

Conference call and webcast
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São Paulo, 27 February 2019. Sinqia S.A. (B3: SQIA3) ("**Company**"), provider of the most desired financial technology experience in Brazil, announces today its consolidated results for the fourth quarter of 2018 ("**4Q18**").

Recent events:

Debenture issuance. On 21 February 2019, we announced that the general meeting approved the first (1st) issuance of debenture, limited to R\$ 50 million, whose proceeds will be used to finance new acquisitions. The debentures have a maturity term of five years, a grace period of one year at the CDI rate + 1.75% per year, showing our capacity to raise long-term funds at an attractive cost. The general conditions of the issue are described in detail in the minutes of the meeting and the issuance's deed, disclosed on the websites of CVM, B3 and Sinqia.

Change of name and ticker. On 7 February 2019, following the brand change to Sinqia, announced in December, our shareholders approved the new corporate name Sinqia S.A. Subsequently, on 18 February 2019, our ticker on B3's Novo Mercado listing segment changed to SQIA3.

Acquisition of Atena. On 16 January 2019, we announced the acquisition of Atena, a supplier of software for pension entities. This was the 11th acquisition made by Sinqia and the 3rd in this market. The rationale of the deal included the upgrading of our Sinqia Pension platform, which now has a module for instituted funds, and the expansion of the client portfolio, which now comprises over 60 entities. Atena recorded gross revenues of R\$ 8.8 million and was acquired at an initial enterprise value of R\$ 9.0 million, with a potential additional installment of up to R\$ 4.0 million, subject to the achievement of a target.

Incorporation of subsidiaries. On 28 December 2018, we incorporated attps Informática Ltda. ("**attps**") and, on 31 December 2018, our subsidiaries incorporated Senior Solution Tecnologia e Informática Ltda. (formerly Aquarius) and CBR Sistemas de Informação Ltda. (one of "**ConsultBrasil**" companies). In addition to simplifying the structure of the economic group and reducing operating expenses, these incorporations able the amortization of goodwill generated by the respective acquisitions, resulting in relevant income tax and social contribution tax shield of up to R\$ 25.5 million, to be obtained during at least five years.

Financial highlights:

Net Revenues: a record R\$ 39.7 million in the quarter **(+8.5% vs. 4Q17)** and record R\$ 142.1 million in the year **(+5.3% vs. 2017)**, due to growth in Services;

Recurring Revenues: a record R\$ 32.2 million in the quarter **(+24.7% vs. 4Q17)** and record R\$ 115.7 million in the year **(+16.9% vs. 2017)**, due to growth in Outsourcing Services;

Adjusted EBITDA: R\$ 4.9 million in the quarter **(-14.3% vs. 4Q17)** and R\$ 19.2 million in the year **(-8.8% vs. 2017)**, down mainly from higher RD&I investments and new sales subsidies;

Adjusted Cash Earnings: R\$ 1.8 million in the quarter **(-54.9% vs. 4Q17)** and R\$ 12.3 million in the year **(-29.6% vs. 2017)**, due to higher deferred tax credits.

Financial Highlights								
(R\$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net Revenues	39,680	36,577	8.5%	35,672	11.2%	142,109	134,909	5.3%
Recurring Revenues	32,215	25,824	24.7%	28,432	13.3%	115,738	99,044	16.9%
% of Recurrence	81.2%	70.6%	10.6 p.p.	79.7%	1.5 p.p.	81.4%	73.4%	8.0 p.p.
EBITDA	4,172	5,701	-26.8%	4,840	-13.8%	15,268	18,246	-16.3%
EBITDA margin	10.5%	15.6%	-5.1 p.p.	13.6%	-3.1 p.p.	10.7%	13.5%	-2.8 p.p.
Adjusted EBITDA	4,883	5,701	-14.3%	4,840	0.9%	19,226	21,078	-8.8%
Adj. EBITDA margin	12.3%	15.6%	-3.3 p.p.	13.6%	-1.3 p.p.	13.5%	15.6%	-2.1 p.p.
Adjusted Cash Earnings	1,833	4,064	-54.9%	2,878	-36.3%	12,271	17,434	-29.6%
Adj. CE margin	4.6%	11.1%	-6.5 p.p.	8.1%	-3.4 p.p.	8.6%	12.9%	-4.3 p.p.

About Sinqia Sinqia is the provider of the most desired financial technology experience in Brazil. The Company provides software platforms (Sinqia Banks, Sinqia Funds, Sinqia Pension and Sinqia Consortium) and two service platforms (Sinqia Consulting and Sinqia Outsourcing). Since 2005, it has been executing a strategy of consolidation, becoming the industry leader after 11 acquisitions.

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MESSAGE FROM MANAGEMENT

In 2018, we took on the challenge of being one step ahead and would like to recall you of some important events of the year that, from a more comprehensive perspective, show how we are leading change and rising to this challenge.

As of January, we substantially increased investments in Research, Development & Innovation ("**RD&I**"). As software deriving from acquisitions made in recent years were at different technological stages, we began an extensive upgrade initiative to provide our customers with the most desired experience in financial technology. We increased our investments by R\$ 2.5 million, to R\$ 3.2 million in 2018 from R\$ 0.7 million in 2017, and this figure will rise further in 2019.

In April, we announced the creation of Torq (labtorq.com.br), an innovation ecosystem whose mission is to build technological solutions for the future of the financial sector. Acting as a hub, in operation for a few months, Torq has attracted several financial institutions, technology companies and fintechs, and has developed highly strategically relevant projects for our customers. Although Torq's financial results were not a priority, the subsidiary recorded net revenues of R\$ 1.5 million last year, rapidly reaching the breakeven point.

In May, we adjusted the sales model and began subsidizing the setup of new software sales. After we acquired attps, several potential customers declared their intention to replace part of their suppliers with Sinquia. However, as software implementation costs in the financial sector are high, these institutions did not have enough budget to fund them. To help with this, we adjusted our commercial sales model, subsidizing certain sales, i.e. exchanging variable implementation revenues for recurring subscription revenues. This subsidy of R\$ 1.2 million last year, equivalent to implementation expenses not yet linked to revenues will increase recurring revenues profile after the software setup.

In October, we acquired ConsultBrasil, a supplier of software for banks and non-banks financial institutions. This was the 10th acquisition made by Sinquia. The rationale of the deal was the addition of new suites at the Sinquia Banks platform, which now features SQ SPB (Brazilian Payment System) and SQ Regulatory, reinforcing the concept of full banking. ConsultBrasil recorded gross revenues of R\$ 4.9 million and was acquired at an enterprise value of R\$ 6.8 million.

In December, we changed our brand to Sinquia, a neologism based on the idea of synchrony, reflecting a series of new concepts that now inspire and guide the Company's operations. At the same time, we have reorganized our brand portfolio, with old brands being replaced with four software platforms (Sinquia Banks, Sinquia Funds, Sinquia Pension and Sinquia Consortium) and two service platforms (Sinquia Consulting and Sinquia Outsourcing). In the same month, we moved to our new headquarter in São Paulo/SP, increasing our space and modernizing the infrastructure and environment, with no significant impact on expenses per employee.

It is important to highlight that some of these events have already had positive effects on Sinquia's future organic growth, especially the expansion of RD&I investments and the adjustment of the sales model. In the Software unit, the portfolio of signed recurring contracts (including those not yet implemented) reached R\$ 88.1 million at the end of 2018, against R\$ 76.9 million at the same period of 2017. We saw an addition of R\$ 11.2 million, or 14.6%, representing sales less cancellations plus adjustments. This means that, when we finish implementation of sales made in 2018, Sinquia will be able to resume two-digit organic growth. Recalling that these figures do not include R\$ 4.4 million from ConsultBrasil.



Regarding our results, net revenues were an all-time high R\$ 142.1 million in the year, 5.3% more than in 2017 and 1.5 p.p. higher than official inflation measures by the IPCA (consumer price index). Organic addition also modestly reflected sales made in 2018, as, in some cases, we exchanged short-term implementation revenues for higher subscription revenues expected to be booked in 2019 and 2020.

Gross profit reached a record of R\$ 52.9 million in 2018, 4.3% more than last year. Of the R\$ 2.2 million growth, the Services unit contributed with an increase of R\$ 4.4 million, while the Software unit presented reduction. This reflected our conscious decision to increase RD&I investments by R\$ 2.5 million, sacrificing profitability in the short term in order to ensure higher growth in the medium term. As a result, the gross margin was 37.2% in 2018, versus 37.6% in 2017.

Expenses (excluding depreciation and amortization) totaled R\$ 37.6 million in the year, up 15.8% over 2017, R\$ 34.4 million of which in general and administrative expenses and R\$ 3.2 million in other expenses, related to the complement of the attrition earn-out.

Analyzing general and administrative expenses, of the increase of R\$ 1.9 million, or 5.8% up over 2017, the decision to subsidize the setup of new sales represented R\$ 1.2 million, sacrificing profitability in the short term in order to ensure higher growth in the medium term, and R\$ 0.6 million referred to extraordinary marketing expenses for the launch of the Sinqia brand in 4Q18. As a result, general and administrative expenses represented 24.2% of net revenues in 2018, against 24.1% in 2017. We expect that extraordinary items will continue to impact results at the beginning of 2019, due to the integration of ConsultBrasil and Atena, currently in progress.

Adjusted EBITDA (excluding extraordinary items) totaled R\$ 19.2 million in the year. This decline of R\$ 1.9 million, or 8.8% down from 2017, was due to decisions made last year to position the company to begin a new organic growth trajectory: R\$ 4.3 million allocated for that purpose, of which R\$ 2.5 million to increase RD&I investments, R\$ 1.2 million to subsidize the setup of new sales and R\$ 0.6 million to change the brand. The adjusted EBITDA margin fell to 13.5% from 15.6% in 2017.

Finally, Sinqia is ready to grow organically and inorganically, in a more intense manner. The proceeds from the recent debenture issuance will enable new acquisitions. We would not have sought funding if we were not convinced that there are many M&A opportunities, including in the short term.

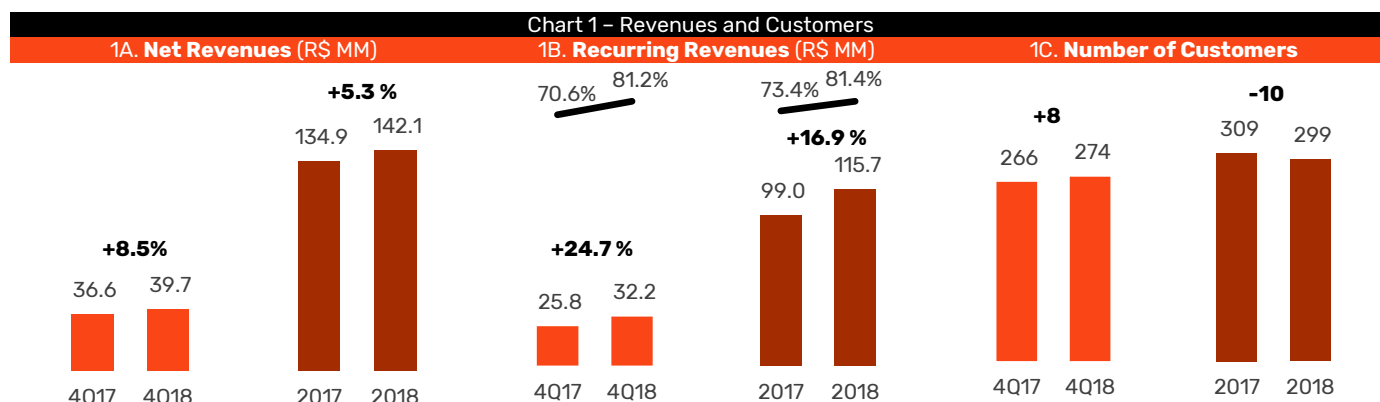
We are taking on the challenge of being always one step ahead, and this movement will be even stronger and faster from now on!

**OPERATING AND FINANCIAL PERFORMANCE**

Net Revenues. In the quarter, the Company posted record net revenues of R\$ 39.7 million **(+8.5% vs. 4Q17)**, driven by record revenues in both the Services (+22.9% vs. 4Q17) and Software (+1.2% vs. 4Q17) businesses. In the year, net revenues were an all-time high R\$ 142.1 million **(+5.3% vs. 2017)**, mainly driven by substantial growth in Services (+19.0% vs. 2017) despite the reduction in Software (-1.2% vs. 2017).

Recurring Revenues. In the quarter, recurring revenues, comprising “Subscription” in the Software business and “Outsourcing” in the Services business totaled a record R\$ 32.2 million **(+24.7% vs. 4Q17)**, and the recurrence rate reached record of 81.2% of the total (vs. 70.6% in 4Q17), thanks to growth in recurring revenues in “Outsourcing” (+55.0% vs. 4Q17) and “Subscription” (+10.9% vs. 4Q17), combined with a reduction in variable revenues (-30.6% vs. 4Q17). In the year, recurring revenues were an all-time high R\$ 115.7 million **(+16.9% vs. 2017)**, and the recurrence rate was a record 81.4% of the total (vs. 73.4% in 2017), thanks to substantial growth in “Outsourcing” (+47.6% vs. 2017) and “Subscription” (+4.0% vs. 2017), combined with a reduction in variable revenues (-26.5% vs. 2017).

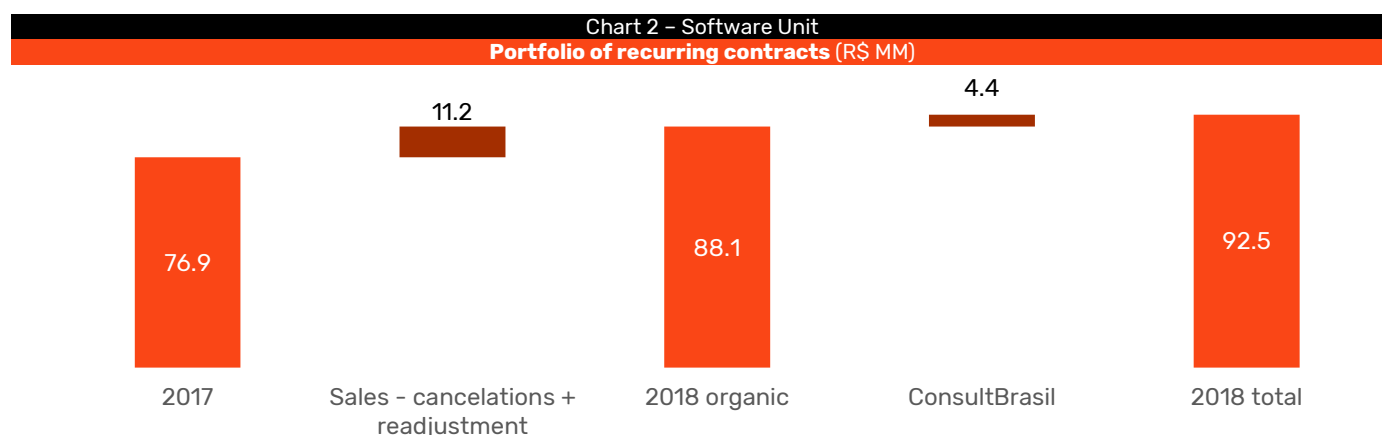
Number of Customers. In the quarter, the number of customers increased to 274 **(+8 vs. 4Q17)**, due to the addition of clients from ConsultBrasil and Torq, and the largest customers contributed to 14.4% of net revenues (vs. 7.1% in 4Q17), increasing concentration due to the expansion in software and services provided to this client by Singia. In the year, the number of customers fell to 299 **(-10 vs. 2017)**, related to the reduction in the base of consortium administrators, and the largest client contributed to 12.2% of net revenues (vs. 6.5% in 2017), for the same reasons responsible for the increase in concentration in 4Q18.

**Software Unit**

Net Revenues from Software. In the quarter, net revenues from Software were an all-time high R\$ 24.6 million **(+1.2% vs. 4Q17)**; in the year, R\$ 90.2 million **(-1.2% vs. 2017)**. We present below a breakdown between the recurring “Subscription” portion and the variable “Implementation and Customization” portion.

- **Net Revenues from Subscription.** In the quarter, net revenues from Subscription were an all-time high R\$ 19.7 million **(+10.9% vs. 4Q17)**, accounting for 80% of the unit’s total. In the year, were an all-time high R\$ 72.6 million **(+4.0% vs. 2017)**, accounting for 81% of the unit’s total. The result mainly reflected growth in investments due to a large implementation in the Company’s largest customer plus an additional R\$ 1.0 million from ConsultBrasil, acquired in 4Q18. It is worth noting that the performance could have been better if not for the fact that asset management customers reduced their operations in Brazil, as described in previous releases.

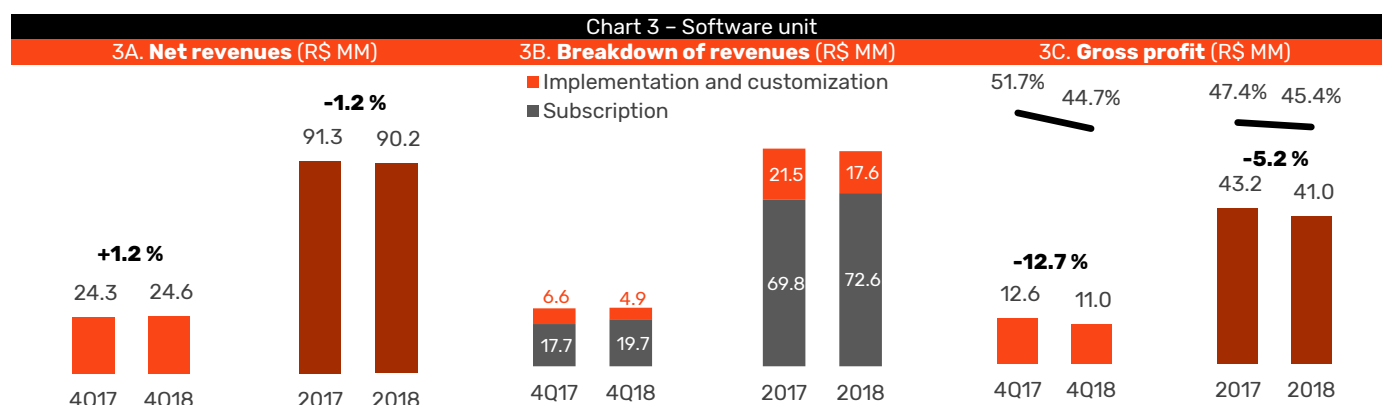
Portfolio of recurring contracts. The portfolio of signed recurring contracts portfolio (including those not yet implemented) reached R\$ 88.1 million at the end of 2018, against R\$ 76.9 million at the end of 2017. We saw an addition of R\$ 11.2 million **(or 14.6% Vs. 4Q17)**, representing “sales less cancellations plus adjustments”. This means that, when we finish implementation of sales made in 2018, Singia will be able to resume two-digit organic growth. These figures do not include R\$ 4.4 million from ConsultBrasil.



