Linx S.A.

Financial statements
December 31, 2016 and 2015

(A free translation of the original report in Portuguese as published in Brazil)

KPDS 177802

Contents

Management Report

Dear shareholders,

The Management of Linx S.A. (“Linx”, “Company”) submits to your appreciation Interim Financial Statements for the periods ended December 31, 2015 (“4th quarter of 2015”, “4Q15”) and December 31, 2016 (“4th quarter of 2016”, “4Q16”).

Linx is the leader in the supply of management software solutions for the Brazilian retail market.

The Company has been present in the market for more than 30 years offering its clients integrated business management systems that cover the entire retail chain. From commercial automation software that carry out all necessary sales point transactions (POS) to full Enterprise resource planning (ERP), in addition to connection solutions, electronic transfer of funds, electronic invoice, e-commerce, CRM, NFC-e and mobility, fully integrated mobility, and others.

Operating and financial performance

In 4Q16, the recurring income totaled R$ 126.3 million, an increase of 12.3% over 4Q15 and of 5.6% over 3Q16, representing 84% of gross operating income. This increases demonstrate resiliency of business model based on recurring income, lock-in with client base and diversification of verticals, geographies and portfolio.

We recall that despite recent recovery in consumers and companies’ confidence indices, real economy and retail market performances was still weak during the quarter. Thus, most of the growth continues being supported by cross-selling and the launching of new solutions. The net balance of store openings continues greatly reduced. However, as the economy and retail segment recover, this balance may again become an important source of growth for Linx. Finally, there was the consolidation of Intercamp in this quarter, as of November 2016.

Income from service reached R$ 24.2 million in the quarter, 8.2% lower than in 4Q15. As for 3Q16, income from service increased 12.6%. Even with such growth, we stressed that Linx strategy is to streamline and accelerate deployment, customization and training processes for its clients, thus reducing the need for services and making the solutions more affordable. Migration to the cloud is a key factor in this movement. Currently, over 45% of recurring income already comes from 100% cloud offers. In 2013, this percentage was 30%.

Combination of recurring income and income from services is gross operating income (ROB). In the 4Q16, it was R$150.6 million, an increase of 8.4% over the 4Q15.

Net operating income (ROL) reached R$ 132.0 million in the 4Q16, representing an increase of 8.4% in relation to the R$121.8 million of 4Q15.

Lower growth of gross and net income in the 3Q16 in comparison with the 3Q15 derives from increase, beginning as of December 2015, of INSS percentage on gross income, which went from 2.0% to 4.5%. Accordingly, only beginning as of the 1Q17 we will again have similar comparison bases gross and net income growth.

(R$ thousand)	4Q16	4Q15	△%	3Q16	△%	2016	2015	△%
Net operating income	131,994	121,803	8.4%	123,371	7.0%	495,798	449,183	10.4%
Cost of services rendered	(40,170)	(34,773)	15.5%	(36,713)	9.4%	(147,364)	(128,267)	14.9%
Gross income	**91,824**	**87,030**	**5.5%**	**86,658**	**6.0%**	**348,434**	**320,916**	**8.6%**
Operating expenses	**(76,598)**	**(69,175)**	**10.7°%**	**(69,858)**	**9.6%**	**(280,259)**	**(251,155)**	**11.6%**
General and administrative	(42,958)	(37,289)	15.2%	(37,521)	14.5%	(152,350)	(134,784)	13.0%
Sales and marketing	(16,539)	(14,654)	12.9%	(16,244)	1.8%	(62,453)	(54,768)	14.0%
Research and development	(15,498)	(16,245)	-4.6%	(14,795)	4.8%	(59,894)	(57,818)	3.6%
Other operating income (expenses)	(1,603)	(987)	62.4%	(1,298)	23.5%	(5,562)	(3,785)	46.9%
EBIT	**15,226**	**17,855**	**-14.7%**	**16,800**	**-9.4%**	**68,175**	**69,761**	**-2.3%**
Depreciation and amortization	15,279	14,364	6.4%	13,994	9.2%	56,316	51,869	8.6%
EBITDA	**30,505**	**32,219**	**-5.3%**	**30,794**	**-0.9%**	**124,491**	**121,630**	**2.4%**
EBITDA margin	**23.1%**	**26.5%**	**-330 bps**	**25.0%**	**-180 bps**	**25.1%**	**27.1%**	**-190 bps**

