sinqia

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11 am (Brasília) / 09 am (New York)
Phone: +55 (11) 2188-0155
Replay: +55 (11) 2188-0400
Password: Sinqia
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4Q19 Results

São Paulo, 4 Mar. 2020. Sinqia S.A. (B3: SQIA3) ("**Company**"), provider of technology for the financial system, announces today its consolidated results for the fourth quarter 2019 ("**4Q19**") and the fiscal year ended 31 Dec. 2019 ("**2019**").

Financial highlights:

Net revenues. Record of R$ 48.1 million in the quarter (+21.2% vs. 4Q18) and record of R$ 175.1 million in the year (+23.3% vs. 2018), mainly due to the inorganic and organic growth;

Portfolio of recurring contracts. Record of R$ 147.3 million (+59.3% vs. 2018), highlighting the 14.7% increase in the organic portfolio, a proxy for future growth in Software revenues;

Recurring revenues. Record of R$ 39.6 million in the quarter (+23.1% vs. 4Q18) and record of R$ 145.4 million in the year (+25.6% vs. 2018), a significant increase mainly due to the growth of Software Subscription;

Gross profit. Record of R$ 17.6 million in the quarter (+19.1% vs. 4Q18) and record of R$ 57.9 million in the year (+9.4% vs. 2018), despite the high implementation costs resulting from the change in the commercial model;

Adjusted EBITDA. Record of R$ 6.4 million in the quarter (+31,2% vs. 4Q18) and record of R$ 21.1 million (+9,8% vs. 2018) mainly due to the results of the acquired companies.

Financial Highlights (R$ '000)

(R$ '000)	4Q19	4Q18	4Q19/4Q18	3Q19	4Q19/3Q19	2019	2018	Var. YoY
Net Revenues	48,083	39,680	21.2%	46,364	3.7%	175,153	142,109	23.3%
Recurring Revenues	39,645	32,215	23.1%	38,095	4.1%	145,361	115,738	25.6%
% of Recurrence	*82.5%*	*81.2%*	*1.3 p.p.*	*82.2%*	*0.3 p.p.*	*83.0%*	*81.4%*	*1.5 p.p.*
Gross profit	17,556	14,738	19.1%	15,724	11.7%	57,865	52,895	9.4%
Gross margin	*36.5%*	*37.1%*	*-0.6 p.p.*	*33.9%*	*2.6 p.p.*	*33.0%*	*37.2%*	*-4.2 p.p.*
EBITDA	3,776	4,172	-9.5%	5,868	-35.6%	13,099	15,268	-14.2%
EBITDA margin	*7.9%*	*10.5%*	*-2.7 p.p.*	*12.7%*	*-4.8 p.p.*	*7.5%*	*10.7%*	*-3.3 p.p.*
Adjusted EBITDA	6,407	4,883	31.2%	6,016	6.5%	21,102	19,226	9.8%
Adj. EBITDA Margin	*13.3%*	*12.3%*	*1.0 p.p.*	*13.0%*	*0.4 p.p.*	*12.0%*	*13.5%*	*-1.5 p.p.*
Adjusted Cash Earnings	3,634	1,833	98.3%	2,087	74.2%	6,475	12,271	-47.2%
Adj. CE Margin	*7.6%*	*4.6%*	*2.9 p.p.*	*4.5%*	*3.1 p.p.*	*3.7%*	*8.6%*	*-4.9 p.p.*

MESSAGE FROM MANAGEMENT

The year 2019 was a very positive year, marked by in Sinqia's important steps that resulted in several records. In order to build a technology provider for the even more robust financial system, (i) we substantially accelerated the speed of the consolidation strategy with 4 acquisitions in the year, totaling 14 since 2005; and (ii) we made 2 important fundraising to finance these and the next acquisitions.

At the beginning of the year, in January, we acquired Atena, a software supplier for pension entities, aiming to expand the customers portfolio and the scope of the software.

In February, we carried out the 1st issue of simple debentures (not convertible into shares), in the amount of R$ 50.0 million, mainly to finance acquisitions, the spread of which was reduced to CDI (interbank deposit) + 1.5% at the end of the year. In the same month, we acquired ADSPrev, also focused on pensions.

In May, we bought Softpar, focused on solutions for banks, finance societies and development agencies, the biggest acquisition of the year, contributing R$ 11.0 million in net revenues in 2019, considering 7 months of consolidation.

In August, we received for the first time in our history the Great Place To Work (GPTW) certification. This is an important achievement for Sinqia, which has been building an increasingly better work environment for the more than 1.1 thousand employees.

In September, we carried out our 2nd share offer (follow-on), the largest in our history, in the amount of R$ 362.7 million, 100% primary, the proceeds of which will be used to expand participation in the application software market for the financial industry, through strategic acquisitions. This follow-on significantly improved SQIA3's liquidity, reaching R$ 12.8 million in average daily trading volume ("ADTV") in 4Q19, against R$ 0.4 million in 4Q18. Also, in that month, we were nominated, for the 3rd consecutive time, as one of the 100 largest technology suppliers to financial institutions (FinTechs) in the world in the 2019 IDC FinTech Rankings - Top 100, prepared by the International Data Corporation.

In December, we acquired Stock & Info, our 5th acquisition in the pension vertical, consolidating our relevance in the sector. It is worth remembering that we left zero, in 2013, for the absolute leadership of this vertical after 5 acquisitions in 7 years, adding about 100 customers, corresponding to 1/3 of the pension entities in the country. Such model of serial acquisitions must be replicated in other verticals. We emphasize that, due to the successful integration of the last 4 acquisitions, most of the synergies have already been captured and all companies have already been incorporated, reducing expenses and enabling the use of tax benefits related to the amortization of the goodwill generated in the acquisitions.

Regarding the results, our net revenues was a record of R$ 175.1 million in the year, a strong growth of 23.3% over the R$ 142.1 million in 2018. From the growth of R$ 33.0 million, R$ 24.7 million were inorganic from the last 4 acquisitions and R$ 8.3 million were organic (R$ 6.1 million in Software and R$ 2.2 million in Services).

The organic addition does not yet fully reflect the sales made in 2019, which reached a record gross value of R$ 17.9 million only in Software, as a result of the successful change in the business model, starting to subsidize the setup of some sales, that is, changing variable Implementation revenues in the short term for higher recurring Subscription revenues in the medium term, expected to start taking effect between 2020 and 2021.

Still in the Software unit, the portfolio of recurring contracts signed (including those not yet implemented) reached a gross value of R$ 147.3 million at the end of 2019, against R$ 92.5 million in the same period of 2018, growth of 59.3%. There was an organic addition of R$ 13.6 million, or 14.7%, a number that represents sales less cancellations plus adjustments. Despite the recognized challenge in the setup schedule, it is known that when the implantations are completed, the organic growth of revenues should approach the organic growth of the portfolio of contract, currently in double digits.

Recurring revenues, 83.0% of the total, were a record of R$ 145.4 million, an increase of 25.6% over 2018. Adjusted EBITDA (excluding extraordinary items) reached a record of R$ 21.1 million in the year, an increase of 9.8% over R$ 19.2 million in 2018, even with implementation costs, calculated managerially at R$ 12.1 million last year, to support the high volume of sales after changing the commercial model. The adjusted EBITDA margin decreased to 12.0% compared to 13.5% in 2018, profitability clearly impacted by the costs with implementation, but which will bring a higher recurrence profile after the software setup.

We have also expanded investments in Research, Development & Innovation ("RD&I") to update the software from the acquisitions, in order to provide our customers with the most desired experience in financial technology. We invested R$ 0.9 million more, totaling R$ 4.1 million last year against R$ 3.2 million in 2018.

Finally, we emphasize that Sinqia is ready to open a new consolidation cycle with more intensity. We would not have carried out the follow-on if we were not convinced that there are many opportunities for M&A, including in the short term. We are confident that, with discipline and agility, we will make a new growth rise for Sinqia.

RECENT EVENTS

Stock & Info Acquisition. In December, we acquired our 5th acquisition in the pension software vertical (Drive – 2013, attps – 2016, Atena – Jan/19, ADSPrev – Feb/19), consolidating more than 100 customers - corresponding to 1/3 of the pension entities in Brazil. The incorporation of Stock & Info took place in record time, after just 1.5 month from the purchase, demonstrating that the Company has been able to integrate more quickly.

Closing of Rio de Janeiro e Salvador branches. In November, we closed the branch in Rio de Janeiro, moving professionals to São Paulo, which generated extraordinary expenses in 4Q19, of R$ 0,4 million, but will bring reduction in the following periods. In the end February this year, we closed operations at the Salvador branch, which will result in efficiency gains, will reinforce our operation structure of software and will increase our capacity of supporting and implementation. The operation was concentrated at the Belo Horizonte branch and at the headquarters in São Paulo.

Reduction in the debenture's spreads. In November, Sinqia's debenture holders approved the reduction in the spread of debentures issued in February 2019 from CDI + 1.75% to CDI + 1.50%. The Company's decision was to reduce the cost of capital instead of the total payment of the debt, after the follow-on in September, once the amount will be used to keep the strategy of consolidation (acquisitions) and, after the deployment of the proceeds, we will be able to leverage.

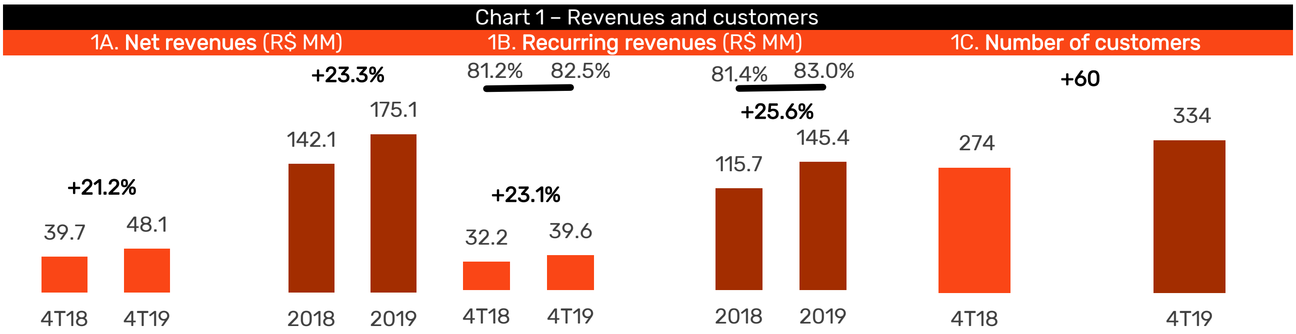
OPERATING AND FINANCIAL PERFORMANCE

Net revenues. In 4Q19, registered a record of R$ 48.1 million **(+21.2% vs. 4Q18)**, compared to R$ 39.7 million in the same quarter of the previous year, an increase almost entirely explained by the addition of R$ 8.6 million inorganic, from the addition of revenues from the last 4 acquisitions - Atena (Jan/19), ADSPrev (Feb/19), Softpar (May/19) and Stock & Info (Dec/19). In the year, a record of R$ 175.1 million **(+23.3% vs. 2018)**, compared to R$ 142.1 million in the previous year, due to the addition of R$ 24.7 million inorganic, R$ 6.1 million organic in Software and R$ 2.2 million organic in Services.

Recurring revenues. In 4Q19, record of R$ 39.6 million **(+23.1% vs. 4Q18)**, representing 82.5% of total net revenues, compared to R$ 32.2 million in the same quarter of the previous year, an increase of R$ 7.4 million, of which R$ 6.7 million inorganic and R$ 0.7 million organic, with an increase of R$ 7.2 million in Software “Subscription” and R$ 0.2 million in Services “Outsourcing”. In the year, a record of R$ 145.4 million **(+25.6% vs. 2018)**, representing 83.0% of the total, compared to R$ 115.7 million in the previous year, with growth of R$ 21.2 million inorganic and R$ 8.5 million organic, of which R$ 5.8 million in Software subscription and R$ 2.7 million in Services.

Number of customers. In 4Q19, increased to 334 **(+60 vs. 4Q18)**, growth mainly related to the addition of customers from the last 4 acquisitions. In the quarter, the largest customer contributed 9.9% of net revenues (vs. 14.4% in 4Q18), a reduction resulting from the dilution of the portfolio with the consolidation of the results of these 4 acquisitions. In the year, it increased to 370 **(+71 vs. 2018)** and the largest customer contributed 9.4% of net revenues (vs. 12.2% in 2018), also explained by the last 4 acquisitions.

Chart 1 – Revenues and customers



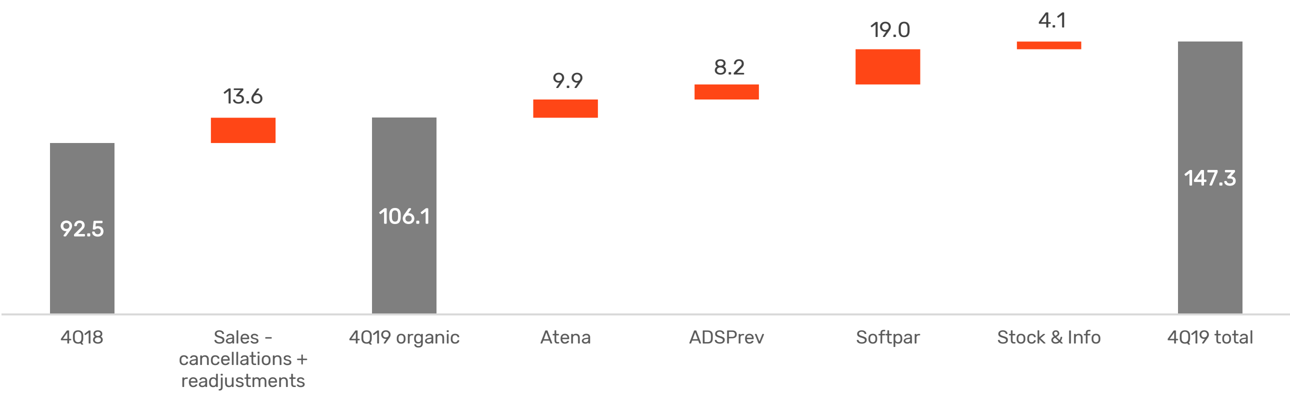
Software Unit

Net revenues from Software. In 4Q19, record of R$ 33.6 million **(36.5% vs. 4Q18)**, representing 70% of total net revenues, compared to R$ 24.6 million in the same quarter of the previous year, an increase of R$ 9.0 million, of which R$ 8.6 million inorganic and R$ 0.4 million organic. This growth is mainly due to the consolidation of the results of the last 4 acquisitions, and, in the case of Stock & Info, we booked only the figures for the month of December. In the year, a record of R$ 121.0 million **(+34.2% vs. 2018)**, 69% of total net revenues, compared to R$ 90.2 million in the previous year, of which R$ 24.7 million inorganic and R$ 6.1 million organic, growth not only due to the consolidation of the results of the last 4 acquisitions, but also due to the good organic performance in subscription. We present below the break between the recurring portion of "Subscription" and the variable portion of "Implementation and Customization”:

- Net revenues from Subscription. In 4Q19, reached R$ 26.9 million **(+36.7% vs. 4Q18)**, 80% of the total unit, compared to R$ 19.7 million in the same quarter of the previous year, an increase of R$ 7.2 million, being R$ 6.7 million inorganic and R$ 0.5 million organic. It is worth noting that organic growth represented an increase of only 2.7% over the same period of the previous year, timidly reflecting the conversion of the deployments backlog into revenues, which are expected to grow gradually over 2020, given that the volume of sales in 2019 grew by two digits. In the year, a record of R$ 99.6 million **(+36.7% vs. 2018)**, 82% of the unit's total, over R$ 72.6 million in the previous year, an increase of R$ 21.2 million inorganic, from the last 4 acquisitions, and R$ 5.8 million organic, reflecting the good performance in the verticals of banks, funds and consortiums.

Portfolio of recurring contracts[1]. Reached a record gross value of R$ 147.3 million **(+59.3% vs. 4Q18 and 2018)** compared to R$ 92.5 million in 4Q18 and 2018, an increase of R$ 54.8 million, of which R$ 41.2 million inorganic (null in 4Q18 and 2018) and R$ 13.6 million organic (+14.7% vs. 4Q18 and 2018). It is worth highlight that the 2-digit organic growth of the portfolio of contracts is a result from the increase in sales after the well-succeed change of the commercial model, which will be converted into recurring revenues after implementations are complete.

Chart 2 – Software Unit
Portfolio of recurring contracts (R$ MM)



- Net revenues from Implementation and Customization. In 4Q19, record of R$ 6.7 million **(+35.7% vs. 4Q18)**, 20% of the unit's total, compared to R$ 4.9 million in the same quarter of the previous year, an increase of R$ 1.8 million, with an inorganic addition of R$ 1.9 million and a reduction of R$ 0.2 million organic. In the year, it reached R$ 21.4 million **(+21.9% vs. 2018)**, 18% of the unit's total, compared to R$ 17.6 million in the previous year, an increase of R$ 3.9 million, with inorganic addition of R$ 3.6 million and R$ 0.3 million organic. We emphasize that the organic performance was not only better due to the change in the commercial model, which results in a replacement of implantation revenues in the short term with subscription revenues in the medium and long terms.

