
Trade notes receivable:		
Falling due	**145,742**	148,502
Overdue (a)	**35,441**	26,557
	181,183	175,059
(-) Allowance for doubtful accounts	**(4,744)**	(4,215)
(-) Adjustment to present value	**(436)**	(462)
	176,003	170,382
Current	**173,025**	167,102
Non-current	**2,978**	3,280

(a) Securities overdue have the following breakdown:

	Consolidated	
	03/31/2019	**12/31/2018**
Days:		
1–30	**15,021**	9,591
31–60	**4,851**	3,468
61–90	**3,951**	3,063
91–180	**4,949**	4,483
>181	**6,669**	5,952
	35,441	26,557

The Company and its subsidiaries form an allowance for doubtful accounts of securities past due over 180 days that basically represents the historical loss and trade notes receivable under discussion in court. The Company also recognizes a provision for expected losses in trade accounts receivable that comprise outstanding accounts receivable base. Percentage loss for each aging band is shown below.

Maturity	Loss %
falling due >1 year	0.3%
falling due up to 1 year	0.3%
1–30 days	2.4%
31–60 days	7.0%
61–90 days	12.9%
91–120 days	20.4%
121–150 days	26.4%
151–180 days	29.3%

The changes in this provision in the consolidated is shown as follows:

	Consolidated	
Changes in PECLD	**03/31/2019**	**12/31/2018**
Opening balance	**(4,215)**	(1,183)
First-time adoption of IFRS 9 as of 01/01/2018	**-**	(1,539)
Addition of provision	**(1,314)**	(5,734)
Use/reversal	**785**	4,241
Closing balance	**(4,744)**	(4,215)

(In thousands of Brazilian reais)

7. Recoverable taxes

	Parent company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
ICMS	**-**	-	**4,453**	4,286
Withholding taxes and contributions	**8,346**	8,848	**25,358**	29,272
PIS and COFINS	**-**	-	**456**	456
Other	**-**	-	**1,317**	1,080
	8,346	8,848	**31,584**	35,094

8. Related parties

8.1 Remuneration of key management personnel

Total key management personnel remuneration (07 and 06 administrators in 2019 and 2018, respectively) for the quarters ended March 31, 2019 and 2018 are summarized as follows:

	03/31/2019	**03/31/2018**
Short-term employee benefits		
Payment of Directors' fees	**3,957**	3,366
Share-based payments	**744**	814
	4,701	4,180

8.2 Income (loss)

In the three-month period ended March 31, 2019, there were shared expenses amount to R$ 1,963 (R$ 2,330 as of March 31, 2018). Other related party transactions did not occur.

9. Other receivables

	Parent company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Prepaid expenses - Services	**-**	-	**7,838**	21,696
Retentions for contingencies – Acquired (*)	**-**	-	**13,975**	13,560
Advance to suppliers	**-**	-	**3,728**	7,102
Advance to employees, vacation and 13th salary	**-**	-	**6,990**	2,619
Other (**)	**1,620**	49	**7,437**	5,643
	1,620	49	**39,968**	50,620
Current assets	**1,620**	49	**32,696**	43,407
Non-current assets	**-**	-	**7,272**	7,213

(In thousands of Brazilian reais)

(*) Refers to contingent portions of companies Direção, Spress, Rezende, Liderança, Quadrant, CSI, LZT, BR Coelho, Big Automação, Percycle, Único, Itec Informática and Napse, according to acquisition contracts.
(**) Refers to advances to suppliers, expenses and judicial deposits.

10. Investments

10.1 Investments in direct subsidiaries

	Parent company	
	03/31/2019	**12/31/2018**
Linx Sistemas e Consultoria Ltda.	**997,674**	979,389
Linx Telecomunicações Ltda.	**8,257**	7,911
	1,005,931	987,300

10.2 Information on direct subsidiaries

	Linx Sistemas	**Linx Telecomunicações**	**Total**
December 31, 2018			
Interest	99.99%	99.99%	
Current assets	635,731	9,289	645,020
Non-current assets	934,638	337	934,975
Total assets	1,570,369	9,626	1,579,995
Current liabilities	221,210	1,715	222,925
Non-current liabilities	369,770	-	369,770
Total liabilities	590,980	1,715	592,695
Shareholders' equity	979,389	7,911	987,300
Revenues	823,205	16,157	839,362
Expenses	(768,861)	(15,245)	(784,106)
Net income	54,344	912	55,256

	Linx Sistemas	**Linx Telecomunicações**	**Total**
March 31, 2019			
Interest	**99.99%**	**99.99%**	
Current assets	**628,102**	**10,029**	**638,131**
Non-current assets	**1,045,122**	**267**	**1,045,389**
Total assets	**1,673,224**	**10,296**	**1,683,520**
Current liabilities	**243,812**	**2,039**	**245,851**
Non-current liabilities	**431,738**	**-**	**431,738**
Total liabilities	**675,550**	**2,039**	**677,589**

(In thousands of Brazilian reais)

Shareholders' equity	**997,674**	**8,257**	**1,005,931**
Revenues	**215,581**	**4,396**	**219,977**
Expenses	**(198,370)**	**(4,050)**	**(202,420)**
Net income	**17,211**	**346**	**17,557**

10.3 Changes in investments

	Linx Sistemas	Linx Telecomunicações	Total
Investment balances at December 31, 2017	1,175,322	6,999	1,182,321
Equity in net income of subsidiaries	54,344	912	55,256
Accumulated translation adjustment	(2,437)	-	(2,437)
Post-employment benefit	(146)	-	(146)
Effect of IAS 29 update (hyperinflation)	1,822	-	1,822
Stock option plans	5,043	-	5,043
Payment of dividends (*)	(215,002)	-	(215,002)
First-time adoption of IFRS 9 and 15	(39,557)	-	(39,557)
Investment balances at December 31, 2018	979,389	7,911	987,300

(*) R$(25,002) referring to dividends paid in prior years plus R$(190,000) referring to dividends received in 2018 for the purpose of repurchasing shares.

	Linx Sistemas	Linx Telecomunicações	Total
Investment balances at December 31, 2018	979,389	7,911	987,300
Equity in net income of subsidiaries	**17,211**	**346**	**17,557**
Accumulated translation adjustment	**(874)**	**-**	**(874)**
Effect of IAS 29 update (hyperinflation)	**341**	**-**	**341**
Stock option plans	**1,607**	**-**	**1,607**
Investment balances at March 31, 2019	**997,674**	**8,257**	**1,005,931**

11. Property, plant and equipment

a) Breakdown - 2018:

	03/31/2018		
	Cost	Accumulated depreciation	Net value
Computers and electronics	37,359	(27,822)	9,537
Vehicles	11,475	(7,622)	3,853
Furniture and fixtures	12,546	(4,513)	8,033

(In thousands of Brazilian reais)

Facilities, machinery and equipment	31,118	(11,721)	19,397
Constructions in progress	147	-	147
Leasehold improvements	30,771	(13,376)	17,395
Real Estate	3,349	(569)	2,780
Other components	1,005	-	1,005
Total	127,770	(65,623)	62,147

The financial activity of property, plant and equipment balances is described below:

	Cost				
	Balance at 12/31/2017	**Addition**	**Addition - acquisition (*)**	**Decreases**	**Balance at 03/31/2018**
Computers and electronics	36,323	1,003	36	(3)	37,359
Vehicles	10,525	1,015	-	(65)	11,475
Furniture and fixtures	12,492	22	34	(2)	12,546
Facilities, machinery and equipment	31,054	33	31	-	31,118
Constructions in progress	-	147	-	-	147
Leasehold improvements	30,432	339	-	-	30,771
Real Estate	3,349	-	-	-	3,349
Other components	1,005	-	-	-	1,005
Total	125,180	2,559	101	(70)	127,770

(*) Amounts related to the acquisition of Itec on March 21, 2018.