Operating expenses, which comprise administrative expenses, depreciation and amortization (non-cash), sales and marketing, research and development and other operating income (expenses) totaled R$ 76.6 million in 4QT16, an increase of 10.7% over 4Q15 and 9.6% over 3Q16.

EBITDA reached R$30.5 million in the 4Q16, a decrease of 5.3% in comparison with the 4Q15, considering the increased INSS contribution on gross income. Compared to 3Q16, EBITDA remained stable.

EBITDA margin was 23.1%, 330 bps below the 4Q15 and 180 bps below the 3Q16.

In the year 2016, EBITDA recorded an increase of 2.4% compared to 2015, with adjusted EBITDA margin of 25.1%, despite the increase in the INSS contribution and the slowdown in income growth, reflecting another year of difficulties in the economy and in the retail segment.

Net income was R$ 18 million in 4Q16, an increase of 14.7% compared to R$ 15.7 million in 4Q15 and stable in relation to 3Q16.

Statement of the Statutory Executive Board

In compliance with Securities Commission (CVM), the Statutory Executive Board of Linx declares that discussed, reviewed and agreed with the conclusions expressed in the Independent Auditors' audit report and with the annual financial statements for the year ended December 31, 2016, authorizing the disclosure.

Relations with independent auditors

The financial statements of the Company and its subsidiaries are audited by KPMG Auditores Independentes.

The Company's policy for contracting services other than external audit intends to evaluate the existence of conflict of interest; thus, the following aspects are analyzed: the auditor should not (i) audit his/her own work; (ii) perform managerial jobs in the client, and (iii) promote his/her client's interest.

Accordingly, in the fiscal year ended December 31, 2016 the following services were contracted: (i) “Due Diligence” services”, (ii) legal review of corporate acts (iii) review of corporate income tax return (DIPJ). Those services amount to R$ 307 thousand, which represent 40% of the external audit services contracted for the year.

In relation to these services, KPMG declared to the Company that there was no de facto bond or situation that has constituted a conflict of interests that would render the pursuit of its activities as a Company auditor in an independent manner unviable.

São Paulo, February 13, 2017.

Executive Board

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Independent auditors' report on the individual and consolidated financial statements

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

Opinion
We have audited the individual and consolidated financial statements of Linx S.A. (Company) and its subsidiaries, identified as Parent Company and Consolidated, respectively, comprising the balance sheet as at December 31, 2016 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding explanatory notes, including the significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Linx S.A. and its subsidiaries as at December 31, 2016, the individual and consolidated financial performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the 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 responsibility under those standards are described in the following section entitled "Auditor's responsibilities auditor for the audit of the individual and consolidated financial statements" We are independent of the Company and its subsidiaries, in accordance with the relevant ethical principles established in the Accountant Code of Professional Ethics and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the current year. These matters were addressed in the context of our audit of individual and consolidated financial statements as a whole and in forming our opinion on these individual and consolidated financial statements and, therefore, we do not provide a separate opinion on these matters.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Capitalization of software development costs (Notes 4.5.2 and 11) - Parent Company and Consolidated

The Company's software development activities involve several projects aimed at developing new or substantially improved products in the retail industry. Therefore, the balance of intangible assets related to software development is material, as well as the amounts capitalized during the year. The determination of whether an expense should be capitalized involves a high degree of judgment by the Company, which must demonstrate that the criteria established for the capitalization of software development costs have been met.