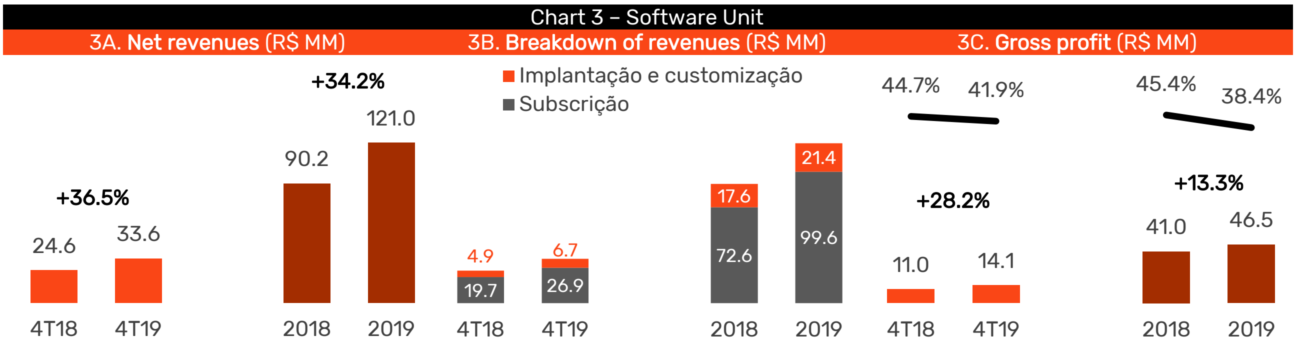
Software costs. In 4Q19, totaled R$ 19.5 million **(+43.2% vs. 4Q18)** against R$ 13.6 million in the same quarter of the previous year, an increase of R$ 5.9 million, of which R$ 5.0 million inorganic and R$ 0.9 million organic, due to the higher volume of implementations, calculated managerially at R$ 3.3 million in 4Q19. In the year, it reached R$ 74.6 million **(+51.5% vs. 2018)**, compared to R$ 49.2 million in the previous year, an increase of R$ 25.4 million, being R$ 16.3 million inorganic and R$ 9.1 million organic, mainly due to the higher volume of implementations, calculated managerially at R$ 12.1 million in 2019.

Gross profit from Software. In 4Q19, record of R$ 14.1 million **(+28.2% vs. 4Q18)** against R$ 11.0 million in the same quarter of the previous year, an increase of R$ 3.1 million, of which R$ 3.6 million inorganic and a reduction of R$ 0.5 million organic. In the year, a record of R$ 46.5 million **(+13.3% vs. 2018)**, compared to R$ 41.0 million in the previous year, an increase of R$ 5.5 million, an increase of R$ 8.4 inorganic million and a drop of R$ 2.9 million organic. Organic gross profit, both in the quarter and in the year, was impacted by the strong increase in implementation costs mentioned above, and by higher costs with RD&I which were R$ 4.1 million in 2019 against R$ 3.2 million in 2018.

Gross margin from Software. In 4Q19, it reached 41.9% **(-2.7 p.p. vs. 4Q18)** compared to 44.7% in the same period of the previous year. In the year, it was 38.4% **(-7.0 p.p. vs. 2018)**, compared to 45.4% million in 2018. The reductions are mainly explained by the change in the commercial model, which has increased the implementation costs and pressured margins in the short term, aiming to increase subscription revenues in the medium and long terms.

[1]Annualized signed contracts, implemented or not, which will generate recurring revenues after the completion of the implementation. The concept of inorganic portfolio considers only acquisitions made in the period of 12 months prior to disclosure, that is, ConsultBrasil (acquired in Oct/18) started to compose the organic portfolio as of 4Q19.

Chart 3 – Software Unit



Service Unit

Net revenues from Services. In 4Q19, registered R$ 14.5 million **(-3.8% vs. 4Q18)**, 30% of total net revenues, compared to R$ 15.1 million in the same quarter of the previous year, a decrease of R$ 0.6 million, with an increase in the recurring portion of Outsourcing and a reduction in the Projects variable. In the year, a record of R$ 54.1 million **(+4.3%. vs. 2018)**, 31% of total net revenues, compared to R$ 51.9 million in the previous year, an increase of R$ 2.2 million, of which R$ 2.6 million in Outsourcing and a reduction of R$ 0.4 million in Projects, detailed below:

- Net revenues from Outsourcing. In 4Q19, record of R$ 12.7 million **(+1.7% vs. 4Q18)**, 88% of the unit's total, compared to R$ 12.5 million in the same quarter of the previous year, an increase of R$ 0.2 million. In the year, a record R$ 45.8 million **(+6.2%. vs. 2018)**, 85% of the total, compared to R$ 43.1 million in the previous year, an increase of R$ 2.7 million. This is due to the increased demand for outsourcing in the portfolio, which was not even higher due to the loss of important customers in 2019.

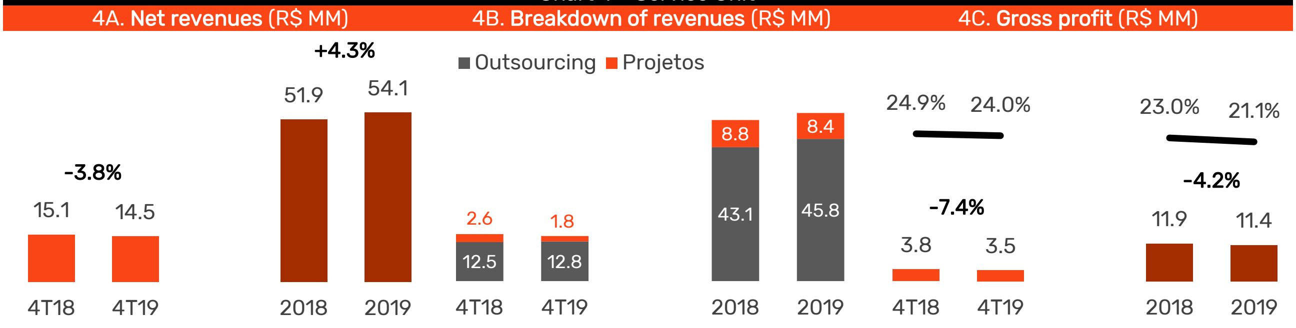
- Net revenues from Projects. In 4Q19, reached R$ 1.8 million **(-30.7% vs. 4Q18)**, 12% of the total unit, compared to R$ 2.6 million in the same quarter of the previous year, a reduction of R$ 0.8 million, despite the R$ 0.2 million growth in innovation projects carried out by our Torq lab, there was a R$ 1.0 million decrease in consulting projects. In the year, this line registered R$ 8.4 million **(-4.9%. vs. 2018)**, 15% of the total, compared to R$ 8.9 million in the previous year, a reduction of R$ 0.4 million, despite the growth of R$ 2.4 million in Torq, there was a decrease of R$ 2.8 million in consulting.

Service costs. In 4Q19, registered R$ 11.0 million **(-2.6% vs. 4Q18)**, compared to R$ 11.3 million in the same quarter of the previous year, being R$ 9.9 million in Outsourcing and R$ 1.1 million in Projects. In the year, registered R$ 42.7 million **(+6.8%. vs. 2018)**, compared to R$ 40.0 million in the previous year, being R$ 36.6 million in Outsourcing and R$ 6.1 million in Projects, increase mainly related to the addition of professionals in Outsourcing.

Gross profit from Services. In 4Q19, reached R$ 3.5 million **(-7.4% vs. 4Q18)** against R$ 3.8 million in the same quarter of the previous year, a decrease of R$ 0.3 million, of which R$ 0.2 million in Outsourcing and R$ 0.1 million in Projects. In the year, it reached R$ 11.4 million **(-4.2%. vs. 2018)**, compared to R$ 11.9 million in the previous year, a decrease of R$ 0.5 million, an increase of R$ 0.1 million in Outsourcing and R$ 0.6 million drop in Projects.

Gross margin from Services. In 4Q19, reached 24.0% **(-0.9 p.p. vs. 4Q18)** compared to 24.9% in the same quarter of the previous year. The drop in profitability is explained by the reduction in revenues mentioned above, despite lower costs, with Outsourcing being 22.5% **(-1.6 p.p. vs. 4Q18)** and Projects was 35.0% **(+6.1, p.p. vs. 4Q18)**. In the year, it reached 21.1% **(-1.9 p.p. vs. 2018)**, compared to 23.0% in the previous year, with Outsourcing 20.0% **(-0.9 p.p. vs. 2018)** and Projects 26.9% **(-5.8 p.p. vs. 2018)**.

Chart 4 – Service Unit



Costs, gross profit and expenses

Total costs. In 4Q19, reached R$ 30.5 million **(+22.4% vs. 4Q18)** compared to R$ 24.9 million in the same quarter of the previous year, an increase of R$ 5.6 million, explained almost in its entirety, by the increase of R$ 5.0 million inorganic, from the last 4 acquisitions. In the year, they reached R$ 117.3 million **(+31.5%. vs. 2018)**, compared to R$ 89.2 million in the previous year, an increase of R$ 28.1 million, of which R$ 16.3 million inorganic, resulting from acquisitions, and R$ 11.8 million organic, mainly explained by the increase in Software Implementation costs (R$ 12.1 million in 2019) and in the Services unit (+R$ 2.7 million vs. 2018), despite the reduction related to Software Subscription costs, with the displacement of professionals to speed up the setup.

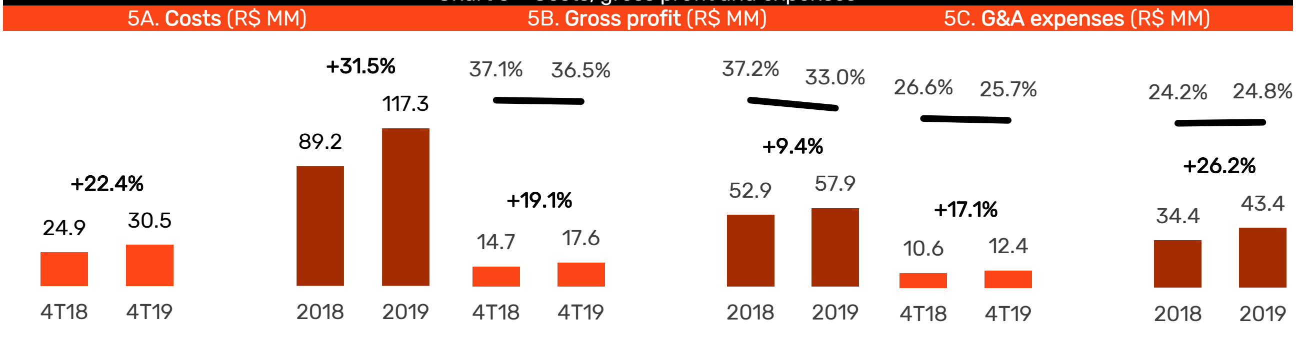
Total gross profit. In 4Q19, record of R$ 17.6 million **(+19.1% vs. 4Q18)** against R$ 14.7 million in the same quarter of the previous year, an increase of R$ 2.8 million, of which R$ 3.6 million inorganic and a reduction of R$ 0.8 million organic. In the year, a record of R$ 57.9 million **(+9.4%. vs. 2018)**, compared to R$ 52.9 million in the previous year, an increase of R$ 5.0 million, of which R$ 8.5 million inorganic increase and a R$ 3.5 million organic reduction. Both in the quarter and in the year, there were important contributions from acquisitions to the record gross profit, which was not only higher, mainly due to the high costs with Implementation, of R$ 3.3 million in 4Q19 and R$ 12.1 million in 2019.

Total gross margin. In 4Q19, reached 36.5% **(-0.6 p.p. vs. 4Q18)**, due to temporary growth in costs with Software Implementation. In the year, it reached 33.0% **(-4.2 p.p. vs. 2018)**, compared to 37.2% in the previous year, a decrease related to the Implementation costs mentioned above, but also to extraordinary expenses of R$ 2.5 million related to terminations on acquired and slightly reduced profitability of the Services unit.

General and administrative expenses (SG&A). In 4Q19, reached R$ 12.4 million **(+17.1% vs. 4Q18)**, representing 25.7% of net revenues **(-0.9 p.p. vs. 4Q18)**, compared to R$ 10.6 million in the same quarter the previous year. Of this increase of R$ 1.8 million versus 4Q18, R$ 1.1 million resulted from increase in sales expenses, of which R$ 0.5 million refers to extraordinary terminations related to acquisitions, and the rest is due to increasing in payroll. In the year, registered R$ 43.4 million **(+26.2%. vs. 2018)**, representing 24.8% of net revenues **(+0.6 p.p. vs. 2018)**, compared to R$ 34.4 million in the previous year. Of this increase of R$ 9,0 million, R$ 4.1 million are related to the extraordinary expenses coming from the acquisitions and the rest is mostly explained by increase in staff in sales and people teams and M&A transactions expenditures.

Other expenses. In 4Q19, reached R$ 1.4 million **(null in 4Q18)**, and same amount in the year **(-57.4% vs. 2018)**, due to the extraordinary expenses coming from the earnout of attps acquisition.

Chart 5 – Costs, gross profit and expenses



EBITDA and adjusted EBITDA[2]

Adjusted EBITDA. In 4Q19, record of R$ 6.4 million **(+31.2% vs. 4Q18)** against R$ 4.9 million in the same quarter of the previous year, an increase of R$ 1.5 million mainly related to the record of gross profit, despite the growth in general and administrative expenses. In the year, record of R$ 21.1 million **(+9.8%. vs. 2018)**, compared to R$ 19.2 million in the previous year, an increase of R$ 1.9 million also related to the higher gross profit in the period. In both cases, the adjusted EBITDA was not only higher due to the costs of implementation, which have been pressuring profitability since 1st quarter 2019.

Adjusted EBITDA margin. In 4Q19, reached 13.3% **(+1.0 p.p. vs. 4Q18)** compared to 12.3% in the same quarter of the previous year. In the year, it reached 12.0% **(-1.5 p.p. vs. 2018)**, compared to 13.5% in the previous year.

Table 1 - Reconciliation of EBITDA and Adjusted EBITDA

(R$ '000)	4Q19	4Q18	Var.	3Q19	Var.	2019	2018	Var. YoY
Net Income	**193**	**1,097**	**-82.4%**	**1,147**	**-83.2%**	**(4,579)**	**2,726**	**-**
(+) Income tax/social contribution	(1,477)	817	-280.8%	(408)	262.0%	(3,131)	2,310	-
(+) Financial result	(316)	359	-188.0%	1,452	-	5,435	3,033	79.2%
(+) Depreciation/amort.	5,376	1,899	183.1%	3,677	46.2%	15,374	7,199	113.6%
EBITDA	**3,776**	**4,172**	**-9.5%**	**5,868**	**-35.6%**	**13,099**	**15,268**	**-14.2%**
(+) Extraordinary expenses - earnout	1,384	-	-	-	-	1,384	3,247	-57.4%
(+) Extraordinary expenses - integration	999	8	12387.5%	-	-	3,906	-	-
(+) Extraordinary expenses - new brand	-	627	-100.0%	-	-	244	-	-
(+) Extraordinary costs - integration	248	76	226.3%	148	67.6%	2,469	76	31
Adjusted EBITDA	**6,407**	**4,883**	**31.2%**	**6,016**	**6.5%**	**21,102**	**19,226**	**9.8%**
Adj. EBITDA Margin	*13.3%*	*12.3%*	*1.0 p.p.*	*13.0%*	*0.4 p.p.*	*12.0%*	*13.5%*	*-1.5 p.p.*

EBT, net profit and adjusted cash earnings

EBT. In 4Q19, negative of R$ 1.3 million compared to a positive R$ 1.9 million in the same quarter of the previous year, a reduction of R$ 3.2 million. In the year, it was a negative R$ 7.7 million compared to a positive R$ 5.0 million in the previous year, a reduction of R$ 12.7 million, as follows:

- Finance income, net. In 4Q19, registered positive R$ 0.3 million against a negative R$ 0.4 million in the same quarter of the previous year, an increase of R$ 0.7 million due to the increase in financial income (+R$ 4.1 million vs. 4Q18) due to the higher cash position in the period, in parallel to the increase in financial expenses (+R$ 3.4 million vs. 4Q18) due to the increase in interest on loans and

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

debentures. In the year, it was a negative R$ 5.5 million compared to a negative R$ 3.0 million in the previous year, a reduction of R$ 2.4 million due to an increase in financial expenses (+ R$ 6.8 million vs. 2018) not offset by the increase in financial income (+R$ 4.4 million vs. 2018), mainly explained by the issuance of debentures in 1st quarter 2019.