	Accumulated depreciation		
	Balance at 12/31/2017	**Addition**	**Balance at 03/31/2018**
Computers and electronics	(26,969)	(853)	(27,822)
Vehicles	(7,232)	(390)	(7,622)
Furniture and fixtures	(4,253)	(260)	(4,513)
Facilities, machinery and equipment	(11,031)	(690)	(11,721)
Leasehold improvements	(12,827)	(549)	(13,376)
Real Estate	(536)	(33)	(569)
Total	(62,848)	(2,775)	(65,623)

b) Breakdown - 2019:

	03/31/2019		
	Cost	**Accumulated depreciation**	**Net value**
Computers and electronics	**47,504**	**(31,950)**	**15,554**
Vehicles	**14,551**	**(9,396)**	**5,155**
Furniture and fixtures	**14,597**	**(5,879)**	**8,718**
Facilities, machinery and equipment	**36,524**	**(15,047)**	**21,477**
Leasehold improvements	**36,963**	**(16,270)**	**20,693**
Real Estate	**3,349**	**(703)**	**2,646**
Other components	**1,005**	**-**	**1,005**
Total	**154,493**	**(79,245)**	**75,248**

(In thousands of Brazilian reais)

The financial activity of property, plant and equipment balances is described below:

	Cost				
	Balance at 12/31/2018	Addition (*)	IAS 29 (**)	Decreases	Balance at 03/31/2019
Computers and electronics	43,709	**3,902**	**(49)**	**(58)**	**47,504**
Vehicles	14,046	**612**	**(3)**	**(104)**	**14,551**
Furniture and fixtures	14,616	**12**	**(4)**	**(27)**	**14,597**
Facilities, machinery and equipment	36,271	**361**	**(47)**	**(61)**	**36,524**
Leasehold improvements	37,042	**59**	**-**	**(138)**	**36,963**
Real Estate	3,349	**-**	**-**	**-**	**3,349**
Other components	1,005	**-**	**-**	**-**	**1,005**
Total	150,038	**4,946**	**(103)**	**(388)**	**154,493**

(*) In the statement of cash flow, only additions with cash disbursement are being considered as investment activities.
(**) Amounts referring to update of IAS 29 (hyperinflation) in Napse Argentina.

	Accumulated depreciation		
	Balance at 12/31/2018	Addition	Balance at 03/31/2019
Computers and electronics	(30,764)	**(1,186)**	**(31,950)**
Vehicles	(8,952)	**(444)**	**(9,396)**
Furniture and fixtures	(5,583)	**(296)**	**(5,879)**
Facilities, machinery and equipment	(14,237)	**(810)**	**(15,047)**
Leasehold improvements	(15,559)	**(711)**	**(16,270)**
Real Estate	(670)	**(33)**	**(703)**
Total	(75,765)	**(3,480)**	**(79,245)**

Annual depreciation rates are stated as follows:

Computers and electronics	20%
Vehicles	20%
Furniture and fixtures	10%
Facilities, machinery and equipment	10%
Leasehold improvements	10%
Real Estate	4%

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

(In thousands of Brazilian reais)

12. Intangible

a) Breakdown - 2018:

	03/31/2018		
	Cost	Accumulated amortization	Net value
Software (i)	45,979	(24,710)	21,269
Software development (ii)	3,536	-	3,536
Software developed (iii)	143,052	(101,164)	41,888
Software development – capitalized interest	6,816	(3,203)	3,613
Brands acquired	46,187	(3,355)	42,832
Technology - acquisitions	116,989	(80,464)	36,525
Client portfolio - acquisitions	142,443	(52,313)	90,130
Goodwill	528,825	-	528,825
Other	3	-	3
Total	1,033,830	(265,209)	768,621

The financial activity of intangible asset balances is described below:

	Cost					
	Balance at 12/31/2017	Addition	Business combination (**)	Decreases	Transfers (***)	Balance at 03/31/2018
Software (i)	41,338	4,662	-	(21)	-	45,979
Software development (ii)	2,756	780	-	-	-	3,536
Software developed (iii)	134,845	8,207	-	-	-	143,052
Software development – capitalized interest	6,126	1,341	-	(651)	-	6,816
Brands acquired	46,187	-	-	-	-	46,187
Technology - acquisitions	116,614	-	3,060	-	(2,685)	116,989
Client portfolio - acquisitions	131,350	-	6,630	-	4,463	142,443
Goodwill (*)	522,244	218	15,545	(7,404)	(1,778)	528,825
Other	3	-	-	-	-	3
Total	1,001,463	15,208	25,235	(8,076)	-	1,033,830

(*) R$ 7,404 arising from the reclassification of an Adjustment to Present Value in the company Napse (final report).
(**) Amounts related to the acquisition of Itec on March 21, 2018.
(***) Transfers arising from the update of reports on acquisitions.

(In thousands of Brazilian reais)

	Accumulated amortization		
	Balance at 12/31/2017	Addition	Balance at 03/31/2018
Software (i)	(22,969)	(1,741)	(24,710)
Software developed (iii)	(94,637)	(6,527)	(101,164)
Software development – capitalized interest	(2,743)	(460)	(3,203)
Brands acquired	(3,115)	(240)	(3,355)
Technology - acquisitions	(77,471)	(2,993)	(80,464)
Client portfolio - acquisitions	(48,619)	(3,694)	(52,313)
Total	(249,554)	(15,655)	(265,209)

b) Breakdown - 2019:

	03/31/2019		
	Cost	Accumulated amortization	Net value
Software (i)	**68,518**	**(33,521)**	**34,997**
Software development (ii)	**18,933**	**-**	**18,933**
Software developed (iii)	**164,498**	**(128,479)**	**36,019**
Software development – capitalized interest	**11,173**	**(5,249)**	**5,924**
Brands acquired	**46,187**	**(4,316)**	**41,871**
Technology - acquisitions	**130,679**	**(93,420)**	**37,259**
Client portfolio - acquisitions	**136,787**	**(67,184)**	**69,603**
Goodwill	**607,633**	**-**	**607,633**
Right-of-use - IFRS 16	**110,384**	**(4,065)**	**106,319**
Other	**3**	**-**	**3**
Total	**1,294,795**	**(336,234)**	**958,561**

The financial activity of intangible asset balances is described below:

	Cost				
	Balance at 12/31/2018	Addition (*)	IAS 29 (**)	Decreases	Balance at 03/31/2019
Software (i)	61,907	**6,727**	**(75)**	**(41)**	**68,518**
Software development (ii)	15,634	**3,299**	**-**	**-**	**18,933**
Software developed (iii)	157,384	**7,114**	**-**	**-**	**164,498**
Software development – capitalized interest	8,786	**2,387**	**-**	**-**	**11,173**
Brands acquired	46,187	**-**	**-**	**-**	**46,187**
Technology - acquisitions	130,679	**-**	**-**	**-**	**130,679**
Client portfolio - acquisitions	136,787	**-**	**-**	**-**	**136,787**
Goodwill	607,633	**-**	**-**	**-**	**607,633**
Right-of-use - IFRS 16	-	**110,384**	**-**	**-**	**110,384**
Other	3	**-**	**-**	**-**	**3**
Total	1,165,000	**129,911**	**(75)**	**(41)**	**1,294,795**

(*) In the statement of cash flow, only additions with cash disbursement are being considered as investment activities.
(**) Amounts referring to update of IAS 29 (hyperinflation) in Napse Argentina.