- Net Revenues from Implementation and Customization.** In the quarter, net revenues from Implementation and Customization reached R\$ 4.9 million (**-25.2% vs. 4Q17**), accounting for 20% of the unit's total. In the year, R\$ 17.6 million (**-18.1% vs. 2017**), accounting for 19% of the unit's total. The result reflected the conclusion of recent implementations, especially in the investment and pension areas, which have begun generating subscription revenues. It is worth noting that we adjusted our sales model in order to reduce our customers' switching cost, partially subsidizing setup, exchanging short-term "Implementation and Customization" revenues for medium-term "Subscription" revenues, with a temporary negative impact on the unit's revenues and profitability.

Software Costs. In the quarter, software costs totaled R\$ 13.6 million (**+16.0% vs. 4Q17**), mainly driven by the increase of R\$ 1.1 million in RD&I investments, which grew throughout the year and should continue growing in 2019, and R\$ 0.9 million in costs at ConsultBrasil. In the year, software costs came to R\$ 49.2 million (**+2.4% vs. 2017**), which, despite cost reductions in virtually all software areas, RD&I investments increased R\$ 2.5 million, hindering annual comparisons, as they are fully booked in this unit's result.

Gross Profit from Software. In the quarter, as result of higher costs, gross profit came to R\$ 11.0 million in 4Q18 (**-12.7% vs. 4Q17**), with a gross margin of 44.7% (-7.1 p.p. vs. 4Q17). In the year, due to the same reason, gross profit came to R\$ 41.0 million (**-5.2% vs. 2017**), with a gross margin of 45.4% (-1.9 p.p. vs. 2017). Please note that the decline in profitability was due to the management's decision designed to increase long-term results through the technological upgrading of software from acquisitions.



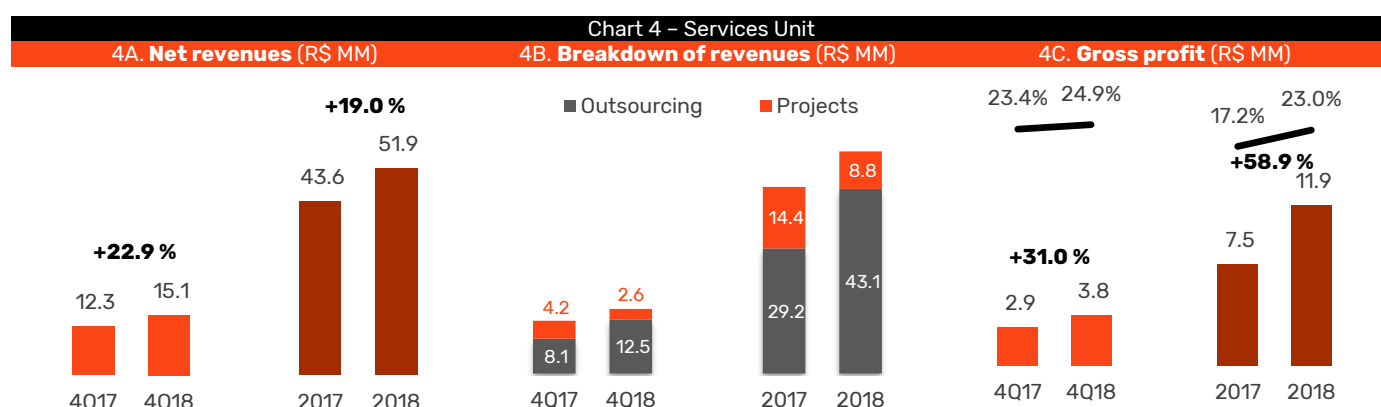
**Services Unit**

Net Revenues from Services. In the quarter, net revenues from Services were an all-time high R\$ 15.1 million **(+22.9% vs. 4Q17)**; and in the year, R\$ 51.9 million **(+19.0% vs. 2017)**. We present below a breakdown between the recurring “Outsourcing” portion and the variable “Projects” portion.

- **Net Revenues from Outsourcing.** In the quarter, net revenues from Outsourcing were an all-time high R\$ 12.5 million **(+55.0% vs. 4Q17)**, accounting from 83% of the unit’s total. In the year, net revenues reached a record R\$ 43.1 million **(+47.6% vs. 2017)**, accounting from 83% of the unit’s total. In the new reporting structure, revenues totaling R\$ 3.1 million in the quarter and R\$ 10.5 million in the year were reclassified from “Projects” to “Outsourcing” from attps. Excluding this reclassification, allocations moved up R\$ 3.2 million in the quarter and R\$ 8.5 million in the year, driven by strong demand and the consequent portfolio expansion, thanks to the increased conversion of opportunities.
- **Net Revenues from Projects.** In the quarter, net revenues from Projects totaled R\$ 2.6 million **(-39.1% vs. 4Q17)**, accounting for 17% of the unit’s total. In the year, net revenues from Projects reached R\$ 8.8 million **(-39.0% vs. 2017)**, accounting for 17% of the unit’s total. Innovation projects at the subsidiary Torq contributed to R\$ 0.8 million in the quarter and R\$ 1.5 million in the year. As explained above, there was a reclassification of revenues from “Projects” to “Outsourcing” from attps. As a result, excluding the reclassification, there was a slight decline, due to the lower volume of projects at Sinqia Consulting versus 4Q17 and the lower volume of tailored projects versus 2017.

Services Costs. In the quarter, Services costs amounted to R\$ 11.3 million **(+20.5% vs. 4Q17)**, of which R\$ 9.5 million from Outsourcing **(+56.3% vs. 4Q17)**, moving up due to new hires to serve allocations in the quarter, and R\$ 1.8 million from Projects **(-45.3% vs. 4Q17)**, with the impact of the transfer of costs from “Projects” to “Outsourcing”, arising from the reclassification of revenues from attps, plus an addition of R\$ 0.3 million in new costs at Torq. In the year, these costs totaled R\$ 40.0 million **(+10.7% vs. 2017)**, mostly driven by new hires to meet higher demand for Outsourcing, plus an addition of R\$ 0.7 million in new costs at Torq.

Gross profit from Services. In the quarter, gross profit from Services was a record R\$ 3.8 million **(+31.0% vs. 4Q17)**, with a gross margin of 24.9% **(+1.5 p.p. vs. 4Q17)**, of which record of R\$ 3.0 million from Outsourcing **(+51.1% vs. 4Q17)** and R\$ 0.7 million from Projects **(-15.3% vs. 4Q17)**. In the year, gross profit was an all-time high R\$ 11.9 million **(+58.9% vs. 2017)**, with a gross margin of 23.0% **(+5.8 p.p. vs. 2017)**, of which record of R\$ 9.0 million from Outsourcing **(+70.6% vs. 2017)**, with a record margin of 21.0%, and R\$ 2.9 million from Projects **(+30.7% vs. 2017)**, with a margin of 32.7%.





Costs, gross profit and expenses

Costs. In the quarter, costs reached R\$ 24.9 million **(+18.0% vs. 4Q17)**, an increase mainly driven by (i) R\$ 2.1 million in Outsourcing allocations, (ii) R\$ 1.1 million in RD&I investments and (iii) R\$ 0.9 million at ConsultBrasil, despite the reduction in organic Software businesses. In the year, totaled R\$ 89.2 million **(+6.0% vs. 2017)**, moving up due to the same reasons described for 4Q18, albeit to a lesser extent.

Gross Profit. In the quarter, gross profit totaled R\$ 14.7 million **(-4.5% vs. 4Q17)**, with a gross margin of 37.1% (-5.1 p.p. vs. 4Q17), due to the reasons mentioned in the Costs section above. In the year, totaled a record R\$ 52.9 million **(+4.3% vs. 2017)**, with a gross margin of 37.2% (-0.4 p.p. vs. 2017).

General and Administrative Expenses. In the quarter, general and administrative expenses amounted to R\$ 10.6 million **(+8.5% vs. 4Q17)**, accounting for 26.6% of net revenues, in line with 4Q17. Despite the organic decline of R\$ 0.3 million, the increase in value was related to extraordinary expenses of R\$ 0.6 million on the brand change (under "Commissions and marketing" in the table below) and R\$ 0.5 million on setup subsidies for new sales (under "Selling and administrative" in the table below). In the year, totaled R\$ 34.4 million **(+5.8% vs. 2017)**, accounting for 24.2% of net revenues, virtually in line with 2017. Of the R\$ 1.9 million increase, R\$ 1.2 million refers to the setup subsidies for new sales and R\$ 0.6 million to the brand change.

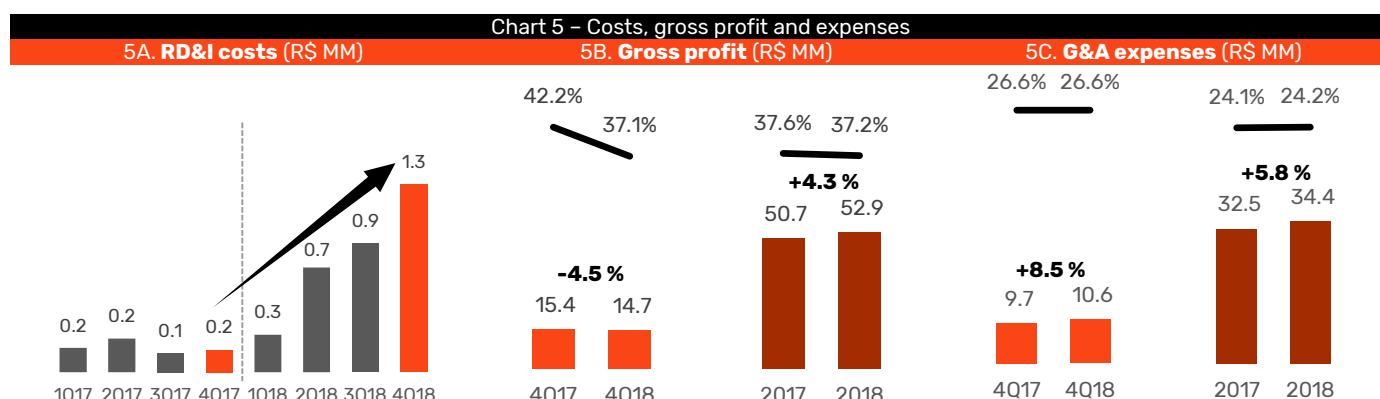


Table 1 – SG&A Breakdown								
(R\$ '000)	4Q18	4Q17	Ch.	3Q18	Ch.	2018	2017	Ch.
Administrative and commercial	6,237	4,657	1,580	5,823	414	22,064	19,765	2,299
Building expenses	2,073	1,367	706	1,230	843	5,601	5,678	(77)
Commission and marketing	1,630	298	1,332	532	1,098	3,053	1,368	1,685
Provision - Bonus	178	2,618	(2,440)	650	(472)	2,217	4,108	(1,891)
Provision - Trade receivables & contingencies	45	627	(582)	52	(7)	541	876	(335)
Others	402	172	230	135	267	894	695	199
Total	10,565	9,739	826	8,422	2,143	34,370	32,490	1,880

EBITDA and adjusted EBITDA¹

Adjusted EBITDA. In the quarter, adjusted EBITDA totaled R\$ 4.9 million **(-14.3% vs. 4Q17)**, while the adjusted EBITDA margin came to 12.3% (-3.3 p.p. vs. 4Q17). The Company recorded an excellent performance, despite the increase in RD&I investments (R\$ 1.1 million) and setup subsidies for new sales (R\$ 0.5 million). Excluding these items that hindered comparisons, adjusted EBITDA would have increased R\$ 0.9 million, or 14.2%, over 4Q17. In the year, adjusted EBITDA was R\$ 19.2 million **(-8.8% vs. 2017)**, with an adjusted EBITDA margin of 13.5% (-2.1 p.p. vs. 2017). It is worth noting that the increase in RD&I investments (R\$ 2.5 million) and setup subsidies for new sales (R\$ 1.2 million) hindered comparisons. Excluding these items, adjusted EBITDA would rise R\$ 1.8 million, or 8.7%, over 2017.

¹ EBITDA is a non-accounting measurement calculated by the Company in accordance with CVM Instruction 527/12, which consists of net income for the period, plus income taxes, finance income net of finance costs, and depreciation and amortization. Adjusted EBITDA corresponds to EBITDA, plus the extraordinary effects of acquisitions and non-recurring events. The "Extraordinary expenses - earnout" line represents the complement in the earn-out provision for attps; the "Extraordinary expenses - integration" line represents the extraordinary layoff costs in the corporate areas; the "Extraordinary costs - integration" line represents the extraordinary layoff expenses in the Software and Services units; and the "Extraordinary expenses - new brand" line represents marketing expenses related to the change in the Company's visual identity and solutions for Sinqia.



Table 2 - Reconciliation of EBITDA and Adjusted EBITDA

(R\$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net Income	1,097	2,888	-62.0%	1,418	-22.6%	2,726	7,464	-63.5%
(+) Income tax/social contribution	817	357	128.9%	1,218	-32.9%	2,310	2,293	0.7%
(+) Finance result	359	749	-52.1%	386	-7.0%	3,033	1,677	80.9%
(+) Depreciation/amort.	1,899	1,707	11.2%	1,818	4.5%	7,199	6,812	5.7%
EBITDA	4,172	5,701	-26.8%	4,840	-13.8%	15,268	18,246	-16.3%
(+) Extraordinary expenses - earnout	-	-	-	-	-	3,247	-	-
(+) Extraordinary expenses - integration	8	-	-	-	-	8	1,213	-99.3%
(+) Extraordinary expenses - new brand	627	-	-	-	-	627	-	-
(+) Extraordinary costs - integration	76	-	-	-	-	76	1,619	-95.3%
Adjusted EBITDA	4,883	5,701	-14.3%	4,840	0.9%	19,226	21,078	-8.8%
Adj. EBITDA Margin	12.3%	15.6%	-3.3 p.p.	13.6%	-1.3 p.p.	13.5%	15.6%	-2.1 p.p.

EBT, net income and adjusted cash earnings

EBT. In the quarter, earnings before income tax and social contribution ("**EBT**") stood at R\$ 1.9 million (**-41.0% vs. 4Q17**); in the year, R\$ 5.0 million (**-48.3% vs. 2017**), as follows:

- **Finance Result, net.** In the quarter, the finance result was a negative R\$ 0.4 million (vs. a negative R\$ 0.8 million in 4Q17), due to a R\$ 0.2 million increase in financial income, fueled by higher income from investments, and a R\$ 0.2 million decline in financial costs, thanks to lower IOF (tax on financial transactions). In the year, was a negative R\$ 3.0 million (vs. a negative R\$ 1.7 million in 2017), due to the decline in interest on the complement of the attps earn-out in amounting R\$ 1.4 million in 1Q18.
- **Depreciation and Amortization.** In the quarter, depreciation and amortization totaled R\$ 1.9 million (**+11.2% vs. 4Q17**), edging up due to increased amortization of new software licenses for internal use and higher depreciation of hardware. In the year, totaled R\$ 7.2 million (**+5.7% vs. 2017**), for the same reasons.

Net Income. In the quarter, net income totaled R\$ 1.1 million (**-62.0% vs. 4Q17**), with a gross margin of 2.8% (-5.1 p.p. vs. 4Q17). In the year, amounted to R\$ 2.7 million (**-63.5% vs. 2017**), with a net margin of 1.9% (-3.6 p.p. vs. 2017). Despite higher gross profit, increased operating and financial expenses, R\$ 4.6 million of which associated with the complement of the attps earn-out in 2018 (R\$ 3.2 million in "Other expenses" and R\$ 1.4 million in "Financial expenses"), almost fully explained by the decline in net income in the period. However, we stress that this accounting measure is influenced by factors with no economic effect on the Company, which is why we recommend its analysis together with adjusted cash earnings, described below.

Adjusted Cash Earnings. In the quarter, adjusted cash earnings stood at R\$ 1.8 million (**-54.9% vs. 4Q17**), with margin of 4.6% (-6.5 p.p. vs. 4Q17). In the year, totaled R\$ 12.3 million (**-29.6% vs. 2017**), with a margin of 8.6% (-4.3 p.p. vs. 2017). The decline in the quarter and in the year was due to a reduction in adjusted net income (down R\$ 1.1 million in 4Q18 and R\$ 2.3 million in 2018) and deferred income tax and social contribution credits in 2018.

Table 3 - Reconciliation of Adjusted Cash Earnings

(R\$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net income	1,097	2,888	-62.0%	1,418	-22.6%	2,726	7,464	-63.5%
(+) Extraordinary effects	711	-	-	-	-	5,320	2,832	87.9%
Adjusted net income	1,808	2,888	-37.4%	1,418	27.5%	8,046	10,296	-21.9%
(+) Acquisitions amortization	1,424	1,469	-3.1%	1,488	-4.3%	5,864	5,911	-0.8%
(+) Def. income tax/Social Contr.	(1,399)	(293)	377.5%	(28)	-	(1,639)	1,227	-
Adjusted Cash Earnings	1,833	4,064	-54.9%	2,878	-36.3%	12,271	17,434	-29.6%
Adj. CE Margin	4.6%	11.1%	-6.5 p.p.	8.1%	-3.4 p.p.	8.6%	12.9%	-4.3 p.p.

