Quarterly Information

Linx S.A.

June 30, 2018

Linx S.A.

Quarterly Information

June 30, 2018

Contents

Dear Shareholders,

The management of Linx S.A. ("Linx" or "Company") hereby submits to your appreciation the Quarterly Information for the periods ended June 30, 2017 ("2nd quarter of 2017" or "2Q17") and June 30, 2018 ("2nd quarter of 2018" or "2Q18").

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

Operational and Financial Performance

The retail industry had a very challenging quarter that was aggravated by the truckers' strike that paralyzed the supply of its stocks and resulted in a drop in the Trade Confidence Index (ICC/FGV). This, coupled with a pass-through of inflation still at reduced levels, contributed to a slowdown in Linx's organic growth. Conversely, SaaS (Software as a Service) initiatives remain as the main driver of growth, with emphasis on Omnichannel (OMS and e-commerce), Fintech (means of payment and TEF) and cross selling (NFC-e and connectivity). The adoption of these initiatives continues to grow, strengthening the Company's confidence in maintaining the level of investments in new structures, which continue to increase its addressable market in new markets and geographies, despite the current economic situation. It should be noticed that we began to consolidate Itec's results from March 2018 and Único's results from April 2018.

In 2Q18, recurring revenue reached R$155.7 million, a 17.7% increase over 2Q17 and 0.8% over 1Q18, representing 80% of gross operating revenue. This growth indicates the resilience of the business model based on recurring revenues, SaaS (for instance TEF, NFC-e, publicity, e-commerce, among others), customer base lock-in as well as the diversification of verticals, geographies and portfolio.

Service revenue reached R$38.2 million in the quarter, 68.6% higher than in 2Q17 and 39.3% higher than in 1Q18, mainly due to the increase in the number and size of implementation projects in the period, mainly in connection with Omnichannel initiatives.

(R$ thousand)	2T18	2T17	Δ%	1T18	Δ%	1S18	1S17	Δ%
Net revenues	170.745	135.425	26,1%	158.410	7,8%	329.155	269.515	22,1%
Cost of sold services	(49.886)	(40.889)	22,0%	(44.935)	11,0%	(94.821)	(81.389)	16,5%
Gross profit	**120.859**	**94.536**	**27,8%**	**113.475**	**6,5%**	**234.334**	**188.126**	**24,6%**
Operating expenses	(99.679)	(82.539)	20,8%	(84.313)	18,2%	(183.992)	(156.782)	17,4%
EBIT	**21.180**	**11.997**	**76,5%**	**29.162**	**-27,4%**	**50.342**	**31.344**	**60,6%**
Depreciation and amortization	18.974	20.976	-9,5%	18.430	3,0%	37.404	36.377	2,8%
EBITDA	**40.154**	**32.973**	**21,8%**	**47.592**	**-15,6%**	**87.746**	**67.721**	**29,6%**
EBITDA margin	**23,5%**	**24,3%**	**-90 bps**	**30,0%**	**-650 bps**	**26,7%**	**25,1%**	**160 bps**

(R$ thousand)	2T18	2T17	Δ%	1T18	Δ%	1S18	1S17	Δ%
EBITDA	40.154	32.973	21,8%	47.592	-15,6%	87.746	67.721	29,6%
Net partial Earn-outs reversion	-	-	n.a.	(7.664)	n.a.	(7.664)	(2.109)	263,4%
Expenses with the move of SP and Recife branches	-	1.104	n.a.	-	n.a.	-	2.061	n.a.
Adjusted EBITDA	**40.154**	**34.077**	**17,8%**	**39.928**	**0,6%**	**80.082**	**67.673**	**18,3%**
Adjusted EBITDA margin	**23,5%**	**25,2%**	**-180 bps**	**25,2%**	**-180 bps**	**24,3%**	**25,1%**	**-80 bps**

EBITDA reached R$40.2 million in 2Q18, + 17.8% in relation to adjusted EBITDA for 2Q17 and + 0.6% in relation to adjusted EBITDA for 1Q18.

The EBITDA margin was 23.5% in the quarter, 180 bps below the adjusted EBITDA margin in 2Q17 and 1Q18, mainly due to the maintenance of the Company’s investments in new structures, which continue to increase its addressable market in new markets and geographies, despite the economy slowing down and the recent events that have impacted the activities of our customers.

Net income totaled R$18.3 million in 2Q18, a decrease of 14.3% compared with R$21.4 million in 2Q17 and of 30.6% compared with 1Q18. In addition, cash profit was R$29.4 million in the quarter, a decrease of 7.4% and of 22.8% compared with 2Q17 and 1Q18, respectively.

Statutory Board Representation

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

Relationship with independent auditors

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

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

São Paulo, August 6, 2018.

The Executive Board

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

Independent auditor's review report on quarterly information

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

Introduction

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

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated statement of value added (SVA) for the six-month period ended June 30, 2018, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR) and as supplemental information under the IFRS, whereby no SVA presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall accompanying individual and consolidated interim financial information.

São Paulo, August 6, 2018.

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

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

Linx S.A.

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

		Company		Consolidated	
	Note	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Assets					
Current assets					
Cash and cash equivalents	5	**52**	33	**45,603**	42,918
Short-term investments	6	**4,943**	6,891	**394,421**	487,816
Trade accounts receivable	7	**-**	-	**153,330**	128,177
Taxes recoverable	8	**11,023**	7,330	**44,113**	33,054
Intercompany loans	9	**-**	2,877	**-**	-
Other receivables		**11,135**	28	**35,247**	28,119
		27,153	17,159	**672,714**	720,084
Noncurrent assets					
Short-term investments	6	**-**	-	**21,677**	20,990
Trade accounts receivable	7	**-**	-	**3,252**	2,952
Other receivables		**-**	-	**3,600**	1,485
Deferred taxes	17	**2,931**	4,157	**3,079**	4,272
		2,931	4,157	**31,608**	29,699
Investments	10	**1,130,459**	1,182,321	**-**	-
Property and equipment	11	**-**	-	**69,557**	62,332
Intangible assets	12	**-**	-	**854,406**	751,909
		1,130,459	1,182,321	**923,963**	814,241
		1,160,543	1,203,637	**1,628,285**	1,564,024

Linx S.A.

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

		Company		Consolidated	
	Note	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Liabilities and equity					
Current liabilities					
Trade accounts payable		**15**	7	**17,054**	8,518
Loans and financing	13	**-**	2,852	**41,468**	31,783
Labor liabilities	14	**16**	292	**47,970**	38,869
Taxes and contributions payable		**1,213**	743	**11,676**	13,194
Income and social contribution taxes		**2,627**	-	**4,039**	485
Accounts payable for acquisition of subsidiaries	15	**-**	-	**47,828**	56,087
Deferred revenue	16	**-**	-	**42,741**	8,478
Prepaid dividends		**-**	4,221	**-**	4,211
Other liabilities		**36**	25,002	**8,497**	7,613
		3,907	33,117	**221,273**	169,238
Noncurrent liabilities					
Loans and financing	13	**-**	-	**82,363**	65,505
Accounts payable for acquisition of subsidiaries	15	**-**	-	**73,500**	74,680
Deferred tax liabilities	17	**-**	-	**68,646**	80,324
Deferred revenue	16	**-**	-	**20,413**	-
Other liabilities		**-**	-	**1,860**	981
Provision for contingencies	19	**-**	-	**3,594**	2,776
		-	-	**250,376**	224,266
Equity	18				
Capital		**487,474**	486,032	**487,474**	486,032
Capital reserves		**480,737**	479,809	**480,737**	479,809
Income reserves		**145,689**	186,137	**145,689**	186,137
Income for the period		**44,800**	-	**44,800**	-
Additional dividend proposed		**-**	18,789	**-**	18,789
Other comprehensive income		**(2,064)**	(247)	**(2,064)**	(247)
		1,156,636	1,170,520	**1,156,636**	1,170,520
		1,160,543	1,203,637	**1,628,285**	1,564,024

See accompanying notes.

Linx S.A.