How our audit addressed this matter

Our audit procedures included the understanding of the flow of information related to the identification and valuation of capitalized development costs and monitoring of associated projects. We have identified projects that have reached the stage of development and, with the support of our information technology specialists, we evaluated whether those projects were related to the development of new and substantially improved products. We tested a sample of amounts capitalized to assess whether all criteria defined for the capitalization of development costs were met and whether the capitalized expenses occurred before the date of completion of the development project. We also considered the adequacy of disclosures made in the financial statements.

Based on the evidence obtained through the aforementioned procedures, we consider the criteria adopted by the Company appropriate for capitalization of software development costs in the context of individual and consolidated financial statements taken as a whole.

Revenue recognition (Note 4.8) - Parent Company and Consolidated

The Company's revenue is derived from activities that includes software licensing and support and maintenance services to clients in the retail industry. This process involves judgment in determining when the risks and benefits are transferred to the counterparty and, therefore, when revenue should be recognized.

How our audit addressed this matter

Our audit procedures included the evaluation of the design, implementation and operating effectiveness testing of controls over revenue recognition process, understanding of accounting policies and their application to contracts entered into with clients, and an understanding of the criteria for pricing of components of the same contract. On a sampling basis, we also performed document testing on the existence and accounting of revenue in the appropriate period. We also considered the adequacy of disclosures made in the financial statements.

Based on the evidence obtained through the aforementioned procedures, we consider the policy adopted by the Company for revenue recognition appropriate in the context of individual and consolidated financial statements taken as a whole.

Recoverable amount of goodwill on business acquisitions (Notes 4.6.2 and 11) - Parent Company and Consolidated

The Company conducts business combinations that generate significant goodwill amounts, whose recoverable value involves significant judgment in determining the assumptions and estimates, such as growth rates and discount rates used in determining future cash flows.

How our audit addressed this matter

We evaluated the Company's assumptions to determine the cash-generating unit to which goodwill should be allocated for impairment analysis. With the support of our internal corporate finance specialists, we evaluated the reasonableness and consistency of the assumptions used in the preparation of cash flow forecasts, including growth rates and discount rates and comparing these assumptions with market information and based on our knowledge of the Company and industry in which it operates, and compared the sum of the discounted cash flows with the market value of the Company, based on publicly traded shares, for the purposes of evaluating the reasonableness of these cash flows. We also considered the adequacy of disclosures made in the financial statements.

The result of our procedures was satisfactory and we consider the estimated goodwill recoverable value on business acquisitions acceptable in the context of individual and consolidated financial statements taken as a whole.

Accounting of business combinations (Notes 2.1 and 4.1.1) - Consolidated
In November 2016, the Company acquired equity control of Intercamp Sistemas e Comércio de Informática S/A, which operates mainly in the segment of management software for service stations and convenience stores. We considered that estimates associated with accounting for a business acquisition involve a significant risk since there are significant judgments in determining the fair value of assets and liabilities identified in that transaction.

How our audit addressed this matter
With the support of our internal corporate finance specialists, we assessed the main assumptions and methodology used by the Company in the determination and proper recognition of the fair value of acquired assets and liabilities and contingent payments related to the acquisition, based on our knowledge of the Company and industry in which it operates, and compared the independent calculations performed with external and historical data to analyze the reasonableness of the fair value. We also considered the adequacy of disclosures made in the financial statements.

The result of our procedures was satisfactory and we consider the assumptions and methodologies used in the accounting for businesses acquisition acceptable in the context of the consolidated financial statements as a whole.

Other issues

Statements of added value
The individual and consolidated statements of added value for the year ended December 31, 2016, prepared under management's responsibility, and presented as supplementary information for purposes of IFRS, were subjected to audit procedures performed together with the audit of the Company's financial statements. In order to express 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 defined in CPC 09 - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying individual and consolidated financial statements and the auditor's report
The Company's management is responsible for such other information comprising the Management Report.