The historical series of the financial data is available in Excel at ri.sinqia.com.br, on the "Results" menu.



Financial position

Gross Cash. The gross cash position amounted to R\$ 26.0 million in 4Q18 (+R\$ 0.6 million vs. 3Q18 and -R\$ 4.0 million vs. 2017). The increase was mainly due to growth in accounts receivable.

Gross debt. Gross debt came to R\$ 32.9 million in 4Q18 (-R\$ 1.8 million vs. 3Q18 and -R\$ 7.0 million vs. 2017), as follows:

- **Liabilities Arising from Investment Acquisitions.** Liabilities arising from investment acquisitions totaled R\$ 18.3 million in 4Q18 (-R\$ 1.0 million vs. 3Q18 and +R\$ 2.0 million vs. 2017), with the decline from 3Q18 being mainly due to the amortization of installments resulting from the acquisition of attps.
- **Borrowings.** Borrowings amounted to R\$ 14.6 million in 4Q18 (-R\$ 0.7 million vs. 3Q18 and -R\$ 7.2 million vs. 2017), with the decrease resulting from the installment payment of financing contracted with the BNDES.

Net Debt. Net debt decreased to R\$ 6.9 million in 4Q18 (-R\$ 2.4 million vs. 3Q18 and -R\$ 3.0 million vs. 2017), representing only 0.4x adjusted EBITDA in the last 12 months (vs. 0.5x in 3Q18 and 0.5x in 2017), remaining at a comfortable level. Despite the acquisition of ConsultBrasil in October, there was room to increase leverage in order to proceed with acquisitions. As a result, we issued debentures in late February 2019.

Capital market

Stock Performance. The Company's shares (Novo Mercado: SQIA3) closed 2018 at R\$25.31 (+18.0% vs. 3Q18; -5.2% vs. 2017). Since the Company's total capital stock comprises 11,787,203 common shares, the Company's market cap amounted to R\$ 298.3 million on 31 December 2018.

Average Daily Trading Volume. In the quarter, ADTV was R\$ 400.1 thousand (+90.8% vs. 3Q18; +7.9% vs. 2017); in the year, R\$ 349.2 thousand (+14.4% vs. 2017).

Shareholder Base. The shareholding structure ended 2018 with 6,290 shareholders (+21.2% vs. 3Q18 and +56.5% vs. 2017), a significant number in comparison with Brazilian companies of similar size, and free float was 73.1%.

Relationship with the Auditors

Pursuant to CVM Instruction 381/03, we hereby inform that the Company and its subsidiaries have hired the independent audit services of PricewaterhouseCoopers Auditores Independentes and that, during the 2018 fiscal year, these auditors did not provide any services unrelated to external audits.

Declaration from Management

The Management of Sinqia S.A., pursuant to items V and VI of Article 25 of CVM Instruction 480/09, hereby declares that it has reviewed, discussed and agreed on (i) the opinions expressed in the independent auditors' report and (ii) the Financial Statements related to the period ended on 31 December 2018.

Acknowledgments

Finally, the Company would like to thank all those who contributed to the success achieved in the year, especially its customers, employees and shareholders.



ATTACHMENT - FINANCIAL STATEMENTS

I – Income Statement (Consolidated)

(RS '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Gross Revenues	44,477	41,316	7.7%	40,014	11.2%	159,387	152,301	4.7%
Software	27,598	27,359	0.9%	24,482	12.7%	101,285	102,736	-1.4%
Subscription	22,084	19,888	11.0%	19,155	15.3%	81,530	78,318	4.1%
Implementation	5,514	7,471	-26.2%	5,327	3.5%	19,755	24,418	-19.1%
Services	16,879	13,957	20.9%	15,532	8.7%	58,102	49,565	17.2%
Outsourcing	14,098	9,286	51.8%	12,782	10.3%	48,475	33,487	44.8%
Projects	2,781	4,671	-40.5%	2,750	1.1%	9,627	16,078	-40.1%
Sales taxes	(4,797)	(4,739)	1.2%	(4,342)	10.5%	(17,278)	(17,392)	-0.7%
Software	(3,014)	(3,061)	-1.5%	(2,691)	12.0%	(11,067)	(11,428)	-3.2%
Subscription	(2,415)	(2,157)	12.0%	(2,099)	15.1%	(8,900)	(8,488)	4.9%
Implementation	(599)	(904)	-33.7%	(592)	1.2%	(2,167)	(2,940)	-26.3%
Services	(1,783)	(1,678)	6.3%	(1,651)	8.0%	(6,211)	(5,964)	4.1%
Outsourcing	(1,552)	(1,193)	30.1%	(1,406)	10.4%	(5,367)	(4,273)	25.6%
Projects	(231)	(485)	-52.4%	(245)	-5.7%	(844)	(1,691)	-50.1%
Net Revenues	39,680	36,577	8.5%	35,672	11.2%	142,109	134,909	5.3%
Software	24,584	24,298	1.2%	21,791	12.8%	90,218	91,308	-1.2%
Subscription	19,669	17,731	10.9%	17,056	15.3%	72,630	69,830	4.0%
Implementation	4,915	6,567	-25.2%	4,735	3.8%	17,588	21,478	-18.1%
Services	15,096	12,279	22.9%	13,881	8.8%	51,891	43,601	19.0%
Outsourcing	12,546	8,093	55.0%	11,376	10.3%	43,108	29,214	47.6%
Projects	2,550	4,186	-39.1%	2,505	1.8%	8,783	14,387	-39.0%
Net Revenues	39,680	36,577	8.5%	35,672	11.2%	142,109	134,909	5.3%
Recurring	32,215	25,824	24.7%	28,432	13.3%	115,738	99,044	16.9%
Variable	7,465	10,753	-30.6%	7,240	3.1%	26,371	35,865	-26.5%
% of Recurrence	81.2%	70.6%	10.6 p.p.	79.7%	1.5 p.p.	81.4%	73.4%	8.0 p.p.
Costs	(24,942)	(21,137)	18.0%	(22,401)	11.3%	(89,214)	(84,173)	6.0%
Software	(13,607)	(11,730)	16.0%	(12,031)	13.1%	(49,235)	(48,067)	2.4%
Services	(11,335)	(9,407)	20.5%	(10,370)	9.3%	(39,979)	(36,106)	10.7%
Outsourcing	(9,523)	(6,092)	56.3%	(8,858)	7.5%	(34,069)	(23,917)	42.4%
Projects	(1,812)	(3,315)	-45.3%	(1,512)	19.8%	(5,910)	(12,189)	-51.5%
Gross profit	14,738	15,440	-4.5%	13,271	11.1%	52,895	50,736	4.3%
Gross margin	37.1%	42.2%	-5.1 p.p.	37.2%	-0.1 p.p.	37.2%	37.6%	-0.4 p.p.
Software	10.977	12.568	-12.7%	9.760	12.5%	40.983	43.241	-5.2%
Software gross mg.	44.7%	51.7%	-7.1 p.p.	44.8%	-0.1 p.p.	45.4%	47.4%	-1.9 p.p.
Services	3.761	2.872	31.0%	3.511	7.1%	11.912	7.495	58.9%
Services gross mg.	24.9%	23.4%	1.5 p.p.	25.3%	-0.4 p.p.	23.0%	17.2%	5.8 p.p.
Outsourcing	3.023	2.001	51.1%	2.518	20.1%	9.039	5.297	70.6%
Outsourcing gross mg.	24.1%	24.7%	-0.6 p.p.	22.1%	2.0 p.p.	21.0%	18.1%	2.8 p.p.
Projects	738	871	-15.3%	993	-25.7%	2,873	2,198	30.7%
Projects gross mg.	28.9%	20.8%	8.1 p.p.	39.6%	-10.7 p.p.	32.7%	15.3%	17.4 p.p.
Expenses	(12,464)	(11,446)	8.9%	(10,240)	21.7%	(44,816)	(39,302)	14.0%
% of net revenues	31.4%	31.3%	0.1 p.p.	28.7%	2.7 p.p.	31.5%	29.1%	2.4 p.p.
General/administrative	(10,565)	(9,739)	8.5%	(8,422)	25.4%	(34,370)	(32,490)	5.8%
% of net revenues	26.6%	26.6%	0.0 p.p.	23.6%	3.0 p.p.	24.2%	24.1%	0.1 p.p.
Other expenses	-	-	-	-	-	(3,247)	-	-
% of net revenues	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.	2.3%	0.0%	2.3 p.p.
Depreciation/amort.	(1,899)	(1,707)	11.2%	(1,818)	4.5%	(7,199)	(6,812)	5.7%
% of net revenues	4.8%	4.7%	0.1 p.p.	5.1%	-0.3 p.p.	5.1%	5.0%	0.0 p.p.
EBIT	2,274	3,994	-43.1%	3,031	-25.0%	8,079	11,434	-29.3%
Finance result	(359)	(749)	-52.1%	(386)	-7.0%	(3,033)	(1,677)	80.9%
Finance income	586	392	49.5%	498	17.7%	1,973	1,868	5.6%
Finance costs	(945)	(1,141)	-17.2%	(884)	6.9%	(5,006)	(3,545)	41.2%
EBT	1,915	3,245	-41.0%	2,645	-27.6%	5,046	9,757	-48.3%
Income tax/social contribution	(817)	(357)	128.9%	(1,218)	-32.9%	(2,310)	(2,293)	0.7%
Current	(2,216)	(650)	240.9%	(1,246)	77.8%	(3,949)	(1,066)	270.5%
Deferred	1,399	293	377.5%	28	4896.4%	1,639	(1,227)	-233.6%
Results after IT and SC	1,098	2,888	-62.0%	1,427	-23.1%	2,736	7,464	-63.3%
Minority interest	(1)	-	-	(9)	-88.9%	(10)	-	-
Net income	1,097	2,888	-62.0%	1,418	-22.6%	2,726	7,464	-63.5%
Net margin	2.8%	7.9%	-5.1 p.p.	4.0%	-1.2 p.p.	1.9%	5.5%	-3.6 p.p.

EBITDA*	4,172	5,701	-26.8%	4,840	-13.8%	15,268	18,246	-16.3%
EBITDA mg.	10.5%	15.6%	-5.1 p.p.	13.6%	-3.1 p.p.	10.7%	13.5%	-2.8 p.p.
(+) Extraordinary expenses	635	-	-	-	-	3,882	1,213	221.0%
(+) Extraordinary costs	76	-	-	-	-	76	1,619	-96.0%
Adjusted EBITDA	4,883	5,701	-14.3%	4,840	0.9%	19,226	21,078	-8.8%
Adj. EBITDA Margin	12.3%	15.6%	-3.3 p.p.	13.6%	-1.3 p.p.	13.5%	15.6%	-2.1 p.p.

*According to Instruction CVM 527/12.



4Q18 | Earnings Release

sinqia

(R\$ '000)	4Q18	4Q17	Change	3Q18	Change	2018	2017	Change
Net income	1,097	2,888	-62.0%	1,418	-22.6%	2,726	7,464	-63.5%
(+) Extraordinary effects	711	-	-	-	-	5,320	2,832	87.9%
Adjusted net income	1,808	2,888	-37.4%	1,418	27.5%	8,046	10,296	-21.9%
(+) Acquisitions amortization	1,424	1,469	-3.1%	1,488	-4.3%	5,864	5,911	-0.8%
(+) Deferred income tax/Social cont.	(1,399)	(293)	377.5%	(28)	-	(1,639)	1,227	-
Adjusted Cash Earnings	1,833	4,064	-54.9%	2,878	-36.3%	12,271	17,434	-29.6%
Adj. CE Margin	4.6%	11.1%	-6.5 p.p.	8.1%	-3.4 p.p.	8.6%	12.9%	-4.3 p.p.

II – Balance Sheet (Consolidated)

(R\$ '000)	12.31.2018	09.30.2018	Change	12.31.2017	Change
ASSETS	167,430	157,100	6.6%	157,501	6.3%
Current	51,722	55,013	-6.0%	52,075	-0.7%
Cash and cash equivalents	26,037	25,394	2.5%	30,001	-13.2%
Trade receivables	22,254	25,670	-13.3%	18,827	18.2%
Prepaid expenses	79	-	-	50	58.0%
Taxes and contributions recoverable	2,552	3,570	-28.5%	2,810	-9.2%
Other receivables	744	323	130.3%	387	92.2%
Related parties	56	56	0.0%	-	-
Non-current	115,708	102,087	13.3%	105,426	9.8%
Deposits in court	297	403	-26.3%	2,151	-86.2%
Deferred income tax and social contrib.	16,297	10,508	55.1%	10,268	58.7%
Other credits	159	159	0.0%	159	0.0%
Property and equipment	6,836	3,800	79.9%	2,597	163.2%
Intangible assets	92,119	87,217	5.6%	90,251	2.1%
LIABILITIES AND EQUITY	167,430	157,100	6.6%	157,501	6.3%
Current	33,635	28,519	17.9%	34,172	-1.6%
Borrowings	3,958	3,700	7.0%	6,529	-39.4%
Trade payables	2,134	1,021	109.0%	601	255.1%
Advances from customers	4,338	1,235	251.3%	2,239	93.7%
Salaries, social charges and labor prov.	13,707	13,836	-0.9%	16,294	-15.9%
Dividends payable	648	-	-	2,085	-68.9%
Tax liabilities	2,824	3,058	-7.7%	1,583	78.4%
Liabilities arising from invest. acquisition	6,026	5,669	6.3%	4,841	24.5%
Non-current	48,379	43,519	11.2%	47,722	1.4%
Borrowings	10,651	11,638	-8.5%	15,327	-30.5%
Tax liabilities	3,586	98	-	334	-
Provisions for contingencies	21,845	18,064	20.9%	18,819	16.1%
Liabilities arising from invest. acquisition	12,297	13,719	-10.4%	13,242	-7.1%
Non-controlling interests	66	63	4.8%	-	-
Equity	85,350	84,999	0.4%	75,607	12.9%
Share capital	50,561	50,561	0.0%	50,561	0.0%
Treasury shares	(2,220)	(2,220)	0.0%	(4,772)	-53.5%
Capital reserve	5,577	5,677	-1.8%	464	1101.9%
Revenue reserves	31,432	30,981	1.5%	29,354	7.1%
Gross debt	32,932	34,726	-5.2%	39,939	-17.5%
Borrowings	14,609	15,338	-4.8%	21,856	-33.2%
Liabilities arising from invest. acquisition	18,323	19,388	-5.5%	18,083	1.3%
Cash position (debt), net	(6,895)	(9,332)	-26.1%	(9,938)	-30.6%

(A free translation of the original in Portuguese)

Sinqia S.A.
Parent company and consolidated
financial statements
at December 31, 2018
and independent auditor's report

(A free translation of the original in Portuguese)

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(A free translation of the original in Portuguese)

MESSAGE FROM MANAGEMENT

Dear Shareholders and other Stakeholders,

In compliance with the provisions of Brazilian Corporate Law, SINQIA S.A., the leading Brazilian provider of information technology for the financial market, hereby submits for the consideration of its shareholders and other stakeholders, the Management Report and the related Financial Statements, accompanied by the independent auditor's report, relating to the year ended December 31, 2018, prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

RELATIONSHIP WITH THE INDEPENDENT AUDITOR

The Company's policy when contracting services not related to the external audit from the independent auditor is based on principles that safeguard the latter's independence. These principles consist of internationally accepted standards, according to which: (a) the auditors shall not audit their own work; (b) the auditors shall not perform management functions for their clients; and (c) the auditors shall not generate conflicts of interest with their clients.

The procedures adopted by the Company, pursuant to Article 2, item III of Instruction 381/03 of the Brazilian Securities Commission (CVM) are as follows: before contracting professional services other than those related to the external audit, the Company and its subsidiaries consult with the independent auditor and the Board of Directors, in order to ensure that the provision of these other services will not affect the external auditor's independence or the objectivity required for the performance of the audit services, and also to obtain approval from the Board of Directors. . In addition, these auditors are required to present formal statements regarding their independence in the performance of non-audit services.

Independent auditor's report on the parent company and consolidated financial statements

To the Board of Directors and Stockholders
Sinqia S.A.

Opinion

We have audited the accompanying parent company financial statements of Sinqia S.A. ("Company"), which comprise the balance sheet as at December 31, 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Sinqia S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

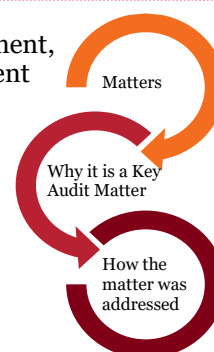
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinqia S.A. and of Sinqia S.A. and its subsidiaries as at December 31, 2018, and the financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements, taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We planned and performed our audit for 2018 considering that the parent company and consolidated operations have not changed significantly in relation to the prior year. This being the case, the Key Audit Matters and our audit approach continued substantially in line with those of the prior year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
<p>Measurement of revenue from rendering of software consulting and customization services</p> <p>As mentioned in Notes 8.19 and 27.19 of the financial statements, the measurement of revenue and corresponding accounts receivable at December 31, 2018, arising from the rendering of software consulting services and customization agreements, is based on an estimate of hours through completion of the services, which may affect the measurement and accounting recognition of revenue from services already rendered.</p> <p>We focused on this area because the estimate is based on Management's judgment, as discussed above.</p>	<p>We updated our understanding and evaluated the internal controls that are significant to the process of measuring and recording revenue from the rendering of services.</p> <p>Our tests on revenue from services rendered were made on a sample basis and included: an analysis of the documentation supporting the sale of the service, evidence of the service provided, reading of contracts, recording transactions within the accrual, subsequent financial settlement and an analysis, in conjunction with those responsible for the selected projects, of the criteria used to prepare the estimate of hours to be incurred.</p> <p>As a result of these audit procedures, we considered that the methodology used by the Company's Management for the recording of revenue from the rendering of services is reasonable, in all material respects, in the context of the financial statements.</p>

Test for impairment of intangible assets (goodwill)

As mentioned in Note 2.1(a) and 12 to the financial statements, the Company records goodwill related to the acquisition of subsidiaries. An impairment assessment of goodwill involves critical judgments by the Company's Management in determining future cash flows, which are based on the business plan approved by the Board of Directors.