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

		Company		Company		Consolidated		Consolidated	
	Note	Quarter 04/01/2018 to 06/30/2018	Quarter 04/01/2017 to 06/30/2017	YTD 01/01/2018 to 06/30/2018	YTD 01/01/2017 to 06/30/2017	Quarter 04/01/2018 to 06/30/2018	Quarter 04/01/2017 to 06/30/2017	YTD 01/01/2018 to 06/30/2018	YTD 01/01/2017 to 06/30/2017
Operating revenue, net	20	**-**	-	**-**	-	**170,745**	135,425	**329,155**	269,515
Cost of services rendered	21	**-**	-	**-**	-	**(49,886)**	(40,889)	**(94,821)**	(81,389)
Gross profit		**-**	-	**-**	-	**120,859**	94,536	**234,334**	188,126
Operating income (expenses)									
General and administrative expenses	21	**(309)**	(615)	**(683)**	(840)	**(51,935)**	(49,520)	**(106,185)**	(93,192)
Research and Development (R&D)	12/21	**-**	-	**-**	(3)	**(18,049)**	(14,571)	**(34,256)**	(30,551)
Sales	21	**-**	-	**-**	-	**(28,591)**	(16,899)	**(50,650)**	(33,466)
Equity pickup	10	**7,966**	21,630	**34,662**	47,878	**-**	-	**-**	-
Other operating income / Earn out	21	**-**	-	**-**	-	**164**	1	**8,168**	3,220
Other operating expenses	21	**-**	-	**-**	-	**(1,268)**	(1,550)	**(1,069)**	(2,793)
Income before finance income (costs), net of taxes		**7,657**	21,015	**33,979**	47,035	**21,180**	11,997	**50,342**	31,344
Finance income	22	**12,002**	823	**12,165**	1,996	**15,921**	18,630	**27,966**	39,765
Finance costs	22	**(60)**	(281)	**(117)**	(542)	**(13,268)**	(4,746)	**(21,616)**	(11,322)
Finance income (costs), net		**11,942**	542	**12,048**	1,454	**2,653**	13,884	**6,350**	28,443
Income before taxes		**19,599**	21,557	**46,027**	48,489	**23,833**	25,881	**56,692**	59,787
Current income and social contribution taxes	17	**-**	130	**-**	-	**(1,596)**	752	**(3,260)**	(3,555)
Deferred income and social contribution taxes	17	**(1,251)**	(276)	**(1,227)**	(372)	**(3,889)**	(5,222)	**(8,632)**	(8,115)
Net income for the period		**18,348**	21,411	**44,800**	48,117	**18,348**	21,411	**44,800**	48,117
Earnings per share									
Basic earnings per share (in reais)		**0.1117**	0.1291	**0.2728**	0.2903				
Number of shares		**164,196,112**	165,750,091	**164,196,112**	165,750,091				
Earnings per share									
Diluted earnings per share (in reais)		**0.1110**	0.1262	**0.2710**	0.2826				
Number of shares		**165,342,740**	170,242,089	**165,342,740**	170,242,089				

See accompanying notes.

Linx S.A.

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

	Company		Company		Consolidated		Consolidated	
	Quarter 04/01/18 to 06/30/18 04/01/2018 to 06/30/2018	**Quarter 04/01/18 to 06/30/18 04/01/2017 to 06/30/2017**	**YTD 01/01/18 a 30/06/18 01/01/2018 to 06/30/2018**	**YTD 01/01/18 a 06/30/18 01/01/2017 to 06/30/2017**	**Quarter 04/01/18 to 06/30/18 01/04/2018 to 06/30/2018**	**Quarter 04/01/18 to 06/30/18 04/01/2017 to 06/30/2017**	**YTD 01/01/18 a 06/30/18 01/01/2018 to 06/30/2018**	**YTD 01/01/18 a 06/30/18 01/01/2017 to 06/30/2017**
Net income for the year	**18,348**	21,411	**44,800**	48,117	**18,348**	21,411	**44,800**	48,117
Cumulative Translation Adjustments (CTA) on transactions in foreign currency	**(670)**	-	**(790)**	-	**(670)**	-	**(790)**	-
Unrealized losses in subsidiaries	**-**	-	**(1,027)**	-	**-**	-	**(1,027)**	-
Total comprehensive income	**17,678**	21,411	**42,983**	48,117	**17,678**	21,411	**42,983**	48,117

See accompanying notes.

Linx S.A.

Statements of changes in equity
Six-month periods ended June 30, 2018 and 2017
(In thousands of reais)

			Capital reserves					Income reserves						
	Note	Capital	Goodwill on capital subscription	Stock option plan	Treasury shares	Share issue costs	Total	Legal reserve	Retained profits	Total	Retained earnings	Other comprehensive income	Additional dividend proposed	Total
Balances at December 31, 2016		480,808	539,571	9,741	-	(37,009)	512,303	7,037	134,255	141,292	-	-	18,875	1,153,278
Capital increase		2,167	-	-	-	-	-	-	-	-	-	-	-	2,167
Repurchase of shares		-	-	-	(26,359)	-	(26,359)	-	-	-	-	-	-	(26,359)
Distribution of dividends		-	-	-	-	-	-	-	-	-	-	-	(18,875)	(18,875)
Stock option plan		-	-	1,072	-	-	1,072	-	-	-	-	-	-	1,072
Net income for the year		-	-	-	-	-	-	-	-	-	48,117	-	-	48,117
Balances at June 30, 2017		482,975	539,571	10,813	(26,359)	(37,009)	487,016	7,037	134,255	141,292	48,117	-	-	1,159,400
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 years' adjustments														
Effects of first-time adoption of IFRS 9		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,015)**	**(1,015)**	**-**	**-**	**-**	**(1,015)**
Effects of first-time adoption of IFRS 15		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(39,433)**	**(39,433)**	**-**	**-**	**-**	**(39,433)**
Opening balance at 01/01/2018		**486,032**	**539,571**	**11,548**	**(33,887)**	**(37,423)**	**479,809**	**7,037**	**138,652**	**145,689**	**-**	**(247)**	**18,789**	**1,130,072**
Capital increase	18	**1,442**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,442**
Repurchase of shares	18	**-**	**-**	**-**	**185**	**-**	**185**	**-**	**-**	**-**	**-**	**-**	**-**	**185**
Distribution of dividends	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,789)**	**(18,789)**
Stock option plan	26	**-**	**-**	**743**	**-**	**-**	**743**	**-**	**-**	**-**	**-**	**-**	**-**	**743**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,817)**	**-**	**(1,817)**
Net income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,800**	**-**	**-**	**44,800**
Balances at June 30, 2018		**487,474**	**539,571**	**12,291**	**(33,702)**	**(37,423)**	**480,737**	**7,037**	**138,652**	**145,689**	**44,800**	**(2,064)**	**-**	**1,156,636**

See accompanying notes.

Linx S.A.

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

		Company		Consolidated	
	Note	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Cash flows from operating activities					
Net income for the period		**44,800**	48,117	**44,800**	48,117
Adjustments to reconcile P&L to cash and cash equivalents provided by operating activities					
Depreciation and amortization	11/12	**-**	-	**37,404**	36,377
Equity pickup	10	**(34,662)**	(47,878)	**-**	-
Gain (loss) on sale of property and equipment and intangible assets	11/12	**-**	-	**-**	449
Addition to (reversal of) allowance for doubtful accounts	7	**-**	-	**757**	(768)
Gain (loss) on write-off/disposal of assets		**-**	-	**8,338**	-
Addition to (reversal of) present value adjustment		**-**	-	**(8,849)**	262
Stock option plan		**185**	-	**928**	1,072
Financial charges		**36**	-	**12,282**	4,922
Deferred taxes	17	**1,225**	373	**8,632**	8,115
Current taxes	17	**-**	-	**3,260**	3,555
Provisions for contingencies	19	**-**	-	**818**	(29)
Other operating income / Earn out	15	**-**	-	**(8,997)**	(3,540)
Short-term investment yield (loss)	22	**(205)**	(1,311)	**(15,405)**	(35,127)
Other		**-**	-	**(1,027)**	-
		(33,421)	(48,816)	**38,141**	15,288
Changes in operating assets and liabilities:					
Trade accounts receivable		**-**	-	**(27,138)**	(558)
Taxes recoverable		**(3,693)**	98	**(11,059)**	(1,700)
Other receivables and judicial deposits		**(8,230)**	6,104	**(7,345)**	(11,595)
Trade accounts payable		**9**	(18)	**5,551**	(6,360)
Labor liabilities		**(276)**	141	**8,823**	11,932
Taxes and contributions payable		**3,097**	(155)	**(1,519)**	(704)
Deferred revenue		**-**	-	**(3,131)**	1,591
Other accounts payable		**26**	(109)	**(2,244)**	11
Income and social contribution taxes paid	17	**-**	-	**-**	(5,647)
Dividends payable		**-**	25,000	**-**	-
Cash provided by (used in) operating activities		**2,312**	30,362	**44,879**	50,375
Cash flows from investing activities					
Acquisition of property and equipment		**-**	-	**(9,953)**	(17,742)
Acquisition of intangible assets		**-**	-	**(25,541)**	(16,759)
Acquisition of company, net of cash and cash equivalents acquired		**-**	-	**(75,218)**	-
Capital increase in subsidiaries		**-**	(1,500)	**-**	-
Prepayment of dividends received		**20,000**	-	**-**	-
(Contribution) of short-term investments	6	**(1,430)**	(27,260)	**(234,039)**	(257,752)
Redemption of interest and short-term investments	6	**3,583**	48,612	**343,806**	389,031
Cash flow provided by (used in) investing activities		**22,153**	19,852	**(945)**	96,778
Cash flow from financing activities					
Loan and financing inflows		**-**	-	**44,468**	-
Repayment of loans and financing	13	**(2,799)**	(5,561)	**(19,995)**	(14,666)
Financial charges paid	13	**(89)**	(476)	**(4,504)**	(5,469)
Payments for acquisition of subsidiaries	15	**-**	-	**(38,870)**	(17,239)
Capital reserve (treasury shares)		**-**	(26,359)	**-**	(26,359)
Prepaid dividends		**-**	-	**-**	-
Capital contribution by shareholders	18	**1,442**	2,167	**1,442**	2,167
Dividends paid out		**(23,000)**	(20,000)	**(23,000)**	(20,000)
Cash flow provided by (used in) financing activities		**(24,446)**	(50,229)	**(40,459)**	(81,566)
Foreign exchange difference on cash and cash equivalents		**-**	-	**(790)**	-
Increase (decrease) in cash and cash equivalents		**19**	(15)	**2,685**	65,587
Statement of increase (decrease) in cash and cash equivalents					
At beginning of period		**33**	52	**42,918**	7,227
At end of period		**52**	37	**45,603**	72,814
Increase (decrease) in cash and cash equivalents		**19**	(15)	**2,685**	65,587

See accompanying notes.