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Our opinion on the individual and consolidated financial statements does not include the Management Report and we do not express any form of assurance conclusion on this report.

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 with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, as well as for the internal controls that it determines necessary to enable the preparation of these financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing Company´s ability to continue as a going concern, disclosing, as applicable, matters related to the 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 of the Company and its subsidiaries are responsible for overseeing the Company´s financial reporting process.

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

Our objectives are to obtain reasonable assurance that individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors´ 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 auditing standards 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 audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified 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 internal controls of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors´ 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 auditors´ report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether 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 individual and consolidated financial statements. We are responsible for the directing, supervision and performance of the group audit and, accordingly, remain solely responsible for our audit opinion.

We communicated 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 complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be sought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, February 13, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Rogério Hernandez Garcia
Accountant CRC 1SP213431/O-5

Linx S.A.

Balance sheets at December 31, 2016 and 2015

(In thousands of reais)

		Parent company		Consolidated	
Assets	**Note**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current assets					
Cash and cash equivalents	5	52	116	7,227	14,790
Interest earning bank deposits	6	31,261	8,021	639,185	229,091
Trade accounts receivable	7	-	-	107,290	91,690
Inventories		-	-	169	29
Recoverable taxes		7,473	6,225	29,687	25,610
Loans to related parties	8	11,343	11,201	-	-
Other receivables		35	137	12,061	12,094
		50,164	25,700	795,619	373,304
Non-current assets					
Interest earning bank deposits	6	-	-	19,036	-
Trade accounts receivable	7	-	-	1,774	2,778
Loans to related parties	8	2,812	13,862	-	-
Other receivables		-	-	10,875	753
Deferred tax assets	15	4,108	-	4,168	-
		6,920	13,862	35,853	3,531
Investments	9	1,123,720	651,404	-	-
Property, plant and equipment	10	-	-	51,258	47,691
Intangible assets	11	-	-	600,642	571,561
		1,130,640	665,266	687,753	622,783
		1,180,804	690,966	1,483,372	996,087

		Parent company		Consolidated	
Liabilities	**Note**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current liabilities					
Suppliers		22	14	6,254	6,454
Loans and financing	12	11,294	11,170	34,499	11,917
Labor obligations	13	-	-	31,204	28,790
Taxes and contributions payable		165	661	6,368	6,292
Income and social contribution taxes		-	-	2,878	600
Accounts payable from acquisition of subsidiar	14	-	-	23,508	28,335
Deferred income	4,8	-	-	7,176	10,593
Interest on own capital payable	8/16	-	20	-	20
Advance of dividends	8	13,125	-	1,125	-
Debts with related parties		108			
Other accounts payable		-	-	4,110	5,865
		24,714	11,865	117,122	98,866
Non-current liabilities					
Loans and financing	12	2,812	13,862	96,268	116,421
Accounts payable from acquisition of subsidiar	14	-	-	57,086	67,236
Deferred tax liabilities	15	-	-	57,169	45,543
Other accounts payable		-	-	1,931	2,207
Provision for contingencies	17	-	-	518	575
		2,812	13,862	212,972	231,982
Shareholders' equity	16				
Capital		480,808	352,501	480,808	352,501
Capital reserves		512,303	195,947	512,303	195,947
Profit reserves		141,292	108,791	141,292	108,791
Additional dividends proposed		18,875	8,000	18,875	8,000
		1,153,278	665,239	1,153,278	665,239
		1,180,804	690,966	1,483,372	996,087

Linx S.A.