(In thousands of Brazilian reais)

	Accumulated amortization		
	Balance at 12/31/2018	Addition	Balance at 03/31/2019
Software (i)	(30,884)	**(2,637)**	**(33,521)**
Software developed (iii)	(121,708)	**(6,771)**	**(128,479)**
Software development – capitalized interest	(4,728)	**(521)**	**(5,249)**
Brands acquired	(4,076)	**(240)**	**(4,316)**
Technology - acquisitions	(90,273)	**(3,147)**	**(93,420)**
Client portfolio - acquisitions	(63,697)	**(3,487)**	**(67,184)**
Other	-	**(4,065)**	**(4,065)**
Total	(315,366)	**(20,868)**	**(336,234)**

(i) Software acquired for use by the company employees and for its software development routines
(ii) Software under development that is not yet being marketed
(iii) Development of software under an innovation process that has already been marketed

Annual average amortization rates:

Software development	33%
Software developed	33%
Software development – capitalized interest	33%
Client portfolio - acquisitions	20–50%
Right-of-use - IFRS 16	10–33%
Software	10–20%
Technology - acquisitions	10–20%
Other	10–20%

12.1 Software development

The activity of the subsidiary Linx Sistemas e Consultoria Ltda. assumes the continuous development of new systems and applications aimed at increasing the range of options to the current clients and potential new clients, in view of the increasing market demand for computerized solutions for the businesses in general. In this context, several projects intended for client systems and applications are being developed. The amounts recorded in intangibles correspond to portion of the cost of the project development department, determined based on the number of hours of the respective employees. Each project is amortized as from the moment the asset is available for use for an average period of three years, which according to management, reflects the expected period of financial return of the projects.

In the three-month period ended March 31, 2019, the amount of R$ 18,372 (R$ 16,207 on March 31, 2018) was recognized in income (loss) for the period in the consolidated, and was related to research and maintenance of the software developed.

(In thousands of Brazilian reais)

13. Loans and financing

Type	Charges	Effective rate	Maturity	Covenants	Consolidated 03/31/2019	12/31/2018
Loan - BNDES	TLP + Spread 1.37% p.a	-	12/31/2027	13.2 (a)	**147,278**	146,602
Loan - BNDES	TJLP + 1.67% p.a.	9.446% p.a.	02/15/2021	13.2 (b)	**51,043**	57,526
Loan - BNDES	TJLP + 1.96% p.a.	9.751% p.a.	03/15/2022	13.2 (c)	**41,251**	44,560
Loan - BNDES	TJLP + 1.00% p.a.	8.768% p.a.	09/16/2019		**353**	528
Loan - Itaú	TJLP + 7.20% p.a.	14.980% p.a.	04/16/2021		**699**	761
Leases – IFRS 16	9.15% p.a.	-	12/31/2028		**90,236**	-
Other					**-**	4
					330,860	249,981
Current liabilities					**54,105**	40,720
Non-current liabilities					**276,755**	209,261

Prevailing loan contracts do not have assets pledged in guarantee.

The amount classified in non-current liabilities in the parent company and consolidated should be paid as follows:

Period	Consolidated 03/31/2019	12/31/2018
2020	**34,928**	40,012
2021	**48,974**	39,387
2022	**34,051**	24,615
2023	**30,554**	21,043
2024	**29,829**	21,043
2025	**29,829**	21,043
2026	**29,829**	21,043
2027	**29,962**	21,075
2028	**8,799**	-
	276,755	209,261

Changes are shown below:

	Parent company 03/31/2019	12/31/2018
Previous balance	**-**	2,852
Financial charges	**-**	36
Financial charges paid	**-**	(89)
Payments of loans and financing	**-**	(2,799)
	-	-

	Consolidated	
	03/31/2019	12/31/2018
Previous balance	**249,981**	97,288
Funds from acquisition of subsidiaries	**-**	1,097
Additions of loans and financing	**91,796**	191,837
Financial charges	**6,829**	9,658
Financial charges paid	**(3,851)**	(9,048)
Payments of loans and financing	**(13,895)**	(40,851)
	330,860	249,981

13.1 Changes in liabilities from financing activities

	12/31/2017	Payments	Receipts	Exchange -rate change	New acquisitions	Other (*)	03/31/2018
Loans and financing	97,288	(11,615)	44,468	-	-	2,232	132,373
Accounts payable from acquisition of subsidiaries	130,767	(33,601)	-	(35)	11,100	(17,555)	90,676
Total liabilities from financing activities	228,055	(45,216)	44,468	(35)	11,100	(15,323)	223,049

(*) Changes included in column "other" include effects from the recognition of interest not yet paid on loans and accounts payable due to acquisition and acquisitions' adjustment to present value.

	12/31/2018	Payments	Exchange -rate change	Other (*)	03/31/2019
Loans and financing	249,981	**(17,746)**	**-**	**98,625**	**330,860**
Accounts payable from acquisition of subsidiaries	112,487	**(10,681)**	**279**	**(7,141)**	**94,944**
Total liabilities from financing activities	362,468	**(28,427)**	**279**	**91,484**	**425,804**

(*) Changes included in column "other" include effects from the adoption of IFRS 16, effect from recognition of interest not yet paid on loans and accounts payable due to acquisition and acquisitions' adjustment to present value.

13.2 Covenants

(a) BNDES loan raised on December 13, 2018 has covenant for early debt payment. The following indices should be determined on a half-annual basis in consolidated financial statements:

(i) General Indebtedness / total assets: equal or less than 60%;

(ii) Net debt / EBITDA: equal or less than 2.0;

In order to determine the indices, the following definitions and criteria should be adopted:

- General indebtedness: Total current and non-current liabilities

- Net debt: The total balance of consolidated onerous debts of the Intervening Party, including loans and financing; loans, issuance of fixed-income securities, promissory notes and debentures, convertible or not, in the local or international capital market, and the sale or assignment of future receivables if they are recorded as liabilities; and other financial operations and debts of the Company, recorded in current and non-current liabilities, net of Cash and cash equivalents (cash and interest earning bank deposits).
- EBITDA: Operating income (loss) before interest, income tax, depreciation and amortization;

In the hypothesis that levels established in the item VII of the Clause Nine (Obligations of the Intervening Parent Company) are not met, the Company must present, within 120 days counted as of notification date, in written, from BNDES, real guarantees accepted by BNDES at an amount corresponding to at least 130% of financing value or deriving debt, except if within that period, above mentioned levels were re-established.

We detected no event of non-compliance with covenants at March 31, 2019.

(b) BNDES loan raised on October 28, 2014 has covenant for early debt payment. During the contractual period, two of the following ratios, calculated semi-annually in the consolidated statements, should be maintained:

(i) General Indebtedness / total assets: equal or less than 60%;

(ii) Net debt / EBITDA: equal or less than 2.0;

(iii) EBITDA / Net operating revenue: equal or higher than 20%.

In order to determine the indices, the following definitions and criteria should be adopted:

- EBITDA: Income (loss) before interest, income tax, depreciation and amortization;
- Net debt: balances of the consolidated onerous debts, including loans and financing; loans, issuance of fixed-income securities, promissory notes and debentures, convertible or not, in the local or international capital market, and the sale or assignment of future receivables if they are recorded as liabilities; and other financial operations and debts of the Company, recorded in current and non-current liabilities, net of Cash and cash equivalents. In order to calculate this ratio, we will not consider the amounts classified as Accounts payable for the acquisition of subsidiaries in the balance sheet as Net Debt.