Linx S.A.

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

	Company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Revenues				
Sales of goods and services	**-**	-	**366,136**	301,102
Other revenues / Earn out	**-**	-	**8,168**	3,370
Allowance for doubtful accounts	**-**	-	**(756)**	523
	-	-	**373,548**	304,995
Inputs acquired from third parties				
Cost of sales and services	**-**	(48)	**(36,879)**	(19,293)
Materials, energy, third-party services and other expenses	**(184)**	-	**(53,581)**	(42,063)
Loss and recovery of asset values	-	-	**(3,018)**	(3,344)
	(184)	(48)	**(93,478)**	(64,700)
Gross value added	**(184)**	(48)	**280,070**	240,295
Depreciation and amortization	**-**	-	**(37,404)**	(36,377)
Net value added generated by the Company	**(184)**	(48)	**242,666**	203,918
Value added received in transfer	**-**			
Equity pickup	**34,662**	47,878	**-**	-
Finance income	**12,165**	2,093	**27,966**	41,688
	46,827	49,971	**27,966**	41,688
Total value added payable	**46,643**	49,923	**270,632**	245,606
Payment of value added				
Personnel	**499**	630	**146,109**	125,543
Direct compensation	**499**	630	**117,101**	100,084
Benefits	**-**	-	**17,811**	15,665
Unemployment Compensation Fund (FGTS)	**-**	-	**11,197**	9,794
Taxes, charges and contributions	**1,227**	634	**49,746**	54,061
Federal	**1,227**	634	**38,581**	44,446
State	**-**	-	**2,030**	1,926
Local	**-**	-	**9,135**	7,689
Debt remuneration	**117**	542	**29,977**	17,885
Interest	**117**	542	**21,616**	11,309
Rent	**-**	-	**8,361**	6,576
Retained profits	**44,800**	48,117	**44,800**	48,117

See accompanying notes.

1. Operations

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

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

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

The following are direct subsidiaries of the Company:

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

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

The following are indirect subsidiaries of the Company:

Synthesis Information Technology S.R.L. (“Synthesis”): 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.

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

(In thousands of reais)

1. **Operations** (Continued)

Itecgyn Informática Ltda. ("Itec"): operates in the development and sale of software for drugstores' management and automation.

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

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

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

	Interest percentage	
	06/30/2018	**12/31/2017**
Subsidiaries		
Linx Sistemas e Consultoria Ltda.	**99.99%**	99.99%
Linx Telecomunicações Ltda.	**99.99%**	99.99%
(*) Indirect subsidiaries		
Synthesis Holding LLC (*)	**100.00%**	100.00%
Synthesis Information Technology S.R.L (*)	**100.00%**	100.00%
Sback Tecnologia da Informação Ltda. (*)	**100.00%**	100.00%
Percycle Serviços Ltda. (*)	**100.00%**	100.00%
Itecgyn Informática Ltda. (**)	**100.00%**	-
Único Sistemas e Consultoria S.A. (**)	**100.00%**	-
DCG Soluções para Venda Digital S.A. (**)	**100.00%**	-

(*) Companies acquired by Linx Sistemas in 2017.

(**) Companies acquired by Linx Sistemas in 2018.

2. Business combination

2.1. Acquisition of Itec

On March 21, 2018, a Purchase and Sale Agreement was entered into between Linx Sistema e Consultoria Ltda., a wholly-owned subsidiary of the Company (acquirer), and the representatives of Itecgyn Informática Ltda. ("Itec" or "acquiree"), which operates in the development and sale of software for drugstores' management and automation.

(In thousands of reais)

2. Business combination (Continued)

2.1. Acquisition of Itec (Continued)

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

- The amount of R$14,400 (fourteen million and four hundred thousand reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on March 22, 2018;
- The amount of R$2,000 (two million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on May 18, 2018;

Total additional price ("Contingent Portion") of up to R$9,100 (the fair value at June 30, 2018 is R$8,312), is as follows:

- The amount of R$2,000 (two million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Extended Consumer Price Index (IPC-A) - Brazilian Institute of Geography and Statistics - (IBGE) - until its effective payment according to the purchase and sale agreement;
- The amount of R$5,100 (five million and one hundred thousand reais) to the original members, should Itec achieve gross revenue targets under the purchase and sale agreement;
- The residual value of R$2,000 (two million reais) to the original members, should Itec achieve gross revenue targets under the purchase and sale agreement.

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

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

(In thousands of reais)

2. Business combination (Continued)

2.2. Acquisition of Único

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

On April 3, 2018, this transaction was completed and the control was transferred to the acquirer through payment and transfer of 100% of the acquired units of interest. The price established for the purchase of all units of interest was R$25,000 (fair value as of June 30, 2018 is R$24,101), payable as follows:

- The amount of R$15,000 (fifteen million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on April 4, 2018;
- The amount of R$1,000 (one million reais) to the original members, distributed according to the number of units of interest held by them, which was paid on May 14, 2018;

Total additional price ("Contingent Portion") of up to R$9,000 (the fair value at June 30, 2018 is R$8,101), is as follows:

- The amount of R$1,000 (one million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Extended Consumer Price Index (IPC-A) - Brazilian Institute of Geography and Statistics - (IBGE) - until its effective payment according to the purchase and sale agreement;
- The amount of R$8,000 (eight million reais) to the original members, should Único achieve gross revenue targets under the purchase and sale agreement.

With the completion of the acquisition on April 3, 2018, the Company became the indirect parent company of Único, obtaining 100% of the voting capital.

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

(In thousands of reais)

2. Business combination (Continued)

2.3. Acquisition of DCG

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

On June 22, 2018, this transaction was completed and the control was transferred to the acquirer through payment and transfer of 100% of the acquired units of interest. The price established for the purchase of all units of interest was R$67,000 (sixty seven million reais), payable as follows:

- The amount of R$46,000 (forty six million reais) to the original members, distributed according to the number of units of interest held by them, which was paid in cash on June 25, 2018;
- The amount of R$3,000 (three million reais) to the original members, distributed according to the number of units of interest held by them, according the purchase and sale agreement;
- The amount of R$3,000 (three million reais) to the original members, in case of non-occurrence of contingencies, restated by reference to the Interbank Deposit Certificate(CDI), until its effective payment according to the purchase and sale agreement;
- The residual value of R$15,000 (fifteen million reais) to the original members, should DCG achieve gross revenue targets under the purchase and sale agreement.

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

Purchase consideration	
Estimated price - acquisition base	49,000
Fair value of the contingent portion (earn out)	18,000
Total consideration	**67,000**
Analysis of cash flow from the acquisition	
Net cash acquired from subsidiary	23
Cash outflow, net	**23**

(In thousands of reais)

2. Business combination (Continued)

2.4. Identifiable assets acquired and goodwill

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

The fair values of identifiable assets acquired in business combinations were measured and recognized at the date of completion of the transaction:

Fair value recognized upon acquisition:	Itec	Único	DCG
Current assets	**546**	**358**	**2,942**
Cash and cash equivalents	122	37	23
Short-term investments	-	-	1,654
Trade accounts receivable	423	281	-
Other current assets	1	40	1,265
Noncurrent assets	**8,954**	**2,255**	**32,416**
Software (*)	7,178	2,000	16,080
Customer portfolio (*)	1,675	-	14,070
Other noncurrent assets	-	-	593
Property and equipment	101	255	-
Intangible assets	-	-	1,673
Current liabilities	**383**	**2,348**	**2,341**
Trade accounts payable	45	17	-
Loans and financing	-	226	404
Social liabilities	157	121	-
Tax liabilities	61	234	-
Other liabilities payable	120	1,750	1,937
Noncurrent liabilities	**-**	**200**	**620**
Loans and financing	-	-	620
Other liabilities payable	-	200	-
Fair value of assets acquired	9,500	2,613	35,358
Fair value of liabilities assumed	383	2,548	2,961
Total identifiable assets, net	**9,117**	**65**	**32,397**
Acquisition price (**)	**24,712**	**24,101**	**67,000**
Goodwill on operation (**)	**(15,595)**	**(24,036)**	**(34,603)**

(*) Surplus of identifiable assets.

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

2. Business combination (Continued)

2.5. Assets acquired and liabilities assumed

The fair value and the gross amount of trade accounts receivable correspond to R$704 and R$1,445, respectively. There was no impairment loss on any trade accounts receivable, and the contractual amount is expected to be fully received.

Goodwill paid amounting to R$74,234 comprises future economic benefits stemming from synergies resulting from the acquisition. Goodwill is expected to generate future tax benefits.

Since the acquisition date, the acquirees have contributed to the Company with net revenues of R$3,928 and pre-tax income of R$878.

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

3. Basis of preparation

3.1. Statement of compliance

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

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

3. Basis of preparation (Continued)

3.1. Statement of compliance (Continued)

Issue of this individual and consolidated interim financial information was approved by the Board of Directors on August 6, 2018.