We maintained this as an area of audit focus since different assumptions used by Management in the cash flow forecasts may significantly change the calculation of the recoverable amount of goodwill and, consequently, affect the financial statements.

Our procedures included, among others, obtaining the calculation of the recoverable amount of goodwill prepared by Management.

With the support of our valuation experts, we assessed whether the key assumptions used in the model to calculate the recoverable amount of goodwill were aligned with the Company's business plan, duly approved by the Board of Directors. We analyzed the consistency of the projected cash flows in previous years against the cash flows effectively realized in the same years, and we also checked the mathematical accuracy of the model used to calculate the recoverable goodwill. We also evaluated the reasonableness of the key financial and economic assumptions used by Management, such as the discount rate, inflation, rate of growth of revenues and expenses, and the investment rate, by comparing them with data available in the market. We also performed a sensitivity analysis of the key assumptions in the model.

We considered that the criteria and key assumptions determined by Management for the testing of the goodwill recoverable amount are reasonable and consistent with the documents presented.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2018, prepared under the responsibility of the Company's Management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the Brazilian Technical Pronouncements Committee CPC 09 - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's Management is responsible for the other accompanying information, comprising the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

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

Responsibilities of Management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they may reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

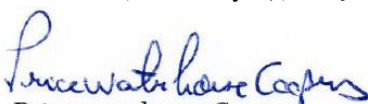
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, February 27, 2019


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Ricardo Novaes de Queiroz
Contador CRC 1DF012332/O-2

SINQIA S.A.AND SUBSIDIARIES
BALANCE SHEET
AT DECEMBER 31
(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
ASSETS				
Current assets				
Cash and cash equivalents (Note 7)	5,039	11,876	26,037	30,001
Trade receivables (Note 8)	3,206	3,244	22,254	18,827
Prepaid expenses	48	18	79	50
Taxes and contributions recoverable (Note 9)	1,037	1,064	2552	2,810
Related parties (Note 10)	-	-	56	-
Other receivables	269	287	744	387
Total current assets	9,599	16,489	51,722	52,075
Non-current assets				
Related parties (Note 10)	6,500	882	-	-
Deposits in court (Note 17)	58	142	297	2,151
Deferred income tax and social contribution (Note 23)	3,250	2,028	16,296	10,268
Other receivables	-	-	159	159
Investments (Note 5)	78,081	79,528	-	-
Property and equipment (Note 11)	5,285	667	6,836	2,597
Intangible assets (Note 12)	23,949	26,895	92,118	90,251
Total non-current assets	117,123	110,142	115,708	105,426
Total assets	126,722	126,631	167,430	157,501

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

SINQIA S.A.AND SUBSIDIARIES
BALANCE SHEET
AT DECEMBER 31
(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
LIABILITIES				
Current liabilities				
Borrowings (Note 13)	3,718	6,527	3,958	6,529
Trade payables	1,435	226	2,134	601
Advances from customers	1,319	575	4,338	2,239
Salaries, social charges and labor provisions (Note 14)	5,506	6,227	13,707	16,294
Undistributed profits (Note 18.2)	648	2,085	648	2,085
Tax liabilities (Note 15)	283	283	2,824	1,583
Liabilities arising from investment acquisition (Note 16)	5,670	4,608	6,026	4,841
Total current liabilities	18,579	20,531	33,635	34,172
Non-current liabilities				
Borrowings (Note 13)	10,650	15,246	10,651	15,327
Tax liabilities (Note 15)	17	17	3,586	334
Provisions for contingencies (Note 17)	377	601	21,845	18,819
Related parties (Note 10)	1	-	-	-
Liabilities arising from investment acquisition (Note 16)	11,747	13,242	12,297	13,242
Provision for losses on investments (Note 5)	-	1,386	-	-
Total non-current liabilities	22,793	30,492	48,379	47,722
Non-controlling interest	-	-	66	-
Equity (Note 18)				
Share capital	50,561	50,561	50,561	50,561
Treasury shares	(2,220)	(4,772)	(2,220)	(4,772)
Capital reserve	5,577	464	5,577	464
Revenue reserves	31,432	29,353	31,432	29,354
Total equity	85,350	75,607	85,350	75,607
Total liabilities	126,722	126,631	167,430	157,501

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

SINQIA S.A.AND SUBSIDIARIES
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
NET OPERATING INCOME (Note 19)	35,808	28,600	142,109	134,909
Cost of services rendered (Note 20)	(20,872)	(17,936)	(89,214)	(84,173)
GROSS PROFIT	14,936	10,664	52,895	50,736
Operating income (expenses)				
General, administrative and selling expenses (Note 21)	(13,920)	(13,237)	(41,569)	(39,302)
Equity in the results of subsidiaries (Note 5)	7,678	11,169	-	-
Other operating income (expenses), net	(3,247)	-	(3,247)	
Total operating expenses	(9,489)	(2,068)	(44,816)	(39,302)
Operating income before finance result	5,447	8,596	8,079	11,434
Finance result, net (Note 22)	(3,943)	(1,795)	(3,033)	(1,677)
Profit before income tax and social contribution	1,504	6,801	5,046	9,757
Current income tax and social contribution (Note 23)	-	121	(3,949)	(1,066)
Deferred income tax and social contribution (Note 23)	1,222	542	1,639	(1,227)
Non-controlling interests	-	-	(10)	-
Profit for the year	2,726	7,464	2,726	7,464
BASIC EARNINGS PER SHARE (Note 24)	0.238	0.667	0.238	0.667
DILUTED EARNINGS PER SHARE (Note 24)	0.238	0.667	0.238	0.667

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

SINQIA S.A.AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2018	2017	2018	2017
Profit for the year	2,726	7,464	2,726	7,464
Other comprehensive income				
Total comprehensive income for the period	<u>2,726</u>	<u>7,464</u>	<u>2,726</u>	<u>7,464</u>

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

SINQIA S.A.AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY

(All amounts in thousands of reais unless otherwise stated)

(A free translation of the original in Portuguese)

	Share capital	Capital reserve	Treasury shares	Revenue reserve			Retained earnings	Equity
				Expenses on issue of shares	Legal reserve	Profit retention		
At December 31, 2016	50,561	654	(4,941)	(1,952)	1,778	24,149	-	70,249
Share-based payments (Note 10 (c))		(190)						(190)
Treasury shares (Notes 18.4 and 10 (c))			169					169
Profit for the year							7,464	7,464
Allocation of profit:								
Transfer to legal reserve					373		(373)	
Interest on capital (Note 18.2)							(2,085)	(2,085)
Profit retention						5,006	(5,006)	
At December 31, 2017	50,561	464	(4,772)	(1,952)	2,151	29,155	-	75,607
Share-based payments (Note 10 (c))		(167)	2,552					2,385
Treasury shares (Notes 18.4 and 10 (c))		5,280						5,280
Profit for the year before non-controlling interests							2,736	2,736
Non-controlling interest							(10)	(10)
Allocation of profit:								
Legal reserve					136		(136)	-
Dividends (Note 18.2)							(648)	(648)
Profit retention						1,942	(1,942)	-
At December 31, 2018	50,561	5,577	(2,220)	(1,952)	2,287	31,097	-	85,350

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

SINQIA S.A. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	2,726	7,464	2,726	7,464
Items not affecting cash				
Equity in the results of subsidiaries	(6,291)	(6,752)	-	-
Equity in loss on investment	(1,386)	(4,416)	-	-
Depreciation and amortization	4,469	4,067	7,199	6,811
Result at the write-off/disposal of property and equipment	-	7		22
Provision (reversal of provision) for impairment of trade receivables	65	-	336	(5)
Provision for contingencies, net of reversals	288	(423)	205	881
Provision for bonuses and profit sharing	249	2,969	2,217	4,108
Deferred income tax and social contribution	(1,222)	(542)	(6,029)	1,035
Changes in assets and liabilities				
Trade receivables	(27)	(1,441)	(3,763)	(4,314)
Judicial deposits	84	21	1,854	(710)
Taxes and contributions recoverable	27	155	258	888
Other receivables	(12)	(185)	(386)	225
Trade payables	1,209	119	1,533	(71)
Salaries, social charges and labor provisions	(970)	(646)	(4,804)	(4,569)
Tax liabilities	-	72	4,493	867
Contingencies paid	(512)	(1,346)	(1,375)	(1,723)
Contingencies for business advantage			4,196	
Advances from customers	744	401	2,100	(1,660)
Dividends payable				
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	(559)	(476)	10,760	9,249
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of fixed and intangible assets	(6,141)	(1,002)	(13,306)	(2,529)
Related parties	(5,616)	1,149		
Goodwill on the acquisition of investments and others				
Increase in liabilities arising from investment acquisition	906			
Amortization of liabilities arising from investment acquisition	(1,339)	(3,622)	240	(4,687)
Dividends received	8,238	3,600		-
Non-controlling interest			66	
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(3,952)	125	(13,000)	(7,216)

SINQIA S.A. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

CASH FLOWS FROM FINANCING ACTIVITIES

Capital contribution	(500)	(3,000)		-
Sale of treasury shares	7,832		7,832	
Share-based remuneration	-	169		169
Payment of interest on capital	-	(1,058)		(1,058)
Dividends paid	(2,086)	-	(2,086)	-
Related parties			(56)	
Share-based compensation program	(167)	(190)	(167)	(190)
Proceeds from borrowings	-	11,529	241	11,529
Repayment of borrowings	(7,405)	(6,289)	(7,488)	(8,887)

NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES

(2,326) 1,161 (1,724) 1,563

INCREASE IN CASH AND CASH EQUIVALENTS

(6,837) 810 (3,964) 3,596

Cash and cash equivalents at the beginning of the year	11,876	11,064	30,001	26,405
Cash and cash equivalents at the end of the year	5,039	11,874	26,037	30,001

INCREASE IN CASH AND CASH EQUIVALENTS

(6,837) 810 (3,964) 3,596

Non-cash transactions related to investing and financing activities are disclosed in Note 13.

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

SINQIA S.A. AND SUBSIDIARIES
STATEMENT OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
1 – REVENUE	40,180	32,465	159,050	152,306
1.1 - Sales of products and services	40,245	32,465	159,386	152,301
1.2 – Provision (reversal of provision) for impairment of trade receivables	(65)	-	(336)	5
2 - INPUTS ACQUIRED FROM THIRD PARTIES (ICMS, IPI, PIS and COFINS)	(9,694)	(4,568)	(19,585)	(11,760)
2.1 - Cost of sales and services	(3,757)	(2,488)	(8,944)	(5,869)
2.2 - Materials, electricity, outsourced services and other	(5,937)	(2,080)	(10,641)	(5,891)
3 - GROSS VALUE ADDED (1-2)	30,486	27,897	139,464	140,546
4 - DEPRECIATION AND AMORTIZATION	(4,469)	(4,067)	(7,199)	(6,812)
5 - NET VALUE ADDED GENERATED BY THE ENTITY (3-4)	26,017	23,830	132,266	133,734
6 - VALUE ADDED RECEIVED THROUGH TRANSFERS	8,403	11,907	1,973	1,740
6.1 - Equity in the results of subsidiaries	7,678	11,169	-	-
6.2 – Finance income	725	738	1,973	1,740
7 - TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	34,320	35,737	134,239	135,474
8 - DISTRIBUTION OF VALUE ADDED	34,420	35,737	134,239	135,474
8.1 - Personnel	21,407	20,604	102,592	101,008
8.1.1 – Direct compensation and Government Severance Indemnity Fund for Employees (FGTS)	18,753	18,281	86,153	89,613
8.1.2 - Benefits	2,654	2,323	16,439	11,395
8.2 – Taxes, fees and contributions	3,215	3,202	19,587	19,685
8.2.1 - Federal	2,056	1,983	14,983	14,457
8.2.2 - Municipal	1,159	1,219	4,604	5,228
8.3 – Remuneration of third party capital	7,072	4,467	9,334	7,316
8.3.1 - Interest	4,668	2,533	5,006	3,417
8.3.2 - Rentals	2,404	1,934	4,328	3,899
8.4 – Remuneration of own capital	2,726	7,464	2,726	7,464
8.4.2 - Retained earnings for the period	2,726	7,464	2,726	7,464

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

SINQIA S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2018
(All amounts in thousands of reais unless otherwise stated)

Section A - General information

1.1 Operations

Sinquia S.A. is a publicly-held corporation headquartered at Rua Bela Cintra, 755, 7th floor, in the city of São Paulo, state of São Paulo. Its shares are traded on the *Novo Mercado* listing segment of B3 S.A. - Brazil, Stock Exchange, OTC ("B3").

The Company was established in 1996, and its main business purpose is to provide information technology products and services for the financial industry. Sinquia was the first Brazilian company to develop an application system based on the One-Stop-Shop concept, implementing in the domestic market the standards required by international companies, and developing far-reaching and integrated technology and business solutions that enable best-in-class results for its customers.

On July 11, 2017, the Company obtained approval to migrate from *Bovespa Mais* to B3's *Novo Mercado*, a special listing segment, which has a distinguished standard in corporate governance.

Currently, Sinquia is the leader in its market segment, providing services to major Brazilian financial institutions, with a portfolio that includes 15 of the 20 largest banks, 11 of the 20 largest insurance companies, 6 of the 20 largest foundations and 54 of the main consortium administrators. The institutional strengthening and higher volume of funds raised in recent years made it possible for the Company to make investments in infrastructure, research and development, diversify the services provided, and acquire other companies in its sector.

The Company is the Parent of Sinquia Serviços em Informática Ltda., Sinquia Consultoria em Informática Ltda., Controlpart Consultoria e Participações Ltda., and Att/ps Informática S.A. The business purpose of these subsidiaries is to operate in a manner to supplement the Company's activities.

On October 11, 2018, the Company entered into an Agreement for Purchase and Sale of Shares and Other Covenants, under which it acquired the total shares of ConsultBrasil Tecnologia e Negócios EIRELI, and CBR Sistemas de Informação Ltda (together, "ConsultBrasil"). ConsultBrasil is a provider of software for the segments of banks, financial institutions, brokers and distributors, offering, among other products, messaging solutions, SPB1 (Brazilian Payment System), CCS2 (Customer Registration System) and Bacen Jud3 (software for integration between the financial institution and the Judiciary system). In the last twelve months ended September 30, 2018, ConsultBrasil recorded gross revenue of R\$ 4.9 million.

Among the tax incentives currently granted in Brazil, the Company benefits from "*Lei do Bem*" (Law 11,196/05), intended for legal entities that conduct research and development (R&D) activities in the area of technological innovation. This tax benefit provides the opportunity to reduce from 60% to 80% the tax base of income tax and social contribution on R&D expenditures.

The issue of these financial statements was authorized by the Board of Directors on February 26, 2018.

Any non-financial data included in this report, such as the customer portfolio size and composition, and the market share, among others, have not been audited by the independent auditor.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

SINQIA S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2018
(All amounts in thousands of reais unless otherwise stated)

The main accounting policies applied in the preparation of these financial statements are set out in Note 27.

The financial statements have been prepared under the historical cost convention, and, in the case of available-for-sale and other financial assets and financial liabilities, is adjusted to reflect the fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(a) Parent company and consolidated financial statements

The parent company and consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPC), as well with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The parent company financial statements are disclosed together with the consolidated financial statements.

Both the parent company and consolidated statements of value added are mandatory under the Brazilian Corporate Law and the accounting practices adopted in Brazil for publicly-held companies. The statement of value added was prepared in accordance with the criteria defined in Accounting Pronouncement CPC 09 - "Statement of Value Added". The presentation of this statement is not required under the IFRS, which consider it supplementary information, and not part of the set of financial statements.

1.3 Consolidation

The Company consolidates all entities over which it holds control, i.e., when it is exposed, or has rights, to variable returns from its involvement with the investee has the ability to affect those returns through its power over the investee.

The subsidiaries included in the consolidation are disclosed in Note 5(b).

Section B - Risks

2 Critical accounting estimates and judgments

Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Critical accounting estimates and judgments

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill

The Company and its subsidiaries test annually whether goodwill has suffered any impairment, in accordance with the accounting policy presented in Note 26.11. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, which require the

SINQIA S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2018
(All amounts in thousands of reais unless otherwise stated)

use of estimates.

(b) Income tax, social contribution and other taxes

The Company and its subsidiaries recognize deferred tax assets and liabilities based on the differences between the carrying amount presented in the financial statements and the tax basis of assets and liabilities, using the current tax rates. The Company and its subsidiaries also recognize provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group reviews regularly the probability of recovering deferred tax assets, considering the historical profit generated and the projected future taxable income, based on a technical feasibility study.

(c) Revenue recognition

The Company earns revenue mainly from software licensing, which comprises licensing fees, revenue from product maintenance and support, tailor-made services, and permanent consulting and advisory services.

Revenue from software licensing fees is recognized when: i) the agreement is signed, and the software is delivered to the customer; ii) the amount can be measured reliably (pursuant to the agreement); iii) all risks and benefits inherent in the license are transferred to the purchaser; iv) the Company no longer has effective control over the license; and v) it is probable that economic benefits will flow to the Company.

Revenue from customization and consulting services is recognized as the services are rendered, in accordance with the service agreements. Amounts related to service rendered but not yet billed are accounted for as services in progress under "Trade receivables", in current assets.

Service revenue is recognized in the statement of income as the service is provided. Revenue is not recognized when there is significant uncertainty as to its realization.