- Depreciation and amortization. In 4Q19, reached R$ 5.4 million **(+183.1% vs. 4Q18)** against R$ 1.9 million in the same quarter of the previous year, an increase of R$ 3.5 million, being R$ 2.5 million in amortization of intangibles from acquisitions and R$ 1.0 million of depreciation of fixed assets (R$ 0.4 million refers to the IFRS 16 effect). In the year it was R$ 15.4 million **(+113.6% vs. 2018)**, compared to R$ 7.2 million in the previous year, increase of R$ 8.2 million, of which R$ 4.5 million corresponds to amortization of intangibles from the acquisitions and R$ 3.7 million of depreciation of fixed assets (R$ 2.5 million refers to the IFRS 16 effect).

- **Goodwill amortization balance.** At the end of the quarter, the Company had a balance of accounting goodwill, from past acquisitions (including unincorporated), of R$ 97.1 million.

Net income. In 4Q19, R$ 0.2 million **(-82.4% vs. 4Q18)** compared to R$ 1.1 million in the same quarter of the previous year. Despite the R$ 1.2 million increase in adjusted EBITDA, there was an increase of R$ 3.5 million in depreciation and amortization expenses. In the year, it was a negative R$ 4.6 million compared to a positive R$ 2.7 million in the previous year, due to the increase in costs related to acquisitions and implementations, explained previously, and by the increase in the depreciation and amortization line.

Adjusted cash earnings. In 4Q19, reached R$ 3.6 million **(+98.3% vs. 4Q18)** compared to R$ 1.8 million in the same quarter of the previous year, an increase of R$ 2.5 million. In the year, it was R$ 6.5 million **(-47.2%. vs. 2018)**, compared to R$ 12.3 million in the previous year, mainly due to the higher volume of implementations.

Table 2 - Reconciliation of Adjusted Cash Earnings

(R$ '000)	4Q19	4Q18	Var.	3Q19	Var.	2019	2018	Var. YoY
Net income	**193**	**1,097**	**-82.4%**	**1,147**	**-83.1%**	**(4,579)**	**2,726**	**-**
(+) Extraordinary effects	2,631	711	-	148	1677.7%	8,003	5,320	50.4%
Adjusted net income	**2,824**	**1,808**	**56.2%**	**1,295**	**118.2%**	**3,424**	**8,046**	**-57.4%**
(+) Acquisitions amortization	3,670	1,424	157.7%	2,217	65.5%	9,356	5,864	59.5%
(+) Def. income tax/Social Contr.	(2,860)	(1,399)	104.4%	(1,425)	100.7%	(6,305)	(1,639)	284.7%
Adjusted Cash Earnings	**3,634**	**1,833**	**98.3%**	**2,087**	**74.2%**	**6,475**	**12,271**	**-47.2%**
Adj. CE Margin	*7.6%*	*4.6%*	*2.9 p.p.*	*4.5%*	*3.1 p.p.*	*3.7%*	*8.6%*	*-4.9 p.p.*

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

Financial position

Gross cash. In 4Q19, presented a balance of R$ 365.0 million **(-R$ 3,3 million vs. 3Q19)** compared to R$ 368.3 million in the previous quarter, a reduction mainly related to the acquisition of Stock & Info in December. In 2018, the gross cash position was R$ 26.0 million **(+R$ 339.0 million vs. 2018)**, due to the R$ 362.7 million follow-on offer in September.

Gross debt. In 4Q19, presented a balance of R$ 100.9 million **(+R$ 1.0 million vs. 3Q19)** against R$ 99.9 million in the previous quarter. In 2018, it was R$ 32.9 million **(+R$ 68.0 million vs. 2018)**, as it follows:

- Borrowings and financing (short and long terms). In 4Q19, presented a balance of R$ 60.7 million **(-R$ 1.1 million vs. 3Q19)** compared to R$ 61.8 million in the previous quarter, a reduction mainly related to the payment of installments of financing obtained from BNDES (Brazilian Development Bank) of R$ 0.9 million. In 2018, it was R$ 14.6 million **(+R$ 46.1 million vs. 2018)**, increase mostly related to the issuance of debentures of R$ 50.0 million.

- Liabilities arising from investment acquisitions (short and long terms). In 4Q19, presented a balance of R$ 40.2 million (+R$ 2.1 million vs. 3Q19), compared to R$ 38.1 million in the previous quarter, an increase mainly related to adjustments of the installments of the last 4 acquisitions. In 2018, it was R$ 18.3 million (+R$ 21.9 million vs. 2018) increase related to the Softpar (May/19) and Atena (Jan/19) acquisitions, despite of the settlement of installments of the acquisition of attps (Nov/16).

Net cash. In 4Q19, ended at R$ 264.0 million (-R$ 4.4 million vs. 3Q19) against R$ 268.4 million in the previous quarter. In 2018 it was negative R$ 6.9 million (+R$ 270.9 million vs. 2018). The Company is capitalized to follow its strategic consolidation plan even faster, allowing new growth opportunities even more intense.

Capital Market

Stock performance. The Company's shares (Novo Mercado: SQIA3) ended the quarter quoted at R$ 24.50 (+58.1% vs. 3Q19) against R$ 15.50 in the previous quarter. In 2018, it was R$ 6.32 (+287.8% vs. 2018).

Market capitalization. Once the Company has 70.5 million shares, the market capitalization by the end of 2019 was R$ 1.7 billion compared to R$ 1.1 billion in the previous quarter. In 2018, the Company had 11.8 million shares and market cap of R$ 298.3 million (5.8 times over 2018).

ADTV. It was R$ 12.8 million in the quarter (+24.9% vs. 3Q19), compared to R$ 10.2 million in the previous quarter. In 2019 it was R$ 6.5 million (18.9 times over 2018) compared to R$ 0.3 million in 2018, a consistent evolution in the Company's liquidity, especially after the follow-on.

Shareholder base. It ended the quarter with 65.6 thousand shareholders (+48.1% vs. 3Q19) compared to 44.3 thousand in the previous quarter. In 2018, it was 6.3 thousand (10.4 times over 2018), an expressive number in comparison with Brazilian companies of similar size.

Free float. It ended the quarter in 83.6% in 2019 compared to 83.5% in the previous quarter. In 2018 it was 73.1%, demonstrating the management compromise with the shares' dispersion.

Declaration from Management. The Executive Officers of Sinqia SA, in compliance with the provisions of 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 for the period ended 2019.

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 Deloitte Touche Tohmatsu Auditores Independentes and that, during the 2019 fiscal year, these auditors provided services not related to external accounting auditing in connection with the acquisition of ADSPrev and Softpar.

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 – Statement of Profit or Loss (Consolidated)

(R$ '000)	4Q19	4Q18	Var.	3Q19	Var.	2019	2018	Var. YoY
Gross Revenues	**54,251**	**44,476**	22.0%	**52,029**	4.3%	**196,745**	**159,386**	23.4%
Software	37,923	27,597	37.4%	37,516	1.1%	135,885	101,284	34.2%
Subscription	30,403	22,083	37.7%	30,675	-0.9%	111,756	81,529	37.1%
Implementation	7,520	5,514	36.4%	6,841	9.9%	24,129	19,755	22.1%
Services	16,328	16,879	-3.3%	14,513	12.5%	60,860	58,102	4.7%
Outsourcing	14,331	14,098	1.7%	12,048	18.9%	51,433	48,475	6.1%
Projects	1,997	2,781	-28.2%	2,465	-19.0%	9,427	9,627	-2.1%
Sales taxes	**(6,168)**	**(4,796)**	28.6%	**(5,666)**	8.9%	**(21,592)**	**(17,277)**	25.0%
Software	(4,364)	(3,013)	44.8%	(4,052)	7.7%	(14,848)	(11,066)	34.2%
Subscription	(3,516)	(2,414)	45.7%	(3,291)	6.8%	(12,159)	(8,899)	36.6%
Implementation	(848)	(599)	41.6%	(761)	11.4%	(2,689)	(2,167)	24.1%
Services	(1,804)	(1,783)	1.2%	(1,614)	11.8%	(6,745)	(6,211)	8.6%
Outsourcing	(1,573)	(1,552)	1.4%	(1,338)	17.6%	(5,670)	(5,367)	5.6%
Projects	(231)	(231)	0.0%	(276)	-16.3%	(1,075)	(844)	27.4%
Net Revenues	**48,083**	**39,680**	21.2%	**46,364**	3.7%	**175,153**	**142,109**	23.3%
Software	33,559	24,584	36.5%	33,465	0.3%	121,038	90,218	34.2%
Subscription	26,887	19,669	36.7%	27,385	-1.8%	99,598	72,630	37.1%
Implementation	6,672	4,915	35.7%	6,080	9.7%	21,440	17,588	21.9%
Services	14,524	15,096	-3.8%	12,899	12.6%	54,115	51,891	4.3%
Outsourcing	12,758	12,546	1.7%	10,710	19.1%	45,763	43,108	6.2%
Projects	1,766	2,550	-30.7%	2,189	-19.3%	8,352	8,783	-4.9%
Net Revenues	**48,083**	**39,680**	21.2%	**46,364**	3.7%	**175,153**	**142,109**	23.3%
Recurring	39,645	32,215	23.1%	38,095	4.1%	145,361	115,738	25.6%
Variable	8,438	7,465	13.0%	8,269	2.0%	29,792	26,371	13.0%
% of Recurrence	*82.5%*	*81.2%*	*1.3 p.p.*	*82.2%*	*0.3 p.p.*	*83.0%*	*81.4%*	*1.5 p.p.*
Costs	**(30,527)**	**(24,942)**	22.4%	**(30,640)**	-0.4%	**(117,288)**	**(89,214)**	31.5%
Software	(19,486)	(13,607)	43.2%	(20,227)	-3.7%	(74,586)	(49,235)	51.5%
Services	(11,041)	(11,335)	-2.6%	(10,413)	6.0%	(42,702)	(39,979)	6.8%
Outsourcing	(9,893)	(9,523)	3.9%	(8,846)	11.8%	(36,598)	(34,069)	7.4%
Projects	(1,148)	(1,812)	-36.6%	(1,567)	-26.7%	(6,104)	(5,910)	3.3%
Gross profit	**17,556**	**14,738**	19.1%	**15,724**	11.7%	**57,865**	**52,895**	9.4%
Gross margin	*36.5%*	*37.1%*	*-0.6 p.p.*	*33.9%*	*2.6 p.p.*	*33.0%*	*37.2%*	*-4.2 p.p.*
Software	14,073	10,977	28.2%	13,238	6.3%	46,452	40,983	13.3%
Software gross mg.	*41.9%*	*44.7%*	*-2.7 p.p.*	*39.6%*	*2.4 p.p.*	*38.4%*	*45.4%*	*-7.0 p.p.*
Services	3,483	3,761	-7.4%	2,486	40.1%	11,413	11,912	-4.2%
Services gross mg.	*24.0%*	*24.9%*	*-0.9 p.p.*	*19.3%*	*4.7 p.p.*	*21.1%*	*23.0%*	*-1.9 p.p.*
Outsourcing	2,865	3,023	-5.2%	1,864	53.7%	9,165	9,039	1.4%
Outsourcing gross mg.	*22.5%*	*24.1%*	*-1.6 p.p.*	*17.4%*	*5.1 p.p.*	*20.0%*	*21.0%*	*-0.9 p.p.*
Projects	618	738	-16.3%	622	-0.6%	2,248	2,873	-21.8%
Projects gross mg.	*35.0%*	*28.9%*	*6.1 p.p.*	*28.4%*	*6.6 p.p.*	*26.9%*	*32.7%*	*-5.8 p.p.*
Expenses	**(19,130)**	**(12,464)**	53.5%	**(13,542)**	41.3%	**(60,122)**	**(44,816)**	34.2%
% of net revenues	*39.8%*	*31.4%*	*8.4 p.p.*	*29.2%*	*10.6 p.p.*	*34.3%*	*31.5%*	*2.8 p.p.*
General/administrative	(12,370)	(10,565)	17.1%	(9,865)	25.4%	(43,364)	(34,370)	26.2%
% of net revenues	*25.7%*	*26.6%*	*-0.9 p.p.*	*21.3%*	*4.4 p.p.*	*24.8%*	*24.2%*	*0.6 p.p.*
Other expenses	(1,384)	-	-	-	-	(1,384)	(3,247)	-57.4%
% of net revenues	*2.9%*	-	-	-	-	*0.8%*	*2.3%*	*-1.5 p.p.*
Depreciation/amort.	(5,376)	(1,899)	183.1%	(3,677)	46.2%	(15,374)	(7,199)	113.6%
% of net revenues	*11.2%*	*4.8%*	*6.4 p.p.*	*7.9%*	*3.2 p.p.*	*8.8%*	*5.1%*	*3.7 p.p.*
EBIT	**(1,574)**	**2,274**	-	**2,182**	-	**(2,257)**	**8,079**	-
Financial result	**316**	**(359)**	-	**(1,452)**	-	**(5,435)**	**(3,033)**	79.2%
Financial income	4,636	586	691.1%	916	406.1%	6,420	1,973	225.4%
Financial expenses	(4,320)	(945)	357.1%	(2,368)	82.4%	(11,855)	(5,006)	136.8%
EBT	**(1,258)**	**1,915**	-	**730**	-	**(7,692)**	**5,046**	-
Income tax/social contribution	**1,477**	**(817)**	-	**408**	262.0%	**3,131**	**(2,310)**	-
Current	(1,383)	(2,216)	-37.6%	(1,017)	36.0%	(3,174)	(3,949)	-19.6%
Deferred	2,860	1,399	104.4%	1,425	100.7%	6,305	1,639	284.7%
Results after IT and SC	**219**	**1,098**	-80.1%	**1,138**	-80.7%	**(4,561)**	**2,736**	-
Minority interest	(26)	(1)	-	9	-	(18)	(10)	80.0%
Net income	**193**	**1,097**	-82.4%	**1,147**	-83.1%	**(4,579)**	**2,726**	-
Net margin	*0.4%*	*2.8%*	*-2.4 p.p.*	*2.5%*	*-2.1 p.p.*	*-2.6%*	*1.9%*	*-4.5 p.p.*

EBITDA	**3,776**	**4,172**	-9.5%	**5,868**	-35.6%	**13,099**	**15,268**	-14.2%
EBITDA margin	*7.9%*	*10.5%*	*-2.7 p.p.*	*12.7%*	*-4.8 p.p.*	*7.5%*	*10.7%*	*-3.3 p.p.*
(+) Extraordinary expenses	2,383	635	275.3%	-	-	5,534	3,882	42.6%
(+) Extraordinary costs	248	76	226.3%	148	67.6%	2,469	76	3148.7%
Adjusted EBITDA	**6,407**	**4,883**	31.2%	**6,016**	6.5%	**21,102**	**19,226**	9.8%
Adj. EBITDA Margin	*13.3%*	*12.3%*	*1.0 p.p.*	*13.0%*	*0.4 p.p.*	*12.0%*	*13.5%*	*-1.5 p.p.*

Net income	**193**	**1,097**	-82.4%	**1,147**	-83.1%	**(4,579)**	**2,726**	-
(+) Extraordinary effects	2,631	711	270.0%	148	1677.7%	8,003	5,320	50.4%
Adjusted net income	**2,824**	**1,808**	56.2%	**1,295**	118.2%	**3,424**	**8,046**	-57.4%
(+) Acquisitions amortization	3,670	1,424	157.7%	2,217	65.5%	9,356	5,864	59.5%
(+) Deferred income tax/Social cont.	(2,860)	(1,399)	104.4%	(1,425)	100.7%	(6,305)	(1,639)	284.7%
Adjusted Cash Earnings	**3,634**	**1,833**	98.3%	**2,087**	74.2%	**6,475**	**12,271**	-47.2%
Adj. CE Margin	*7.6%*	*4.6%*	*2.9 p.p.*	*4.5%*	*0.7 p.p.*	*3.7%*	*8.6%*	*-4.9 p.p.*

II – Balance Sheet (Consolidated)

(R$ '000)	12.31.2019	09.30.2019	Var.	12.31.2018	Var. YoY
ASSETS	**619,992**	**618,252**	0.3%	**167,430**	270.3%
Current	393,040	397,499	-1.1%	51,722	659.9%
Cash and cash equivalents	364,985	368,290	-0.9%	26,037	1301.8%
Trade receivables	21,628	23,355	-7.4%	22,254	-2.8%
Prepaid expenses	288	440	-34.5%	79	264.6%
Taxes and contributions recoverable	4,357	4,036	8.0%	2,552	70.7%
Related parties	-	-	-	56	-
Other receivables	1,782	1,378	29.3%	744	139.5%
Non-current	226,952	220,753	2.8%	115,708	96.1%
Securities	4,692	3,000	56.4%	-	-
Taxes and contributions recoverable	-	971	-100.0%	-	-
Deposits in court	309	267	15.7%	297	4.0%
Deferred income tax and social contrib.	22,602	19,744	14.5%	16,297	38.7%
Other receivables	159	159	0.0%	159	0.0%
Property and equipment	34,743	38,182	-9.0%	6,836	408.2%
Intangible assets	164,447	158,430	3.8%	92,119	78.5%
LIABILITIES AND EQUITY	**619,992**	**618,252**	0.3%	**167,430**	270.3%
Current	51,533	47,460	8.6%	33,635	53.2%
Borrowings	15,503	12,300	26.0%	3,958	291.7%
Leasing	2,899	2,601	11.5%	-	-
Trade payables	1,884	4,198	-55.1%	2,134	-11.7%
Advances from customers	4,635	1,568	195.6%	4,338	6.8%
Labor liabilities	14,236	15,155	-6.1%	13,707	3.9%
Undistributed profits	-	-	-	648	-
Tax liabilities	1,972	3,162	-37.6%	2,824	-30.2%
Related parties	-	-	-	-	-
Liabilities arising from invest. acquisition	10,404	8,476	22.7%	6,026	72.7%
Non-current	136,856	139,855	-2.1%	48,379	182.9%
Borrowings	45,230	49,500	-8.6%	10,651	324.7%
Leasing	20,569	23,773	-13.5%	-	-
Tax liabilities	3,462	3,674	-5.8%	3,586	-3.5%
Provisions for contingencies	37,798	33,325	13.4%	21,845	73.0%
Liabilities arising from invest. acquisition	29,797	29,583	0.7%	12,297	142.3%
Equity	431,603	430,937	0.2%	85,416	405.3%
Share capital	413,261	413,261	0.0%	50,561	717.4%
Treasury shares	-	-	-	(2,220)	-
Share issue expenses	(23,789)	(24,110)	-1.3%	(1,952)	1118.7%
Capital reserve	13,186	13,065	0.9%	5,579	136.4%
Revenue reserves	28,803	28,602	0.7%	33,382	-13.7%
Total equity of controlling shareholders	431,461	430,818	0.1%	85,350	405.5%
Non-controlling interests	142	119	19.3%	66	115.2%

Gross debt	**100,934**	**99,859**	1.1%	**32,932**	206.5%
Borrowings	60,733	61,800	-1.7%	14,609	315.7%
Liabilities arising from invest. acquisition	40,201	38,059	5.6%	18,323	119.4%
Net debt (cash) position	**(264,051)**	**(268,431)**	-1.6%	**6,895**	-
Net debt/Adj. EBITDA LTM	NA	NA		0.4x	

Sinqia S.A.
Individual and Consolidated Financial Statements
for the Year Ended December 31, 2019 and
Independent Auditor's Report

CONTENTS

MESSAGE FROM MANAGEMENT

Dear Shareholders and other stakeholders,

In compliance with the provisions of Brazilian Corporate Law, Sinqia S.A., 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, for the year ended December 31, 2019, prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB).