All relevant information in the interim financial information and only such information, is being evidenced and corresponds to the information used by management over its administration.

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

3.2. Basis of measurement

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

3.3. Functional and reporting currency

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

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

3.4. Use of estimates and judgment

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

(In thousands of reais)

3. Basis of preparation (Continued)

3.4. Use of estimates and judgments (Continued)

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

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

- Note 7 - Trade accounts payable;
- Note 17 - Deferred income and social contribution taxes.

3.5. Segment information

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

4. Significant accounting practices

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

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

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

(In thousands of reais)

4. Significant accounting practices (Continued)

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

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

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

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

Classification - Financial assets and liabilities:

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

4. **Significant accounting practices** (Continued)

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

ii) *Impairment of financial liabilities*

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

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

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

Based on the contractual analyses carried out in 2017, the Company recognized on January 1, 2018, a decrease in retained earnings of R$39,433, matched against deferred revenue and deferred tax liabilities that will be recognized in P&L according to the service rendering period determined in a contract.

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

(In thousands of reais)

4. Significant accounting practices (Continued)

(II) IFRS 15 (CPC 47) - Revenue from contracts with customers (Continued)

		Adjustments IFRS 15/CPC 47		
	As stated at 06/30/2018	**Upon adoption of standard on 01/01/2018**	**By 06/30/2018 after adoption**	**No effect from IFRS 15/CPC 47**
Assets				
Deferred tax asset	20.497	(18.374)	956	3.079
Other asset accounts	1.625.206	-	-	1.625.206
Total assets	**1.625.206**	**(18.374)**	**956**	**1.628.285**
Liabilities				
Deferred revenue	63.154	(57.807)	2.813	8.160
Deferred tax liability	86.064	-	-	86.064
Other liabilities	339.849	-	-	339.849
Total noncurrent liabilities	**489.067**	**(57.807)**	**2.813**	**434.073**
Equity				
Income reserve	145.689	39.433	-	183.787
Other liability accounts	1.010.947	-	-	1.010.947
Total equity	**1.156.636**	**39.433**	**-**	**1.194.734**
Profit or loss				
Net revenue	329.155	-	(2.813)	326.342
Costs of services rendered	(94.821)	-	-	(94.821)
(=) Gross profit	**234.334**	**-**	**(2.813)**	**231.521**
Operating expenses	(183.992)	-	-	(183.992)
(=) Income before finance income (costs)	**50.342**	**-**	**(2.813)**	**47.529**
Finance income (costs)	6.350	-	-	6.350
(=) Income (loss) before taxes	**56.692**	**-**	**(2.813)**	**53.879**
Current and deferred IRPJ and CSLL	(11.892)	-	956	(10.936)
(=) Net income	**44.800**	**-**	**(1.857)**	**42.943**

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

(In thousands of reais)

4. Significant accounting practices (Continued)

(II) IFRS 15 (CPC 47) - Revenue from contracts with customers (Continued)

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

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

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

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

5. Cash and cash equivalents

	Company		Consolidated	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Cash and banks	**36**	17	**41,107**	37,854
Short-term investments	**16**	16	**4,496**	5,064
	52	33	**45,603**	42,918

(In thousands of reais)

5. Cash and cash equivalents (Continued)

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

These substantially refer to fixed-income funds bearing interest of 98.97% of the Interbank Deposit Certificate (CDI).

Exposure of the Company and its subsidiaries to risk and a sensitivity analysis is disclosed in Note 23.

6. Short-term investments

					Company		Consolidated	
Type	**Name**	**Investment date**	**Maturity**	**Average remuneration rate in relation to CDI (%)**	**06/30/2018**	**12/31/2017**	**06/30/2018**	**12/31/2017**
Fund	Retail - Private Fixed-Income Credit	02/15/2013	Indefinite	103.69%	**4,943**	6,891	**394,421**	487,816
LF	Book-entry financial bill	10/13/2016	10/15/2018	103.00%	**-**	-	**21,677**	20,990
					4,943	6,891	**416,098**	508,806
				Current	**4,943**	6,891	**394,421**	487,816
				Noncurrent	**-**	-	**21,677**	20,990
					4,943	6,891	**416,098**	508,806

Investment fund breakdown is as follows:

Type	**Code**	**Investment date**	**Issue date**	**Maturity**	**Number**	**Index**	**Investment amount**	**12/31/2017 Net amount**
Fixed income	DEBLA	02/25/2016	02/25/2016	02/22/2018	22,188	CDI + 102%	7,588	9,367
Fixed income	LF	10/21/2016 to 12/12/2017	10/21/2016 to 12/12/2017	10/22/2018 to 06/09/2020	236	CDI + 104.25%	70,800	79,531
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI + 111%	8,453	15,177
Fixed income	Financial Treasury Bills (LFT)	03/24/2015 to 09/18/2017	07/01/2000 to 01/11/2013	09/01/2018 to 09/01/2021	10,005	Financial Treasury Bills (LFT)	80,631	92,872
Fixed income	Fixed	12/29/2017	12/29/2017	05/15/2035	47,295	Fixed 6.90% p.a.	149,555	149,555
Investment fund	Other funds	-	-	-	660,673	-	141,358	141,358
Fixed income	LF	-	10/13/2016	10/15/2018	1	CDI 103%	20,990	20,990
								508,850
						Fund expenses		(44)
								508,806

(In thousands of reais)

6. Short-term investments (Continued)

Type	Code	Investment date	Issue date	Maturity	Number	Index	Investment amount	06/30/2018 Net amount
Fixed income	LF	10/21/2016 to 03/19/2018	10/21/2016 to 03/19/2018	10/22/2018 to 06/09/2020	218	CDI D 101.75% to 104.5%	62,800	**71,954**
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D + 111%	8,453	**15,670**
Fixed income	LFT	03/27/2015 to 02/22/2018	07/01/2000 to 01/13/2017	09/01/2018 to 03/01/2023	12,143	LFT / SELIC	100,629	**116,280**
Fixed income	Fixed	06/29/2018	06/29/2018	05/15/2019	22,810	Fixed 6.40% p.a.	72,953	**72,953**
Investment fund	Other funds	-	-	-	601,193	-	117,605	**117,605**
Fixed income	LF	-	10/13/2016	10/15/2018	1	CDI 103%	21,677	**21,677**
								416,139
						Fund expenses		**(45)**
						Balance in treasury		**4**
								416,098

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

Exposure of the Company and its subsidiaries to risk and a sensitivity analysis is disclosed in Note 23.

7. Trade accounts receivable

	Consolidated	
	06/30/2018	**12/31/2017**
Trade notes receivable:		
Falling due	**128,998**	102,746
Overdue (a)	**31,737**	30,147
	160,735	132,893
(-) Allowance for doubtful accounts	**(3,478)**	(1,183)
(-) Present value adjustment	**(675)**	(581)
	156,582	131,129
Current	**153,330**	128,177
Noncurrent	**3,252**	2,952

(a) Breakdown of overdue receivables is as follows:

(In thousands of reais)

7. Trade accounts receivable (Continued)

	Consolidated	
	06/30/2018	12/31/2017
From 1 to 30 days	**11,156**	14,181
From 31 to 60 days	**4,149**	4,684
From 61 to 90 days	**4,287**	3,145
From 91 to 180 days	**7,485**	4,481
Over 181 days	**4,660**	3,656
	31,737	30,147

The Company and its subsidiaries set up an allowance for doubtful accounts for receivables overdue for more than 180 days, which basically represents historical losses, checks bounced and trade notes under discussion in court. The Company adopted the criterion to deduct amounts referring to unidentified deposits received for over 180 days (R$1,730 and R$1,819 at June 30, 2018 and December 31, 2017, respectively).

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

Changes in this allowance, in consolidated, are as follows:

	Consolidated	
Changes in ADA	06/30/2018	12/31/2017
Opening balance	**(1,183)**	(2,615)
First-time adoption of IFRS 9 on 01/01/18	**(1,539)**	-
Addition to allowance	**(2,657)**	(3,759)
Use/reversal	**1,901**	5,191
Closing balance	**(3,478)**	(1,183)

8. Taxes recoverable

	Company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
State Value-Added Tax (ICMS)	**-**	-	**3,693**	3,231
Withholding taxes and contributions	**11,023**	7,330	**36,172**	26,815
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	**-**	-	**941**	566
Other	**-**	-	**3,307**	2,442
	11,023	7,330	**44,113**	33,054

(In thousands of reais)

9. Related parties

Statement of financial position balances

Assets - Trade accounts receivable

	Company			
	06/30/2018		12/31/2017	
	Current	Noncurrent	Current	Noncurrent
Linx Sistemas e Consultoria Ltda.	**-**	**-**	2,877	-
	-	**-**	2,877	-

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

At June 30, 2018, the Company had an outstanding loan amounting to R$122,807 (R$97,288 at December 31, 2017) taken out from its shareholder (BNDES), as mentioned in Note 13.

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

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

9.1. Key management personnel compensation

Total key management personnel compensation (six and five management members in 2018 and 2017 respectively) for the six-month period ended June 30, 2018 and 2017 are summarized below:

	06/30/2018	06/30/2017
Payment of management fees	**5,318**	4,597
Share-based payments	**2,363**	1,451
	7,681	6,048

9.2. Profit or loss

For the six-month period ended June 30, 2018, there were shared expenses amounting to R$4,877 (R$5,910 at June 30, 2017), and finance costs related to loan interest, amounting to R$36 (R$443 at June 30, 2017).