In the hypothesis that levels established in the contract are not met, the Company must present, within 180 days counted as of default date, real guarantees accepted by BNDES at an amount corresponding to at least 130% of financing value or deriving debt, or present a bank guarantee to be provided by the financial institution at BNDES criteria, and it is in financial economic situation assuring the degree of notorious solvency, the total amount of the debt, except if within that period, above mentioned levels were re-established.

We detected no event of non-compliance with covenants at March 31, 2019.

(c) BNDES loan raised on December 11, 2015 has covenant for early debt payment. During the contractual period, two of the following ratios, calculated semi-annually in the consolidated statements, should be maintained:

(i) General Indebtedness / total assets: equal or less than 60%;

(ii) Net debt / EBITDA: equal or less than 2.0;

(iii) EBITDA / Net operating revenue: equal or higher than 20%.

In order to determine the indices, the following definitions and criteria should be adopted:

- EBITDA: earnings before interest, income tax, depreciation and amortization;

- Net debt: Balances of the consolidated onerous debts, including loans and financing; loans, issuance of fixed-income securities, promissory notes and debentures, convertible or not, in the local or international capital market, and the sale or assignment of future receivables if they are recorded as liabilities; and other financial operations and debts of the Company, recorded in current and non-current liabilities, net of Cash and cash equivalents. In order to calculate this ratio, we will not consider the amounts classified as Accounts payable for the acquisition of subsidiaries in the balance sheet as Net Debt.

In the hypothesis that levels established in the contract are not met, the Company must present, within 180 days counted as of default date, real guarantees accepted by BNDES at an amount corresponding to at least 130% of financing value or deriving debt, or present a bank guarantee to be provided by the financial institution at BNDES criteria, and it is in financial economic situation assuring the degree of notorious solvency, the total amount of the debt, except if within that period, above mentioned levels were re-established.

We detected no event of non-compliance with covenants at March 31, 2019.

(In thousands of Brazilian reais)

14. Labor obligations

	Parent company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Provision for 13th salary and payroll charges	**-**	-	**31,316**	26,542
INSS payable	**16**	16	**6,159**	6,673
Provision for profit sharing	**-**	-	**7,812**	3,876
FGTS payable	**-**	-	**2,042**	2,137
Salaries payable	**-**	-	**2,930**	1,344
Other	**-**	-	**4,249**	3,229
	16	16	**54,508**	43,801
Current liabilities	**16**	16	**53,893**	43,801
Non-current	**-**	-	**615**	-

15. Accounts payable from acquisition of subsidiaries

Accounts payable from the acquisitions of subsidiaries refer to amounts due to the previous owners for the acquisition of shares or quotas representing the capital of these companies. Debts are restated under contractual clauses and mature as follows:

	Consolidated	
	03/31/2019	**12/31/2018**
Installments not subject to restatement	**34,572**	46,542
Napse installments subject to restatement based on exchange-rate change and LIBOR.	**42,270**	41,951
Installments subject to restatement based on the change in the CDI rate of 3.17%	**3,142**	3,608
Installments subject to restatement based on the change of IPCA – 2.60%	**15,656**	22,774
Installments subject to restatement based on the change of IGPM – 5.40%	**7,825**	7,690
Adjustment to present value (**)	**(8,521)**	(10,078)
	94,944	112,487
Current liabilities	**49,450**	57,099
Non-current liabilities	**45,494**	55,388

(*) Amounts relating to fixed monthly contractual installments and earn-outs
(**) Amounts relating to the APV on the fixed monthly contractual installments and earn-outs

The amount classified in non-current liabilities will be amortized following the schedule below:

(In thousands of Brazilian reais)

	Consolidated	
Period	03/31/2019	12/31/2018
2020	**23,965**	35,373
2021	**10,015**	14,225
2022	**6,032**	5,065
2023	**5,482**	725
	45,494	55,388

Of total amount payable on March 31, 2019, R$ 90,414 is related to contingent consideration (R$ 111,545 as of December 31, 2018). The Company expects to fully settle amounts related to contingent considerations, and there were no significant changes in expectations in relation to prior year. The fair value of these obligations also considered a market interest rate (Selic). Fair value hierarchy of contingent consideration is classified as level 3 (Note 23.7).

The changes in the consolidated are shown as follow:

	Consolidated	
	03/31/2019	12/31/2018
Previous balance	**112,487**	130,767
Addition due to acquisition	**-**	38,881
Payment of principal/financial charges paid	**(10,681)**	(45,878)
Restatement of financial charges	**2,370**	3,057
Contingencies (*)	**-**	(5,343)
Earn-Out (**)	**(9,232)**	(8,997)
	94,944	112,487

(*) Contingencies arising from the acquired companies, offset by the amounts that the Company has to pay to former management.
(**) The amounts refer to reversal of unachieved earn-out of the acquirees Neemu, Percycle, Sback and Itec

16. Deferred revenue

	Consolidated	
	03/31/2019	12/31/2018
Revenue from services (*)	**11,502**	8,902
Revenue from royalties (**)	**43,265**	50,346
	54,767	59,248
Current	**41,031**	40,053
Non-current	**13,736**	19,195

(*) Refers to balances of bank of hours contracted by clients; recognition is carried out after provision of service and write-off of service card.
(**) Refers to balances of software contracts' (royalties) deferral deriving from first-time adoption of IFRS 15 / CPC 47 and subsequent changes.

(In thousands of Brazilian reais)

17. Income Tax and Social Contribution

17.1 Income tax and social contribution expense

	Parent company		Consolidated	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Current tax				
Current tax on income for the period	**-**	-	**(2,025)**	(1,664)
Deferred tax				
Deferred tax on income for the period	**14**	24	**(4,368)**	(4,743)
Income and social contribution tax expense for effective income	**14**	24	**(6,393)**	(6,407)

The reconciliation between the tax expense as calculated by the combined nominal rates and the income tax and social contribution expense charged to income is presented below:

	Parent company		Consolidated	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Income (loss) before income tax and social contribution	**17,166**	26,428	**23,573**	32,859
Rate income tax and social contribution	**34%**	34%	**34%**	34%
Income tax and social contribution at the rate of 34%	**(5,836)**	(8,986)	**(8,015)**	(11,172)
Permanent differences				
Equity in net income of subsidiaries	**5,969**	9,077	**-**	-
Permanent additions (promotional gifts, fines and nondeductible expenses)	**60**	-	**119**	402
Law 11196/05 (Research and development subsidies)	**-**	-	**2,124**	2,444
Tax loss (offset and formation)	**(162)**	-	**(399)**	(1,098)
Difference in income tax and social contribution determined by the deemed income	**-**	-	**(647)**	(571)
Effects of tax rates of foreign subsidiaries	**-**	-	**949**	601
Prov. revenue from licenses (IFRS15) and expected losses (IFRS09)	**-**	-	**(2,386)**	(697)
Other net differences	**(17)**	(67)	**1,862**	3,684
Income tax expense for effective rate	**14**	24	**(6,393)**	(6,407)
Effective rate	**-0.08%**	-0.09%	**27%**	19%

(In thousands of Brazilian reais)

17.2 Deferred taxes

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

Temporary deferred income tax and social contribution are as follows:

	Consolidated	
	03/31/2019	12/31/2018
Deferred income tax and social contribution on accounting and tax goodwill	**(78,101)**	(72,425)
Deferred income tax/ social contribution assets identified in acquisitions	**(31,136)**	(31,161)
Deferred income tax/social contribution on first-time adoption of IFRS 9 and IFRS 15	**14,617**	17,004
Inc. tax and soc. contr. on foreign companies	**(229)**	(283)
Deferred IR/CS on tax loss and negative basis	**3,649**	3,953
Allowance for doubtful accounts	**1,179**	620
Provision of benefits to employees	**411**	411
Provision for contingencies	**1,263**	809
Provision for adjustment to present value	**2,540**	2,019
Stock option plan	**2,990**	2,235
Provision for profit sharing and gainsharing, bonus, collective bargaining and overtime	**3,451**	1,993
Other provisions	**2,177**	2,190
Deferred taxes, net	**(77,189)**	(72,635)

18. Shareholders' equity

18.1 Capital

The Company is authorized to increase capital by up to R$1,000,000,000.00, regardless of its Bylaws' reform, following the Board of Directors' decision.