Revenue from services is subject to the following taxes: Service Tax (ISS) at the rates prevailing in each region; Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) on a cumulative basis for revenue from IT services, at the rates of 0.65% and 3.00%, respectively; and Employer's contributions to the National Institute of Social Security (INSS), at the rate of 2.00% up to November 2015 and 4.5% as from December 2015.

2.2 Critical judgments in applying the Company's accounting policies

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss

SINQIA S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2018
(All amounts in thousands of reais unless otherwise stated)

is the effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recorded in the statement of income.

The Company, taking into consideration the assumptions described above, assesses the recoverability of the carrying amount of assets using the concept of "value in use", determined based on discounted cash flow analysis of the cash-generating units, which comprise the set of tangible and intangible assets used in the development and sale of different solutions to its customers.

The process for determining the value in use involves the use of assumptions, judgments and estimates on cash flows, such as discount rates. Assumptions about growth, cash flow and future cash flow projections are based on the Company's business plan, annually approved by management, and the economic conditions that will prevail during the economic life of the different Cash-Generating Units, which are the set of assets that enable the generation of cash flows. Future cash flows were discounted based on the representative rate of cost of capital.

Consistently with economic valuation techniques, the value-in-use calculation is made for a five-year period, and, from then on, considering the perpetuity of the assumptions, taking into account the ability to continue as a going concern for an indefinite term.

The growth rates used to extrapolate the projections at December 31, 2018, beyond the five-year period, ranged from 1% to 5% for a twelve-month period. The estimated cash flows were discounted at a rate of 12.3% p.a., for each cash-generating unit analyzed on a pre-tax basis.

The main assumptions used to estimate value in use are:

- Revenue - revenue was projected for the period from 2019 to 2023, considering the growth in the customer bases of the different CGUs.
- Operating costs and expenses - costs and expenses were projected considering the Company's historical performance, historical growth of revenues, and efficiency gain.
- Capital investments - these investments were estimated considering the technological infrastructure currently required to enable the provision of services, based on the Company's history and projected growth.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions supported by financial market projections, documented and approved by the Company's management.

3 Financial risk management

3.1 Financial risk factors

The Company has a financial executive board which is responsible for the risk management activities, which is conducted under the oversight of the Board of Directors, and for defining the policy and managing the risks and financial instruments by means of control systems that establish limits on foreign exchange and interest exposures, and define the allocation of funds to financial institutions. The positions of all financial instruments, as well as the results obtained in comparison with the objectives proposed, are presented to and assessed monthly by the financial executive board and submitted to the Board of Directors.

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(a) Liquidity risk

Liquidity risk consists of the possibility that the Company and its subsidiaries may not have sufficient funds to comply with their financial commitments due to the different currencies and terms for settlement of their rights and obligations.

The liquidity and cash flow control of the Company and its subsidiaries is monitored on a daily basis by the Company's management departments, in order to ensure that cash flow from operations and funding, when necessary, are sufficient to meet their commitment schedule, without generating liquidity risks for the Company and its subsidiaries.

(b) Credit risk

Credit risk arises from any potential difficulty in collecting trade receivables from maintenance and other services provided to customers and from sales of licenses.

The Company and its subsidiaries are also exposed to credit risk from their financial investments.

The credit risk related to the provision of services is minimized by strict control of the customer base and active management of default levels, through clear policies addressing the provision of services and sales of licenses. There is no concentration of transactions with specific customers, and the historical level of default is low.

With respect to credit risk associated with financial institutions, the Company and its subsidiaries operate in a manner that spreads this exposure across prime financial institutions.

(c) Market risk

Interest rate and inflation risk: Interest rate risk arises from the debt portion indexed to the Long-term Interest Rate (TJLP) and National Consumer Price Index (INPC) and financial investments tied to the Interbank Deposit Certificate (CDI), which may adversely affect finance income or costs in the event of an unfavorable trend in interest and inflation rates.

(d) Sensitivity analysis

The main risks associated with the Company's operations refer to the variation of the Interbank Deposit Certificate (CDI) for financial investments, the variation of the Long-term Interest Rate (TJLP) for borrowings from the National Bank for Economic and Social Development (BNDES), and the variation of the Amplified Consumer Price Index (IPCA), National Consumer Price Index (INPC) and General Market Price Index (IGP-M) for the adjustment of agreements entered into with customers and suppliers, and payables for acquisition of investments.

The Company's financial instruments are represented by cash and cash equivalents, trade receivables, trade payables and borrowings, and are recorded at cost plus accrued earnings or charges incurred, which, at December 31, 2018 and 2017, approximate their market values.

The main risks associated with financial investments arise from variations in the rate of return on assets, such as those linked to Bank Deposit Certificates (CDBs) and repurchase agreements, with average interest ranging from 100% to 105% of the CDI.

Borrowings refer to transactions carried out within the Program for Development of the Software Industry and Information Technology Services (PROSOFT), for which BNDES considers the conditions of each company when granting loan facilities. In these circumstances, the amount recorded approximates the market value of these financial instruments.

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For the purpose of verifying the sensitivity of the index in the financial investments to which the Company was exposed on the base date of December 31, 2018, three different scenarios were defined. Based on projections disclosed by financial institutions, the CDI rate projected for the next 12 months was obtained, which averaged 8.93% in 2017, and was defined as the probable scenario, on which stress variations of 25% and 50% were applied. An average return of 102.5% was attributed to financial investments, which earn average interest from 100% to 105% of the CDI.

The "gross finance income" for each scenario was calculated on a pre-tax basis. The base date used for the portfolio was December 31, 2018, with projections for one year and verification of the sensitivity of the CDI for each scenario.

<u>Transaction</u>	<u>12/31/2018</u> <u>Consolidated</u>	<u>Risk</u>	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
Financial investments	23,721	CDI	8.38%	6.28%	4.19%
Average equivalent interest rate – CDB (100% and 105%)		102,5% of CDI	8.59%	6.44%	4.29%
Interest income			2,038	1,528	1,019

For the purpose of verifying the sensitivity of the index in debts to which the Company was exposed at December 31, 2018, three different scenarios were defined. Based on the TJLP and IPCA in effect at December 31, 2018, the probable scenario for 2018 was defined, on which stress variations of 25% and 50% were applied.

The "gross finance cost" for each scenario was calculated, on a pre-tax basis, and without taking into consideration the flow of maturities of each contract scheduled for 2019. The base date used for borrowings was December 31, 2018, projecting the indexes for one year, and verifying their sensitivity in each scenario.

<u>Transaction</u>	<u>12/31/2018</u> <u>Consolidated</u>	<u>Risk</u>	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
BNDES – 14209211	7,339	TJLP + +1%	595	743	892
Variation rate			8.10%	10.13%	12.16%
BNDES – Prosoft 6	7,029	TJLP + 2%	640	800	1,200
Variation rate			9.10%	11.38%	17.07%

The Company has borrowing agreements containing covenant clauses normally applicable to this type of transaction, related to compliance with economic and financial ratios, cash generation and other aspects. These covenants, which were complied with, do not limit the Company's operating capacity in the normal course of operations.

3.2 Capital management

The Company's capital management function aims to ensure a strong credit rating with the institutions, as well as an excellent capital ratio, in order to provide support to its businesses and maximize the value for the shareholders.

The Company controls its capital structure by adjusting it to the current economic conditions. In order to maintain this structure, the Company may pay dividends, return capital to the shareholders, take out new borrowings, issue promissory notes, and enter into derivative contracts.

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The Company's net debt structure is comprised of borrowings less cash and cash equivalents.

In 2018, the Group's strategy that remained unchanged in relation to 2017, was to hold resources for the maintenance of net cash, i.e., cash and cash equivalents exceeding the balance of its debt. The gearing ratios at December 31, 2018 and 2017 were as follows:

	Consolidated	
	2018	2017
Total borrowings (Note 13)	14,608	21,856
Less: cash and cash equivalents (Note 7)	(26,037)	(30,001)
Net debt (cash)	(11,430)	(8,145)
Total equity	85,350	75,607
Total capital	73,920	67,462

3.3 Fair value estimation

The carrying values of trade receivables and payables, less impairment provision in the case of trade receivables, are assumed to approximate their fair values. For disclosure purposes, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

As determined by CPC48/IFRS 9 - Financial Instruments, the Company classified its financial instruments at fair value according to the following hierarchy of valuation techniques:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This item was not applicable to the Company at December 31, 2018.

Level 3 - techniques that use data with significant effects on the fair value recorded that are not based on observable market data. This item was not applicable to the Company at December 31, 2018.

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2018:

	Consolidated			
	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets				
Financial investments	23,721	-	-	-
Total assets	23,721	-	-	-
Liabilities				
Financial liabilities				
Borrowings	14,608	-	-	-
Total liabilities	14,608	-	-	-

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	Loans and receivables	Assets at fair value through profit or loss	Amortized cost	Total
At December 31, 2017				
Assets as per balance sheet				
Trade receivables	18,827			18,827
Cash and cash equivalents				
Cash and banks	12,006			12,006
Financial investments		17,995		17,995
	30,833	17,995		48,828

	Consolidated			
	Loans and receivables	Assets at fair value through profit or loss	Amortized cost	Total
At December 31, 2017				
Liabilities as per balance sheet				
Borrowings			21,856	21,856
Obligations from investment acquisition			18,083	18,083
Trade payables			601	601
			40,540	40,540

Section C – Segment reporting

4 Segment reporting

The business purpose of the Group companies is to supply information technology products and services, in addition to related consulting services, intended to assist the financial market. Although the products are destined for various segments of financial institutions, they are not controlled and administered by management as independent segments, as the Group's results are monitored and assessed in an integrated manner.

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Section D – Group structure

5 Investments

(a) Changes in investments

	Goodwill on Intellectual Capital Ltda.	Sinqia Consultoria em Informática Ltda.	Sinqia Serviços em Informática Ltda.	Controlpart Consultoria e Participações Ltda.	att/PS Informát ica Ltda.	Torq	Total
At December 31, 2017	3,454	26,299	4,676	5,094	40,005	-	79,528
Capital increase						500	500
Equity in the results of subsidiaries		259	(1,169)	2,892	4,215	94	6,291
Dividend distribution		(4,598)	-	(3,640)		-	(8,238)
At December 31, 2018	3,454	21,960	3,507	4,346	44,220	594	78,081

(b) Information on subsidiaries

Direct investment	Equity	Ownership interest (%)	Goodwill on acquisition	Profit (loss) for the year	Total investment		Equity in the results of subsidiaries	
					12/31/2018	12/31/2017	12/31/2018	12/31/2017
Sinqia Serviços em Informática Ltda.	3,507	100%	-	(1,170)	3,507	4,676	(1,169)	1,092
Sinqia Consultoria em Informática Ltda.	21,960	100%	-	260	21,960	26,299	259	2,751
Controlpart Consultoria e Participações Ltda.	1,622	100%	2,724	2,895	4,346	5,094	2,892	2,910
Intellectual Capital Ltda.			3,454	N/A	3,454	3,454		
att/PS Informática Ltda.	4,215	100%	40,005	5,601	44,220	40,005	5,601	4,416
Torq	660	90%	-	104	594	-	94	-
					78,081	79,528	7,677	11,169

(c) Indirect investments (direct subsidiary of Sinqia Consultoria em Informática Ltda.)

Indirect investment	Equity	Indirect ownership interest (%)	Profit for the year/ period	Total investment		Equity in the results of subsidiaries	
				12/31/2018	12/31/2017	12/31/2018	12/31/2017
Aquarius Tecnologia e Informática Ltda.	2,483	100%	1,497	2,483	2,950	1,497	1,330
ConsultBrasil Tecnologia e Negócios	(2,646)	100%	123	(2,646)	-	123	-

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(d) Provision for loss on investment

	att/PS Informática Ltda.
At December 31, 2017	1,386
Equity in the results of subsidiaries	(1,386)
Payment of capital	-
Provision for investment acquisition	-
At December 31, 2018	-

(e) Merger of direct subsidiary

At the extraordinary general meeting held on December 28, 2018, the shareholders approved the merger of the wholly-owned subsidiary att/PS Informática LTDA into the Company.

(f) Merger of indirect subsidiary

At the quotaholders' meeting held on December 31, 2018, the following corporate restructuring transactions were approved:

- i) Merger of the direct subsidiary Sinqia Tecnologia e Informática Ltda. into its parent Sinqia Consultoria em Informática Ltda.; and
- ii) Merger of the wholly-owned subsidiary CBR Sistemas de Informação Ltda. into its parent ConsultBrasil Tecnologia e Negócios Ltda.

6 Business combinations

Business combinations and new investment acquisitions are in line with the Company's strategy to specialize and consolidate its position in different market segments, as well as to offer new solutions to its customers through a diversified portfolio that includes niche-specific solutions.

a) Acquisition of ConsultBrasil

On October 11, 2018, the Company entered into an Agreement for Purchase and Sale of Shares and Other Covenants, under which it acquired the total shares of ConsultBrasil Tecnologia e Negócios EIRELI and CBR Sistemas de Informática Ltda. (together, "ConsultBrasil").

The transaction involved the initial amount of R\$6,800, comprised as follows (a) a down payment of R\$ 5,700, computed on the transaction date and related to taxes pending payment (R\$ 4,700), a loan agreement between the company and a former partner (R\$ 487) and dividends (R\$ 513), and (b) installments totaling R\$1,100 (amount related to a loan agreement between the company and a former partner (R\$ 194), plus the remaining amount due for the acquisition (R\$ 906)).

The acquisition of ConsultBrasil represents not only a significant step to broaden and diversify the Group's customer base, but also the continuity of a successful strategy to expand the offering of products and services to the various segments of the financial industry.

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On the acquisition date, the balance sheet balances, at book value, were as follows (in reais):

ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash and cash equivalents	19,014	Borrowings	985,279
Trade receivables	52,575	Trade payables	31,357
Taxes and contributions recoverable	288,880	Salaries, social charges and labor provisions	601,393
Advances and other receivables	14,060	Dividends payable	513,000
		Tax liabilities	741,886
Total current assets	374,529	Total current liabilities	2,872,914
Non-current assets		Non-current liabilities	
Long term receivables		Tax liabilities	3,893,073
Related parties	7,400	Provision for contingencies	3,775,667
Deferred income tax and social contribution	4,390,950	Total non-current liabilities	7,668,740
Total non-current assets	4,398,350	Equity	
		Share capital	150,000
		Revenue reserves	(5,918,775)
Total ASSETS	4,772,879	Total equity	(5,768,775)
		Total LIABILITIES	4,772,879

6.1 IDENTIFIABLE NET ASSETS ACQUIRED AND GOODWILL

a) Acquisition of ConsultBrasil

The fair value of the tangible and intangible assets included in the acquiree's financial statements was recorded on the date of the acquisition.

Intangible assets not recognized in the acquiree's financial statements were recorded as goodwill on the date of the transaction. The allocation of the acquisition price of these intangible assets was recognized, against goodwill, at December 31, 2018. The fair value of the intangible assets was determined based on the discounted cash flow method.

The fair value of acquired assets and liabilities on the date of the acquisition was as follows:

	Net book value of the Acquiree	Carrying value adjustment	Fair value of the Acquiree
Assets and liabilities arising from the acquisition:			
Cash and cash equivalents	19		19
Trade receivables	53		53
Other assets	303		303
Non-current assets	4,398		4,398
Customer portfolio		3,449	3,449
Software		700	700
Current liabilities	-2,873		-2,873
Goodwill		2,510	2,510

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Assets and liabilities at fair value	8,559
Provision payable	906
Payment in cash	0
Cash and cash equivalents at the acquiree	19
Cash balance at acquisition	-19

In addition to the information above, the following allocations should be highlighted:

Segregation of goodwill on the acquisition of ConsulBrasil	
Invested amount	906
Equity of ConsulBrasil on the base date	-5,769
Goodwill generated	6,675
Surplus on revaluation of the software	700
Surplus on revaluation of the customer portfolio	3,449
Residual goodwill	2,526

Section E – Selected significant notes

7 CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash	-	-	1	2
Banks	823	3,636	2,316	12,004
Financial investments (i)	4,216	8,240	23,721	17,995
	5,039	11,876	26,037	30,001

- (i) According to the Company's related policies, financial investments are substantially concentrated on low-risk securities and earn interest based on percentages of the Interbank Deposit Certificate (CDI) rate. Therefore, the Company's financial investments consist of investments in fixed-income funds, Bank Deposit Certificates (CDBs) and repurchase agreements, earning average interest from 95% to 102.5% of the CDI, with immediate liquidity, i.e., without a grace period for redemption.

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8 TRADE RECEIVABLES

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Invoiced amounts	1,175	973	11,766	7,979
Unbilled services (i)	2,163	2,337	11,432	11,457
(-) Estimated impairment losses on trade receivables (ii)	(131)	(66)	(944)	(609)
	3,206	3,244	22,254	18,827

- (i) Unbilled services refer to revenue from services effectively provided but not billed by the end of the reporting period.
- (ii) Changes in the provision for impairment of trade receivables were as follows:

	Parent company	Consolidated
At December 31, 2017	(66)	(609)
Additions	(65)	(335)
At December 31, 2018	(131)	(944)

The aging analysis of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Unbilled services	2,163	2,337	11,432	11,457
Not yet due	717	850	8,949	6,998
Overdue from 1 to 90 days	307	57	1,752	367
Overdue from 91 to 180 days	-	-	92	5
Overdue from 181 to 270 days	-	-	3	-
Overdue from 271 to 360 days	20	-	26	-
	3,207	3,244	22,254	18,827

9 TAXES AND CONTRIBUTIONS RECOVERABLE

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
IRRF and IRPJ/CSLL to be offset (i)	507	1,012	1,418	2,692
PIS, COFINS and CS withheld at source (ii)	428	52	968	118
Income tax on financial investments	102	-	166	-
	1,037	1,064	2,552	2,810

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- (i) This relates to income tax withheld at source and income tax and social contribution prepaid during the period.
- (ii) This relates to PIS, COFINS and social contribution withheld at source on amounts received in connection with invoices issued for services rendered or software licenses contracted.