(In thousands of reais)

10. Investments

10.1. Investments in direct subsidiaries

	Company	
	06/30/2018	12/31/2017
Linx Sistemas e Consultoria Ltda.	**1,123,099**	1,175,322
Linx Telecomunicações Ltda.	**7,360**	6,999
	1,130,459	1,182,321

10.2. Information on direct subsidiaries

	Linx Sistemas	Linx Telecomunica-ções	Total
June 30, 2018			
Interest	**99.99%**	**99.99%**	
Current assets	**653,437**	**8,217**	**661,654**
Noncurrent assets	**952,414**	**225**	**952,639**
Total assets	**1,605,851**	**8,442**	**1,614,293**
Current liabilities	**232,376**	**1,082**	**233,458**
Noncurrent liabilities	**250,376**	**-**	**250,376**
Total liabilities	**482,752**	**1,082**	**483,834**
Equity	**1,123,099**	**7,360**	**1,130,459**
Revenues	**405,182**	**7,735**	**412,917**
Expenses	**(370,881)**	**(7,374)**	**(378,255)**
Net income for the period	**34,301**	**361**	**34,662**

(In thousands of reais)

10. Investments (Continued)

10.3. Changes in investments

	Linx Sistemas	Linx Gerenciamento de Redes	Linx Telecomunica-ções	Total
Investment balance at December 31, 2016	1,070,023	49,135	4,562	1,123,720
Equity pickup	54,677	11,927	937	67,541
Cumulative translation adjustment	(247)	-	-	(247)
Capital increase	-	-	1,500	1,500
Stock option plan	1,807	-	-	1,807
Balance of merger	61,062	(61,062)	-	-
Dividend payment	(12,000)	-	-	(12,000)
Investment balance at December 31, 2017	1,175,322	-	6,999	1,182,321
Equity pickup	**34,301**	**-**	**361**	**34,662**
Cumulative translation adjustment	**(790)**	**-**	**-**	**(790)**
Unrealized gains (losses) in subsidiaries	**(1,027)**	**-**	**-**	**(1,027)**
Dividend payment (*)	**(45,002)**	**-**	**-**	**(45,002)**
Stock option plan	**743**	**-**	**-**	**743**
First-time adoption of IFRS 9 and 15	**(40,448)**	**-**	**-**	**(40,448)**
Investment balance at June 30, 2018	**1,123,099**	**-**	**7,360**	**1,130,459**

(*) R$(25,002) referring to dividends paid in prior years, plus R$(20,000) referring to dividends paid in April 2018.

11. Property and equipment

	Consolidated					
	Balance at 12/31/2016	**Additions**	**Depreciation**	**Write-offs**	**Transfers**	**Balance at 06/30/2017**
Computers and electronic devices	8,251	1,154	(1,503)	(20)	1,819	9,701
Vehicles	4,178	984	(810)	(321)	-	4,031
Furniture and fixtures	4,457	160	(375)	(13)	3,518	7,747
Machinery, facilities and equipment	17,297	1,210	(1,699)	(6)	3,207	20,009
Construction in progress	-	18,268	-	-	(18,268)	-
Leasehold improvements	13,128	916	(5,394)	-	9,724	18,374
Buildings	2,941	-	(63)	-	-	2,878
Other components	1,006	-	-	-	-	1,006
Total	51,258	22,692	(9,844)	(360)	-	63,746

(In thousands of reais)

11. Property and equipment (Continued)

	Consolidated						
	Balance at 12/31/2017	**Addition (*)**	**Addition / acquisition (**)**	**Depreciation**	**Write-offs**	**Transfers**	**Balance at 06/30/2018**
Computers and electronic devices	9,354	**1,901**	**81**	**(1,718)**	**(3)**	**-**	**9,615**
Vehicles	3,293	**3,785**	**192**	**(921)**	**(151)**	**-**	**6,198**
Furniture and fixtures	8,239	**161**	**47**	**(521)**	**(9)**	**-**	**7,917**
Machinery, facilities and equipment	20,023	**860**	**36**	**(1,386)**	**-**	**-**	**19,533**
Construction in progress	-	**5,737**	**-**	**-**	**-**	**73**	**5,810**
Leasehold improvements	17,605	**354**	**-**	**(1,153)**	**-**	**(73)**	**16,733**
Buildings	2,813	**-**	**-**	**(67)**	**-**	**-**	**2,746**
Other components	1,005	**-**	**-**	**-**	**-**	**-**	**1,005**
Total	62,332	**12,798**	**356**	**(5,766)**	**(163)**	**-**	**69,557**

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

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

Annual depreciation rates are as follows:

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

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

(In thousands of reais)

12. Intangible assets

	Balance at 12/31/2016	Additions	Amortization	Write-offs	Transfers	Balance at 06/30/2017
Software	17,078	2,245	(3,011)	(93)	(499)	15,720
Software development	1,848	2,004	-	-	(2,300)	1,552
Software developed	34,812	13,375	(11,832)	-	2,300	38,655
Software development - capitalized interest	1,980	1,543	(717)	-	-	2,806
Brands acquired	44,033	-	(480)	-	-	43,553
Technology - acquisitions	25,754	-	(5,055)	-	499	21,198
Customer portfolio - acquisitions	69,845	-	(4,969)	-	-	64,876
Goodwill	405,289	-	-	-	-	405,289
Other	3	-	(469)	-	-	(466)
Total	600,642	19,167	(26,533)	(93)	-	593,183

	Consolidated							
	Balance at 12/31/2017	**Addition (*)**	**Addition / acquisition (**)**	**Business combination (Note 2)**	**Amortization**	**Write-offs**	**Transfers (**)**	**Balance at 06/30/2018**
Software	18,369	**5,513**	**-**	**-**	**(3,518)**	**(79)**	**-**	**20,285**
Software development	2,756	**4,645**	**-**	**-**	**-**	**-**	**-**	**7,401**
Software developed	40,208	**13,110**	**1,664**	**-**	**(13,068)**	**-**	**-**	**41,914**
Software development - capitalized interest	3,383	**2,052**	**-**	**-**	**(947)**	**(651)**	**-**	**3,837**
Brands acquired	43,072	**-**	**9**	**-**	**(480)**	**-**	**-**	**42,601**
Technology - acquisitions	39,143	**-**	**-**	**25,258**	**(6,193)**	**-**	**(2,270)**	**55,938**
Customer portfolio - acquisitions	82,731	**-**	**-**	**15,745**	**(7,432)**	**-**	**1,284**	**92,328**
Goodwill	522,244	**259**	**-**	**74,234**	**-**	**(7,624)**	**986**	**590,099**
Other	3	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Total	751,909	**25,579**	**1,673**	**115,237**	**(31,638)**	**(8,354)**	**-**	**854,406**

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

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

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

(In thousands of reais)

12. Intangible assets (Continued)

Annual average amortization rates:

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

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

12.1. Software development

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

For the six-months period ended June 30, 2018, the amount of R$34,256 (R$30,551 in June 2017) was recognized in profit or loss for the period in consolidated, referring to research and maintenance of software developed.

(In thousands of reais)

13. Loans and financing

Type	Charges	Effective rate	Maturity	Guarantee / type	Company 06/30/2018	Company 12/31/2017	Consolidated 06/30/2018	Consolidated 12/31/2017
Loan - BNDES	TJLP + 1.5% p.a.	9.274% p.a.	03/15/2018	13.1	**-**	2,852	**-**	2,852
Loan - BNDES	TJLP + 1.67% p.a.	9.446% p.a.	02/15/2021	13.1 (a)	**-**	-	**70,570**	83,330
Loan - BNDES	TJLP + 1.96% p.a.	9.751% p.a.	03/15/2022	13.1 (b)	**-**	-	**51,224**	9,882
Loan - BNDES	TJLP + 1.00% p.a.	8.768% p.a.	09/16/2019		**-**	-	**877**	1,224
Loan - Santander	33.39% p.a.	39.819% p.a.	01/05/2019		**-**	-	**136**	-
Loan - Itaú	TJLP + 7.20% p.a.	8.447% p.a.	04/16/2021		**-**	-	**1,024**	-
					-	2,852	**123,831**	97,288
Current					**-**	2,852	**41,468**	31,783
Noncurrent					**-**	-	**82,363**	65,505

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

Period	Consolidated 06/30/2018	Consolidated 12/31/2017
2019	**20,326**	29,282
2020	**40,276**	28,760
2021	**18,346**	6,846
2022	**3,415**	617
	82,363	65,505

Changes are as follows:

	Company 06/30/2018	Company 12/31/2017
Prior balance at December 31, 2017	**2,852**	14,106
Financial charges	**36**	719
Financial charges paid	**(89)**	(659)
Repayments of loans and financing	**(2,799)**	(11,314)
	-	2,852

(In thousands of reais)

13. Loans and financing (Continued)

	Consolidated	
	06/30/2018	**12/31/2017**
Prior balance at December 31, 2017	**97,288**	130,767
Inflows for acquisition of subsidiaries (Note 2)	**1,250**	-
Loan and financing inflows	**44,468**	-
Financial charges	**5,324**	9,960
Financial charges paid	**(4,504)**	(9,480)
Repayments of loans and financing	**(19,995)**	(33,959)
	123,831	97,288

13,1. Covenants

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

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

(b) Net debt/EBITDA: equal to or lower than 2.0;

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

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

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

13. Loans and financing (Continued)

13.1. Covenants (Continued)

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

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

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

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

(b) Net debt/EBITDA: equal to or lower than 2.0;

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

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

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

(In thousands of reais)

13. Loans and financing (Continued)

13.1. Covenants (Continued)

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

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

13.2. Changes in liabilities from financing activities

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

	12/31/2016	Cash flows	Foreign exchange difference	New acquisitions	Other	12/31/2017
Loans and financing	130,767	(43,439)	-	-	9,960	97,288
Accounts payable for acquisition of subsidiaries	80,594	(19,324)	1,725	71,092	(3,320)	130,767
Capital	480,808	5,224	-	-	-	486,032
Dividends paid out	20,000	(20,000)	-	-	23,000	23,000
Income reserve (*)	141,292	(17,000)	-	-	61,845	186,137
Capital reserve (**)	512,303	(34,301)	-	-	1,807	479,809
Total liabilities from financing activities	1,365,764	(128,840)	1,725	71,092	93,292	1,403,033

(*) Payment of Interest on Equity.