RELATIONSHIP WITH THE INDEPENDENT AUDITORS

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

The formal procedures adopted by the Company, pursuant to Article 2, item III, of Instruction 381/03, issued by the Brazilian Securities and Exchange 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 auditors 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.

Deloitte Touche Tohmatsu
Dr. Chucri Zaidan Avenue, 1.240 -
4th to 12th floors - Golden Tower
04711-130 - São Paulo - SP
Brazil

Tel.: + 55 (11) 5186-1000
Fax: + 55 (11) 5181-2911
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Board of Directors and Management of
Sinqia S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Sinqia S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the related statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Sinqia S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, 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 individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), 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 individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

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Business combinations

Why is it a KAM?

As disclosed in notes 6 and 28.9 to the individual and consolidated financial statements, in 2019 the Company acquired four companies, namely: Atena Tecnologia Ltda., ADSPrev - Administração e Desenvolvimento de Sistemas Ltda., Partec Ltda. and its subsidiary, NVA Ltda. (together named “Softpar”) and Stock & Info Ltda. for the consideration transferred in the amounts of R$10,314 thousand, R$12,491 thousand, R$34,542 thousand and R$4,994 thousand, respectively, accounting these transactions according to the technical pronouncement CPC 15 - Business Combination. Consequently, the transferred considerations were allocated, preliminarily, to the acquired assets and liabilities assumed, based on their fair value, which included identified intangible assets, as well as resulted in the identification of goodwill for future profitability, which involved significant judgments of Management.

These business combinations were considered as a key audit matter because: (i) the value involved is significant; and (ii) involved significant judgment of Management in determining the assumptions to estimate the fair value of identified intangible assets and goodwill for future profitability to make the respective accounting records. This subject requested a high level of judgment of the independent auditor and an increase in the extension of our procedures for assessing the reasonableness of the premises used by Management, which included the need for involvement of our fair value experts.

How the subject was conducted in our audit

Our audit procedures included, among others: (i) evaluation whether the methodology used was appropriate to estimate the fair value of the intangible assets acquired, according to the criteria set out in the technical pronouncement CPC 15 - Business Combination;
(ii) assessment of the reasonableness of the discount rate used in estimating the fair value of acquired intangible assets; (iii) assessment of the reasonableness of the operational and accounting assumptions used in the estimate of fair value; and (iv) test of mathematical accuracy of the calculation model used to estimate the fair value of identified intangible assets.

We also examined the adequacy of disclosures made by the Company on this subject, included in notes 6 and 28.9 to the individual and consolidated financial statements.

Based on the evidence obtained through our previously described procedures, we consider that the evaluation carried out by Management and its disclosures in notes are appropriate in the context of the financial statements taken as a whole.

Measurement of revenue from consulting services and software customization

Why is it a KAM?

As disclosed in notes 8, 19 and 28.19 to the individual and consolidated financial statements, the measurement of revenue and its corresponding accounts receivable as of December 31, 2019, resulting from the provision of services related to the consulting contracts and software customization, included the preparation of the estimated hours incurred and to incur to the completion of the respective projects. These balances have their recovery based on significant projections and judgments of Management.

The realization of these assets was considered as a key audit matter because: (i) the value involved is significant; and (ii) the level of judgment of Management in determining the premises used in the recognition of these revenues and its corresponding accounts receivable is also significant. This subject involved an increase in the extension of our procedures to assess the reasonableness of the premises used by Management.

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How the subject was conducted in our audit

Our audit procedures included, among others: (i) understanding and evaluation of relevant internal controls related to the process of measurement and accounting recognition of revenue resulting from the provision of consulting services and software customization; (ii) detail tests based on sampling that included the analysis of documentation-support of the provision of the service, the inspection of evidence of the provision of the service, the reading of the contracts, the accounting record within its period of competence, the subsequent financial settlement and the understanding, with the responsible for the selected projects, of the criteria used in the preparation of the estimate of hours to be incurred, basis for the preparation of the calculation of the estimate and measurement of the revenue of the service provided; and (iii) analysis of the movement, during the financial year 2019, of revenue stemming from the provision of consulting services and customization of software and their respective references with the balances of accounts receivable and advances from customers.

We also examined the adequacy of disclosures made by the Company on this subject, included in notes 8, 19 and 28.19 to the individual and consolidated financial statements.

Based on the evidence obtained through our previously described procedures, we consider that the evaluation carried out by Management and its disclosures in notes are appropriate in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2019, prepared under the responsibility of the Company’s Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Audit of comparative figures

The Company’s financial statements for the year ended December 31, 2018 were audited by other independent auditors, who issued a report on February 27, 2019, with an unqualified opinion on these financial statements.

Other information accompanying the individual and consolidated financial statements and the independent auditor’s report

Management is responsible for the other information. The other information comprises the Management Report.

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

In connection with our audit of the individual 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 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 Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRS, 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 individual 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the individual 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 could 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 individual 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 control 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 control 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 ability of the Company and its subsidiaries 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 individual 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 and its subsidiaries to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated 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, when 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.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 4, 2020

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Fernando A. L. Silva

Fernando Augusto Lopes Silva
Engagement Partner

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SINQIA S.A.
BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
ASSETS				
Current				
Cash and cash equivalents (Note 7)	352.703	5.039	364.985	26.037
Trade receivables (Note 8)	10.671	3.206	21.628	22.254
Advanced expenses	260	48	288	79
Taxes and contributions recoverable (Note 9)	2.308	1.037	4.357	2.552
Accounts receivable from related parties	-	-	-	56
Other receivables	279	269	1.782	744
Total current assets	**366.221**	**9.599**	**393.040**	**51.722**
Non-current				
Accounts receivable from related parties (Note 10)	4.459	6.500	-	-
Securities (Note 13)	4.244	-	4.692	-
Deposits in court (Note 17)	270	58	309	297
Deferred income tax and social contribution (Note 23)	12.989	3.250	22.602	16.297
Other receivables	159	-	159	159
Investments (Note 5)	115.928	78.081	-	-
Property and equipment (Note 11)	29.345	5.284	34.743	6.836
Intangible assets (Note 12)	24.084	23.949	164.447	92.119
Total non-current assets	**191.478**	**117.122**	**226.952**	**115.708**
Total assets	**557.699**	**126.721**	**619.992**	**167.430**

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

SINQIA S.A.
BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
LIABILITIES				
Current				
Loans and financing (Note 13)	15.503	3.718	15.503	3.958
Leasing (Note 25)	2.070	-	2.899	-
Trade payables	960	1.435	1.884	2.134
Advances from customers	1.912	1.319	4.635	4.338
Labor liabilities (Note 14)	8.787	5.506	14.236	13.707
Undistributed dividends (Note 18.2)	-	648	-	648
Tax liabilities (Note 15)	753	283	1.972	2.824
Accounts payable with related parties (Note 10)	173	-	-	-
Liabilities arising from investment acquisition (Note 16)	7.182	5.670	10.404	6.026
Total current liabilities	**37.340**	**18.579**	**51.533**	**33.635**
Non-current				
Loans and financing (Note 13)	45.230	10.651	45.230	10.651
Leasing (Note 25)	18.744	-	20.569	-
Accounts payable with related parties (Note 10)	1.985	-	-	-
Tax liabilities (Note 15)	103	17	3.462	3.586
Provision for legal proceedings (Note 17)	15.532	377	37.798	21.845
Liabilities arising from investment acquisition (Note 16)	7.304	11.747	29.797	12.297
Total non-current liabilities	**88.898**	**22.792**	**136.856**	**48.379**
Equity (Note 18)				
Share capital	413.261	50.561	413.261	50.561
Treasury shares	-	(2.220)	-	(2.220)
Share issue expenses	(23.789)	(1.952)	(23.789)	(1.952)
Capital reserve	13.186	5.579	13.186	5.579
Earnings reserves	28.803	33.382	28.803	33.382
Total equity of controlling shareholders	**431.461**	**85.350**	**431.461**	**85.350**
Non-controlling interest	**-**	**-**	**142**	**66**
Total equity	**431.461**	**85.350**	**431.603**	**85.416**
Total liabilities	**557.699**	**126.721**	**619.992**	**167.430**

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

SINQIA S.A.
STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
NET OPERATING INCOME (Note 19)	**89.103**	**35.808**	**175.153**	**142.109**
Cost of services rendered (Note 20)	(61.638)	(20.872)	(117.288)	(89.214)
GROSS PROFIT	**27.465**	**14.936**	**57.865**	**52.895**
Operating income (expenses)				
General, administrative and selling expenses (Note 21)	(34.726)	(13.920)	(58.738)	(41.569)
Equity in the results of subsidiaries (Note 5)	2.435	7.678	-	-
Other operating expenses, net (Note 21)	(1.384)	(3.247)	(1.384)	(3.247)
Total operating expenses, net	**(33.675)**	**(9.489)**	**(60.122)**	**(44.816)**
Operating income (loss) before finance income (costs)	**(6.210)**	**5.447**	**(2.257)**	**8.079**
Finance costs, net (Note 22)	(3.427)	(3.943)	(5.435)	(3.033)
Income (loss) before income tax and social contribution	**(9.637)**	**1.504**	**(7.692)**	**5.046**
Current income tax and social contribution (Note 23)	-	-	(3.174)	(3.949)
Deferred income tax and social contribution (Note 23)	5.058	1.222	6.305	1.639
Income (loss) after income tax and social contribution	**(4.579)**	**2.726**	**(4.561)**	**2.736**
Non-controlling interest	-	-	(18)	(10)
Profit (loss) for the period	**(4.579)**	**2.726**	**(4.579)**	**2.726**
BASIC EARNINGS (LOSS) PER SHARE – in Reais (Note 24)			**(0,086)**	**0,058**
DILUTED EARNINGS (LOSS) PER SHARE – in Reais (Note 24)			**(0,085)**	**0,057**

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

SINQIA S.A.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Profit (loss) for the period	(4.579)	2.726	(4.579)	2.726
Items that will be subsequently reclassified to the profit or loss	-	-	-	-
Items that will not be subsequently reclassified to the profit or loss	-	-	-	-
Total comprehensive income (loss) for the period	**(4.579)**	**2.726**	**(4.579)**	**2.726**

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

SINQIA S.A.
STATEMENTS OF CHANGES IN EQUITY
(In thousands of reais, unless otherwise indicated)

	Share capital	Capital reserve	Treasury shares	Expenses on issue of shares	Earnings reserves: Legal reserve	Earnings reserves: Retained earnings	Equity	Non-controlling interest	Consolidated equity
Balances as at December 31, 2017	**50.561**	**464**	**(4.772)**	**(1.952)**	**2.151**	**29.153**	**75.605**	**-**	**75.605**
Profit for the period	-	-	-	-	-	2.726	2.726	(10)	2.716
Capital increase	-	-	-	-	-	-	-	76	76
Share-based compensation (Note 10)	-	(165)	-	-	-	-	(165)	-	(165)
Treasury shares sold	-	5.280	2.552	-	-	-	7.832	-	7.832
Recognition of legal reserve	-	-	-	-	134	(134)	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(648)	(648)	-	(648)
Balances as at December 31, 2018	**50.561**	**5.579**	**(2.220)**	**(1.952)**	**2.285**	**31.097**	**85.350**	**66**	**85.416**

	Share capital	Capital reserve	Treasury shares	Expenses on issue of shares	Earnings reserves: Legal reserve	Earnings reserves: Retained earnings	Equity	Non-controlling interest	Consolidated equity
Balances as at December 31, 2018	**50.561**	**5.579**	**(2.220)**	**(1.952)**	**2.285**	**31.097**	**85.350**	**66**	**85.416**
Loss for the period	-	-	-	-	-	(4.579)	**(4.579)**	18	**(4.561)**
Capital increase	362.700	-	-	-	-	-	**362.700**	58	**362.758**
Expenses on issue of shares	-	-	-	(21.837)	-	-	**(21.837)**	-	**(21.837)**
Share-based compensation (Note 10)	-	731	-	-	-	-	**731**	-	**731**
Treasury shares sold	-	6.876	2.220	-	-	-	**9.096**	-	**9.096**
Balances as at December 31, 2019	**413.261**	**13.186**	**-**	**(23.789)**	**2.285**	**26.518**	**431.461**	**142**	**431.603**

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

SINQIA S.A.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
CASH FLOW FROM OPERATING ACTIVITIES				
Net (profit) loss for the year	**(4.579)**	**2.726**	**(4.579)**	**2.726**
Items not affecting cash				
Equity in the results of subsidiaries	(2.435)	(7.677)	-	-
Share-based compensation plan	731	(167)	731	(167)
Depreciation and amortization	9.860	4.469	15.374	7.199
Fixed assets write off	50	-	82	-
Estimated loss (reversal of) on doubtful accounts	1	65	8	336
Provision (reversal of) for legal proceedings	(1.107)	288	(1.950)	205
Provision for bonuses and profit sharing	-	249	-	2.217
Interest accrued	7.417	906	8.879	-
Current and deferred income tax and social contribution incurred	(5.058)	(1.222)	(3.131)	(6.029)
Changes in assets and liabilities				
Trade receivables	3.245	(27)	3.140	(3.763)
Judicial deposits	(212)	84	(12)	1.854
Taxes and contributions recoverable	(1.271)	27	(3.713)	258
Other receivables	(381)	(12)	(1.865)	(386)
Trade payables	(475)	1.209	(1.348)	1.533
Labor obligations	3.281	(970)	(2.514)	(4.804)
Tax liabilities	556	-	(762)	4.493
Legal demands paid	(597)	(512)	(640)	(1.375)
Legal demands from the quaisition of companies	-	-	-	4.196
Advances from customers	593	744	297	2.100
Receivable (payable) with related parties	4.199	(5.616)	132	10
Income taxes paid	-	-	(3.174)	
Interests paid	(4.303)	-	(4.424)	-
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	**9.515**	**(5.436)**	**531**	**10.603**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of fixed and intangible assets	(9.079)	(6.141)	(9.212)	(13.306)
Acquisition of companies, net of cash acquired	-	-	(35.688)	
Amortization of liabilities arising from investment Acquisition	(2.962)	(1.339)	(3.837)	240
Capital increase in subsidiary	(39.715)	-	-	-
Capital decrease in subsidiary	-	(500)	-	-
Securities	(4.244)	-	(4.692)	-
Dividends received	-	8.238	-	-
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	**(56.000)**	**258**	**(53.429)**	**(13.066)**

(In thousands of reais, unless otherwise indicated)

CASH FLOW FROM FINANCING ACTIVITIES				
Amortization of loans and financing	(3.610)	(7.405)	(5.381)	(7.488)
Amortization of leasings	(1.552)	-	(2.084)	-
Loan and financing	50.000	-	50.000	241
Treasury shares sold	9.096	7.832	9.096	7.832
Payment of dividends	(648)	(2.086)	(648)	(2.086)
Capital increase	340.863	-	340.863	-
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	**394.149**	**(1.659)**	**391.846**	**(1.501)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**347.664**	**(6.837)**	**338.948**	**(3.964)**
Cash and cash equivalents at the beginning of the period	5.039	11.876	26.037	30.001
Cash and cash equivalents at the end of the period	352.703	5.039	364.985	26.037
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**347.664**	**(6.837)**	**338.948**	**(3.964)**

The investing and financing activities not affecting cash are described in Note 26.