10 INFORMATION ON RELATED PARTIES

a) INTERCOMPANY TRANSACTIONS

The table below presents information on the outstanding balances between the parent company, its subsidiaries and the owners of the Company at December 31, 2018 and 2017:

	Parent company					
	Receivables from related parties (Assets)	Payables to related parties (Liabilities)	Related parties (Result)	Receivables from related parties (Assets)	Payables to related parties (Liabilities)	Related parties (Result)
Related parties	12/31/2018			12/31/2017		
Sinqia Serviços em Informática Ltda.	1,750		2,745	180	-	2,815
Sinqia Consultoria em Informática Ltda.	2,303		3,027	239	-	2,162
Aquarius Tecnologia e Informática Ltda.	-		267	48	-	707
att/PS Informática Ltda.	2,447		6,102	415	-	2,289
Non-current (i)	6,500			882		
Result			12,142			7,973

- (i) Intercompany transactions relate to the sharing of expenses, mainly administrative, and are carried out based on agreements signed between the parties. There are no purchases and sales of products or services between the Group companies. The transactions are settled within an average term of 360 days.

b) MANAGEMENT COMPENSATION

The Company does not offer additional post-employment benefits, or other long-term benefits, such as leave, and other benefits based on length of service. The Company does not offer other termination benefits to its senior management members, in addition to those required by the Brazilian labor legislation in force.

Short-term benefits

Short-term benefits include fixed compensation (management fees), social charges (social security contributions and other), private pension fund and variable compensation, such as profit sharing and bonuses, based on each employment contract individually tailored.

Expenses related to the compensation paid to the main senior executives and management of the Company and its subsidiaries are as follows:

Parent company	Consolidated
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	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Salaries, fees and related charges	2,431	3,180	2,431	3,180
Benefits	239	292	239	292
Variable bonuses	1,111	323	1,111	323
	<u>3,781</u>	<u>3,795</u>	<u>3,781</u>	<u>3,795</u>

c) SHARE-BASED COMPENSATION PLAN

The purpose of the Share-based Compensation Plan ("**Plan**") is to offer top executives of the Company the opportunity to multiply the value of their annual financial bonus ("**Annual Bonus**"), upon the assignment of additional financial resources ("**Additional Bonus**") by the Company, which must be used by the eligible executive officers ("**Beneficiary**") to acquire shares of the Company ("**Shares**"). The Plan establishes that the Additional Bonus amount will be calculated by applying a multiplier on the Annual Bonus, which is granted by the Company under the Profit Sharing Program ("**PPLR**").

The Additional Bonus under this Plan will be calculated by applying a multiplier, which ranges from 50% to 80% depending on the position held by the employee in the Company, on the Annual Bonus.

The number of shares to be acquired by each Beneficiary will be calculated based on the average market value of the shares in a certain period.

The shares acquired will vest as follows: 40% of the total shares acquired, after 12 (twelve) months from acquisition; 30% of the total, after 24 (twenty-four) months from acquisition; and the remaining 30%, after 36 (thirty-six) months from acquisition. The acquisition date will be considered as that on which the Company receives from the Beneficiary the amounts related to the Sale, and the Share Purchase Agreement is signed.

The exercise price of the shares will be equivalent to the average closing price considering trading sessions in the 90 (ninety) days immediately before the adhesion to the Plan, less 15% on the referred amount.

SHARE-BASED COMPENSATION PLAN

Vesting period	Right to exercise	Shares	Exercise price with discount (in reais)	Exercise price with discount (in reais)	Value realized on vesting
12 months	Realized in April 2017	22,484	8.37	7.11	169
24 months	Realized in April 2018	16,864	8.37	7.11	105
36 months	To be realized in April 2019	16,864	8.37	7.11	-
		<u>56,212</u>			

The Plan was approved at the Shareholders' Annual and Extraordinary General Meeting held on April 30, 2015, and came into effect in April 2016.

d) STOCK OPTION OR SHARE SUBSCRIPTION PLAN

The Stock Option or Share Subscription Plan (hereinafter referred to as the "Plan") provides for the granting of call options or subscription of common shares ("Options") issued by the Company. The objectives of the Plan are (a) to attract, motivate, and retain key professionals for the management of

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the Company ("Beneficiaries", as defined in item 3.1); (b) to align the interests of Beneficiaries with the interests of the Company's shareholders in a long-term perspective; and (c) to encourage the Beneficiaries to contribute to the achievement of good results for the Company.

Number of shares included in the Plan. The Options granted under the Plan, including those already exercised or not, and excluding those canceled due to events of dismissal, death, permanent disability, or retirement (see items 10 and 11 below), may assign rights to common shares representing up to 3% (three percent) of the share capital of the Company on the date the Plan is approved.

Exercise of Options. The Options granted may only be exercised upon compliance with the terms and conditions set forth in the Plan and by the Board of Directors, in addition to the terms and conditions set forth in the respective Option Contracts. Although the Beneficiary may exercise all or part of the exercisable Options, partial exercises may not be for less than 25% of all the exercisable options held. The exercise of part of the Options by the Beneficiary shall not prejudice the exercise of the other Options held.

The fair value of the Options granted is estimated on the grant date, using the Black-Scholes Option Valuation Model. The fair value of restricted shares is based on their market value on the grant date. The main events related to existing plans, the variables used in calculations, and the related results are described below.

Grants				Fair value assumptions			
				Expected:		Risk-free rate of return	Expected term
Date	Number of options/shares	Exercise price (in reais)	Option fair value (in reais)	Dividends	Volatility		
8/1/2018	79,781	28.49	23.77	0.70%	35.18%	6.50%	5 years

11 PROPERTY AND EQUIPMENT

a) Breakdown of property and equipment

	Useful lives (in years)	Amortized	Accumulated amortization	Parent company	
				12/31/2018	12/31/2017
				Net	Net
Facilities and improvements	9 - 12	3,123	(365)	2,758	145
Appliances and electrical materials	9 - 12	367	(238)	129	91
Furniture and fittings	9 - 12	941	(500)	441	68
IT equipment	4 - 5	3,058	(1,101)	1,957	363
		7,489	(2,204)	5,285	667

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				Consolidated	
				12/31/2018	12/31/2017
	Useful lives (in years)	Amortized	Accumulated amortization	Net	Net
Facilities	9 - 12	4,455	(888)	3,567	1,150
Appliances and electrical materials	9 - 12	465	(265)	200	145
Furniture and fittings	9 - 12	2,039	(1,344)	695	367
IT equipment	4 - 5	6,684	(4,310)	2,374	935
		13,643	(6,807)	6,836	2,597

b) Changes in property and equipment - Parent company

	Facilities and improvements	Appliances and electrical materials	Furniture and fittings	IT equipment	Total
Cost					
At December 31, 2016	432	259	540	1,020	2,251
Additions	1	44	-	301	346
Reductions	(4)	-	-	(63)	(67)
At December 31, 2017	429	303	540	1,258	2,530
Additions	2,694	64	401	1,800	4,959
At December 31, 2018	3,123	367	941	3,058	7,489
Depreciation					
At December 31, 2016	(248)	(181)	(436)	(881)	(1,746)
Additions	(40)	(31)	(35)	(73)	(179)
Reductions	1			59	60
At December 31, 2017	(287)	(212)	(471)	(895)	(1,865)
Additions	(78)	(26)	(29)	(206)	(339)
At December 31, 2018	(365)	(238)	(500)	(1,101)	(2,204)
Net balance at December 31, 2017	142	91	69	363	665
Net balance at December 31, 2018	2,758	129	441	1,957	5,285

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c) Changes in property and equipment - Consolidated

	Facilities and improvements	Appliances and electrical materials	Furniture and fittings	Computers and peripherals	Total
<u>Cost</u>					
At December 31, 2016	746	293	1,613	4,821	7,473
Additions	988	81	102	501	1,675
Reductions	(5)	-	(86)	(331)	(421)
At December 31, 2017	1,729	374	1,631	4,991	8,725
Additions	2,729	97	418	1,804	5,048
Reductions	(3)	(6)	(10)	(11)	(130)
At December 31, 2018	4,455	465	2,037	6,684	13,641
<u>Depreciation</u>					
At December 31, 2016	(435)	(193)	(1,229)	(4,029)	(5,886)
Additions	(145)	(36)	(108)	(355)	(644)
Reductions	-	-	72	328	400
At December 31, 2017	(580)	(229)	(1,265)	(4,056)	(6,130)
Additions	(311)	(41)	(89)	(363)	(804)
Reductions	3	6	10	110	129
At December 31, 2018	(888)	(255)	(1,344)	(4,309)	(6,805)
Net balance at December 31, 2017	1,149	145	366	935	2,595
Net balance at December 31, 2018	3,567	201	695	2,375	6,838

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12 INTANGIBLE ASSETS

a) Breakdown of intangible assets

		Parent company			
		12/31/2018		12/31/2017	
	Useful life (in years)	Cost	Accumulated amortization and/or impairment	Net	Net
Software usage rights	5	958	(522)	436	195
Trademarks and patents	5-10	2,277	(666)	1,611	1,944
Own software	5	6,160	(2,464)	3,696	4,928
Customer portfolio	15	16,996	(2,266)	14,730	15,863
Non-competition agreements	4	4,576	(2,288)	2,287	3,431
Development of new products (i)	5	6,280	(5,091)	1,189	534
		37,247	(13,297)	23,949	26,895

(i) Relate to investments intended for the innovation laboratory: "Torq"

		Consolidated			
		12/31/2018		12/31/2017	
	Useful life (in years)	Cost	Accumulated depreciation and/or impairment	Net	Net
Goodwill on acquisitions of subsidiaries		58,191	(3,982)	54,209	51,700
Own software	5	12,261	(7,282)	4,979	6,553
Software usage rights	5	4,246	(3,244)	1,002	621
Customer portfolio	10	28,931	(6,411)	22,520	21,123
Non-competition agreements	5	4,815	(2,526)	2,289	3,479
Trademarks and patents	5-10	7,126	(1,217)	5,909	6,242
Development of new products	5	6,301	(5,091)	1,210	534
		121,871	(29,753)	92,118	90,252

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b) Changes in intangible assets - Parent company

	Software usage rights	Development of new products (Torq)	Trademarks and patents	Own software	Customer portfolio	Non- competition agreements	Total
Cost							
At December 31, 2016	308	5,091	2,277	6,161	16,996	4,575	35,408
Additions	122	534	-	-	-	-	656
At December 31, 2017	430	5,625	2,277	6,161	16,996	4,575	36,064
Additions	528	654	-	-	-	-	1,182
At December 31, 2018	958	6,279	2,277	6,161	16,996	4,575	37,246
Amortization							
At December 31, 2016	(189)	(5,091)	-	-	-	-	(5,280)
Additions	(46)	-	(333)	(1,233)	(1,133)	(1,144)	(3,889)
At December 31, 2017	(235)	(5,091)	(333)	(1,233)	(1,133)	(1,144)	(9,169)
Additions	(288)	-	(332)	(1,232)	(1,133)	(1,144)	(4,129)
At December 31, 2018	(523)	(5,091)	(665)	(2,465)	(2,266)	(2,288)	(13,298)
Net balance at December 31, 2017	195	534	1,944	4,928	15,863	3,431	26,895
Net balance at December 31, 2018	435	1,188	1,612	3,696	14,730	2,287	23,948

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c) Changes in intangible assets - Consolidated

	Goodwill on acquisition of subsidiaries	Development of new products (Torq)	Own software	Software usage rights	Customer portfolio	Non- competition agreements	Trademarks and patents	Total
Cost								
At December 31, 2016	55,682		11,561	3,010	25,466	4,815	7,126	107,660
Additions		534		323				857
At December 31, 2017	55,682	534	11,561	3,333	25,466	4,815	7,126	108,517
Additions	2,509	675	700	913	3,465	-	-	8,262
At December 31, 2018	58,191	1,209	12,261	4,246	28,931	4,815	7,126	116,779
Amortization								
At December 31, 2016	(3,982)		(2,699)	(2,456)	(2,297)	(145)	(519)	(12,098)
Additions			(2,309)	(256)	(2,046)	(1,191)	(366)	(6,168)
At December 31, 2017	(3,982)		(5,008)	(2,712)	(4,343)	(1,336)	(885)	(18,266)
Additions	-	-	(2,273)	(531)	(2,068)	(1,191)	(332)	(6,395)
At December 31, 2018	(3,982)	-	(7,281)	(3,243)	(6,411)	(2,527)	(1,217)	(24,661)
Net balance at December 31, 2017	51,700	534	6,553	621	21,123	3,479	6,241	90,251
Net balance at December 31, 2018	54,209	1,209	4,980	1,003	22,520	2,288	5,909	92,119

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13 BORROWINGS

			Parent company		Consolidated	
	Financial charges	Maturity	12/31/2018	12/31/2017	12/31/2018	12/31/2017
BNDES - 11201401016 (i)	TJLP + 1% p.a.	8/15/2018		238		238
BNDES – 14209211 (ii)	TJLP + 1.1% p.a.	12/15/2020	7,339	11,082	7,339	11,082
BNDES – 17203411018 (ii)	TJLP + 2.0% p.a.	3/15/2024	7,029	7,029	7,029	7,029
PROGEREN line	TJLP + 4.5% p.a.	4/15/2019		3,424		3,424
Itaú - working capital				-	46	-
BNDES card				-		83
Intercompany loans					194	
Total			14,368	21,773	14,609	21,856
Current			3,718	6,527	3,958	6,529
Non-current			10,651	15,246	10,651	15,327

- (i) This contract is secured by sureties of the Company's intervening shareholders.
(ii) This contract is backed by surety for the same amount, issued by a financial institution, in compliance with the criteria and requirements of BNDES.

The repayment flow of long-term borrowings, by maturity year, is as follows:

		Parent company	Consolidated
		12/31/2018	12/31/2018
2020		5,036	5,036
2021		1,757	1,757
2022		1,757	1,757
2023		1,757	1,757
2024		344	343
Non-current		10,651	10,651

(a) COVENANTS

The BNDES financing contract No. 11201401016 has restrictive covenants usually applicable to this type of transaction, regarding compliance with certain economic and financial ratios, cash generation and other requirements. At December 31, 2018, the Company was in compliance with these covenants.

The BNDES financing contract No. 14209211 is not subject to covenant clauses related to the compliance with economic and financial ratios.

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14 SALARIES, SOCIAL SECURITY CHARGES AND LABOR PROVISIONS

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
INSS/FGTS payable	770	534	2,674	2,149
IRRF on payroll	572	373	1,658	1,358
Provision for vacation pay	2,101	1,422	7,178	6,312
Bonuses, commissions and profit sharing (ii)	2,054	3,886	2,159	4,861
Agreements payable (i)	-	-	-	1,551
Other	8	12	38	63
	5,506	6,227	13,707	16,294

(i) These relate to agreements entered into with former employees, resulting from lawsuits filed against the Company.

(ii) The provision for bonuses and profit sharing is recorded monthly, and depends on the achievement, by the employees, of corporate and individual goals. These amounts are always paid in April of the year subsequent to that in which the results were computed.

15 TAX LIABILITIES

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
IR and CSLL payable		6	956	181
ISS payable	198	196	817	934
PIS/COFINS payable	31	81	490	468
Taxes withheld at source - third-parties	54		84	-
Taxes payable in installments	-	-	3,951	
Other taxes payable	17	17	112	334
Total	300	300	6,410	1,917
Current liabilities	283	383	2,824	1,583
Non-current liabilities	17	17	3,586	334

16 LIABILITIES ARISING FROM INVESTMENT ACQUISITION

These relate to installments payable for investment acquisitions made by the Company and its subsidiaries, which are recorded under current and non-current liabilities, as follows:

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	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Acquisition of Controlpart Consultoria e Participações Ltda.	366	366	366	366
Acquisition of Drive Consultoria e Informática Ltda.				67
Acquisition of Aquarius Tecnologia e Informática Ltda.				167
Acquisition of ConsultBrasil			356	
Acquisition of att/PS Informática Ltda.	5,310	4,254	5,310	4,254
Adjustment to present value	(6)	(12)	(6)	(13)
Current liabilities	5,670	4,608	6,026	4,841
Acquisition of Controlpart Consultoria e Participações Ltda.	126	488	126	488
Acquisition of ConsultBrasil			559	
Acquisition of att/PS Informática Ltda.	11,623	12,763	11,623	12,763
Adjustment to present value	(2)	(8)	(2)	(8)
Non-current liabilities	11,747	13,242	12,297	13,242
Obligations from investment acquisition	17,417	17,851	18,323	18,084

The repayment flow of non-current liabilities at December 31, 2018, by maturity year, was as follows:

	Parent company	Consolidated
	12/31/2018	12/31/2018
2020	5,955	6,505
2021	5,792	5,792
Non-current	11,747	12,297

17 PROVISION FOR CONTINGENCIES

In the normal course of its activities, the Company is subject to tax, civil and labor lawsuits. Management, supported by the opinion of its legal advisors, assesses the expected outcome of the lawsuits in progress, and determines the need for recording provisions for contingencies at amounts deemed sufficient to cover the expected losses.

The table below shows the provisions for probable losses and deposits in court at December 31, 2018 and December 31, 2017, which relate to labor lawsuits in progress and social security risk.