Capital is solely represented by common shares and each of them corresponds to a vote in Shareholders' Meeting decisions.

Board of Directors is the competent body to decide on issuances and will determine issuance conditions, subscription, payment form and deadline, price per share, placement form (public or private) and its distribution in Brazil and/or abroad.

At the criteria of the Board of Directors, the share issue may be made, without right of preference or with a reduction of the time frame addressed by article 171, §4 of Law 6404, dated December 15, 1976, as amended ("Corporation Law") of shares and debentures that are convertible into shares or a subscription bonus, the flotation of which is made through a sale on the stock exchange or by public subscription, or even through an exchange for shares in a takeover bid, in the terms established in law, within the limits of the authorized capital.

(In thousands of Brazilian reais)

On February 28, 2019, the Company's capital increase was approved, within limit of authorized capital, in the amount of R$ 362, from R$ 488,467 (total as of December 31, 2018) to R$ 488,829, through issue of 25,578 new common registered, book-entry shares, with no par value.

Capital is represented by authorized, subscribed and fully paid-up shares with no par value and is divided as follows:

	Founding shareholders	Treasury shares	Free float (*)	Consolidated
December 31, 2018	28,037,764	7,502,115	130,743,503	166,283,382
March 31, 2019	**27,382,764**	**7,502,115**	**131,424,081**	**166,308,960**

(*) BNDES Participações S.A. e Genesis Asset Managers hold shareholding interest higher than 5%.

The changes in the number of subscribed and paid-up shares are as follows:

December 31, 2018	166,283,382
Capital increase	**25,578**
March 31, 2019	**166,308,960**

18.2 Capital reserves

Regarding the issuance of shares on September 26, 2016, it is formed of goodwill in the subscription of capital in the amount of R$ 325,440 and transaction costs incurred in the obtainment of resources by means of the issuance of membership certificates in the amount of R$ 12,317 recorded in a reduction account, net of deferred income tax and social contribution.

The capital reserve is set up as follows:

	03/31/2019	12/31/2018
Goodwill in capital subscription (a)	**539,571**	539,571
Stock option plan (Note 26)	**18,401**	16,104
Treasury shares (b)	**(148,373)**	(148,373)
Expenditures with issuance of shares (c)	**(37,423)**	(37,423)
	372,176	369,879

(a) In compliance with 6,404/76, the issue price of the shares without par value may be allocated as part of the capital reserve.

(b) On June 22, 2018, occurred the approval of the opening of Company's share buyback program and 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, disposed 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 ICVM 567/15.

(c) In conformity with Pronouncement CPC 08 – Transaction Costs and Premiums on Issuance of Securities, transaction costs incurred on funding through issuance of new shares were recorded separately as a reduction to shareholders' equity.

18.3 Legal reserve

It is formed of 5% of net income for the fiscal year, in conformity with article 193 of Law no. 6,404/76, up to the limit of 20% of the capital.

For the period ended March 31, 2019, pursuant to paragraph 1 of article 193 of Law 6404/76, the Company did not set up a legal reserve, as the capital reserve amount exceeded the percentage of 30% of capital.

18.4 Dividends

The Company's Bylaws establish a minimum dividend of 25% calculated on the annual net income, adjusted as provided by Article 202 of Law 6404/1976.

The total balance of dividends payable in the balance sheet was R$ 25,000 at March 31, 2019, made up of R$ 2,764 in minimum obligatory dividends and R$ 22,236 in additional dividends proposed by Management.

19. Provision for contingencies

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

At March 31, 2019, management, based on information provided by its legal advisors, keep a provision amounting to R$ 12,294 and, at December 31, 2018, amounting to R$ 10,960.

There are other lawsuits evaluated by legal advisors as being a possible risk in the amount of R$ 12,527 as of March 31, 2019 (R$ 10,986 as of December 31, 2018), for which no provision has been formed in view of the fact that the accounting practices adopted in Brazil do not require to be accounted for.

The possible contingencies of the acquired companies will be guaranteed by the former owners according to contracts of purchase and sale.
The Company has sufficient amounts held to meet these commitments, classified under other receivables in the balance sheet, based on diligences carried out during the acquisition process.

(In thousands of Brazilian reais)

Change	**Labor**	**Civil**	**Addition - acquisition (*)**	**Total**
Balance at December 31, 2018	1,358	1,022	8,580	10,960
Additions	**1,338**	**288**	**-**	**1,626**
Write-offs	**(239)**	**(86)**	**-**	**(325)**
Restatement	**22**	**11**	**-**	**33**
Balance at March 31, 2019	**2,479**	**1,235**	**8,580**	**12,294**

(*) Provision for contingent liabilities deriving from acquisitions of companies Itec, Único and DCG (amounts prior to acquisition date by Linx Sistemas).

20. Net operating revenue

Below, we show the reconciliation between gross and net revenue presented in the statement of income for the period:

	Consolidated	
	Three-month period ended	
	03/31/2019	03/31/2018
Gross operating revenue		
Subscription revenues	**180,515**	162,362
Consulting service revenues	**21,976**	19,561
	202,491	181,923
Sales deductions		
PIS	**(1,165)**	(1,066)
COFINS	**(5,378)**	(4,920)
ISS	**(4,648)**	(4,007)
INSS (Social security)	**(7,399)**	(6,819)
Other	**(1,159)**	(1,055)
Cancellations and rebates	**(5,937)**	(5,646)
	(25,686)	(23,513)
	176,805	158,410

The Company does not have clients that individually represents more than 10% of revenue for the periods ended March 31, 2019 and 2018.

Table below presents geographical information as required by IFRS 8 – information per segment.