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

(In thousands of reais)

13. Loans and financing (Continued)

13.2. Changes in liabilities from financing activities (Continued)

	12/31/2017	Cash flows	Foreign exchange difference	New acquisitions	Other	06/30/2018
Loans and financing	97,288	**19,969**	**-**	**1,250**	**5,324**	**123,831**
Accounts payable for acquisition of subsidiaries	130,767	**(38,870)**	**5,749**	**40,413**	**(16,731)**	**121,328**
Capital	486,032	**1,442**	**-**	**-**	**-**	**487,474**
Dividends paid out	23,000	**(23,000)**	**-**	**-**	**-**	**-**
Total liabilities from financing activities	737,087	**(40,459)**	**5,749**	**41,663**	**(11,407)**	**732,633**

14. Labor liabilities

	Company		Consolidated	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Vacation pay, 13th monthly salary pay, and related charges	**-**	-	**33,003**	22,466
Social Security Tax (INSS) payable	**16**	11	**5,558**	5,234
Provision for profit sharing	**-**	-	**3,441**	4,191
Unemployment compensation fund (FGTS) payable	**-**	-	**1,552**	1,907
Salaries payable	**-**	-	**408**	1,836
Other	**-**	281	**4,008**	3,235
	16	292	**47,970**	38,869

15. Accounts payable for acquisition of subsidiaries

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

(In thousands of reais)

15. Accounts payable for acquisition of subsidiaries (Continued)

	Consolidated	
	06/30/2018	**12/31/2017**
Portions not subject to restatement	**41,727**	15,941
Portions subject to restatement by reference to CDI - 3.17%	**21,525**	495
Portions subject to restatement by reference to IPCA - 2.60%	**60,176**	106,171
Portions subject to restatement by reference to IGPM - 5.40%	**10,243**	9,872
Present value adjustment	**(12,343)**	(1,712)
	121,328	130,767
Current liabilities	**47,828**	56,087
Noncurrent liabilities	**73,500**	74,680

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

	Consolidated	
Period	**06/30/2018**	**12/31/2017**
2019	**7,955**	32,276
2020	**34,386**	26,530
2021	**23,512**	4,754
2022	**4,634**	11,120
2023	**1,510**	-
2024	**1,503**	-
	73,500	74,680

Of total payable at June 30, 2018, R$53,400 relates to contingent consideration (R$87,093 at December 31, 2017). The Company expects to fully settle amounts related to contingent considerations, and there were no significant changes in expectations in relation to prior year.

Changes in the consolidated are as follows:

	Consolidated	
	06/30/2018	**12/31/2017**
Prior balance	**130,767**	80,594
Addition for acquisition	**115,813**	159,796
Payments of principal/financial charges paid	**(114,270)**	(108,028)
Restatement of financial charges	**(1,985)**	5,685
Contingencies (*)	**-**	(2,427)
Earn Out (**)	**(8,997)**	(4,853)
	121,328	130,767

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

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

(In thousands of reais)

16. Deferred revenue

	Consolidated	
	06/30/2018	12/31/2017
Service revenue (*)	**8,270**	8,478
Royalty income (**)	**54,884**	-
	63,154	8,478
Current	**42,741**	8,478
Noncurrent	**20,413**	-

(*) This refers to time bank balances contracted by customers, which is recognized after the rendering of service and write down of the service form.

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

17. Income and social contribution taxes

17.1. Income and social contribution tax expense

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

	Company		Consolidated	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Current taxes				
Current tax on income for the year	**-**	-	**(3,260)**	(3,555)
Deferred taxes				
Deferred tax on income for the year	**(1,227)**	(372)	**(8,632)**	(8,115)
Income and social contribution tax expenses for effective income	**(1,227)**	(372)	**(11,892)**	(11,670)

Reconciliation of the expense calculated by applying the combined tax rates and the income and social contribution tax expenses charged to profit or loss is as follows:

(In thousands of reais)

17. Income and social contribution taxes (Continued)

17.1. Income and social contribution tax expense (Continued)

	Company		Consolidated	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Income before income and social contribution taxes	**46,027**	48,489	**56,692**	59,787
Income and social contribution tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at the rate of 34%	**(15,649)**	(16,486)	**(19,275)**	(20,328)
Permanent differences				
Equity pickup	**11,785**	16,279	**-**	-
Law No. 11196/05 (R&D incentive)	**-**	-	**4,829**	4,183
Forecasted payment of interest on equity	**-**	200	**-**	1,573
Tax loss (offsetting and recording)	**2,638**	-	**-**	-
Income and social contribution tax difference determined under the taxable profit regime whereby profit is computed as a percentage of gross revenue	**-**	-	**1,625**	1,987
Effects of tax rates of foreign subsidiaries	**-**	-	**1,417**	
Other differences, net	**-**	(365)	**(488)**	914
Income tax expense adjustment to effective rate	**(1,227)**	(372)	**(11,892)**	(11,670)
Effective rate	**3%**	1%	**21%**	20%

17.2. Deferred taxes

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

(In thousands of reais)

17. Income and social contribution taxes (Continued)

17.2. Deferred taxes (Continued)

Temporarily deferred income and social contribution taxes are as follows:

	Consolidated			
	12/31/2017	Recognized in profit or loss	Recognized in equity	06/30/2018
Deferred income and social contribution tax on difference between accounting and tax goodwill	(58,885)	**(9,333)**	**-**	**(68,218)**
Deferred income and social contribution taxes on assets identified - Synthesis (*)	(8,352)	**-**	**239**	**(8,113)**
Deferred income and social contribution taxes on first-time adoption of IFRS 9 and 15	-	**(1,294)**	**18,878**	**17,584**
Deferred income and social contribution taxes on assets identified in acquisitions	(21,967)	**1,714**	**-**	**(20,253)**
Deferred taxes on income and social contribution tax losses	4,078	**(1,231)**	**-**	**2,847**
Deferred income and social contribution taxes on share issue costs	4,108	**-**	**-**	**4,108**
Allowance for doubtful accounts	160	**(160)**	**-**	**-**
Provision for employee benefits	2,192	**(763)**	**-**	**1,429**
Provision for contingencies	200	**302**	**-**	**502**
Provision for present value adjustment	922	**(1,038)**	**-**	**(116)**
Provision for commission payment	161	**-**	**-**	**161**
Stock option plan	806	**253**	**-**	**1,059**
Deferred shares	567	**379**	**-**	**946**
Technology amortization - companies not merged	-	**569**	**-**	**569**
Customer portfolio amortization - companies not merged	-	**374**	**-**	**374**
Other provisions	(42)	**1,596**	**-**	**1,554**
Deferred taxes, net	(76,052)	**(8,632)**	**19,117**	**(65,567)**
Deferred tax asset	4,272	**-**	**-**	**3,079**
Deferred tax liability	(80,324)	**-**	**-**	**(68,646)**

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

(In thousands of reais)

18. Equity

18.1. Capital

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

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

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

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

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

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

	Consolidated	
Shareholder	**Shares**	**Total capital (%)**
Founding shareholders	29,008,131	17.45%
Treasury shares	1,982,142	1.19%
Free Float (*)	135,221,937	81.36%
	166,212,210	100%

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

(In thousands of reais)

18. Equity (Continued)

18.2. Capital reserves

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

The capital reserve is set up as follows:

	06/30/2018	12/31/2017
Goodwill on capital subscription (a)	**539,571**	539,571
Stock option plan (Note 25)	**12,291**	11,548
Treasury shares	**(33,702)**	(33,887)
Share issue costs (b)	**(37,423)**	(37,423)
	480,737	479,809

(a) Pursuant to Law No. 6404/76, the price of share issue with no par value may be set with part of it allocated to form a capital reserve.

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

18.3. Legal reserve

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

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

18.4. Dividends

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

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

(In thousands of reais)

19. Provision for contingencies

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

At June 30, 2018, management, based on information provided by its legal advisors, keep a provision amounting to R$3,594 and, at December 31, 2017, amounting to R$2,776.