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

SINQIA S.A.
STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of reais, unless otherwise indicated)

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
1 – REVENUE	**100.088**	**40.180**	**196.736**	**159.050**
1.1 – Sales of products and services	100.089	40.245	196.744	159.386
1.2 – Provision (reversal of) for impairment of trade receivables	(1)	(65)	(8)	(336)
2 – INPUTS ACQUIRED FROM THIRD PARTIES (ICMS, IPI, PIS and COFINS)	**(16.785)**	**(9.694)**	**(27.421)**	**(19.585)**
2.1 – Cost of sales and services	(7.839)	(3.757)	(14.263)	(8.944)
2.2 – Materials, electricity, outsourced services and other	(8.946)	(5.937)	(13.158)	(10.641)
3 – GROSS VALUE ADDED (1-2)	**83.303**	**30.486**	**169.315**	**139.465**
4 – DEPRECIATION AND AMORTIZATION	**(9.860)**	**(4.469)**	**(15.374)**	**(7.199)**
5 – NET VALUE ADDED GENERATED BY THE ENTITY (3-4)	**73.443**	**26.017**	**153.941**	**132.266**
6 – VALUE ADDED RECEIVED THROUGH TRANSFERS	**8.014**	**8.403**	**6.059**	**1.973**
6.1 – Equity in the results of subsidiaries	2.435	7.678	-	-
6.2 – Finance income	5.579	725	6.059	1.973
7 – TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**81.457**	**34.420**	**160.000**	**134.239**
8 – DISTRIBUTION OF ADDED VALUE	**81.457**	**34.420**	**160.000**	**134.239**
8.1 – Personnel	**70.735**	**21.407**	**132.812**	**102.592**
8.1.1 – Direct compensation and Government Severance Indemnity Fund for Employees (FGTS)	59.085	18.753	113.009	86.153
8.1.2 – Benefits	11.650	2.654	19.803	16.439
8.2 – Taxes, fees and contributions	**5.927**	**3.215**	**18.460**	**19.587**
8.2.1 – Federal	3.158	2.056	12.224	14.983
8.2.2 – Municipal	2.769	1.159	6.236	4.604
8.3 – Remuneration of third-party capital	**9.374**	**7.072**	**13.307**	**9.334**
8.3.1 – Interest	7.453	4.668	9.035	5.006
8.3.2 – Rentals	1.921	2.404	4.272	4.328
8.4 – Remuneration of own capital	**(4.579)**	**2.726**	**(4.579)**	**2.726**
8.4.1 – Loss (profit) for the year	(4.579)	2.726	(4.561)	2.726
8.4.2 – Non-controlling interest in retained earnings	-	-	(18)	-

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

NOTES ON THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

Section A - General information

1.1 Operations

Sinqia S.A. ("Company") is a publicly-held company headquartered at Rua Bela Cintra, 755, 7º andar, in the City of São Paulo, State of São Paulo, and its shares are traded on the Novo Mercado of B3 – Brasil, Bolsa, Balcão.

The Company was incorporated in 1996, with the main purpose of supplying IT technology products and services, aiming at the financial market.

On July 11, 2017, the Company was approved by B3 to migrate from Bovespa Mais to Novo Mercado, a special listing segment with the highest standards of corporate governance.

The Company is the Controller of Senior Solution Serviços em Informática Ltda., Senior Solution Consultoria em Informática Ltda., Controlpart Consultoria e Participações Ltda., Consult Brasil Ltda., Stock & Info Ltda. and Torq Inovação Digital Ltda., companies whose purpose is to act in an additional way to the Company's activities.

The issue of these financial statements was approved by the Board of Directors on March 4, 2020.

1.2 Basis of preparation

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and disclose all significant information specific to the financial statements, which is consistent with the information used in the Company's Management.

The main accounting policies adopted in the preparation of these financial statements are described in Note 28.

The financial statements have been prepared based on the historical cost, except when stated at fair value.

The preparation of the 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 Company'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) Individual and consolidated financial statements

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The individual information is disclosed in conjunction with the consolidated financial information.

Both the individual 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 Technical 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 and 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

Accounting estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events, which are considered reasonable for the circumstances.

2.1 Critical accounting estimates and assumptions

Based on assumptions, the Company makes forward-looking estimates. By definition, the resulting accounting estimates may differ from actual results. The estimates and assumptions that present a significant risk and probably would cause a material adjustment to the carrying amounts of assets and liabilities for the next year are as follows.

(a) Goodwill impairment test

On an annual basis, the Company and its subsidiaries test goodwill for impairment in accordance with the accounting policy described in Note 28. The recoverable amount of a Cash-generating Unit (UGC) is determined based on value-in-use calculations, based on estimates.

(b) Income tax, social contribution, and other taxes

The Company and its subsidiaries recognize deferred assets based on the differences between the carrying amount recorded in the financial statements and the tax base of the assets and liabilities using the effective rates. The Company and its subsidiaries also recognize the provisions as a result of circumstances where it is probable that additional taxes will be due. When the final amount arising from these issues differs from the amounts initially estimated and recorded, these differences will affect current and deferred tax assets and liabilities for the year in which the final amount is determined.

The Company regularly reviews the recoverability of deferred tax assets, considering the history of earnings and the projected future taxable income, based on a technical feasibility study.

(c) Revenue recognition

The Company earns revenues 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 profit and loss as the service is provided. Revenue is not recognized when there is significant uncertainty as to its realization.

2.2 Critical judgments in applying the Company's accounting policies

The Company evaluates at the end of each reporting period whether there is objective evidence that a financial asset or a 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 and such 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 the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that were not incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the loss amount is recognized in the statement of profit and loss.

If, in a subsequent year, 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 such previously recognized impairment loss is recognized in the statement of profit and loss.

The Company, based on the assumptions described above, tested assets for impairment under the value-in-use criterion, using discounted cash flow models of the cash-generating units, which represent the set of tangible and intangible assets used in the development and sale of the different solutions to their customers.

Determining the value in use involves the use of assumptions, judgments and estimates on the cash flows, such as discount rates. The assumptions on the cash flow and future cash flow growth projections are based on the Company's business plan, approved by Management, and represent Management's best estimate of the economic conditions that will exist over the remaining useful lives of the different cash-generating units, set of assets that generate cash flows. Future cash flows were discounted using rates that represent the cost of capital.

Consistently with economic valuation techniques, the value-in-use calculation is made for a ten-year period and, from then on, considering the perpetuity of the assumptions taking into consideration the ability to continue as a going concern for an indefinite term. Based on the predictability and recurrence of the Company's revenues and costs, Management is able to estimate the value-in-use for a ten-year period.

Estimated future cash flows were discounted at the discount rate of 7.37% p.a. for the cash-generating unit.

The main assumptions used to estimate the value-in-use are as follows:

- Revenues – revenues were projected between 2020 and 2029 taking into consideration the growth of the customer base (organic growth only).

- Operating costs and expenses – costs and expenses were projected consistently with the Company's historical performance, revenue growth and efficiency gains.

- Capital investments – investments in capital goods were estimated taking into consideration the infrastructure necessary to make service provision possible, based on the Company's history and projected growth.

The key assumptions are based on the Company's performance and reasonable and reliable macroeconomics assumptions, based on documented financial market projections, approved by the Company's Management.

2.3 New standards, changes and interpretations of accounting pronouncements of mandatory application as at January 1, 2019

In preparing these financial statements, the Company's Management considered, when applicable, new revisions and interpretations to the IFRS and the following technical pronouncements, issued by the IASB and the CPC, respectively, which were mandatory for accounting periods beginning on or after January 1, 2019.

Pronouncement	Description
IFRS 16 (CPC 6 (R2)) – Leases	The new standard replaces IAS 17 – Leasing Operations and related interpretations, bringing significant changes to tenants by requiring them to recognize the liability for future payments and the right to use leased assets for virtually all lease agreements.
IFRIC 23 (ICPC 22) – Uncertainty over Income Tax Treatments	The new interpretation sets forth recognition and measurement requirements in cases where the Company has adopted uncertain tax treatment in the calculation of taxes on income (income tax and social contribution), which may be challenged by the tax authorities. The Company must determine the acceptance by the tax authorities of such uncertain tax treatment, to be presented separately, including any eventual contingency upon conclusion that such uncertain tax treatment will not be accepted by the tax authorities.

The impacts of adopting these standards are as follows:

IFRS 16/CPC 06 (R2) – Leases

The new standard replaces IAS 17 – Leasing Operations and related interpretations, bringing significant changes to tenants by requiring them to recognize the liability for future payments and the right to use leased assets for virtually all lease agreements. Some short-term or low-value agreements may fall outside the scope of this new standard.

In this scenario, the leases contracted impacted the financial information as follows:

- Recognition of the right to use assets and lease liabilities in the individual and consolidated balance sheet, initially measured at the present value of future minimum lease payments;
- Recognition of depreciation expenses from the right to use assets and interest expenses on lease liabilities in the individual and consolidated statement of profit and loss; and
- Separation of the total amount of cash paid in these operations between principal (recorded in financing activities) and interest (recorded in operating activities) in the individual and consolidated statement of cash flows.

Short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture) were recognized on a straight-line basis in the statement of profit and loss for the year, under IFRS 16. The Company has adopted the practical case, when applicable, that allows not to separate existing non-lease components in contracts that also have lease components, and instead count them together as a single component within the scope of the new pronouncement.

As a method of transition to the new pronouncement, the Management decided for the modified retrospective approach, with the cumulative effect of the initial application recorded as an adjustment to the opening balance of equity and without the restatement of comparative periods. Accordingly, all balances related to the year ended December 31, 2018 are presented in accordance with the assumptions existing in accounting policies previously in force (IAS 17).

In the transition process, the practical records that do not allow to re-evaluate if a contract is or has a lease were not used. Consequently, the new lease definitions contained in IFRS 16 were applied to all contracts in effect at the transition date. The change in the definition of a lease refers mainly to the concept of control, where IFRS 16 determines that the evaluation if a lease contract is to be performed based on the fact that the customer has the right to control the use of an asset identified for a period of time in exchange for consideration.

For this purpose, the Company's Management has identified the contracts, whether or not they contain a lease in accordance with IFRS 16/CPC 06 (R2). This analysis identified impacts related to the lease of real estate leased from third parties, and less representative amounts arising from other operations where we identified the existence of leased assets individually or combined in service contracts.

Additionally, the following practical records were used to transition to new lease accounting requirements:

- Use of a single discount rate for each portfolio of leases with fairly similar characteristics. In this sense, the incremental funding rate was obtained, measured on January 1, 2019, applicable to each of the leased asset portfolios. Through this methodology, the Company obtained a weighted average rate of 7.38% p.a.
- The accounting recognition of those agreements with a closing period within the period of 12 months from the date of the initial application of the new standard was not carried out.
- Exclusion of initial direct costs from the measurement of the initial balance of the right to use the asset.
- Use of late perception to determine the lease term, in those cases where the contract contains options for extension or termination.

(In thousands of reais, unless otherwise indicated)

As a result of the above, the Company recognized the following adjustments to the opening balance of the individual and consolidated balance sheet:

	Consolidated financial statements as at 12.31.2018	**Impacts related to IFRS 16 adoption**	**Consolidated financial statements as at 01.01.2019**
ASSETS			
Current assets	51.722	-	51.722
Other non-current assets	108.872	-	108.872
Property and equipment	6.836	24.914	31.750
Total assets	167.430	24.914	192.344
LIABILITIES			
Leases – current	-	(1.719)	(1.719)
Other current liabilities	(33.635)	-	(33.635)
Leases – non-current	-	(23.195)	(23.195)
Other non-current liabilities	(48.379)	-	(48.379)
Equity	(85,416)	-	(85,416)
Total liabilities	(167,430)	(24,914)	(192,344)

(In thousands of reais, unless otherwise indicated)

Additionally, the table below summarizes the accounting impacts of the adoption of this new accounting pronouncement to the statement of profit and loss for the year ended December 31, 2019:

	Consolidated financial statements as at 12.31.2019	**Impacts related to IFRS 16 adoption**	**Consolidated financial statements without impacts of IFRS16 as at 12.31.2019**
	(IFRS 16)		*(IAS 17)*
NET OPERATING REVENUE	**175.153**	**-**	**175.153**
Cost of services provided	(117.288)	-	(117.288)
GROSS PROFIT	**57.865**	**-**	**57.865**
Total operating loss, net	(60.122)	482	(59.640)
Operating income (loss) before finance income (costs)	**(2.257)**	**482**	**(1.775)**
Finance income (costs), net	(5.435)	1.680	(3.755)
Loss before income tax and social contribution	**(7.692)**	**2.162**	**(5.530)**
Current income tax and social contribution	(3.174)	719	(2.455)
Deferred income tax and social contribution	6.305	(719)	5.586
Loss after income tax and social contribution	**(4.561)**	**2.162**	**(2.399)**
Non-controlling interest	(18)	-	(18)
Net loss for the period	**(4.579)**	**2.162**	**(2.417)**

IFRIC 23 (ICPC 22) – Uncertainty over Income Tax Treatments
IFRIC 23 (ICPC 22) describes how to determine the tax and accounting position when there is uncertainty about the treatment of income tax. The interpretation requires the entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is likely that the tax authority will accept the use of an uncertain tax treatment, or proposed use, by an entity in its income tax returns:
  - If so, the entity should determine its tax and accounting position in line with the tax treatment used or to be used in its income tax returns.
  - If not, the entity should reflect the effect of uncertainty in determining its tax and accounting position.

Entities may apply interpretation based on full retrospective application or modified retrospective application without retrospective or prospective comparative information restatement.

Under IFRIC 23 (ICPC 22), the Company's Management revised the judgements adopted in the calculation of income tax and social contribution and concluded that the Company has not adopted uncertain treatments in its financial statements, as the procedures adopted for collection of taxes on income are in accordance with applicable legislation and judicial court rulings.

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.

(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 are 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 short-term investments.

The credit risk related to the provision of services and sales of licenses 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 the rate of Interbank Deposit Certificate (CDI) and short-term investments tied to the Interbank Deposit Certificate (CDI), which may adversely affect finance income or finance 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 loans.

The Company's financial instruments are represented by cash and cash equivalents, trade receivables, trade payables, and borrowings and financing, and are recorded at cost plus accrued earnings or charges incurred, which, as at December 31, 2019 and 2018, approximate their market values.

(In thousands of reais, unless otherwise indicated)

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 94% to 102.15% of the CDI.

Financing refers 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 facilitie, as well as debentures issued in 2019. In these circumstances, the amount recorded approximates the market value of these financial instruments, which is low in relation to the debt.

For the purpose of verifying the sensitivity of the index in the short-term investments to which the Company was exposed as at December 31, 2019, three different scenarios were defined. Based on average CDI rate for 2019, which averaged 5.94% and was defined as the probable scenario (scenario 1), the stress variations of 25% and 50% were applied. An average return of 102.5% was attributed to short-term investments, which earn average interest of 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, 2019, with projections for one year and verification of the sensitivity of the CDI for each scenario.

Transaction	12.31.2019 Consolidated	Risk	Scenario 1	Scenario 2	Scenario 3
Short-term investments	363.510	CDI	5,94%	4,46%	2,97%
Average interest rate – CDI (100% and 105%)		102,5% CDI	6,09%	4,57%	3,04%
Finance income			6.008	4.506	3.004

The Company has borrowing and financing 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.

The Company’s debt derives mainly from debentures subject to the CDI rate of 101.5%. As at December 31, 2019, the scenarios were projected based on the annual average CDI rate, and the Company’s finance costs were calculated considering an increase of the CDI rate by 25% (scenario 2) and 50% (scenario 3).

Transaction	12.31.2019 Consolidated	Risk	Scenario 1	Scenario 2	Scenario 3
Debentures	49.709	CDI	5,94%	7,43%	8,91%
Average interest rate – CDI (100% and 105%)		101,5% CDI	6,03%	7,54%	9,04%
Finance costs			4.397	5.496	6.870

The Company has borrowing and financing 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.

(In thousands of reais, unless otherwise indicated)

3.2 Capital management

The purpose of the Company's capital management is to ensure that a strong credit rating is maintained with the institutions and an optimal capital ratio in order to support the Company's business and maximize shareholder value.

The Company's net debt structure is comprised of borrowings and liabilities arising from investment acquisition less cash and cash equivalents.

In 2019, Sinqia performed the first issuance of debentures and the second offer of shares. In 2019, the net cash was maintained, i.e., cash and cash equivalents exceeding the balance of its debt.