Statements of income

Years ended December 31, 2016 and 2015

(In thousands of reais)

		Parent company		Consolidated	
	Note	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net operating revenues	18	-	-	495,799	449,183
Cost of services rendered	19	-	-	(147,364)	(128,267)
Gross income		-	-	348,435	320,916
Operating revenue (expenses)					
Administrative and general	19	(208)	(124)	(152,350)	(134,784)
Research and development	11/19'	(35)	-	(59,894)	(57,818)
Sales	19	-	-	(62,453)	(54,768)
Equity income (loss)	9	64,083	53,934	-	-
Other operating expenses	19	-	-	(5,562)	(3,785)
Income (loss) before net financial income and expenses and taxes		63,840	53,810	68,176	69,761
Financial income	20	9,278	12,571	49,467	31,865
Financial expenses	20	(2,380)	(2,143)	(24,744)	(20,260)
Net financial income (expenses)		6,898	10,428	24,723	11,605
Income before taxes		70,738	64,238	92,899	81,366
Current income and social contribution ta	15	-	(279)	(10,595)	(5,052)
Deferred income and social contribution t	15	(2,237)	(141)	(13,803)	(12,496)
Net income for the period		68,501	63,818	68,501	63,818
Earnings per share					
Basic earnings per share (in reais)		0.4590	0.4546	0.4590	0.4546
Number of shares		149,249,887	140,381,183	149,249,887	140,381,183
Earnings per share					
Diluted earnings per share (in R$)		0.4573	0.4537	0.4573	0.4537
Number of shares		149,780,388	140,676,254	149,780,388	140,676,254

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Statements of comprehensive income

Years ended December 31, 2016 and 2015

(In thousands of reais)

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Net income for the year	68,501	63,818	68,501	63,818
Other comprehensive income	-	-	-	-
Total comprehensive income	68,501	63,818	68,501	63,818

Linx S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2016 and 2015

(In thousands of reais)

			Capital reserves				Profit reserves					
	Note	**Capital**	**Goodwill in capital subscription**	**Stock option plan**	**Expenses with issuance of**	**Total**	**Legal reserve**	**Profit retention**	**Total**	**Retained earnings**	**Additional dividends proposed**	**Total**
Balances at January 1, 2015		350,662	214,131	3,905	(24,692)	193,344	7,037	69,936	76,973	-	13,199	634,178
Capital increase		1,839	-	-	-	-	-	-	-	-	-	1,839
Stock option plan		-	-	2,603	-	2,603	-	-	-	-	-	2,603
Dividend distribution		-	-	-	-	-	-	-	-	-	(13,199)	(13,199)
Net income for the year		-	-	-	-	-	-	-	-	63,818	-	63,818
Allocations:												
Interest on own capital		-	-	-	-	-	-	-	-	(24,000)	-	(24,000)
Additional dividends proposed		-	-	-	-	-	-	-	-	(8,000)	8,000	-
Profit retention		-	-	-	-	-	-	31,818	31,818	(31,818)	-	-
Balances at December 31, 2015		352,501	214,131	6,508	(24,692)	195,947	7,037	101,754	108,791	-	8,000	665,239
Capital increase	16	128,307	325,440	-	-	325,440	-	-	-	-	-	453,747
												-
Expenses with issuance of shares	16	-	-	-	(12,317)	(12,317)	-	-	-	-	-	(12,317)
												-
Dividend distribution		-	-	-	-	-	-	-	-	(17,125)	(8,000)	(25,125)
												-
Stock option plan	25	-	-	3,233	-	3,233	-	-	-	-	-	3,233
												-
Net income for the period	16	-	-	-	-	-	-	-	-	68,501	-	68,501
Allocations:												-
Additional dividends proposed										(18,875)	18,875	-
Profit retention	16	-	-	-	-	-	-	32,501	32,501	(32,501)		-
												-
Balances at December 31, 2016		480,808	539,571	9,741	(37,009)	512,303	7,037	134,255	141,292	-	18,875	1,153,278
						-						

Linx S.A.