(In thousands of Brazilian reais)

	Geographical information	
	03/31/2019	03/31/2018
Net revenue		
In Brazil	**167,775**	148,972
Abroad	**9,030**	9,438
	176,805	158,410
Non-current assets		
In Brazil	**1,715,801**	1,575,708
Abroad	**33,059**	23,156
	1,748,860	1,598,864

21. Costs, expenses and other operating expense / income

	Parent company		Consolidated	
	Three-month period ended			
	03/31/2019	03/31/2018	**03/31/2019**	03/31/2018
Nature				
Rents	**-**	-	**(28)**	(4,260)
Commissions	**-**	-	**(9,310)**	(8,779)
Depreciation and amortization	**-**	-	**(24,348)**	(18,430)
Maintenance and preservation	**-**	-	**(1,468)**	(4,645)
Personnel	**(978)**	(267)	**(87,960)**	(71,471)
Advertising and publicity	**-**	-	**(3,080)**	(1,820)
Outsourced services	**(27)**	(8)	**(14,914)**	(10,348)
Travel and accommodation	**-**	-	**(3,067)**	(3,203)
Expenses with link	**-**	-	**(7,249)**	(7,435)
IT expenses	**-**	-	**(917)**	(631)
Other revenues	**-**	-	**8,124**	8,004
Other	**(243)**	(99)	**(7,251)**	(6,230)
	(1,248)	(374)	**(151,468)**	(129,248)
Function				
Cost of services rendered	**-**	-	**(59,999)**	(56,656)
Administrative and general expenses	**(1,248)**	(374)	**(43,962)**	(42,529)
Sales expenses	**-**	-	**(35,325)**	(22,059)
Research and development	**-**	-	**(18,372)**	(16,207)
Other operating revenues (expenses)	**-**	-	**6,190**	8,203
	(1,248)	(374)	**(151,468)**	(129,248)

(In thousands of Brazilian reais)

22. Financial income (expenses)

	Parent Company		Consolidated	
	Three-month period ended			
	03/31/2019	03/31/2018	**03/31/2019**	03/31/2018
Financial revenues				
Interest receivable	**(39)**	-	**763**	968
Interest on interest earning bank deposits	**917**	140	**6,152**	7,685
Discounts obtained	**-**	-	**73**	16
Foreign-exchange gain	**-**	-	**3,616**	1,906
Other revenues	**45**	23	**(320)**	1,470
	923	163	**10,284**	12,045
Financial expenses				
Liability interest	**-**	-	**(906)**	(73)
Interest on loans and financing	**-**	(36)	**(2,304)**	(1,851)
Discount granted	**-**	-	**(2,413)**	(2,829)
Foreign-exchange losses	**-**	-	**(3,256)**	(2,328)
Tax on financial operations	**-**	-	**(242)**	(203)
Effect of IAS 29 update	**-**	-	**(538)**	-
Other expenses	**(66)**	(21)	**(2,389)**	(1,064)
	(66)	(57)	**(12,048)**	(8,348)
	857	106	**(1,764)**	3,697

23. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operating risk

23.1 Credit risk

Credit risk is the possibility of financial loss of the Company and its subsidiaries if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from trade accounts receivable and investments of its subsidiaries.

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

(In thousands of Brazilian reais)

The Company has a very diversified client portfolio with low concentration level, and major client represents only 2.3% of recurring revenue.

The subsidiaries establish an allowance for doubtful accounts that represents its estimate of losses incurred in relation to trade accounts receivable (See Note 6). The main component of this allowance is specific and related to significant individual risks.

On March 31, 2019, maximum exposure referring to cash and cash equivalents, interest earning bank deposits and accounts receivable.

(i) Cash and cash equivalents and interest earning bank deposits

	Parent company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Cash and cash equivalents (Note 4)	**50**	50	**49,945**	49,850
Interest earning bank deposits (Note 5)	**59,528**	60,108	**413,239**	413,374
	59,578	60,158	**463,184**	463,224

(ii) Trade accounts receivable

	Consolidated	
	03/31/2019	**12/31/2018**
Trade accounts receivable (Note 6)	**176,003**	170,382
	176,003	170,382

23.2 Liquidity risk

Liquidity risk is the risk of the Company and its subsidiaries encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The approach of the Company and its subsidiaries in liquidity management is to guarantee, as much as possible, that will always have sufficient liquidity to perform their obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullying the reputation of the Company and its subsidiaries.

The table below shows the maturity of financial liabilities contracted in details:

(In thousands of Brazilian reais)

Operation	Parent company Up to 1 year	Up to 2 years	3–5 years	Total
Suppliers	104	-	-	104
Other liabilities	30	-	-	30
	134	-	-	134

Operation	Consolidated Up to 1 year	Up to 2 years	3–5 years	>5 years	Total
Suppliers	12,543	-	-	-	12,543
Loans and financing (Note 13)	54,105	83,902	154,092	38,761	330,860
Accounts payable for the acquisition of subsidiaries - Earn Out (Note 15)	27,834	36,426	4,760	-	69,020
Accounts payable for the acquisition of subsidiaries – retained installments (Note 15)	17,118	2,324	10,472	-	29,914
Accounts payable for the acquisition of subsidiaries – Other (Note 15)	4,498	33	-	-	4,531
Other liabilities	17,380	2,044	-	-	19,424
	133,478	124,729	169,324	38,761	466,292

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

Typically, the Company and its subsidiaries ensure that they have sufficient cash at sight to cover expected operating expenses, including the compliance with financial obligations; this excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters.

23.3 Market risk

Interest rate and inflation risk: Interest rate risk derives from debt portion indexed to TJLP, TLP, IPCA, IGPM, CDI and LIBOR and from interest earning bank deposits in CDI that may adversely affect financial income or expenses in case an unfavorable movement occurs in interest and inflation rates. This risk exposure as shown in the sensitivity analysis provided below.

23.4 Operating risk

Operating risk is the risk of direct or indirect losses arising from different causes related to the processes, personnel, technology and infrastructure of the Company and its subsidiaries, and external factors, except credit, market and liquidity risks, as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards. The objective of the Company and its subsidiaries is to manage the operating risk and the service quality risk in order to avoid sustaining financial losses and harming the reputation of the Company and its subsidiaries.

(In thousands of Brazilian reais)

23.5 Capital management

The policy of the Executive Board is to maintain a solid capital base to maintain the confidence of investors, creditors and market and the future development of the business. The Executive Board monitors returns on capital, which the Company defines as income (loss) from operating activities divided by total shareholders' equity. Executive Board also monitors the level of dividends to its shareholders.

23.6 Financial instruments' analysis

There is a comparison below, by class of book and fair value of the Company's financial instruments:

	Parent company				Consolidated			
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
	03/31/2019	03/31/2019	12/31/2018	12/31/2018	03/31/2019	03/31/2019	12/31/2018	12/31/2018
Financial assets								
Cash and cash equivalents (Note 4)	**50**	**50**	50	50	**49,945**	**49,945**	49,850	49,850
Interest earning bank deposits (Note 5)	**59,528**	**59,528**	60,108	60,108	**413,239**	**413,239**	413,374	413,374
Trade accounts receivable (Note 6)	**-**	**-**	-	-	**176,003**	**176,003**	170,382	170,382
Other receivables	**1,620**	**1,620**	49	49	**39,968**	**39,968**	50,620	50,620
Total	**61,198**	**61,198**	60,207	60,207	**679,155**	**679,155**	684,226	684,226
Financial liabilities								
Suppliers	**104**	**104**	47	47	**12,543**	**12,543**	13,623	13,623
Loans and financing (Note 13)	**-**	**-**	-	-	**330,860**	**330,860**	249,981	249,981
Accounts payable for the acquisition of subsidiaries (Note 15)	**-**	**-**	-	-	**94,944**	**94,944**	112,487	112,487
Other liabilities	**30**	**30**	34	34	**19,424**	**19,424**	10,307	10,307
Total	**134**	**134**	81	81	**457,771**	**457,771**	386,398	386,398

Amounts of these instruments recognized in the balance sheet do not significantly differ from their fair values.

- Trade accounts receivable and suppliers approximate their respective book value mostly due to the short-term maturity of these instruments.

- Loans and financing and accounts payable due to acquisitions are contractually restated and represent the balance to be paid on the date of settlement of the contractual obligations.