	Consolidated	
	2019	**2018**
Total loans (Note 13)	60.733	14.609
Liabilities arising from investment acquisition (Note 16)	40.201	18.323
Cash and cash equivalents (Note 7)	(364.985)	(26.037)
Net debt (cash)	(264.051)	6.895
Total equity	430.641	85.350
Total share capital	166.590	92.245

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 Company 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, 2019.

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, 2019.

(In thousands of reais, unless otherwise indicated)

The following table presents the Company's assets and liabilities measured at fair value as at December 31, 2019:

	Level 1	Level 2	Level 3	Consolidated Total balance
Assets				
Cash and cash equivalents	364.985	-	-	364.985
Trade receivables, net	21.628	-	-	21.628
Total assets	**386.613**	**-**	**-**	**386.613**
Liabilities				
Borrowings and financing	60.733	-	-	60.733
Liabilities arising from investment acquisition	40.201	-	-	40.201
Trade payables	1.886			1.886
Total liabilities	**102.820**	**-**	**-**	**102.820**

3.4 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet where there is a legal 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.

(a) Financial instruments by category

				Consolidated
	Fair value through comprehensive income (loss)	Fair value through profit or loss	Amortized cost	Total
December 31, 2019				
Assets, as disclosed in the balance sheet				
Trade receivables	-	-	21.628	21.628
Cash	-	-	1.475	1.475
Securities	-	363.510	-	363.510
	-	**363.510**	**23.103**	**386.613**

				Consolidated
	Fair value through comprehensive income (loss)	Fair value through profit or loss	Amortized cost	Total
December 31, 2019				
Liabilities, as disclosed in the balance sheet				
Borrowings and financing	-	-	60.733	60.733
Liabilities arising from investment acquisition	-	-	40.201	40.201
Trade payables	-	-	1.884	1.884
	-	**-**	**102.818**	**102.818**

(In thousands of reais, unless otherwise indicated)

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 Company's results are monitored and assessed in an integrated manner.

Section D – Group structure

5 Investments

(a) Changes in investments

	Senior Solution Serviços em Informática Ltda.	Senior Solution Consultoria em Informática Ltda.	Controlpart Consultoria e Participações Ltda.	Consult Brasil Ltda.	Intellectual Capital Ltda.	att/PS Informática Ltda.	Torq Inovação Digital Ltda.	Total
Balance as at December 31, 2017	**4.676**	**26.299**	**5.094**	**-**	**3.454**	**38.618**	**-**	**78.141**
Capital increase	-	-	-	-	-	-	500	500
Equity in the results of subsidiaries	(1.169)	259	2.892	-	-	5.602	94	7.678
Distribution of dividends	-	(4.598)	(3.640)	-	-	-	-	(8.238)
Balance as at December 31, 2018	**3.507**	**21.960**	**4.346**	**-**	**3.454**	**44.220**	**594**	**78.081**
Capital increase	**-**	39.175	**-**	**-**	**-**	-	540	39.715
Equity in the results of subsidiaries	(480)	2.794	1.709	(1.737)	-	-	149	2.435
Corporate reorganization (i)	-	-	-	(87)	-	(4.217)	1	(4.303)
Balance as at December 31, 2019	**3.027**	**63.929**	**6.055**	**(1.824)**	**3.454**	**40.003**	**1.284**	**115.928**

(i) In 2019, att/PS Informática Ltda. was merged into Sinqia S.A. (Parent Company). Consult Brasil Ltda. was an investment of att/OS Informática Ltda. in December 2018 and became a direct investment of Sinqia S.A. in 2019.

(In thousands of reais, unless otherwise indicated)

(b) Information on subsidiaries

Direct investment	Equity	Ownership interest (%)	Goodwill on acquisition	Profit or loss for the year	Total investment 12.31.2019	Total investment 12.31.2018	Equity in the results of subsidiaries 12.31.2019	Equity in the results of subsidiaries 12.31.2018
Senior Solution Serviços em Informática Ltda.	3.027	100%	-	(480)	3.027	3.507	(480)	(1.169)
Senior Solution Consultoria em Informática Ltda.	63.929	100%	-	2.794	63.929	21.960	2.794	259
Controlpart Consultoria e Participações Ltda.	3.331	100%	2.724	1.709	6.055	4.346	1.709	2.892
Consult Brasil. Ltda.	(4.383)	100%	2.559	(1.737)	(1.824)	-	(1.737)	-
Intellectual Capital Ltda.	N/A	N/A	3.454	-	3.454	3.454	N/A	-
att/PS Informática Ltda.	N/A	N/A	40.003	-	40.003	44.220	N/A	5.602
Torq Inovação Digital Ltda.	1.427	90%	-	168	1.284	594	149	94
					115.928	**78.081**	**2.435**	**7.678**

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

Indirect investment	Equity	Indirect ownership interest (%)	Profit or loss for the period/year	Total investment 12.31.2019	Total investment 12.31.2018	Equity in the results of subsidiaries 12.31.2019	Equity in the results of subsidiaries 12.31.2018
Aquarius Tecnologia e Informática Ltda. (i)	-	100%	-	-	2.950	-	443
Stock&Info Ltda.	595	100%	57	595	-	57	-

(i) Aquarius Tecnologia e Informática Ltda. was incorporated by Senior Solution Consultoria em Informática Ltda.

(ii) Stock & Info Ltda. was acquired in the second six-month period of 2019, as described in Note 6.

(In thousands of reais, unless otherwise indicated)

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 Sinqia S.A.'s customers through a diversified portfolio that includes niche-specific solutions.

a) Acquisition of Atena Tecnologia Ltda.

On January 30, 2019, the Company, through its subsidiary Senior Solution Consultoria em Informática Ltda., entered into a Share Purchase and Sale Agreement and Other Covenants ("Agreement") whereby the Company acquired Atena Tecnologia Ltda. ("Athena"). The transaction involved the initial amount of R$5,000 in cash, disbursed on the acquisition date, and R$2,964 to be paid in five yearly installments.

With the acquisition of Atena, Sinqia is now offering an even more comprehensive web platform.

The final purchase price, under the agreement, is composed of an additional installment of up to R$4,000 linked to the achievement of a net revenue target. Accordingly, based on the calculation made by Management, of the cross-selling involving Sinqia and Atena, a supplementary estimate of R$2,350 was added as an additional installment, resulting in a total amount R$10,314. The additional amount calculated will be paid in April 2024.

b.1) Compensation transferred:

Payment in cash	5.000
Payment in installments	2.964
Payment of variable portion	2.350
Total	**10.314**

b.2) Assets acquired and liabilities recognized at fair value on the acquisition date:

INVESTEE'S BALANCE SHEET

	01/30/2019		01/30/2019
Current assets		Current liabilities	
Available funds	324	Trade payables and service providers	241
Trade receivables	575	Advances from customers	241
Taxes recoverable	227	Payroll, related charges and labor provisions	1.241
Prepaid expenses	35	Taxes payable	101
Total current assets	1.161	Total current liabilities	1.824
Non-current assets		Non-current liabilities	
Property and equipment	132	Provision for contingencies	377
Intangible assets	11.222		
Total non-current assets	11.354	Total non-current liabilities	377
		Total equity	10.314
Total assets	12.515	Total liabilities	12.515

(In thousands of reais, unless otherwise indicated)

b.3) Goodwill on acquisition

Estimated amount	10.314
(-) Fair value of assets acquired:	
Non-competition clause	(851)
Software	(1.407)
Customer portfolio	(3.704)
(+) Fair value of liabilities assumed:	
Provision for contingencies	377
(-) Equity deficit on the acquisition date	(130)
Goodwill on acquisition	4.859

The following table shows the intangible assets acquired that were not initially recorded in the Company's accounting books, as well as the estimated useful life and amortization method:

Intangible assets	Amount	Useful life	Amortization method
Non-competition clause	851	5 years	Straight-line basis
Software	1.407	5 years	Straight-line basis
Customer portfolio	3.704	13 years	Straight-line basis

b) Acquisition of ADSPrev – Administração e Desenvolvimento de Sistemas Ltda.

On February 28, 2019, the Company, through its subsidiary Senior Solution Consultoria em Informática Ltda., entered into a Share Purchase and Sale Agreement and Other Covenants (“Agreement”) whereby the Company acquired ADSPrev – Administração e Desenvolvimento de Sistemas Ltda. (“ADSPrev"). The transaction involved the initial amount of R$10,274 in cash, disbursed on the acquisition date, and R$1,808 to be paid in five yearly installments.

The main motivations for the acquisition of ADSPrev were: updating the product portfolio, expanding the customer portfolio and adding new employees to the team. With this, Sinqia is now scaled to build a system with breadth, flexibility and performance.

The final purchase price, under the agreement, is composed of an additional installment of up to R$4,000 linked to the achievement of a net revenue target in 2020. Accordingly, based on the calculation made by Management, of the cross-selling involving Sinqia and ADSPrev, a supplementary estimate of R$409 was added as an additional installment, resulting in a total amount of R$12,491. The additional amount calculated will be paid in April 2021.

a.1) Compensation transferred:

Payment in cash	10.274
Payment in installments	1.808
Payment of variable portion	409
Total	**12.491**

(In thousands of reais, unless otherwise indicated)

a.2) Assets acquired and liabilities recognized at fair value on the acquisition date:

INVESTEE'S BALANCE SHEET

	02/28/2019		**02/28/2019**
Current assets		Current liabilities	
Available funds	322	Trade payables and service providers	569
Trade receivables	635	Payroll, related charges and labor provisions	529
Prepaid expenses	54	Taxes payable	158
Total current assets	1.011	Total current liabilities	1.256
Non-current assets		Non-current liabilities	
Property and equipment	157	Borrowings and financing	1.525
Intangible assets	18.120	Provision for contingencies	4.016
Total non-current assets	18.277	Total non-current liabilities	5.541
		Total equity	12.491
Total assets	19.288	Total liabilities	19.288

a.3) Goodwill on acquisition

Estimated amount	12.491
(-) Fair value of assets acquired:	
Non-competition clause	(542)
Software	(2.037)
Customer portfolio	(4.620)
(+) Fair value of liabilities assumed:	
Provision for contingencies	4.016
(-) Equity deficit on the acquisition date	(1.480)
Goodwill on acquisition	10.788

The following table shows the intangible assets acquired that were not initially recorded in the Company's accounting books, as well as the estimated useful life and amortization method:

Intangible assets	Amount	Useful life	Amortization method
Non-competition clause	542	5 years	Straight-line basis
Software	2.037	5 years	Straight-line basis
Customer portfolio	4.620	10 years	Straight-line basis

(In thousands of reais, unless otherwise indicated)

c) Acquisition of Softpar

On May 20, 2019, the Company, through its subsidiary Senior Solution Consultoria em Informática Ltda., entered into a Share Purchase and Sale Agreement and Other Covenants (“Agreement”) whereby the Company acquired Partec Ltda. and its subsidiary NVA Ltda. (collectively, “Softpar”). The transaction involved the initial amount of R$18,000 in cash, disbursed on the acquisition date, and R$11,329 to be paid in five yearly installments.

With the acquisition of Softpar, Sinqia is now offering an even more comprehensive web platform, with a solution for banks, financial institutions and development agencies.

The final purchase price, under the agreement, is composed of an additional installment of up to R$6,000 linked to the achievement of a net revenue target in 2019 and 2020. Accordingly, based on the calculation made by Management, of the cross-selling involving Sinqia and Softpar, a supplementary estimate of R$5,213 was added as an additional installment. The additional amount calculated will be paid in April 2021.

c.1) Compensation transferred:

Payment in cash	18.000
Payment in installments	11.329
Payment of variable portion	5.213
Total	**34.542**

c.2) Assets acquired and liabilities recognized at fair value on the acquisition date:

INVESTEE’S BALANCE SHEET

	05/31/2019		05/31/2019
Current assets		Current liabilities	
Available funds	744	Trade payables and service providers	255
Trade receivables	1.312	Leases	539
Prepaid expenses	284	Payroll, related charges and labor provisions	997
		Taxes payable	936
Total current assets	2.340	Total current liabilities	2.727
Non-current assets		Non-current liabilities	
Property and equipment	2.955	Leases	1.088
Intangible assets	46.965	Non-current tax liabilities	638
		Provision for contingencies	13.265
Total non-current assets	49.920	Total non-current liabilities	14.991
		Total equity	34.542
Total assets	52.260	Total liabilities	52.260

(In thousands of reais, unless otherwise indicated)

c.3) Goodwill on acquisition

Estimated amount	34.542
(-) Fair value of assets acquired:	
Non-competition clause	(2.233)
Software	(5.333)
Customer portfolio	(13.359)
(+) Fair value of liabilities assumed:	
Provision for contingencies	13.265
(-) Equity on the acquisition date	823
Goodwill on acquisition	26.061

The following table shows the intangible assets acquired that were not initially recorded in the Company's accounting books, as well as the estimated useful life and amortization method:

Intangible assets	Amount	Useful life	Amortization method
Non-competition clause	2.233	5 years	Straight-line basis
Software	5.333	5 years	Straight-line basis
Customer portfolio	13.359	9 years	Straight-line basis

d) Acquisition of Stock & Info

On December 2, 2019, the Company, through its subsidiary Senior Solution Consultoria em Informática Ltda., entered into a Share Purchase and Sale Agreement and Other Covenants ("Agreement") whereby the Company acquired Stock & Info Ltda. ("Stock & Info"). The transaction involved the initial amount of R$4,500 in cash, disbursed on the acquisition date, and R$494 to be paid in five yearly installments.

With the acquisition of Stock & Info, Sinqia reinforces its market share in the social security segment.

c.1) Compensation transferred:

Payment in cash	4.500
Payment of variable portion	494
Total	**4.994**

(In thousands of reais, unless otherwise indicated)

c.2) Assets acquired and liabilities recognized at fair value on the acquisition date:

INVESTEE'S BALANCE SHEET

	11/30/2019		**11/30/2019**
Current assets		Current liabilities	
Available funds	696	Trade payables and service providers	33
Prepaid expenses	40	Payroll, related charges and labor provisions	276
		Taxes payable	89
Total current assets	736	Total current liabilities	398
Non-current assets		Non-current liabilities	
Property and equipment	164	Provision for contingencies	395
Intangible assets	4.887		
Total non-current assets	5.051	Total non-current liabilities	395
		Total equity	4.994
Total assets	5.787	Total liabilities	5.787

c.3) Goodwill on acquisition

Estimated amount	4.994
(-) Fair value of assets acquired:	
Non-competition clause	(420)
Software	(704)
Customer portfolio	(2.547)
(+) Fair value of liabilities assumed:	
Provision for contingencies	395
(-) Equity on the acquisition date	577
Goodwill on acquisition	1.141

The following table shows the intangible assets acquired that were not initially recorded in the Company's accounting books, as well as the estimated useful life and amortization method:

Intangible assets	Amount	Useful life	Amortization method
Non-competition clause	420	5 years	Straight-line basis
Software	704	5 years	Straight-line basis
Customer portfolio	2.547	16 years	Straight-line basis

(In thousands of reais, unless otherwise indicated)

Section E – Selected significant notes

7 CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Cash	-	-	1	1
Banks	512	823	1.474	2.316
Short-term investments (i)	352.191	4.216	363.510	23.720
	352.703	**5.039**	**364.985**	**26.037**

(i) According to the Company's investments policies, short-term 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 short-term investments consist of investments in fixed-income funds and Bank Deposit Certificates (CDBs), earning average interest from 94% to 102.15% of the CDI, with immediate liquidity, i.e., without a grace period for redemption.

8 TRADE RECEIVABLES

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Invoiced amounts	5.888	1.174	14.068	11.766
Unbilled services (i)	4.884	2.163	7.718	11.432
(-) Estimated losses on doubtful accounts (ii)	(101)	(131)	(158)	(944)
	10.671	**3.206**	**21.628**	**22.254**

(i) Unbilled services refer to revenue from services effectively provided but not billed by the end of the reporting period.

(ii) We present below the estimated losses on doubtful accounts:

	Parent Company		Consolidated	
Balance as at December 31, 2018 and 2017	**(131)**	**(66)**	**(944)**	**(609)**
Additions for corporate reorganization (i)	(409)	-	-	-
Additions	(1)	(65)	(8)	(335)
Write-offs	440	-	794	-
Balance as at December 31, 2019 and 2018	**(101)**	**(131)**	**(158)**	**(944)**

(i) The increase in estimated losses on doubtful accounts in the Parent Company occurred due to the merger of att/PS. Accordingly, there was no significant impact on the Consolidated.

(In thousands of reais, unless otherwise indicated)

The aging list of trade receivables is as follows:

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Unbilled services	4.884	2.163	7.718	11.432
To be due	3.667	847	9.217	9.893
Overdue from 1 to 90 days	1.402	307	3.158	1.752
Overdue from 91 to 180 days	464	-	820	92
Overdue from 181 to 270 days	155	-	456	3
Overdue from 271 to 360 days	119	20	320	26
Overdue for more than 360 days	81	-	97	-
	10.772	**3.337**	**21.786**	**23.198**

9 TAXES AND CONTRIBUTIONS RECOVERABLE

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
IRRF and IRPJ/CSLL to be offset (i)	2.228	507	4.015	1.418
PIS, COFINS and CS withheld at source (ii)	11	428	261	968
Other	69	102	81	166
	2.308	**1.037**	**4.357**	**2.552**

(i) Refers to income tax withheld at source and advanced income tax and social contribution.