Statements of cash flows

Years ended December 31, 2016 and 2015

(In thousands of reais)

		Parent company		Consolidated	
	Note	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Cash flows from operating activities					
Net income for the period		68,501	63,818	68,501	63,818
Adjustments to reconcile income to cash and cash equivalents generated by operating activities					-
					-
Depreciation and amortization	10/11	-	-	56,316	51,869
Equity income (loss)	9	(64,083)	(53,934)	-	-
Income from the sale of property, plant and equipment and intangible assets	10/11	-	-	285	813
Addition and reversal for doubtful accounts	7	-	-	381	(670)
Share purchase option plan		-	-	3,233	2,603
Financial charges		-	-	16,429	13,846
Deferred taxes	15	2,237	141	13,803	12,496
Current taxes	15	-	279	10,595	5,052
Yield from investments		(7,712)	(11,817)	(45,793)	(31,837)
		(1,057)	(1,513)	123,750	117,990
Decrease (increase) in assets					
Trade accounts receivable		-	-	(14,481)	(18,547)
Inventories				(63)	134
Recoverable taxes		(1,249)	1,587	(3,486)	(3,429)
Other credits and judicial deposits		192	700	(9,755)	(3,486)
Increase (decrease) in liabilities					
Suppliers		9	(391)	(533)	(1,289)
Labor obligations		-	-	1,346	(233)
Taxes and contributions payable			(1,566)	(633)	(2,247)
Deferred income		-	-	(3,417)	(1,841)
Other accounts payable		(496)	-	(2,213)	(1,416)
Income and social contribution taxes paid	15	-	-	(8,377)	(4,100)
Net cash (invested in) from operating activities		(2,601)	(1,183)	82,138	81,536
Cash flows from investment activities					
Acquisition of fixed assets	10	-	-	(12,279)	(13,268)
Acquisition of intangible assets	11	-	-	(35,507)	(27,037)
Capital increase in subsidiaries		(405,000)	(124,000)	-	-
Acquisitions of company less net cash		-	-	(28,197)	(64,492)
Interest on own capital received		-	23,400	-	-
Advance of dividends received		12,000	-	-	-
Interest earning bank deposits	6	(438,831)	(11,790)	(1,157,186)	(247,440)
Redemption of interest and interest earning bank deposits	6	423,303	150,497	773,849	287,822
Net cash from (invested in) investment activities		(408,528)	38,107	(459,320)	(64,415)
Cash flows from financing activities					
Income from loans and financing		-	-	10,000	68,426
Payments of loans and financing		-	-	(11,184)	(13,616)
Financial charges paid		-	-	(14,075)	(8,463)
Payment for the acquisition of subsidiaries		-	-	(26,187)	(28,574)
Interest on own capital paid		(20)	(23,980)	(20)	(25,481)
Capital transfers from shareholders	16	128,307	1,839	128,307	1,839
Premium on the subscription of shares	16	325,440	-	325,440	-
Expenses with issuance of shares	16	(18,662)	-	(18,662)	-
Dividends paid		(24,000)	(14,700)	(24,000)	(13,835)
Net cash generated (invested in) financing activities		411,065	(36,841)	369,619	(19,704)
Decrease in cash and cash equivalents		(64)	83	(7,563)	(2,583)
Statement of decrease in cash and cash equivalents					
At the beginning of the period		116	33	14,790	17,373
At the end of the period		52	116	7,227	14,790
Decrease in cash and cash equivalents		(64)	83	(7,563)	(2,583)

See the accompanying notes to the financial statements.

Linx S.A.