(In thousands of Brazilian reais)

Financial instruments per category:

	Parent company			
	03/31/2019		12/31/2018	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
Financial assets				
Cash and cash equivalents (Note 4)	**-**	**50**	-	50
Interest earning bank deposits (Note 5)	**59,528**	**-**	60,108	-
Other receivables	**-**	**1,620**	-	49
	59,528	**1,670**	60,108	99
Financial liabilities				
Suppliers	**-**	**104**	-	47
Loans and financing (Note 13)	**-**	**-**	-	-
Other liabilities	**-**	**30**	-	34
	-	**134**	-	81

	Consolidated			
	03/31/2019		12/31/2018	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
Financial assets				
Cash and cash equivalents (Note 4)	**-**	**49,945**	-	49,850
Interest earning bank deposits (Note 5)	**413,239**	**-**	413,374	-
Trade accounts receivable (Note 6)	**-**	**176,003**	-	170,382
Other receivables	**-**	**39,968**	-	50,620
	413,239	**265,916**	413,374	270,852
Financial liabilities				
Suppliers	**-**	**12,543**	-	13,623
Loans and financing (Note 13)	**-**	**330,860**	-	249,981
Accounts payable for the acquisition of subsidiaries (Note 15)	**-**	**94,944**	-	112,487
Other liabilities	**-**	**19,424**	-	10,307
	-	**457,771**	-	386,398

23.7 Fair value hierarchy

Different levels were defined as follows:

- Level 1 – Prices quoted (not adjusted) in active markets for identical assets and liabilities
- Level 2 – Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices)
- Level 3: Assumptions, for assets or liabilities, which are not based on observable market data (non-observable inputs).

(In thousands of Brazilian reais)

The tables below show the hierarchy of fair value measurement of the Company's assets and liabilities.

Quantitative disclosures of fair value hierarchy as of December 31, 2018:

	Total	Prices quoted in active markets (Level 1)	Significant observable data (Level 2)	Significant non-observable data (Level 3)
Assets measured at fair value				
Financial assets at fair value				
Interest earning bank deposits (Note 5)	413,374	-	413,374	-
Liabilities measured at fair value				
Financial liabilities at fair value				
Loans and financing (Note 13)	249,981	-	249,981	-
Accounts payable for the acquisition of subsidiaries (Note 15)	112,487	-	942	111,545

Quantitative disclosures of fair value hierarchy as of March 31, 2019:

	Total	Prices quoted in active markets (Level 1)	Significant observable data (Level 2)	Significant non-observable data (Level 3)
Assets measured at fair value				
Financial assets at fair value				
Interest earning bank deposits (Note 5)	**413,239**	**-**	**413,239**	**-**
Liabilities measured at fair value				
Financial liabilities at fair value				
Loans and financing (Note 13)	**330,860**	**-**	**330,860**	**-**
Accounts payable for the acquisition of subsidiaries (Note 15)	**94,944**	**-**	**4,530**	**90,414**

The Company uses proper valuation techniques with the help of sufficient data to measure the fair value, maximizing the use of relevant observable data and minimizing the use of unobservable data.

(In thousands of Brazilian reais)

23.8 Sensitivity analysis for financial assets and liabilities

Main risks related to the Company's transactions are linked to TJLP, TLP, CDI, IPCA, IGPM, IPC, SELIC and LIBOR change for BNDES financing and accounts payable due to acquisition of companies, and to CDI for interest earning bank deposits.

The investments with CDI are recorded at market value, according to quotations announced by the respective financial institutions and the others mainly refer to bank deposit certificates. Therefore, the recorded value of these securities does not differ from the market value.

In order to check the sensitivity of the indexer of interest earning bank deposits to which the Company was exposed to at March 31, 2019, we defined three scenarios for the risk of decrease in CDI. The March 2019 index, which was 6.40% (6.40% as of December 31, 2018), was defined as probable scenario; based thereon, 25% and 50% scenarios were defined.

Parent company

Operation	Balance at 03/31/2019	Risk	Scenario I (probable)	Scenario II	Scenario III
Interest earning bank deposits	59,528	CDI decr.	6.40%	4.80%	3.20%
Financial revenue			3,810	2,857	1,905

Consolidated

Operation	Balance at 03/31/2019	Risk	Scenario I (probable)	Scenario II	Scenario III
Interest earning bank deposits	413,239	CDI decr.	6.40%	4.80%	3.20%
Financial revenue			26,447	19,835	13,224

In order to analyze sensitivity of debt indexes, to which the Company is exposed at March 31, 2019, three different scenarios were defined for the risk of increase in such indexes. This was based on TJLP, TLP, IPCA, IPC, IGPM, CDI and SELIC amounts in effect at March 31, 2019, available at CETIP, IBGE, Central Bank of Brazil, FGV, among others. Accordingly, a probable scenario was defined for 2019, based on which, 25% and 50% differences were calculated.

For each scenario the Company calculated the gross financial expense, not taking into account the taxes levied and the flow of maturities for each contract scheduled for 2019. The base date used for financings was March 31, 2019, projecting indices for one year and verifying their sensitivity in each scenario.

(In thousands of Brazilian reais)

Consolidated					
Operation	Balance at 03/31/2019	Risk	Scenario I (probable)	Scenario II	Scenario III
Financings – BNDES	330,860	TJLP incr.	23,259	29,083	34,906
Rate subject to change			7.03%	8.79%	10.55%
Acquisition of companies	7,825	IGPM incr.	169	211	254
Rate subject to change			2.16%	2.70%	3.24%
Acquisition of companies	3,142	CDI incr.	201	251	302
Rate subject to change			6.40%	8.00%	9.60%
Acquisition of companies	15,656	IPCA incr.	236	294	354
Rate subject to change			1.51%	1.88%	2.26%
Acquisition of companies	42,270	R$ decr.	1,649	2,063	2,473
Rate subject to change			3.90%	4.88%	5.85%

24. Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance coverage for properties subject to risks in amounts considered sufficient to cover any casualties, considering the nature of their activity. Coverages (insurance coverages mentioned in these notes are not in the scope of audit review) in 2019 and 2018.

	Consolidated	
	03/31/2019	03/31/2018
Civil liability for professionals	**7,500**	5,000
Civil liability for managers	**70,000**	70,000
Operational risks	**165,800**	119,000
Vehicles	**600**	600
	243,900	194,600

25. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to company shareholders by the weighted average number of common shares, as follows:

(In thousands of Brazilian reais)

	Parent company	
	03/31/2019	03/31/2018
Stock option plan	**17,180**	26,452
Weighted average of shares	**158,790,077**	164,154,259
Basic earnings per share - (in reais)	**0.1082**	0.1611

(b) Diluted earnings per share

Diluted profit per share is calculated by adjusting the weighted average number of common shares, presuming the conversion of all the potential diluted common shares. The Company has a Stock Option Plan that provides for the granting of 4,060,627 stock options with the Plan's total dilutive potential being represented by 920,545 stock options, including initial granting.

	Parent company	
	03/31/2019	03/31/2018
Net income for the period	**17,180**	26,452
Weighted average number of shares (*)	**161,525,764**	166,129,818
Diluted earnings per share (in reais)	**0.1064**	0.1592

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

26. Share-based payment

In the Special Shareholders' 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, Law 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 due to its positions and length of service with the Company; (ii) providing incentive for the achievement of the Company's social goals; (iii) aligning the Company's shareholders' interests to those of the Company's management; and (iv) encourage performance and favor retention of key persons in the Company, to the extent in which their interest in the institution's capital will permit them to benefit from results for which they have contributed and that are reflected in share price appreciation.