	Parent company				Consolidated			
	12/31/2018		12/31/2017		12/31/2018		12/31/2017	
	Provision (Liabilities)	Deposits in court (Assets)	Provision (Liabilities)	Deposits in court (Assets)	Provision (Liabilities)	Deposits in court (Assets)	Provision (Liabilities)	Deposits in court (Assets)
Labor and social security	377	57	601	142	21,845	296	18,819	2,151

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Changes in the provisions for contingencies were as follows:

	Parent company	Consolidated
At December 31, 2017	601	18,819
Additions	552	1,101
Payments	(512)	(1,375)
Reversals	(264)	(896)
New investments	-	4,196
At December 31, 2018	377	21,845

The Company and its subsidiaries are also party to labor and tax lawsuits whose risk of loss, according to their legal advisors and the Company's Management, is classified as possible, for which no provision was recognized. The amount related to the amount of the updated cause related to these lawsuits corresponds to R\$ 24,013 as of December 31, 2018.

a) Labor

Labor claims generally relate to overtime, health hazard allowances, salary equalization, vacation pay, moral damages resulting from occupational accident, occupational disease, and secondary liability involving service providers, among other situations.

b) Social security

The Company's management reviews, on a timely basis, the risk of assessment by the social security, seeking to mitigate the exposure to challenges and fines in the event of an inspection by the respective authorities. At the same time, whenever management identifies the possibility of a loss event, provisions are recorded at amounts deemed sufficient to cover the related contingencies.

c) Civil

The processes of nature may relate mainly to suits filed under the allegation of certain problems in the provision of services offered and the restitution of securities.

18 EQUITY

18.1 Share capital

At December 31, 2018, the Company's share capital was R\$ 50,561, represented by 11,787,203 registered common shares with no par value. The holders of common shares are entitled to one vote per share at the Shareholders' Meetings.

The table below shows the ownership interest (in number of shares) of holders of 5% or more of the Company's common shares, in addition to treasury shares.

	12/31/2018		12/31/2017	
Shareholders	Shares	%	Shares	%

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Funds managed by HIX Investimentos Ltda.	1,810,399	15.36%	1,739,599	14.80%
BNDES Participações S.A.	1,297,260	11.01%	1,347,960	11.40%
Bernardo Francisco Pereira Gomes	1,327,827	11.26%	1,333,886	11.30%
Antonio Luciano de Camargo Filho	1,327,753	11.26%	1,323,398	11.20%
Funds managed by Una Capital Ltda.	618,520	5.25%	734,130	6.20%
FIA EAC - BDR LEVEL I	602,700	5.11%	607,100	5.20%
Treasury shares	269,640	2.29%	578,988	4.90%
Other shareholders	4,533,104	38.46%	4,122,142	35.00%
Total	11,787,203	100%	11,787,203	100%

18.2 Profits to be distributed

At December 31, 2017, the Company recorded, in current liabilities, a provision for interest on capital at the amount equivalent to 25% of the profit for the year. On May 21, 2017, interest on capital amounting to R\$ 2,086 was fully paid.

	Parent company and Consolidated
Profit at December 31, 2017	7,464
Transfer to legal reserve - 5% (Article 193 of Law 6,404)	(373)
Profit after transfer to legal reserve	7,090
Minimum mandatory dividend - 25%	1,773
Interest on capital	1,773
IRRF on interest on capital (i)	313
Interest on capital provided for at December 31, 2017	2,086

At December 31, 2017, the Company recorded, in current liabilities, a provision for interest on capital at the amount equivalent to 25% of the profit for the year.

- (i) The distribution of the Company's profit is made as interest on capital, up to the maximum amount deductible, due to the tax benefit of 34% on the corresponding expense. Therefore, the Company calculates interest on capital considering the gross-up rate of 15%, with the aim of not burdening its shareholders with the withholding of income tax.

On December 31, 2018, the Company provided dividends equivalent to 25% of net income for the year, recorded in current liabilities.

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	Parent company and Consolidated
Profit at December 31, 2017	2,729
Transfer to legal reserve - 5% (Article 193 of Law 6,404)	(136)
Profit after transfer to legal reserve	2,593
Minimum mandatory dividend - 25%	648
Dividends provisioned at December 31, 2018	648

18.3 Revenue reserves

The Annual Shareholders' Meeting held on April 28, 2017 approved the transfer of retained earnings relating to 2016 to the revenue reserve, for the purpose of meeting the capital budget required for business expansion, as also approved at the referred Meeting. Additionally, management is proposing the retention of a portion of the profits for 2017, amounting to R\$5,006, also to meet the capital budget needs, to be submitted for approval at the next Annual Shareholders' Meeting.

18.4 Treasury Shares

a) Share-based remuneration plan

At the meeting held on August 26, 2015, the Board of Directors approved the start of the third common share buyback program, which comprised the repurchase of up to 700,000 common shares and was effective up to August 24, 2016.

During 2016, a total of 78,800 shares were repurchased (88,300 in 2015) for R\$706, totaling 599,400 shares at the average price of R\$8.48 per share (520,600 shares in 2015).

At the meeting held on September 5, 2016, the Board of Directors approved the start of the fourth common share buyback program, ("Program"), which comprised the repurchase of up to 295,500 common shares and was effective up to September 4, 2017.

As foreseen in the share-based remuneration plan, in April 2018, the beneficiaries exercised the options of the second vesting period.

During 2017 and up to December 31, 2018, no treasury shares were repurchased under the program.

b) Sale of treasury shares

At the meeting held on April 6, 2018, the Board of Directors, in compliance with the provisions of Article 5, paragraph 7 of the Company's Bylaws, and Article 30, paragraph 10, subitem "c" of Law 6,404/76, approved the sale of up to 289,494 shares of the Company, representing 50% of its 578,988 treasury shares, through transactions to be carried out on B3 S.A. - Brazil, Stock Exchange, OTC ("B3"), in conformity with CVM Instruction CVM 567/15.

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On April 9, 2018, the Company sold 217,494 shares on the B3 trading session. On April 23, the trade was closed, with a total of 289,494 shares sold for the gross amount of R\$ 7,832, which was used to reinforce cash and give continuity to the consolidation strategy.

19 NET OPERATING REVENUE

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Consulting and Projects	2,431	4,742	9,627	16,078
Outsourcing	12,240	6,180	48,475	33,487
Software	25,574	21,543	101,284	102,736
Gross service revenue	40,245	32,465	159,386	152,301
ISS	(1,159)	(1,219)	(4,604)	(5,228)
PIS and COFINS	(1,464)	(1,185)	(5,808)	(5,547)
Employer's INSS	(1,814)	(1,461)	(6,865)	(6,617)
Taxes on sales	(4,437)	(3,865)	(17,277)	(17,392)
Consulting and Projects	2,213	4,177	8,783	14,387
Outsourcing	10,862	5,367	43,108	29,214
Software	22,733	19,056	90,218	91,308
Net operating revenue	35,808	28,600	142,109	134,909

The average tax rate levied on sales in the year was 11.4% in the Consolidated, comprising PIS/PASEP, COFINS, Tax on Services of Any Kind (ISSQN) and employer's INSS.

20 COST OF SERVICES

a) Cost of services provided

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Third-party services	2,682	2,055	4,818	3,062
Personnel, charges and benefits	17,115	15,448	80,270	78,303
Other costs	1,075	433	4,126	2,807
	20,872	17,936	89,214	84,172

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21 GENERAL AND ADMINISTRATIVE EXPENSES

a) General, administrative and selling expenses

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Third-party services	305	217	2,106	1,275
Personnel, charges and benefits	3,461	2,533	17,873	16,873
Commissions	294	77	2,027	843
Rentals, insurance, condominium fees and other	2,404	1,934	4,328	3,899
Addition to provision for bonuses and profit sharing (i)	249	2,969	2,217	4,108
Addition to (reversal of) provision for impairment of trade receivables	65	-	336	(5)
Addition to (reversal of) provision for contingencies	288	(423)	205	881
Energy, communications and other	700	1,134	1,273	1,779
Consultants, lawyers and auditors	372	283	1,464	1,055
Publicity and advertising	955	214	1,026	525
Transportation and lodging	63	55	621	562
Other expenditures	296	177	826	695
Depreciation and amortization	4,469	4,067	7,199	6,812
	13,921	13,237	41,501	39,302

(i) The variation relates to changes in the Company's operating results.

b) Other operating income (expenses), net

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Other operating income (expenses), net (i)	3,247	-	3,247	-

(i) Relates to the provision recorded for the earn-out installment due on the acquisition of att/PS.

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22 FINANCE INCOME (COSTS), NET

	Parent company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Finance costs:				
Interest on acquisition of investment	(1,588)	(745)	(1,747)	(1,347)
Interest on borrowings	(1,648)	(1,528)	(1,648)	(1,633)
Bank expenses	(17)	(23)	(78)	(60)
Adjustment to present value	(12)	(18)	(13)	(209)
Tax on Financial Operations (IOF)	(32)	(218)	(58)	(237)
Other finance costs	(1,370)	(1)	(1,462)	(59)
Finance income:				
Income from financial investments	581	687	1,470	1,615
Interest earned	83	42	230	158
Other finance income	61	9	273	95
	(3,943)	(1,795)	(3,033)	(1,677)

23 PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION

Current income tax and social contribution are computed in accordance with the current rates, and the deferred income tax and social contribution are calculated on temporary differences and accumulated tax losses.

a) Current and deferred income tax

The reconciliation of the expense calculated by applying the income tax and social contribution rates is as follows:

	Parent company	
	12/31/2018	12/31/2017
Profit before taxation	1,504	6,801
Income tax at the statutory rate (34%)	511	2,312
Adjustments for calculation at the effective rate:		
Provision for payment of bonuses and profit sharing	293	63
Labor provisions	-	(2)
Equity in the results of subsidiaries	2,610	(3,798)
"Lei do Bem" (i)	-	(121)
Payment of trade association fees and temporary differences	10	11
Amortization of deductible goodwill	1,306	1,306
Workers' Meal Program (PAT) and other permanent differences	51	19
Interest on capital	(709)	(360)
Adjustment to present value	4	6
Portion exempt from surcharge	-	-
Other provisions	-	(7)
Income tax losses (i)	(78)	(92)

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	Parent company	
	12/31/2018	12/31/2017
Income tax at effective rate	(1,222)	(663)

	Parent company	
	12/31/2018	12/31/2017
Profit before taxation	1,504	6,801
Current and deferred income tax and social contribution	(1,222)	(663)
Current income tax and social contribution	-	(121)
Deferred income tax and social contribution	(1,222)	(542)
Effective tax rate	(81%)	(9%)

- (i) On October 17, the Ministry of Science, Technology, Innovation and Communications (MCTIC) rendered a favorable decision for the Company and its subsidiary Aquarius Tecnologia e Informática Ltda. to use the tax incentives granted under Law 11,196/05 ("*Lei do Bem*") in the 2015 base year.

	Consolidated	
	12/31/2018	12/31/2017
Profit before taxation	5,046	9,756
Income tax at the combined statutory rate (34%)	1,716	3,317
Adjustments for calculation at the effective rate:		
Offset of tax losses	(429)	(488)
Adjustments to revenue recognized on the accrual basis	(10)	(516)
Provision for payment of bonuses and profit sharing	687	(493)
Labor provisions		(29)
Reversal of provision for trade receivables		
"Lei do Bem" (i)		(338)
Payment of trade association fees and temporary differences	20	28
Interest on capital	(709)	(360)
Workers' Meal Program (PAT) and other permanent differences	(8)	5
Adjustment to present value	5	(15)
Amortization of non-deductible goodwill	1,404	1,416
Portion exempt from surcharge	(48)	(96)
Income tax losses	126	(708)
Difference of taxation regime - presumed profit (ii)		
Difference of taxation regime - presumed profit (i)	(529)	573
Other provisions	85	(2)
Income tax (credit) at effective rate	2,310	2,294

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	<u>12/31/2018</u>	<u>12/31/2017</u>
Profit before taxation	5,046	9,757
Current and deferred income tax and social contribution	2,310	(2,293)
Current income tax and social contribution	3,949	(1,066)
Deferred income tax and social contribution	(1,639)	(1,227)
Effective tax rate	46%	(23%)

- (i) The subsidiary Controlpart Consultoria e Participações Ltda. computes the income tax and social contribution based on the presumed profit method.

b) Deferred income tax and social contribution assets

Breakdown of deferred income tax and social contribution:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Non-current assets				
Income tax and social contribution losses - Sinqia S.A.	2,542	1,059	2,542	1,059
Income tax and social contribution losses - Sinqia Serviços em Informática Ltda.	-	-	2,137	1,555
Income tax and social contribution losses - Sinqia Consultoria em Informática Ltda.	-	-	1,645	990
Income tax and social contribution losses - Aquarius Tecnologia e Informática Ltda.	-	-	-	216
Income tax and social contribution losses - att/PS	-	-	-	259
Income tax and social contribution losses - ConsultBrasil	-	-	3,213	-
Provision for impairment of trade receivables	45	22	281	199
Provision for profit sharing	597	1,281	646	1,626
Provision for contingencies and other liabilities	128	204	7,413	6,384
Goodwill arising from business combination (i)	-	-	209	616
Other provisions	193	(9)	282	31
Unbilled services	(735)	(795)	(3,728)	(3,743)
Advances from customers	448	195	1,409	731
Taxes on adjustment to revenue recognized on an accrual basis (ii)	32	71	248	345
Total deferred income tax and social contribution assets	3,250	2,028	16,297	10,268

- (i) On January 1, 2014, the investee Drive Consultoria e Informática Ltda. (“Drive”) was merged into Senior Consultoria em Informática Ltda. (“Senior Consultoria”), and on February 1, 2016, the investee Pleno Tecnologia & Sistemas Ltda. was also merged into Senior Consultoria. The transaction aimed at reducing maintenance and administrative costs through the consolidation of two different companies into a single one, seeking to streamline the administrative and operational activities. With the merger, Senior Consultoria started to benefit from the tax amortization of the goodwill generated on the acquisition of Drive and Pleno, within the period determined by the legislation in force. At the merger, within the scope of the purchase price allocation process, which identifies and values the tangible and intangible assets included in the transaction, the Company recorded deferred income

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tax and social contribution arising from intangible assets not subject to amortization for tax purposes, that is, intangible assets with no defined useful life, which are therefore classified as temporary differences in the calculation of current income tax and social contribution. The breakdown of intangible assets considered in the calculation of deferred income tax and social contribution is as follows:

	<u>Consolidated</u>
Deferred income tax and social contribution (34%) – balance at 12/31/2017	616
Changes	
Tax amortization considered in 2017	
Goodwill	(116)
Trademarks and patents	(291)
Total	(407)
Deferred income tax and social contribution – balance at 12/31/2018	209

- (ii) Includes PIS/PASEP, COFINS, ISSQN, and the employer's contribution to INSS.

c) Deferred income tax and social contribution - result

The reconciliation of deferred income tax and social contribution recognized in the statement of income for the year is as follows:

	<u>Parent company</u>		
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Change</u>
Deferred income tax and social contribution assets	3,250	2,028	1,222
Deferred income tax and social contribution - result			<u>1,222</u>

	<u>Consolidated</u>		
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Change</u>
Deferred income tax and social contribution assets	16,297	10,268	6,029
Deferred income tax and social contribution liabilities - new investment			(4,390)
Deferred income tax and social contribution - result			<u>1,639</u>

Based on the projections of future taxable results approved by the Board of Directors, the Company expects to recover the deferred tax credits within the next five years.

24 EARNINGS PER SHARE

The calculation of basic earnings per share is made by dividing the profit for the year, attributed to the owners of the parent, by the weighted average number of common shares outstanding during the year.

The calculation of diluted earnings per share is made by dividing the profit for the year, attributed to the owners of the parent, by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on the conversion of

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all potentially dilutive common shares into common shares.

The following tables present data on the result and shares, used in the calculation of basic and diluted earnings per share:

	Parent company and Consolidated	
	12/31/2018	12/31/2017
Earnings per share - basic and diluted - R\$		
Numerator		
Profit for the year attributed to the owners of the parent	2,726	7,464
Denominator		
Weighted average number of common shares	11,440,226	11,187,803
Earnings per share - basic and diluted - R\$	0.238	0.667

25 INSURANCE

The Company and its subsidiaries maintain insurance coverage in amounts that their consultants consider sufficient to cover risks on their own and leased assets, and civil liability risks.

The insurance policy considers the geographical dispersion and the individual value of the assets used, and the fact that the Company and its subsidiaries are service providers and, as such depend less on tangible assets than a company in the industrial segment.

The assets insured are the machinery and equipment, and the building where the Company and its subsidiaries are installed.

26 EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of investment

On January 16, 2019, the Company acquired all the shares of Atena Tecnologia Ltda. ("Atena"), a software provider for the segment of private pension entities, which recorded gross revenue of R\$ 8.8 million in the last 12 months ended October 31, 2018.

The initial purchase price, of R\$ 9.0 million, will be comprised as follows: a down payment of R\$ 5.0 million, payable at the transaction closing date, and the remaining R\$ 4.0 million payable in five annual installments starting from the first anniversary of the transaction closing date.

The final purchase price may be increased by an earn-out of up to R\$ 4.0 million, to be paid in full on the fifth anniversary of the transaction closing date, conditioned upon the achievement of specific performance objectives.

(b) Issue of debentures

On February 6, 2019, the Company approved the submission to the Shareholders' Extraordinary General Meeting, of the proposal for the first issue of debentures ("Issue") amounting up to R\$ 50.0 million.

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For the main purpose of financing new acquisitions, the Issue will comprise a single series of simple debentures maturing in five years, with a grace period of one year, and yielding interest of 100% of the Interbank Deposit (DI) variation plus 1.75% per annum.

Section F – Accounting policies

27 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

27.1 CONSOLIDATION

The following accounting policies are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated as from the date on which control is transferred to the Company, and are deconsolidated from the date that control ceases.

Identifiable assets acquired, and liabilities and contingent liabilities assumed at the acquisition of subsidiaries in a business combination are measured initially at their fair values on the acquisition date. The Company recognizes any non-controlling interest in the acquiree either at fair value, or at the proportionate non-controlling interest's share in the fair value of the acquiree's net assets. The measurement of the non-controlling interests to be recognized is determined on each acquisition. Acquisition-related costs are expensed as incurred.

Transactions, balances and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Company.

27.2 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency, and also the Group's presentation currency.