Statements of added value

Years ended December 31, 2016 and 2015

(In thousands of reais)

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income				
Sale of services and goods	-	-	551,184	489,417
Other income	-	-	1,591	3,655
Allowance for doubtful accounts	-	-	357	670
	-	-	553,132	493,742
Inputs acquired from third parties				
Cost of services and goods sold	-		(35,677)	(29,222)
Materials, energy, outsourced services and other operating items	(125)	(45)	(69,088)	(62,489)
Loss and recovery of asset values	-		(5,945)	(4,785)
	(125)	(45)	(110,710)	(96,496)
Gross added value	(125)	(45)	442,422	397,246
Depreciation and amortization	-	-	(56,316)	(51,869)
Net value added produced by the Company	(125)	(45)	386,106	345,377
Added value received as transfer				
Equity income (loss)	64,083	53,934	-	-
Financial income	9,729	12,571	49,919	31,865
	73,812	66,505	49,919	31,865
Total added value to be paid	73,687	66,460	436,025	377,242
Distribution of added value				
Personnel	-	-	234,233	209,234
Direct remuneration	-	-	186,886	170,245
Benefits	-	-	28,335	23,107
FGTS	-	-	19,012	15,882
Taxes, rates and contributions	2,806	499	99,072	74,000
Federal	2,806	499	81,653	58,598
State	-	-	3,574	3,065
Municipal	-	-	13,845	12,337
Third-party capital remuneration	2,380	2,143	34,219	30,190
Interest	2,380	2,143	24,744	20,260
Rents	-	-	9,475	9,930
Own capital remuneration				
Dividends and interest on own capital	36,000	32,000	36,000	32,000
Retained earnings	32,501	31,818	32,501	31,818
	73,687	66,460	436,025	377,242

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of reais)

1 Operations

Established in 1985 and headquartered at Rua Cenno Sbrighi, 170, São Paulo, São Paulo State, Linx offers solutions for software for management in ERP and POS, and also connectivity solutions, TEF, e-commerce and CRM for the retail segment in Brazil. The Company offers innovative and scalable technology focused on and specialized in long term retail segment, and vertical operation model, which combines own teams of the commercial, implementation, advising and supporting areas with our distinguished business model.

Linx S.A. ("Company") became a publicly-held company as of February 6, 2013, and is engaged in holding interest in other Brazilian or foreign commercial or civil companies, as partner, shareholder or quotaholder and also the representation of other companies of any nature in Brazil or abroad and the management of own or third-party assets.

The Company's shares are listed on the New Market segment of BM&F Bovespa and are traded under the ticker symbol LINX3.

It is the direct parent company of the following companies:

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

Linx Serviços de Gerenciamento de Redes Ltda. ("Linx Gerenciamento de Redes"): Engaged in the provision of services of maintenance, rent and management of networks which do not involve generation, transmission and reception of communication signals.

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

The individual and consolidated financial statements include information on Linx S.A., its subsidiaries and exclusive fund, as follows:

	Ownership percentage	
	12/31/2016	12/31/2015
Subsidiaries		
Linx Sistemas e Consultoria Ltda.	99.99%	99.99%
Linx Serviços de Gerenciamento de Redes Ltda.	99.99%	99.99%
Linx Telecomunicações Ltda.	99.99%	99.99%

Indirect subsidiaries		
Neemu Serviços em Tecnologia da Informação S.A. (*)	-	100.00%
Chaordic Systems S.A. (*)	-	100.00%
Chaordic Corporation (**)	100.00%	100.00%
Intercamp Sistemas e Comércio de Informática S.A.	100.00%	-
Exclusive fund		
Retail Fixed Income Private Credit FI	100.00%	100.00%

(*) Companies merged by parent company Linx Sistemas during the year 2016.
(**) Company controlled by Linx Sistemas, arising from the acquisition of Chaordic Systems.

2 Acquisitions of subsidiaries

The Company, by means of its subsidiary Linx Sistemas, obtained controlling interest of the following company in 2016:

2.1 Intercamp Sistemas e Comércio de Informática S.A. (“INTERCAMP”)

On November 7, 2016, the subsidiary Linx Systemas acquired all the shares of Intercamp Sistemas e Comércio de Informática S.A. (“INTERCAMP”), engaged in developing and marketing management software for gas stations and convenience stores.

This acquisition is in line with the Company’s strategic objectives of technological purchases, and specifically, management software focused on the retail sector.