The plan is managed by the Board of Directors, which establishes granting programs and is in charge of determining: (i) the creation and application of general rules relating to the grant of options under the Plan and the solution of questions of interpretation of the Plan; (ii) performance targets for the Company's top executives in order to establish objective criteria for election of beneficiaries; (iii) election of Plan Beneficiaries and authorization to grant stock options in their favor, establishing all conditions for options to be granted, as well as change of such conditions when it is necessary to adequate options to the terms of the law, standard or subsequent regulation; and (iv) issuance of new Company's shares within authorized capital limit, or disposal of treasury shares to comply with exercise of stock options granted pursuant to the terms of 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 first concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 1,842,951 stock option at exercise price of R$ 6.24, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 28, 2014, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 406,059 stock option at exercise price of R$ 11.28, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 27, 2015, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 432,855 stock option at exercise price of R$ 15.01, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 29, 2016, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 566,592 stock option at exercise price of R$ 15.50, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On March 31, 2017, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 391,618 stock option at exercise price of R$ 16.57, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

(In thousands of Brazilian reais)

On March 31, 2018, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the number of shares that each of them may acquire when exercising the option - totaling 420,552 stock option at exercise price of R$ 19.16, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

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 restricted 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 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:

Stock Option								
Grant				Fair value assumptions				
					Expected			
Number	Date	Quantity of options	Strike price - reais	Option pricing	Dividends - %	Volatility - %	Risk-free interest rate, %	Maturity term
1st	02/28/2013	1,842,951	6.24	4.24	3.30%	25.24%	10.27%	4 years
2nd	02/28/2014	406,059	11.28	3.94	0.80%	25.11%	10.12%	4 years
3rd	02/27/2015	432,855	38.72	11.86	1.28%	24.00%	12.96%	4 years
4th	02/29/2016	566,592	38.17	14	0.85%	25.01%	7.25%	4 years
5th	03/31/2017	391,618	16.57	3.83	1.34%	24.25%	9.71%	4 years
6th	03/31/2018	420,552	19.16	2.99	1.39%	23.69%	7.43%	4 years

Changes in stock option plan are as follows:

	Stock option plan	
	Number of outstanding shares	**Strike price (in Reais)**
December 31, 2018	946,123	16.41
Exercised	**(25,578)**	**14.15**
March 31, 2019	**920,545**	**16.41**

On March 31, 2017, the Board of Directors approved the concession of restricted shares totaling 945,048 stock option at exercise price of R$ 15.70, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by

(In thousands of Brazilian reais)

Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On March 31, 2018, the Board of Directors approved the concession of restricted shares totaling 398,489 stock option at exercise price of R$19.16, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

At January 22, 2019, the Board of Directors approved the concession of restricted shares, totaling 1,011,846, of which 183,286 were set aside for members of the statutory board, 303,560 for the employees, and 525,000 allocated to the "Linx Pay Hub Extraordinary Program of Restricted Shares".

The fair value of each restricted share is estimated on the date of concession based on the average value of the shares, which considered the following variables and results:

Restricted shares								
Grant				Fair value assumptions				
					Expected			
Number	Date	Quantity of options	Strike price - reais	Option pricing	Dividends - %	Volatility - %	Risk-free interest rate, %	Maturity term
1st	03/31/2017	945,048	29.43	27.84	1.34%	24.25%	9.71%	4 years
2nd	03/31/2018	398,489	19.16	18.12	1.39%	23.69%	7.43%	4 years
3rd	01/22/2019	1,011,846	29.27	27.75	1.33%	27.14%	6.42%	4/5 years

The financial activity of the restricted shares is presented below:

	Restricted shares	
	Number of outstanding shares	Strike price (in Reais)
December 31, 2018	1,033,868	-
Granted	**1,011,846**	**28.31**
Canceled	**(20,887)**	**-**
March 31, 2019	**2,024,827**	**-**

The accumulated effect in the period ended March 31, 2019 is R$ 2,912 (R$ 379 as of March 31, 2018) recorded in the statement of income as payroll expenses. This effect did not impact the Company’s cash.

The accumulated balance in shareholders’ equity presented in the capital reserve under “stock option plan” in the period ended March 31, 2019 is R$ 18,401 (R$ 16,104 as of December 31, 2018).

(In thousands of Brazilian reais)

27. Subsequent event

27.1 Acquisition of Hiper Software S.A.

At April 2, 2019, Linx S.A entered into a Stock Purchase Agreement between Linx Sistemas e Consultoria Ltda. (“Linx Sistemas”), a wholly-owned subsidiary of the Company, and the holders of all the capital stock of Hiper Software S.A. (“Hiper”). Linx will pay a total of R$17.7 million in a lump sum, plus, subject to the achievement of financial and operating targets linked to the penetration of the TEF and Linx Pay solutions in its customer base, among other targets set for the period from 2019 to 2021, an additional amount of up to R$ 32.3 million.

The acquisition of Hiper is another move by Linx to move forward with its strategy to increase the penetration of TEF and Linx Pay, which represent a major growth opportunity for the Company.

Presented below is the equity position of Hiper on:

March 31, 2019	
Assets	
Cash and cash equivalents	937
Accounts receivable	343
Other assets	149
Current assets	**1,429**
Property, plant and equipment	1,373
Non-current assets	**1,373**
Total assets	**2,802**
Liabilities	
Suppliers	122
Social charges	1,160
Tax liabilities	78
Other liabilities	3
Current liabilities	**1,363**
Capital	4,006
Accumulated losses	(2,567)
Shareholders' equity	**1,439**
Total liabilities and shareholders' equity	**2,802**

27.2 Merger of DCG Soluções for sale Venda Digital S/A.

The merger from DCG Soluções to Venda Digital S/A. by the subsidiary Linx Sistema e Consultoria Ltda. was approved at March 31, 2019

(In thousands of Brazilian reais)

The table below shows the book value at March 31, 2019 that will be merged (without any impact on the Company's ownership interest) at April 1, 2019 from DCG Soluções to Venda Digital S/A.:

Assets		**Liabilities**	
Cash and cash equivalents	99	Suppliers	278
Interest earning bank deposit	2	Loans and financing	210
Accounts receivable	1,840	Social charges	1,383
Recoverable taxes	39	Tax liabilities	300
Other receivables	105	Other liabilities	953
Current assets	**2,085**	**Current liabilities**	**3,124**
Property, plant and equipment	486	Loans and financing	489
Intangible assets	2,388	Other liabilities	54
Non-current assets	**2,874**	**Non-current liabilities**	**543**
		Capital	12
		Capital reserve	2,945
		Accumulated losses	(1,665)
		Shareholders' equity	**1,292**
Total assets	**4,959**	**Total liabilities and shareholders' equity**	**4,959**

27.3 Payment of dividends

At April 24, 2019, Linx S.A. ("Linx" or "Company"), announced to its shareholders and to the market in general that, as decided at the Ordinary and Extraordinary General Meeting of Shareholders held on the same date, the Company will be paying dividends to its shareholders in the amount of R$ 25 million, corresponding to R$ 0.157423945 per outstanding share issued by the Company.

The dividends will be paid to shareholders as of May 15, 2019, based on the shareholding position of April 24, 2019, while the shares will be traded ex-dividend as of April 25, 2019.

Alberto Menache
Chief Executive Officer

Pedro Holmes Monteiro Moreira
Financial Vice-President and IR

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