27.3 ADJUSTMENT TO PRESENT VALUE

Long and short-term monetary assets and liabilities are adjusted to their present value when the effect is considered material in relation to the financial statements taken as a whole. The adjustment to present value is calculated taking into account contractual cash flows and the explicit interest rate, and

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in some cases, the implicit interest rate, of the respective assets and liabilities. Accordingly, interest embedded in revenues, expenses and costs related to these assets and liabilities is discounted, in order for it to be recognized on an accrual basis. Afterwards, this interest is reallocated to finance income and costs in the statement of income, based on the effective interest rate method in relation to the contractual cash flows. The implicit interest rates applied were determined based on assumptions and are considered accounting estimates.

The main accounts subject to adjustments to present value are borrowings and obligations from investment acquisition (both short- and long-term obligations).

The present value of borrowings and obligations from investment acquisition was calculated based on the following methodology: firstly, the future value of the monthly repayments is calculated at the interest rate contracted for the borrowing; and, secondly, the present value of these repayments is calculated using the discount rate obtained through the Weighted Average Cost of Capital (WAAC). The difference between the amount of the debt recorded and the present value calculated corresponds to the amount of adjustment.

27.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments, redeemable within 90 days from the transaction dates, which are subject to immaterial risk of change in value and readily convertible into known amounts of cash. Most cash and cash equivalents are classified as "financial assets at fair value through profit or loss".

27.5 FINANCIAL INSTRUMENTS

27.5.1 CLASSIFICATION

The Company classifies its financial assets, at initial recognition, according to the following categories: measured at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets have been acquired.

At December 31, 2018 and 2017, the Company did not have financial assets classified as available for sale.

Financial assets are included in current assets, except for maturities greater than 12 months after the balance sheet date.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are presented in the statement of income within "Finance income (costs)" in the period in which they arise, unless the instrument has been entered into in connection with another transaction. In this case, the variations are recognized in the statement of income in the same line item as that affected by this other transaction.

This category also includes investments in associates or subsidiaries which are held indirectly through a venture capital organization, regardless of whether the venture capital organization has significant influence over the investment, in accordance with CPC 18 (R2).

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b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise mainly "Trade and other receivables" and "Cash and cash equivalents".

27.5.2 RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are usually recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets measured at fair value through profit or loss are subsequently stated at fair value, and loans and receivables are recognized at amortized cost, using the effective interest rate method.

Dividends on financial assets carried at fair value through profit or loss, such as shares, are recognized in the statement of income as part of other income when the Company's right to receive dividends is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These techniques include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make the greatest possible use of information from the market and the least possible use of information generated by the entity's management.

27.5.3 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset, and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

27.5.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets carried at amortized cost

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the

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asset is reduced and the amount of loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate determined under the contract. As a practical expedient, the Group can measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

27.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value, with the fair value changes recognized in profit or loss.

The Company did not operate with derivative financial instruments during the year.

27.7 TRADE RECEIVABLES

Trade receivables are amounts due from customers for licensing of software, and provision of IT and consulting services performed in the ordinary course of the Group's activities. If collection is expected in one year or less, trade receivables are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

The provision amount is the difference between the carrying amount and the recoverable amount, which is calculated based on a monthly analysis of the individual invoices outstanding. Some aspects, such as those listed below, are analyzed and indicate whether or not a provision is necessary: (i) services not provided according to the contractual terms; (ii) invoices with incorrect amounts or information; (iii) lack of evidence that all the risks and benefits of the services have been transferred to the customer; and (iv) lack of probability that economic benefits will be generated and will flow to the Company.

In addition to the analysis to identify some of these aspects, the Company records the estimated loss for impairment related to invoices whose payment, according to the original maturity date, is delayed for over nine months, even if no factors justifying the provision were identified. However, depending on the nature of the delay in the receipt, the Board of Directors may decide not to recognize the provision, by means of a formal authorization.

Finally, for invoices overdue for more than 12 months, a provision for impairment of trade receivables is recognized. Again, depending on the nature of the delay in the receipt, the Board of Directors may decide not to recognize the provision, by means of a formal authorization.

The present value is calculated based on market rates and cost of capital, represented by the Weighted Average Cost of Capital (WACC).

27.8 INVESTMENTS

The company's investments in subsidiaries are accounted for using the equity method, according to CPC 18-R1 (IAS 28), for purposes of the parent company financial information.

Based on this method, the investment in the subsidiary is recorded in the balance sheet of the parent company at cost, plus changes after the acquisition of interest in the investee. Goodwill relating to the

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subsidiary is included in the carrying amount of the investment, and is not amortized. Accordingly, the goodwill is not recognized separately, being tested for impairment considering the cash generating unit to which it belongs.

Ownership interest in subsidiary is reflected in the parent company's statement of income as equity in the results, representing the net profit attributable to shareholders of the subsidiary.

When necessary, adjustments are made to the accounting policies of the subsidiary in order for them to be consistent with those adopted by the Company.

After applying the equity accounting method for the purposes of the parent company's financial statements, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in the investee. The Company determines, at each balance sheet date, whether there is objective evidence that the investments in subsidiaries are subject to impairment. If there is such evidence, the Company calculates the impairment loss as the difference between the recoverable amount of the investment and the carrying amount, and recognizes the loss in the parent company's statement of income.

27.9 INTANGIBLE ASSETS

These refer to trademarks and patents, acquired software, costs and expenses incurred with the development of new products (software), in addition to goodwill, value of the customer portfolio, and other intangible assets arising from acquisitions of the companies Intellectual Capital Ltda. (merged on July 22, 2008), Sinqia Consultoria em Informática Ltda., Controlpart Consultoria e Participações Ltda., Drive Consultoria e Informática Ltda. (merged on January 1, 2014) and att/PS Informática Ltda. Intangible assets acquired separately are measured on initial recognition at cost and subsequently, less accumulated amortization and impairment losses, where applicable. Goodwill on acquisition of investments that took place up to December 31, 2008, based on the economic future profitability, were being amortized on a straight-line basis, for a period of five to ten years, since the dates of the transactions that gave rise to it. From January 1, 2009, such goodwill is no longer amortized, being subjected to an annual impairment test (Note 12).

The useful lives of intangible assets are classified as finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at the end of each reporting period. Changes in the useful life or in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment. The assessment of indefinite useful life is reviewed at the end of each reporting date to determine whether the evaluation remains justifiable. If not, the change in the useful life, from indefinite to finite, is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds from disposal and the carrying amount of the asset, and are recognized in the statement of income when the asset is derecognized.

a) Goodwill

Goodwill is computed on the acquisition or subscription of capital in another company, represented by the cost of acquisition of the investment that exceeds the amount of the related equity interest,

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calculated based on the percentage of acquisition or subscription on the other company's equity value, measured at the fair value of all its assets and liabilities (Note 11). In the process of calculating the equity value, assets not accounted for, but to which a fair value has been attributed are separable and can be negotiated individually.

In accordance with CVM Resolution 553 of November 12, 2008, which approved the Technical Pronouncement CPC 04 - Intangible Assets, from January 1, 2009, the Company no longer amortizes the goodwill arising on investments acquired. Considering that some goodwill amounts are still amortized for tax purposes, the corresponding deferred tax effects were recorded on the amortization portion excluded. Goodwill is tested annually for impairment.

b) Computer software

Costs of software development or maintenance are expensed as incurred. Expenditures directly associated with identifiable and unique software which is controlled by the Company, and which will probably generate economic benefits exceeding the costs for more than one year, are recognized as intangible assets. Direct expenditures include the remuneration of the employees of the software development team and the related portion of general expenses.

Software development expenditures recognized as assets are amortized using the straight-line method over the applicable useful lives, at the rates described in Note 12.

c) Customer portfolio

Contractual customer relationships acquired in a business combination are recognized at fair value on the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

d) Trademarks and licenses

Separately acquired trademarks and licenses are initially stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Subsequently, trademarks and licenses with a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

27.10 PROPERTY AND EQUIPMENT

Property and equipment items are stated at acquisition, formation, or development cost, less accumulated depreciation. Depreciation is calculated on the straight-line method, in accordance with the rates disclosed in Note 11. Property and equipment is stated at the gross amount of tax credits related to the State Value-Added Tax (ICMS), Social Integration Program (PIS), and Social Contribution on Revenues (COFINS), since the Company does not make use of these credits.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to Company, and they can be measured reliably. The carrying amount of the replaced parts or items is derecognized. All other repair and maintenance costs are charged to the statement of income as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives. The useful lives are shown in Note 11.

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The residual values and the useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

During the year ended December 31, 2016, management reassessed the useful lives of its property and equipment items, and no significant change was identified.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains (losses), net" in the statement of income.

27.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Management reviews annually the assets' net carrying amount for the purpose of identifying events or changes in economic, operating or technological circumstances that may indicate impairment. If such evidence is identified and net carrying amount exceeds the recoverable amount, a provision for impairment is set up, adjusting the net carrying amount to the recoverable amount.

The recoverable amount of an asset or a cash generating unit is defined as the higher of the asset's value in use and its net selling price.

When estimating the value in use of an asset, the future estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. The net selling price is determined, whenever possible, based on a binding sale agreement in an arm's length transaction between knowledgeable and willing parties, adjusted by expenses attributable to the sale of the asset, or, in the absence of such agreement, on the quoted price in an active market, or the most recent transaction price involving similar assets is used.

The following criteria are also applied in assessing impairment of assets:

a) Goodwill based on expected future profitability

Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

b) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, as appropriate, and also when circumstances indicate that the carrying amount may be impaired.

When such evidence is identified and the net carrying amount exceeds the recoverable amount, a provision for impairment is recorded, adjusting the net carrying amount to the recoverable amount, as applicable.

27.12 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due in one year or

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less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

27.13 BORROWINGS

Borrowings are recognized initially at fair value, net of the transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

Compound financial instruments, which comprise financial liability (debt) and equity components, issued by the Company include bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially measured at fair value. The fair value of the liability portion of a convertible bond is determined using the discounted cash flow method, considering a market interest rate for an equivalent non-convertible bond with similar characteristics (period, value and credit risk). The equity component is recognized initially at the difference between the total amount received by the Company with the issuance of the bond and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequently to the initial recognition, except on conversion or expiry.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

27.14 PROVISIONS

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions for restructuring comprise lease termination penalties and employee termination payments. These provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

27.15 CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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The income tax and social contribution expenses for the year comprise current and deferred taxes, and are calculated based on the income and social contribution effective rates, adjusted according to the provisions of the current legislation. The offset of tax loss carryforwards and social contribution losses is limited to 30% of the taxable profit. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity.

Taxation on profit comprises the income tax and social contribution, which are calculated based on taxable results (adjusted profit), at the rates applicable pursuant to the current legislation: 15% plus a surcharge of 10% for profits exceeding R\$ 240 in the 12-month period for income tax, and 9% for social contribution. Therefore, additions to temporarily non-deductible accounting profit, or exclusions of temporarily non-deductible revenues considered in the calculation of current taxable income generate deferred tax assets or liabilities.

Deferred tax is generated from temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- ii) on temporary tax differences associated with investments in subsidiaries, in which the period of reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets are recognized for all deductible temporary differences and unused tax assets and tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax assets and tax losses can be utilized except:

- i) where the deferred tax asset associated with the deductible temporary difference is generated at the initial recognition of the asset or liability in a transaction other than a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii) over deductible tax temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is likely that temporary differences will be reversed in the near future and the taxable income will be available against which the temporary differences may be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets written off are reassessed at each balance sheet date and recognized to the extent that it becomes probable that future taxable profit will allow their recovery.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the asset will be realized, or the liability will be settled, based on the tax rate (and tax law) in effect on the balance sheet date.

Revenue from services is subject to the Service Tax (ISS) at the tax rates prevailing in each region; to Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) on a cumulative basis for the revenues from services, at the rates of 0.65% and 3.00%, respectively; and to Employer's contributions to the National Institute of Social Security (INSS), at the rate of 2.00% up to November 2015 and 4.5% as from December of that year.

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Prepayments or amounts subject to offsetting are classified in current or non-current assets, according to their estimated realization.

27.16 OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

An asset is recognized in the balance sheet when it is a resource controlled by the Company as a result of past events and it is probable that it will generate future economic benefits for the Company. Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and their settlement will probably require an outflow of economic resources. Assets and liabilities are recorded including related charges and exchange and monetary variations, where applicable. The provisions are recorded based on the best estimates of the involved risk.

Assets and liabilities are classified as current when their realization or settlement is expected within the next twelve months. Otherwise, they are stated as non-current.

27.17 EMPLOYEE BENEFITS

a) Share-based payments

Up to 2013, the Group offered to some officers a share-based payment plan ("Stock Options"- Note 18), duly approved by the Board of Directors, under which the services provided were received as consideration for the stock options granted. In accordance with CPC10 - Share-based Payments, the share premium on these shares, calculated at the grant date, is recognized as an expense, with a corresponding entry to equity, during the vesting period, as the services are rendered. There's a new plan in place since 2016, as disclosed in Note 18.

b) Profit sharing

The Company recognizes a liability and an expense for profit sharing on the accrual basis of accounting, in accordance with its remuneration policy.

27.18 SHARE CAPITAL

Shares are classified in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

27.19 REVENUE RECOGNITION

The Company earns revenue mainly from software licensing, which comprises licensing fees, revenue from product maintenance and support, tailor-made services, and permanent consulting and advisory services.

Revenue from software licensing fees is recognized when: i) the agreement is signed, and the software is delivered to the customer; ii) the amount can be measured reliably (pursuant to the agreement); iii) all risks and benefits inherent in the license are transferred to the purchaser; iv) the Company no longer has effective control over the license; and v) it is probable that economic benefits will flow to the Company.

Revenue from customization and consulting services is recognized as the services are rendered, in accordance with the service agreements. Amounts related to service rendered but not yet billed are accounted for as services in progress under "Trade receivables", in current assets.

Service revenue is recognized in the statement of income as the service is provided. Revenue is not recognized when there is significant uncertainty as to its realization.

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Revenues from services are subject to the Service Tax (ISS) at the tax rates prevailing in each region; Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) on a cumulative basis for the revenues from services, at the rates of 0.65% and 3.00%, respectively; as well as to Employer's contributions to the National Institute of Social Security (INSS), at the rate of 2.00% up to November 2015 and 4.5% as from December of that year.

Pursuant to Article 8 of Law 10,637, of 2002, and Article 10 of Law 10,833, of 2003, revenues accrued by IT service providers, arising from software development and licensing, assignment of usage rights, and software analysis, programming, installation, configuration, advisory, consulting, technical support, maintenance and update, with Web pages included in the concept of software, are excluded from the non-cumulative taxation system. The exclusion from the non-cumulative system does not apply to sales, licensing or assignment of usage rights of imported software.

27.20 DISTRIBUTION OF DIVIDENDS AND INTEREST ON CAPITAL

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the Company's financial statements when approved at the General Meeting, based on the Company's bylaws, or authorized by the Board of Directors.

27.21 NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS OF STANDARDS

The following new standards were issued by IASB, and are effective for 2018 or 2019. The early adoption of standards, although encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- **IFRS 9/CPC 48 - "Financial Instruments"**: addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the guidance included in IAS 39/CPC38 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are listed below: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of the hedge accounting.

Management understands that the new guidelines of IFRS 9/CPC 48 will not affect the classification and measurement of its financial assets, mainly considering that the Company does not have hedging transactions, or impairment of trade receivables.

The new rules were applied retrospectively from January 1, 2018, with the related practical expedients permitted. The comparative figures of 2017 were not updated.

- **IFRS 15/CPC 47 - "Revenue from Contracts with Customers"**: This new standard replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations, and introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. It is based on the principle that revenue is recognized when the control over the goods or services is transferred to the customer, thus replacing the principle of transfer of risks and benefits. Effective from January 1, 2018.

The software solutions and services offered by the Company address the following aspects:

- (i) **Performance obligation**: the contracts entered into by the Company with customers offer distinct software solutions and services, which are not reflected in different performance obligations under the same contract. Software subscription revenue is recognized over the time the customer remains at the customer base, and service revenue is recognized when

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the control over the asset delivered is transferred to the customer. Accordingly, the amounts obtained under these contracts were not significant enough to impact the opening balances of equity at January 1, 2018.

- (ii) Variable consideration - some contracts for variable consideration require small and few changes to the scope of the projects, and, in accordance with IFRS 15/CPC47:

"the variable consideration (either discounts or increases) should be estimated in relation to the amount of the contract on the date it is signed, but only to the extent that it is highly probable that a significant reversal of cumulative revenue recognized will not occur."

Considering that the amounts are not significant, management understands that no adjustment will be required to the current process or future disclosures.

- (iii) Software implementation and customization services - these services are sold separately in contracts with customers, as projects (variable consideration). Revenue from these services is recognized as the services are provided. In accordance with the IFRS 15/CPC 47 the progress toward the complete satisfaction of the obligation can be measured by means of the output or input methods.

Management has concluded that the contracts for implementation and customization services are distinct from the other services offered and, therefore, revenue arising from these contracts is recognized over time. The measurement used the output method, which did not impact equity at January 1, 2018.

NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS OF STANDARDS NOT YET IN EFFECT

- **IFRS 16 - "Leases"**: the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019, and replaces IAS 17 and corresponding interpretations.

With the adoption of the new rules, the Group estimates that the after-tax profit will decrease by approximately R\$ 770 in 2019. The expectation is that the adjusted EBITDA used to measure the results of segments increase by approximately R\$ 1,753, since the payments of operating leases were included in EBITDA. However, the use of adjusted EBITDA excludes the effects of amortization of right-of-use assets and interest on lease liabilities.

Management intends to apply the simplified transition approach and will not restate the comparative figures presented for the year prior to the first-time adoption. Right-of-use assets for property lease will be measured at the transition date, as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other IFRS or IFRIC interpretations that are not yet effective, which would be expected to have a material impact on the Group's financial statements.

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