There are other proceedings assessed by legal advisors as possible losses, with no sufficient reliability, amounting to R$7,048 at June 30, 2018 (R$2,773 at December 31, 2017), for which no provision was set up, considering that accounting practices adopted in Brazil do not require it.

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

	Consolidated			
	Labor	**Civil**	**Tax (*)**	**Total**
Changes				
Balance at December 31, 2017	1,339	344	1,093	2,776
Additions	**860**	**246**	**-**	**1,106**
Write-offs	**(228)**	**(61)**	**-**	**(289)**
Restatement	**7**	**62**	**-**	**69**
Foreign exchange difference	**195**	**-**	**(263)**	**(68)**
Balance at June 30, 2018	**2,173**	**591**	**830**	**3,594**

(*) Tax contingency arising from the acquisition of company Synthesis (amounts prior to the date of acquisition by Linx Sistemas).

(In thousands of reais)

20. Operating revenue, net

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

	Consolidated			
	Six-month period ended		Three-month period ended	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Gross operating revenue				
Maintenance revenue	**310,215**	261,661	**155,702**	132,260
Royalty income	**16,672**	20,119	**8,823**	8,787
Service revenue	**48,925**	26,473	**29,365**	13,865
	375,812	308,253	**193,890**	154,912
Sales taxes				
PIS	**(2,235)**	(1,923)	**(1,169)**	(952)
COFINS	**(10,318)**	(8,874)	**(5,398)**	(4,391)
Service Tax (ISS)	**(8,225)**	(7,651)	**(4,218)**	(4,270)
INSS	**(14,052)**	(11,446)	**(7,233)**	(5,772)
Other	**(2,151)**	(1,844)	**(1,096)**	(930)
Cancellations and rebates	**(9,676)**	(7,000)	**(4,031)**	(3,172)
	329,155	269,515	**170,745**	135,425

21. Costs and expenses

	Company		Consolidated		Company		Consolidated	
	Six-month period ended				Three-month period ended			
	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Nature								
Rent	**-**	-	**(8,361)**	(6,575)	**-**	-	**(4,101)**	(3,193)
Commissions	**-**	-	**(17,966)**	(11,375)	**-**	-	**(9,187)**	(5,939)
Depreciation and amortization	**-**	-	**(37,404)**	(36,377)	**-**	-	**(18,974)**	(20,976)
Maintenance and conservation	**-**	-	**(3,356)**	(3,205)	**-**	-	**1,289**	(1,592)
Personnel	**(499)**	(735)	**(146,109)**	(131,359)	**(232)**	(571)	**(74,638)**	(65,119)
Advertising and publicity	**-**	-	**(6,558)**	(2,970)	**-**	-	**(4,738)**	(1,068)
Third-party services	**(36)**	(8)	**(30,177)**	(16,459)	**(28)**	-	**(19,829)**	(9,017)
Travel and lodging	**-**	-	**(7,133)**	(5,728)	**-**	-	**(3,930)**	(2,856)
Expenses with link	**-**	-	**(16,846)**	(14,725)	**-**	-	**(9,411)**	(7,258)
IT expenses	**-**	-	**(1,547)**	(1,882)	**-**	-	**(916)**	(962)
Other revenues / Earn out	**-**	-	**8,168**	3,213	**-**	-	**164**	(6)
Other	**(148)**	(100)	**(11,524)**	(10,729)	**(49)**	(44)	**(5,294)**	(5,442)
	(683)	(843)	**(278,813)**	(238,171)	**(309)**	(615)	**(149,565)**	(123,428)
Function								
Cost of services rendered	**-**	-	**(94,821)**	(81,389)	**-**	-	**(49,886)**	(40,889)
General and administrative expenses	**(683)**	(840)	**(106,185)**	(93,192)	**(309)**	(615)	**(51,935)**	(49,520)
Selling expenses	**-**	-	**(50,650)**	(33,466)	**-**	-	**(28,591)**	(16,899)
Research and Development (R&D)	**-**	(3)	**(34,256)**	(30,551)	**-**	-	**(18,049)**	(14,571)
Other operating income (expenses)	**-**	-	**7,099**	427	**-**	-	**(1,104)**	(1,549)
	(683)	(843)	**(278,813)**	(238,171)	**(309)**	(615)	**(149,565)**	(123,428)

(In thousands of reais)

22. Finance income (costs)

	Company		Consolidated		Company		Consolidated	
	Six-month period ended				Three-month period ended			
	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Finance income								
Interest income	**11,911**	443	**1,817**	1,198	**11,911**	206	**849**	477
Short-term investment yield	**205**	1,214	**13,198**	33,195	**65**	330	**5,513**	12,935
Discounts obtained	**8**	-	**196**	16	**8**	-	**180**	3
Foreign exchange gains	**-**	-	**10,093**	4,216	**-**	-	**8,187**	4,075
Other income	**41**	339	**2,662**	1,140	**18**	287	**1,192**	1,140
	12,165	1,996	**27,966**	39,765	**12,002**	823	**15,921**	18,630
Finance costs								
Interest expense	**-**	(10)	**(158)**	(125)	**-**	(10)	**(85)**	60
Interest on loans and financing	**(36)**	(443)	**(4,159)**	(5,458)	**-**	(206)	**(2,308)**	(1,424)
Discount granted	**(8)**	-	**(5,586)**	(4,128)	**(8)**	-	**(2,757)**	(2,325)
Foreign exchange losses	**-**	-	**(8,471)**	(16)	**-**	-	**(6,143)**	(11)
Tax on Financial Transactions (IOF)	**-**	(16)	**(341)**	(406)	**-**	(16)	**(138)**	(99)
Other expenses	**(73)**	(73)	**(2,901)**	(1,189)	**(52)**	(49)	**(1,837)**	(947)
	(117)	(542)	**(21,616)**	(11,322)	**(60)**	(281)	**(13,268)**	(4,746)
	12,048	1,454	**6,350**	28,443	**11,942**	542	**2,653**	13,884

23. Financial instruments

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

- Credit risk;
- Liquidity risk;
- Market risk;
- Operating risk.

(In thousands of reais)

23. Financial instruments (Continued)

23.1. Credit risk

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

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

The Company has a diversified customer portfolio, with low concentration level. Its major customer accounts for 2.6% of revenue only.

Subsidiaries set up an allowance for doubtful accounts that represents their estimated losses incurred in relation to trade accounts receivable (see Note 7). The key component in this allowance is specific and related to significant individual risks.

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

	Company		Consolidated	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Cash and cash equivalents (Note 5)	**52**	33	**45,603**	42,918
Short-term investments (Note 6)	**4,943**	6,891	**416,098**	508,806
Trade accounts receivable (Note 7)	**-**	-	**156,582**	131,129
	4,995	6,924	**618,283**	682,853

23.2. Liquidity risk

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

(In thousands of reais)

23. Financial instruments (Continued)

23.2. Liquidity risk (Continued)

Contracted financial liabilities mature as follows:

	Company			
Transaction	**Up to 1 year**	**Up to 2 years**	**From 3 to 5 years**	**Total**
	15	-	-	15
Trade accounts payable	36	-	-	36
Other liabilities	**51**	**-**	**-**	**51**

	Consolidated				
Transaction	**Up to 1 year**	**Up to 2 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Trade accounts payable	17,054	-	-	-	17,054
Loans and financing (Note 13)	41,468	60,602	21,761	-	123,831
Accounts payable for acquisition of subsidiaries - Earn Out (Note 15)	22,651	22,112	21,332	1,833	67,928
Accounts payable for acquisition of subsidiaries - retained portions (Note 15)	12,027	6,254	10,070	-	28,351
Accounts payable for acquisition of subsidiaries - other (Note 15)	13,150	5,379	6,349	171	25,049
Other liabilities	8,497	1,860	-	-	10,357
	114,847	**96,207**	**59,512**	**2,004**	**272,570**

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

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

23.3. Market risk

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

(In thousands of reais)

23. Financial instruments (Continued)

23.4. Operational risk

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

23.5. Capital management

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

23.6. Financial instrument analysis

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

	Company				Consolidated			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	06/30/2018	06/30/2018	12/31/2017	12/31/2017	06/30/2018	06/30/2018	12/31/2017	12/31/2017
Financial assets								
Cash and cash equivalents (Note 5)	**52**	**52**	33	33	**45,603**	**45,603**	42,918	42,918
Short-term investments (Note 6)	**4,943**	**4,943**	6,891	6,891	**416,098**	**416,098**	508,806	508,806
Trade accounts receivable (Note 7)	**-**	**-**	-	-	**156,582**	**156,582**	131,129	131,129
Other receivables	**11,135**	**11,135**	28	28	**38,847**	**38,847**	29,604	29,604
Total	**16,130**	**16,130**	6,952	6,952	**657,130**	**657,130**	712,457	712,457
Financial liabilities								
Trade accounts payable	**15**	**15**	7	7	**17,054**	**17,054**	8,518	8,518
Loans and financing (Note 13)	**-**	**-**	2,852	2,852	**123,831**	**123,831**	97,288	97,288
Accounts payable for acquisition of subsidiaries (Note 15)	**-**	**-**	-	-	**121,328**	**121,328**	130,767	130,767
Other liabilities	**36**	**36**	25,002	25,002	**10,357**	**10,357**	8,594	8,594
Total	**51**	**51**	27,861	27,861	**272,570**	**272,570**	245,167	245,167