(ii) Refers 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) INFORMATION ON INTERCOMPANY TRANSACTIONS

The table below presents information on the outstanding balances between the Parent Company, its subsidiaries and the Company's owners as at December 31, 2019 and December 31, 2018:

	Parent Company					
	Receivables from related parties (assets)	Payables to related parties (liabilities)	Related parties (profit or loss)	Receivables from related parties (assets)	Payables to related parties (liabilities)	Related parties (profit or loss)
Related parties	12.31.2019			12.31.2018		
Senior Solution Serviços em Informática Ltda.	-	169	2.517	1.750	-	2.745
ConsultBrasil Ltda.	-	631	-	-	-	-
Senior Solution Consultoria em Informática Ltda.	4.459	-	3.637	2.303	-	3.027
Aquarius Tecnologia e Informática Ltda.	-	-	-	-	-	267
att/PS Informática Ltda.	-	-	-	2.447	-	6.103
Controlpart Ltda.	-	1.358				
Non-current assets	**4.459**	**-**	**-**	**6.500**	**-**	**-**
Current liabilities	**-**	**173**	**-**	**-**	**-**	**-**

(In thousands of reais, unless otherwise indicated)

Non-current liabilities	-	1.985	-	-	-	-
Profit or loss	-	-	6.154	-	-	12.142

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	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Salaries, fees and related charges	3,182	2,431	3,182	2,431
Benefits	347	239	347	239
Variable bonuses	548	1,111	548	1,111
	4,077	**3,781**	**4,077**	**3,781**

c) SHARE-BASED COMPENSATION PLAN

The purpose of the Share-based Compensation Plan (“Plan”) is to offer senior executives of the Company the opportunity to multiply the value of their annual financial bonus ("Annual Bonus"), upon the assignment of additional resources ("Additional Bonus") by the Company, which must be used by the eligible executive officers ("Beneficiary") to acquire the Company’s shares ("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 on the Annual Bonus. The multiplier ranges from 50% to 80% depending on the role performed at the Company.

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 twelve (12) months from acquisition; 30% of the total, after twenty four (24) months from acquisition; and the remaining 30%, after thirty six (36) 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 number of shares involved in this plan is 250,232.

(In thousands of reais, unless otherwise indicated)

d) PLAN FOR STOCK OPTIONS OR SUBSCRIPTION OF SHARES

The Plan for Stock Options or Subscription of Shares ("Plan") includes granting options to purchase or subscribe common shares ("Options") of the Company. The Plan has as purpose (a) attracting, retaining and engaging key professionals in the management of the Company ("Beneficiaries"); (b) aligning the interests of the Beneficiaries with the interests of the Company and its shareholders in a long-term perspective; and c) encouraging 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 discounted those canceled due to situations of termination, death, permanent disability or retirement may grant rights on common shares representing up to 3% of the Company's capital on the date of approval of the Plan.

Exercise of Options: the options granted may be exercised provided that the terms and conditions set forth in this Plan and by the Board of Directors are observed, in addition to the terms and conditions set forth in the respective Option Agreements. The Beneficiary may exercise all or part of the exercisable Options, established that the Beneficiary must exercise at least 25% of the Options held and that are exercisable in each partial exercise of the Options. The exercise of part of the Options by the Beneficiary must not affect the exercise of the other Options held.

The fair value of the Options granted is estimated on the grant date based on the Black-Scholes option pricing model.

The main events relating to the effective plans, variables adopted in the calculations and results are as follows:

				Fair value assumptions			
Grants				Expected:		Interest rate, free of risk	Maturity
Date	Number of options/shares	Exercise price in Brazilian reais	Fair value of shares in Brazilian reais	Dividends	Volatility		
08/01/2018	177.716	7,11	25,64	0,23%	37,57%	4,50%	4 years

The Options are broken down as follows:

	Parent Company and Consolidated	
	Number (in units)	Average price (in reais)
Balances as at December 31, 2018	**15.735**	**1,76**
Granted	53.808	19,40
Cancelled/expired	(5.999)	9,25
Balances as at December 31, 2019	**63.544**	**15,99**

(In thousands of reais, unless otherwise indicated)

11 PROPERTY AND EQUIPMENT

a) Breakdown of property and equipment

					Parent Company
				12.31.2019	**12.31.2018**
	Useful life (years)	**Cost**	**Accumulated depreciation**	**Net**	**Net**
Facilities and improvements	9 – 10	6.024	(748)	5.276	2.758
Appliances and electrical materials	9 – 12	694	(303)	391	129
Furniture and fittings	9 – 12	2.522	(1.043)	1.479	441
Property – right of use	2 – 10	20.859	(2.203)	18.656	-
Computers and peripherals	4 – 5	6.850	(3.307)	3.543	1.956
		36.949	**(7.604)**	**29.345**	**5.284**

					Consolidated
				12.31.2019	**12.31.2018**
	Useful life (years)	**Cost**	**Accumulated depreciation**	**Net**	**Net**
Facilities and improvements	9 – 10	8.049	(1.526)	6.523	3.567
Appliances and electrical materials	9 – 12	798	(335)	463	200
Furniture and fittings	9 – 12	3.338	(1.560)	1.778	695
Property – right of use	2 – 10	24.419	(3.083)	21.336	-
Computers and peripherals	4 – 5	10.029	(5.386)	4.643	2.374
		46.633	**(11.890)**	**34.743**	**6.836**

b) Changes in property and equipment – Parent Company

	Facilities and improvements	**Appliances and electrical materials**	**Furniture and fittings**	**Property – right of use**	**Computers and peripherals**	**Total**
Balances as at December 31, 2018	**2.758**	**129**	**441**	**-**	**1.956**	**5.284**
Additions	3.036	297	1.099	-	1.769	6.201
Additions for corporate reorganization	28	28	115	-	269	440
Additions due to CPC 06 (R2)	-	-	-	20.859	-	20.859
Reductions	(89)	-	-	-	-	(89)
Depreciation	(457)	(62)	(176)	(2.204)	(451)	(3.350)
Balances as at December 31, 2019	**5.276**	**392**	**1.479**	**18.655**	**3.543**	**29.345**

(In thousands of reais, unless otherwise indicated)

c) Changes in property and equipment – Consolidated

	Facilities and improvements	Appliances and electrical materials	Furniture and fittings	Property – right of use	Computers and peripherals	Total
Balances as at December 31, 2018	**3.567**	**200**	**695**	**-**	**2.374**	**6.836**
Additions	3.999	266	1.115	-	1.754	**7.134**
Additions due to acquisitions	65	77	214	1.390	1.116	**2.862**
Additions due to CPC 06 (R2)	-	-	-	22.473	-	**22.473**
Reductions	(41)	-	-	-	(2)	**(43)**
Depreciation	(1.068)	(80)	(246)	(2.527)	(598)	**(4.519)**
Balances as at December 31, 2019	**6.522**	**463**	**1.778**	**21.336**	**4.644**	**34.743**

12 INTANGIBLE ASSETS

a) Breakdown of intangible assets

					Parent Company
				12.31.2019	**12.31.2018**
	Useful life (years)	**Cost**	**Accumulated amortization and/or impairment**	**Net**	**Net**
Software use rights	5	4.877	(3.390)	1.487	436
Trademarks and patents	5-10	2.277	(998)	1.279	1.611
Software acquired	5	6.860	(4.046)	2.814	3.696
Customer portfolio	5-10	20.412	(4.261)	16.151	14.730
Non-competition agreement	5	4.575	(3.432)	1.143	2.287
Development of new products (i)	5	6.301	(5.091)	1.210	1.189
		45.302	**(21.218)**	**24.084**	**23.949**

(i) Refers to investments intended for the innovation laboratory, Torq.

					Consolidated
				12.31.2019	**12.31.2018**
	Useful life (years)	**Cost**	**Accumulated amortization and/or impairment**	**Net**	**Net**
Goodwill on acquisition of subsidiaries	-	99.920	(2.860)	97.060	54.209
Software acquired	5	21.780	(10.375)	11.405	4.979
Software use rights	5	6.799	(4.719)	2.080	1.002
Customer portfolio	5-16	53.162	(10.714)	42.448	22.520
Non-competition agreement	5	8.851	(4.183)	4.668	2.289
Trademarks and patents	5-10	7.125	(1.549)	5.576	5.909
Development of new products (i)	5	6.301	(5.091)	1.210	1.211
		203.938	**(39.491)**	**164.447**	**92.119**

(In thousands of reais, unless otherwise indicated)

b) Changes in intangible assets – Parent Company

	Software use rights	Development of new products (Torq)	Trademarks and patents	Software acquired	Customer portfolio	Non-competition agreement	Total
Balances as at December 31, 2018	**434**	**1.189**	**1.612**	**3.696**	**14.730**	**2.288**	**23.949**
Additions	1.945	-	-	-	-	-	1.945
Additions for corporate reorganization	564	21	-	700	3.465	-	4.750
Losses	-	-	-	-	(50)	-	(50)
Amortization	(1.456)	-	(333)	(1.582)	(1.995)	(1.144)	(6.510)
Balances as at December 31, 2019	**1.487**	**1.210**	**1.279**	**2.814**	**16.150**	**1.144**	**24.084**

c) Changes in intangible assets – Consolidated

	Goodwill on acquisition of subsidiaries	Software use rights	Development of new products (Torq)	Trademarks and patents	Software acquired	Customer portfolio	Non-competition agreement	Total
Balances as at December 31, 2018	**54.209**	**1.002**	**1.210**	**5.909**	**4.980**	**22.521**	**2.288**	**92.119**
Additions	-	2.078	-	-	-	-	-	**2.078**
Additions due to acquisitions	42.851	538	-	-	9.481	24.230	4.044	**81.144**
Losses	-	(39)			-			**(39)**
Amortization	-	(1.499)	-	(333)	(3.056)	(4.303)	(1.664)	**(10.855)**
Balances as at December 31, 2019	**97.060**	**2.080**	**1.210**	**5.576**	**11.405**	**42.448**	**4.668**	**164.447**

(In thousands of reais, unless otherwise indicated)

13 BORROWINGS AND FINANCING

	Financial charges	Maturity	Parent Company 12.31.2019	Parent Company 12.31.2018	Consolidated 12.31.2019	Consolidated 12.31.2018
BNDES – nº 14209211 (i)	TJLP + 1.1% p.a.	12/15/2020	3.768	7.339	3.768	7.339
BNDES – n° 17203411018 (i)	TJLP + 2.0% p.a.	03/15/2024	7.256	7.030	7.256	7.030
Debentures (ii)	CDI + 1.50%	02/22/2024	49.709	-	49.709	-
Working capital	CDI + 2.90%	04/15/2019	-	-	-	46
Loans	Selic	10/11/2019	-	-	-	194
Total			**60.733**	**14.369**	**60.733**	**14.609**
Current			**15.503**	**3.718**	**15.503**	**3.958**
Non-current			**45.230**	**10.651**	**45.230**	**10.651**

(i) These contracts are guaranteed by a surety letter in the same amount, issued by a financial institution, in compliance with the criteria and requirements of BNDES.

(ii) The first issue of simple debentures, non-convertible into shares, has as collateral future receivables arising from receivables. Additionally, the Company was required to maintain deposited R$3,000 in a securities account in 2019.

The changes in borrowings and financing were as follow:

	Parent Company	Consolidated
Balance as at December 31, 2018	**14.369**	**14.609**
New borrowings and financing	50.000	50.000
Additions due to acquisitions	-	1.531
Interest accrued	4.277	4.397
Interest paid	(4.303)	(4.423)
Amortization	(3.610)	(5.381)
Balance as at December 31, 2019	**60.733**	**60.733**

The expected payment schedule for borrowings and financing is as follow:

	Parent Company	Consolidated
2020	15.674	15.674
2021	14.274	14.274
2022	14.286	14.286
2023	14.281	14.281
After 2023	2.218	2.218
Total	**60.733**	**60.733**

(In thousands of reais, unless otherwise indicated)

(a) COVENANTS

The BNDES financing contracts No. 14209211 and No. 17203411018 are not subject to covenant clauses related to the compliance with economic and financial ratios.

The debentures have financial covenants that must be evaluated as at December 31, 2019, based on the Net Debt/EBITDA indicator (resulting in an index lower than 3 in the first year; 2.5 in the second and third year; 1.9 in the fourth year; and 1.8 in the fifth year) and based on the EBITDA/Finance Income (Costs) ratio (resulting in an index higher than 3). In 2019, the Company complied with all covenants.

14 LABOR LIABILITIES

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
INSS/FGTS payable	1.574	770	2.917	2.674
IRRF on payroll	1.185	572	1.847	1.658
Provision for vacation pay	5.519	2.101	8.857	7.178
Bonuses, commissions and profit sharing (i)	-	2.054	29	2.159
Other	509	9	586	38
	8.787	**5.506**	**14.236**	**13.707**

(i) The provision for bonuses and profit sharing is recorded monthly and depends on the achievement of the corporate and the employee's individual goals. These amounts are always paid in April of the subsequent year. No bonus was paid for the year 2019.

15 TAX LIABILITIES

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
IR and CS payable	3	-	155	956
ISS payable	453	198	912	817
PIS/COFINS payable	274	31	419	490
Tax installments	103	-	3.904	3.951
Other taxes payable	23	71	44	196
Total	**856**	**300**	**5.434**	**6.410**
Current	**753**	**283**	**1.972**	**2.824**
Non-current	**103**	**17**	**3.462**	**3.586**

(In thousands of reais, unless otherwise indicated)

16 LIABILITIES ARISING FROM INVESTMENT ACQUISITION

Refer to installments payable for investment acquisitions made by the Company and its subsidiaries, recorded in current and non-current liabilities, as follows:

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Acquisition of Controlpart	144	484	144	484
Acquisition of ConsultBrasil	588	-	588	906
Acquisition of att/PS Informática	13.754	16.933	13.754	16.933
Acquisition of Atena	-	-	5.667	-
Acquisition of ADSPrev	-	-	2.319	-
Acquisition of SoftPar	-	-	17.233	-
Acquisition of Stock&Info	-	-	496	-
	14.486	**17.417**	**40.201**	**18.323**
Current	**7.182**	**5.670**	**10.404**	**6.026**
Non-current	**7.304**	**11.747**	**29.797**	**12.297**

Expected payment of liabilities arising from investment acquisition is as follows:

	Parent Company	Consolidated
2020	7.182	10.404
2021	7.304	15.762
After 2021	-	14.035
Total	**14.486**	**40.201**

17 PROVISION FOR LEGAL PROCEEDINGS

In the normal course of its activities, the Company is subject to tax, civil and labor lawsuits. The 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 escrow deposits as at December 31, 2019 and December 31, 2018, relating to labor and social security lawsuits in progress.

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Civil	12.079	-	13.650	12.186
Labor	1.690	377	12.017	4.658
Tax	1.763	-	12.131	5.001
	15.532	**377**	**37.798**	**21.845**

(In thousands of reais, unless otherwise indicated)

Changes in provision for contingencies were as follows:

	Parent Company	Consolidated
Balance as at December 31, 2018	**377**	**21.845**
Additions	1.637	1.925
Additions for corporate reorganization (i)	16.859	-
Additions due to acquisitions	-	18.543
Payments	(597)	(640)
Reversals	(2.744)	(3.875)
Balance as at December 31, 2019	**15.532**	**37.798**

(i) The increase in the balance of provision for contingencies in the Parent Company occurred due to the merger of att/PS.

The Company and its subsidiaries are also party to labor and tax lawsuits whose likelihood of loss, according to their legal advisors and the Company's Management, is classified as possible, for which no provision was recognized. The total adjusted value of these lawsuits corresponds to R$ 16,740 as at December 31, 2019 (as at December 31, 2018 – R$16,965), in the Parent Company, and R$ 23,354 as at December 31, 2019 (as at December 31, 2018 – R$24,013), in the Consolidated. In addition, the Company has escrow deposits, in the amount of R$269 as at December 31, 2019 (as at December 31, 2018 – R$ 58), in the Parent Company, and R$309 as at December 31, 2019 (as at December 31, 2018 – R$297), in the Consolidated.

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) Tax

Tax lawsuits refer to legal disputes involving municipal and federal taxes, especially to requests for compensation and/or refund not approved, as well as tax risks identified in the acquisition processes.

c) Civil

The civil lawsuits relate mainly to suits filed under the allegation of certain problems in the provision of services offered and reimbursement of securities.

18 EQUITY

18.1 Share capital

At a meeting held on September 17, 2019, the Board of Directors approved the capital increase of the Company, within the authorized capital limit, pursuant to article 5 of the Bylaws, in the amount of R$362,700,000.00, through the issuance of 5,850,000 common shares, at the issue price of R$21,837.

At a meeting held on September 12, 2019, the Board of Directors resolved to split the Company's shares, in the proportion of 3 new shares for each currently existing share.