(In thousands of reais)

23. Financial instruments (Continued)

23.6. Financial instrument analysis (Continued)

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

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

Financial instruments by category

	Company				
	06/30/2018		12/31/2017		
	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets					
Cash and cash equivalents (Note 5)	**-**	**52**	33	-	-
Short-term investments (Note 6)	**4,943**	**-**	-	6,891	-
Other receivables	**-**	**11,135**	28	-	-
	4,943	**11,187**	61	6,891	-
Financial liabilities					
Trade accounts payable	**-**	**15**	-	-	7
Loans and financing (Note 13)	**-**	**-**	-	-	2,852
Other liabilities	**-**	**36**	-	-	25,002
	-	**51**	-	-	27,861

	Consolidated				
	06/30/2018		12/31/2017		
	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets					
Cash and cash equivalents (Note 5)	**-**	**45,603**	42,918	-	-
Short-term investments (Note 6)	**416,098**	**-**	-	508,806	-
Trade accounts receivable (Note 7)	**-**	**156,582**	131,129	-	-
Other receivables	**-**	**38,847**	29,604	-	-
	416,098	**241,032**	203,651	508,806	-
Financial liabilities					
Trade accounts payable	**-**	**17,054**	-	-	8,518
Loans and financing (Note 13)	**-**	**123,831**	-	-	97,288
Accounts payable for acquisition of subsidiaries (Note 15)	**-**	**121,328**	-	30,961	99,806
Other liabilities	**-**	**10,357**	-	-	8,594
	-	**272,570**	-	30,961	214,206

(In thousands of reais)

23. Financial instruments (Continued)

23.7. Fair value hierarchy

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

Different levels were defined, as follows:

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

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

23.8. Sensitivity analysis of financial assets and liabilities

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

Short-term investments remunerated by CDI are marked to market, according to quotes reported by the corresponding financial institutions, whereas others mostly refer to bank deposit certificates (CDB). Therefore, the value recorded for these notes are not different from their market values.

In order to analyze sensitivity of short-term investment indexes, to which the Company is exposed at June 30, 2018, three different scenarios were defined for CDI increase risk. The June 2018 index, which was 6.39%, was defined as probable scenario; based thereon, 25% and 50% scenarios were defined.

		Company			
Transaction	**Balance at 06/30/2018**	**Risk**	**Scenario I (Probable)**	**Scenario II**	**Scenario III**
Short-term investments	**4,943**	Decrease	6.39%	4.79%	3.20%
Finance income		in CDI	316	237	158

(In thousands of reais)

23. Financial instruments (Continued)

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

Consolidated					
Transaction	Balance at 06/30/2018	Risk	Scenario I (Probable)	Scenario II	Scenario III
Short-term investments	**416,098**	Decrease	6.40%	4.80%	3.20%
Finance income		in CDI	26,630	19,973	13,315

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

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

Consolidated					
Transaction	Balance at 06/30/2018	Risk	Scenario I (Probable)	Scenario II	Scenario III
Financing - BNDES	**123,831**	Increase	9,287	11,615	13,931
Rate subject to variation		in TJLP	7.50%	9.38%	11.25%
Acquisition of companies	**10,243**	Increase	553	691	830
Rate subject to variation		in IGPM	5.40%	6.75%	8.10%
Acquisition of companies	**21,525**	Increase	682	852	1,025
Rate subject to variation		in CDI	3.17%	3.96%	4.76%
Acquisition of companies	**56,676**	Increase	1,474	1,842	2,210
Rate subject to variation		in IPCA	2.60%	3.25%	3.90%
Acquisition of companies	**32,884**	Devaluation	1,266	1,582	1,901
Rate subject to variation		of R$	3.85%	4.81%	5.78%

(In thousands of reais)

24. Insurance coverage

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

25. Earnings per share

a) Basic earnings per share

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

	Company	
	06/30/2018	**06/30/2017**
Net income for the year	**44,800**	48,117
Weighted average number of shares	**164,196,112**	165,750,091
Basic earnings per share (in reais)	**0.2728**	0.2903

b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, to assume the conversion of all potentially diluted common shares. The Company has a stock option plan, with 4,060,627 stock options granted, and total dilutive potential of 1,146,628 stock options, already including the initial grant.

	Company	
	06/30/2018	**06/30/2017**
Net income for the year	**44,800**	48,117
Weighted average number of shares (*)	**165,342,740**	170,242,089
Diluted earnings per share (in reais)	**0.2710**	0.2826

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

26. Share-based payment

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

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

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

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

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

26. Share-based payment (Continued)

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

On February 27, 2015, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 432,855 stock options, with a strike price of R$12.91 (twelve reais and ninety-one cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by the Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On February 29, 2016, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 566,592 stock options, with a strike price of R$12.72 (twelve reais and seventy-two cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by the Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On March 31, 2017, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 391,618 stock options, with a strike price of R$16.99 (sixteen reais and ninety-nine cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by the Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

On March 31, 2018, the Board of Directors approved grant of stock options, respective election of plan participants and the number of shares that each of them may acquire with the exercise of the options, totaling 420,552 stock options, with a strike price of R$21.61 (twenty-one reais and sixty-one cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by the Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

(In thousands of reais)

26. Share-based payment (Continued)

On March 31, 2017, the Board of Directors approved grant of deferred stock options, totaling 945,048 stock options, with a strike price of R$16.57 (sixteen reais and fifty-seven cents), subject to adjustments due to splits, grouping and bonuses, adjusted for inflation calculated according to the General Market Price Index (IGP-M) disclosed by the Getúlio Vargas Foundation (FGV), and adjusted according to any payments of dividends and/or interest on equity.

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

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

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

Stock Options

Grant					**Fair value assumptions**			
					Expected			
Number	**Date**	**Number of options**	**Strike price - reais**	**Price of of options**	**Dividends - %**	**Volatility - %**	**Interest rate free of risk - %**	**Maturity**
1st	02/28/2013	1,842,951	6.24	4.24	3.3%	25.24%	10.27%	4 years
2nd	02/28/2014	406,059	11.28	3.94	0.8%	25.11%	10.12%	4 years
3rd	02/27/2015	432,855	12.91	3.95	1.3%	24.00%	12.96%	4 years
4th	02/29/2016	566,592	12.72	4.67	0.8%	25.01%	7.25%	4 years
5th	03/31/2017	391,618	16.99	3.83	1.3%	24.25%	9.71%	4 years
6th	03/31/2018	420,552	21.61	2.99	1.4%	23.69%	8.42%	4 years

(In thousands of reais)

26. Share-based payment (Continued)

Deferred shares								
Grant					Fair value assumptions			
					Expected			
Number	Date	Number of options	Strike price - reais	Price of of options	Dividends - %	Volatility - %	Interest rate free of risk - %	Maturity
1st	03/31/2017	945,048	16.57	15.71	1.34%	24.25%	9.71%	4 years
2nd	03/31/2018	398,489	19.16	18.12	1.39%	23.69%	8.42%	4 years

The accumulated effect for the year ended June 30, 2018 is R$723 (R$1,073 at June 30, 2017), recorded in the statement of profit or loss as expenses with salaries. This effect had no impact on Company's cash.

Accumulated balance in equity, presented as capital reserve under Stock option plan, amounts to R$12,291 (R$11,548 at December 31, 2017).

27. Subsequent event

27.1. Acquisition of ownership interest - BlackRock

On July 2, 2018, Linx S.A. ("Linx" or "Company") informed that it had received a communication from BlackRock, Inc. ("BlackRock") informing the achievement of the ownership interest equivalent to 5.00% of total common shares issued by the Company, which currently total 8,312,015 (eight million, three hundred twelve thousand and fifteen) shares of this class, and 126,500 (one hundred, twenty-six thousand and five hundred) derivative instruments by reference to common shares with financial settlement, representing approximately 0.07% of total shares issued by the Company, as a result of recent acquisition of common shares of the Company through transactions carried out in stock exchanges.

The acquisition of ownership interest by BlackRock does not change the ownership control or administrative structure of the Company, since such ownership interest does not entitle it to vote on the purchase and sale of marketable securities issued by the Company.

27. Subsequent events (Continued)

27.2. Payment of interest on equity (Continued)

Linx S.A. (the “Company”) communicates to its shareholders and to the market that, as proposed by the Executive Board at the Board of Directors’ Meeting held on August 6, 2018, the directors approved the payment of interest on equity in the amount of R$11.0 million, corresponding to R$0.06698 per share. Interest on equity is subject to Withholding Income Tax (IRRF) at 15%, except for shareholders confirmedly tax exempt or tax immune, or shareholders domiciled in countries of which legislation establishes a different tax rate.

Interest on equity, net of IRRF, will be imputed on the mandatory dividends for the year 2018, due to the results of the first half of 2018, comprised between January 1, 2018 and June 30, 2018, as provided for by Law No. 9249/95, article 9, paragraph 7, item V, CVM Rule No. 207/96 and paragraph 2, article 37 of the Articles of Incorporation.

Alberto Menache
Chief Executive Officer

Pedro Holmes Monteiro Moreira
Chief Financial and IR Officer

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