The Company's capital is R$413,261, represented by 70,548,812 registered common shares with no par value. The holders of common shares are entitled to one vote per share at the Shareholders' Meetings.

(In thousands of reais, unless otherwise indicated)

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.

	12.31.2019		12.31.2018	
Shareholders	**Shares**	**%**	**Shares**	**%**
HIX Investimentos Ltda.	5.728.296	8,12%	7.241.596	15,36%
SFA Investimentos Ltda.	5.438.800	7,71%	2.410.800	5,11%
Antonio Luciano de Camargo Filho	5.327.212	7,55%	5.311.012	11,26%
Bernardo Francisco Pereira Gomes	5.316.344	7,54%	5.311.308	11,26%
BB DTVM S.A.	3.552.540	5,03%	-	-
BNDES Participações S.A.	–	0,00%	5.189.040	11,01%
Una Capital Ltda.	–	0,00%	2.474.080	5,25%
Treasury shares	–	0,00%	1.078.560	2,29%
Other shareholders	45.185.620	64,05%	18.132.416	38,46%
Total	**70.548.812**	**100%**	**47.148.812**	**100%**

18.2 Earnings reserve

The earnings reserve is composed of the accumulated balance of profit and loss allocations approved at the Shareholders' Meetings.

a) Dividends and interest on capital

As at December 31, 2018, the Company accrued dividends equivalent to 25% of net profit for the year, recorded in current liabilities. There was no distribution of dividends or interest on capital in 2019.

18.3 Capital reserves

The balances of capital reserves as at December 31, 2019 and December 31, 2018 were composed of the effects of the stock compensation plan and the result of treasury stock sale transactions.

a) Share-based compensation plan

As foreseen in the Share-based Compensation Plan, in April 2018, the beneficiaries exercised the options of the second vesting period. The plan expenses in 2019 totaled R$731.

b) Sale of treasury shares

At a meeting held on April 6, 2018, the Board of Directors authorized the sale of up to 289,494 Company's shares held in treasury, pursuant to CVM Instruction 567/15. In April 2018, the Company sold the authorized totality, in the trading sessions of B3 S.A. - Brasil, Bolsa, Balcão ("B3"), for the gross amount of R$7,832, reinforcing the cash balance to continue the consolidation strategy.

At a meeting held on May 20, 2019, the Board of Directors authorized the Company to sell up to 240,701 shares issued by it, representing all the shares held in treasury, pursuant to CVM Instruction 567/15. On September 26, 2019, the Company announced that it sold the total amount authorized in B3 trading sessions, for the gross amount of R$9,096, with the purpose of reinforcing the cash balance to finance new acquisitions and expanding the free float to favor the liquidity in the secondary market.

(In thousands of reais, unless otherwise indicated)

19 NET OPERATING REVENUE

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Consulting and projects	6.005	2.431	9.427	9.627
Outsourcing	21.019	12.240	51.433	48.475
Software	73.065	25.574	135.885	101.284
Gross service revenue	**100.089**	**40.245**	**196.745**	**159.386**
ISS	(2.769)	(1.159)	(6.236)	(4.604)
PIS and COFINS	(3.680)	(1.464)	(7.553)	(5.808)
Employer's INSS	(4.537)	(1.814)	(7.803)	(6.865)
Taxes on sales	**(10.986)**	**(4.437)**	**(21.592)**	**(17.277)**
Consulting and projects	5.346	2.213	8.352	8.783
Outsourcing	18.712	10.862	45.763	43.108
Software	63.045	22.733	121.038	90.218
Net operating revenue	**89.103**	**35.808**	**175.153**	**142.109**

The average tax rate levied on sales in the period was 10.94% in the Consolidated, comprising PIS/PASEP, COFINS, Tax on Services of Any Kind (ISSQN) and Employer's contributions to the National Institute of Social Security (INSS).

20 COST OF SERVICES

a) Cost of services

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Third-party services	3.782	2.682	8.173	4.818
Personnel, charges and benefits	53.799	17.115	103.025	80.270
Other costs	4.057	1.075	6.090	4.126
	61.638	**20.872**	**117.288**	**89.214**

(In thousands of reais, unless otherwise indicated)

21 GENERAL AND ADMINISTRATIVE EXPENSES

a) General, administrative and selling

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Third-party services	2.475	305	3.934	2.106
Personnel, charges and benefits	13.860	3.461	25.172	17.873
Commissions	1.542	294	2.580	2.027
Rentals, insurance, condominium fees and other	1.921	2.404	4.272	4.328
Addition to (reversal of) provision for bonuses and profit sharing	715	249	803	2.217
Addition to (reversal of) provision for contingencies	(1.107)	288	(1.950)	205
Addition to provision for doubtful accounts	1	65	8	336
Energy, communications and others	934	700	1.359	1.273
Consultants, lawyers and auditors	1.964	372	3.406	1.464
Marketing and advertising	1.171	955	1.308	1.026
Transportation and lodging	673	63	1.357	621
Other expenditures	717	295	1.115	894
Depreciation and amortization	9.860	4.469	15.374	7.199
	34.726	**13.920**	**58.738**	**41.569**

b) Other operating (income) expenses, net

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Variable portion of att/PS	1.384	3.247	1.384	3.247
	1.384	**3.247**	**1.384**	**3.247**

22 FINANCE INCOME (COSTS), NET

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Finance costs:				
Interest from investment acquisition	1.654	1.588	1.647	1.747
Interest on loans	4.277	1.648	4.397	1.648
Bank expenses	238	17	338	78
Adjustment to present value	1.486	12	2.835	13
Tax on Financial Operations (IOF)	59	32	103	58
Interest on earn-out provision (i)	449	1.370	449	1.462
Interest on debentures	908	-	908	-
Other finance costs	95	-	1.018	-
Installments	-	-	160	-
Finance income:				
Income from short-term investments	5.579	581	6.059	1.470
Interest income	52	83	117	230
Other finance income	108	60	234	273
Adjustment to present value	-		10	
	3.427	**3.943**	**5.435**	**3.033**

(i) Refers to the adjustment (provision) to the additional installment to be paid for the acquisition of att/PS Informática S.A.

(In thousands of reais, unless otherwise indicated)

23 PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION

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

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	
	12.31.2019	12.31.2018
Loss before taxes	**(9.637)**	**1.504**
Income tax at the statutory rate (34%)	3.277	(511)
Adjustments for calculation at the effective rate:		
Equity in the results of subsidiaries	828	2.610
Non-deductible capital amortization	(412)	(1.306)
Expenses with share issue	1.282	-
Interest on capital	-	709
Non-deductible provisions	83	(280)
Income tax at effective rate	**5.058**	**1.222**
Deferred income tax and social contribution	**5.058**	**1.222**

	Consolidated	
	12.31.2019	12.31.2018
Profit (loss) before taxes	**(7.692)**	**5.046**
Income tax at the statutory rate (34%)	2.615	(1.716)
Adjustments for calculation at the effective rate:		
Non-deductible capital amortization	(838)	(1.404)
Expenses with share issue	1.282	-
Interest on capital	-	709
Deemed profit from subsidiaries (i)	168	529
Non-deductible provisions	(96)	(428)
Income tax at effective rate	**3.131**	**(2.310)**
Current income tax and social contribution	**(3.174)**	**(3.949)**
Deferred income tax and social contribution	**6.305**	**1.639**

(i) Before merger, subsidiaries Controlpart and ADSPrev Partec computed the income tax and social contribution based on the deemed profit method.

(In thousands of reais, unless otherwise indicated)

b) Deferred income tax and social contribution assets

Deferred income tax and social contribution are broken down as follows:

	Parent Company		Consolidated	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Non-current assets				
Tax loss carryforwards	9.941	2.542	13.989	9.537
Provision for doubtful accounts	46	45	75	281
Accrued profit sharing	-	597	-	646
Provision for contingencies and other liabilities (i)	5.281	128	12.684	7.413
Goodwill arising from business combination	(2.572)	-	(3.546)	209
Other provisions	64	193	125	282
Leases	732	-	681	-
Unbilled services	(503)	(255)	(1.406)	(2.071)
	12.989	**3.250**	**22.602**	**16.297**

(i) The increase in the balance of provision for contingencies in the Parent Company was due to the merger of att/PS. Accordingly, there was no relevant impact on the Consolidated.

Deferred income tax and social contribution were recorded as a result of studies prepared by Management regarding the generation of taxable income that will allow the full realization of these amounts in the coming years, in addition to the expected realization of deductible or taxable temporary differences, as indicated below:

	Parent Company	Consolidated
2020	3.195	6.504
2021	3.682	6.460
2022	3.762	6.077
2023	2.350	3.561
Total	**12.989**	**22.602**

24 EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is made by dividing the net profit (loss) for the period, attributed to the Parent Company's holders of common shares, by the weighted average number of common shares outstanding during the period.

The calculation of diluted earnings (loss) per share is made by dividing the profit (loss) for the period, attributed to the Parent Company's holders of common shares, by the weighted average number of common shares outstanding during the period, plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive common shares into common shares.

(In thousands of reais, unless otherwise indicated)

The following tables present data on earnings (loss) and shares used in the calculation of basic and diluted earnings (loss) per share:

	Parent Company and Consolidated	
	12.31.2019	**12.31.2018 (*)**
Basic earnings (loss) per share		
Numerator		
Profit (loss) for the period attributed to the Company's shareholders	(4.579)	2.726
Denominator		
Outstanding common shares	53.466.625	47.148.812
Basic earnings (loss) per share (in R$)	**(0,086)**	**0,058 (*)**

	Parent Company and Consolidated	
	12.31.2019	**12.31.2018**
Diluted earnings (loss) per share		
Numerator		
Profit (loss) for the period attributed to the Company's shareholders	(4.579)	2.726
Denominator		
Weighted average number of outstanding common shares	53.466.625	47.148.812
Potential increase from stock options and restricted share plan	313.776	283.728
Diluted earnings (loss) per share (in R$)	**(0,085)**	**0,057**

(*) Due to the stock split that occurred in 2019, the balances were restated as required by paragraph 64 of CPC 41 - Earnings per Share.

25 LEASES

The lease liability was recognized in accordance with the new accounting standard IFRS 16/CPC 06 (R2), which requires that the liability for future payments and the right to use the leased assets be registered for all contracts contained in the scope of the standard. Currently, the only relevant lease agreements that Sinqia S.A. has relate to rental of real estate. For all current leases the discount rate of 7.38% was used.

		Parent Company		Consolidated	
	Maturity	**12.31.2019**	**12.31.2018**	**12.31.2019**	**12.31.2018**
Belo Horizonte Office	12/31/2028	4.581	-	4.581	-
São Paulo 1 Office	07/01/2028	12.668	-	12.668	-
São Paulo 2 Office	10/11/2028	3.275	-	3.276	-
TORQ Office	10/11/2028	-	-	1.423	-
Curitiba Office	09/02/2021	-	-	1.230	-
Morumbi Office	10/28/2020	290		290	
Total		**20.814**	**-**	**23.468**	**-**
Current		**2.070**	**-**	**2.899**	**-**
Non-current		**18.744**	**-**	**20.569**	**-**

(In thousands of reais, unless otherwise indicated)

Under Circular Letter CVM/SNC/SEP/N°02/2019, the Company adopted CPC06 (R2) in the measurement and remeasurement of the right to use, based on the discounted cash flow method, less inflation. Management evaluated the use of nominal flows and concluded that they do not cause a material misstatement in the financial statements.

In order to ensure the accurate restatement of the information under CPC06 (R2), as directed by the CVM's technical areas, liability balances not adjusted for inflation and effectively recorded (actual flow x actual rate), and estimated balances adjusted for inflation (nominal flow x nominal rate) were considered for purposes of comparison in the periods.

Other assumptions, such as the maturity of the liabilities and interest rates used in the calculation are disclosed in other items of this explanatory note, as well as the inflation indices observable in the market, for purposes of disclosure of the nominal flows in the financial statements.

	Parent Company		**Consolidated**	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Actual flow at actual rate				
Lease liability	27.899	-	31.151	-
Adjustment to present value	(7.085)	-	(7.683)	-
	20.814	-	**23.468**	-
Nominal flow at nominal rate				
Lease liability	31.917	-	35.784	-
Adjustment to present value	(8.457)	-	(9.200)	-
	23.460	-	**26.584**	-

26 NON-CASH TRANSACTIONS

Investing and financing transactions that do not involve the use of cash or cash equivalents were excluded from the statement of cash flows. The Company performed the following non-cash investing and financing activities:

	Parent Company		**Consolidated**	
	12.31.2019	**12.31.2018**	**12.31.2019**	**12.31.2018**
Recognition of leasing assets	20,859	-	24,774	-
Recognition of leasing liabilities	(20,859)	-	(24,774)	-
Recognition of liabilities arising from investment acquisition	-	-	(24,567)	-
Assets acquired in business combination	-	-	8,655	
Liabilities acquired in business combination	-	-	(8,655)	-

27 SUBSEQUENT EVENTS

On January 31, 2020, the Company informed that, in compliance with CVM Instruction 358, the quotaholders' meeting held on January 31, 2020 approved the incorporation by Senior Solution Consultoria em Informática Ltda. of its wholly-owned subsidiary Stock & Info Ltda. ("Stock Info"), with no change in the Company's equity.

Section F – Accounting policies

28 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.

28.1 CONSOLIDATION

Subsidiaries are all entities over which the Company has control. Sinqia S.A. 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 Sinqia S.A., and are deconsolidated from the date that control ceases.

Identifiable assets acquired 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 Sinqia S.A.

28.2 FOREIGN CURRENCY TRANSLATION

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

28.3 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 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 finance costs in the statement of profit and loss, 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 leases and obligations from investment acquisition (both short- and long-term obligations).

28.4 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".

28.5 FINANCIAL INSTRUMENTS

28.5.1 CLASSIFICATION

Financial instruments are originally recognized at fair value plus transaction costs that are directly attributable to their acquisition or issuance, except when financial assets and liabilities are classified at fair value through profit or loss, and these costs are directly recorded in profit or loss. They are subsequently measured at the balance sheet date based on the classification of financial instruments into the following categories: (i) amortized cost; (ii) fair value through profit or loss; and (iii) fair value through comprehensive income (loss).

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

28.5.2 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 profit and loss. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred; in this case, provided that 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 profit and loss as part of other income when the Company's right to receive dividends is established.

28.5.3 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset, and the net amount is 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.

28.5.4 IMPAIRMENT OF 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 asset is reduced and the amount of loss is recognized in the statement of profit and loss. 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 profit and loss.

28.6 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.

28.7 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 Copany's activities. If collection is expected in one year or less, trade receivables are classified as current assets. If not, they are presented as noncurrent assets.

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

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 provision for doubtful accounts 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.

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

28.8 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’s financial statements.

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 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 profit and loss as equity in the results of subsidiaries, 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 profit and loss.

28.9 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. 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 are not amortized, being subjected to an annual impairment test.

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 profit and loss 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, 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. 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) 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

Customer portfolio 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.

28.10 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 profit and loss as incurred.

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.

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

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 in line item "Other operating income (expenses), net", in the statement of profit and loss.

28.11 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.

28.12 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 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.

28.13 BORROWINGS AND FINANCING

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 profit and loss 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 expiration.

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.

28.14 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 finance costs.

28.15 CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution expenses represent the sum of current and deferred taxes. Income taxes are recognized in current income, except to the extent that they are related to items recognized directly in equity or comprehensive income. In this case, the tax is also recognized in equity or comprehensive income.

Current and deferred income tax and social contribution charges are calculated based on tax laws enacted, or substantially enacted, on the balance sheet date. Management periodically evaluates the positions taken by the Company in the income tax returns in relation to situations in which the applicable tax regulations give rise to interpretations.

Deferred income tax and social contribution is recognized using the liability method on temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax and social contribution is not accounted for if it results from the initial recognition of an asset or liability in an operation that is not a business combination which, at the time of the transaction, does not affect the accounting result, nor the profit taxable amount (tax loss).

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable income will be available and against which temporary differences can be used.

Deferred income tax assets and liabilities are shown net in the balance sheet when there is a legal right and the intention to offset them when calculating current taxes, generally when related to the same legal entity and the same tax authority.

28.16 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, exchange rate changes and inflation adjustments, 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.

28.17 EMPLOYEE BENEFITS

a) Share-based compensation

In accordance with CPC10 – Share-based Compensation, 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.

b) Profit sharing

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

28.18 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 taxes, from the proceeds.

28.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

The service contract with customers is defined as an agreement between two or more parties that creates enforceable rights and obligations, which can be written, verbal or implicit.

Revenue is recognized as the Company satisfies the performance obligations, in the transfer of the service agreed with the customer. A service is considered to be transferred when the customer obtains control. For long contracts, the Company obtains formal evidence of the customer's acceptance of the service.

Revenue from the provision of services to customers is measured at an amount that reflects the consideration to which the entity expects to be entitled in exchange for said products or services.

28.20 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 Shareholders' Meeting, based on the Company's bylaws, or authorized by the Board of Directors.