On the date of acquisition the remunerations transferred were allocated to the net assets acquired with a basis on their fair value. Book values of net assets merged by the Company were as follows:

Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Shareholders' equity
2,371	2,882	5,253	2,869	1,594	790

Management estimated that gross income for the period from January 1 to December 31, 2016 would be R$ 17,364 and income for the period, R$ 1,508 (unaudited amounts). For the period from November 2016 to December 31, 2016, net income totals R$ 2,700 with positive income of R$ 244 for the period.

Acquisition value was R$ 42,000, with R$ 29,000 being paid during the year ended December 31, 2016 and the remaining amount will be paid according to the payment schedule and as financial and operating targets established in the purchase agreement are met.

The total fair value of the consideration at the date of acquisition is R$ 39,370. The Company expects to pay 100% of the amounts attributable to the contingent consideration (R$ 8,084)

Summarized below are the amounts of the payments transferred and the recognized amounts of assets acquired and liabilities assumed on the date of all acquisitions made by the Company:

	Acquisition date	Equity interest acquired	Amount of the operation	Adjusted transaction value	Amount paid up to 31/12/2016	Amount payable as of 12/31/2016	Allocation of intangible assets	Goodwill allocation
Previous years	12/31/2014		474,591	501,470	463,787	37,683	181,673	293,816
Neemu	09/03/2015	100%	55,456	57,620	35,322	22,298	10,857	40,093
Chaordic	09/03/2015	100%	55,980	57,060	46,800	10,260	7,751	46,632
Intercamp	11/07/2016	100%	42,000	39,385	29,000	10,385	10,071	28,510
			628,027	**655,535**	**574,909**	**80,626**	**210,352**	**409,051 ***

*Goodwill allocation value does not include the amount of NPV of acquired companies and, therefore, can not be reconciled with note 11.

3 Preparation basis

3.1 Statement of compliance

The financial statements include the significant accounting policies adopted in the preparation of such individual and consolidated financial statements, prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP) in conformity with the pronouncements issued by the Accounting Pronouncement Committee (CPCs).

- All relevant pieces of information characteristic of financial statements, and only them, are being evidenced and correspond to those used by Management.
- Issuance of individual and consolidated financial statements was authorized by the Executive Board on February 13, 2017.

3.2 Measurement basis

The individual and consolidated financial statements were prepared based on the historical cost, except for financial instruments measured at fair value through profit or loss.

3.3 Functional and presentation currency

These individual and consolidated financial statements are being presented in reais, functional currency of the Company and its subsidiaries. All financial information presented in Brazilian reais has been rounded to the nearest value, except otherwise indicated.

3.4 Use of estimates and judgments

The preparation of individual and consolidated financial statements according to CPC requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information on uncertainties as to assumptions and estimates that pose a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 7 - Allowance for doubtful accounts;
Note 11 - Recovery of development costs and Goodwill;
Note 15 - Use of tax credits

4 Significant accounting policies

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

4.1 Consolidation basis

4.1.1 *Business combinations*

Business combinations are recorded using acquisition method, that is, when control is transferred to the Group. For acquisitions carried out as from January 1, 2009, the Company calculates goodwill as the fair value of the consideration transferred, less the net recognized amount (usually the fair value) of the identifiable assets and liabilities.

Transferred consideration does not include amounts referring to payment of pre-existing relations. These amounts are usually recognized in income for the year.

Any contingent consideration payable is measured at its fair value on acquisition date. Subsequent changes in contingent consideration fair value are recorded in income for the year.

Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

4.1.2 *Subsidiaries*

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date they start to be controlled by the Company until the date such control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

The financial information of subsidiaries is recognized under the equity method in the individual financial statements of the parent company.

4.1.3 *Transactions eliminated in the consolidation*

Intragroup balances and transactions, and any income or expenses derived from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains, if any, originating from transactions with investee companies recorded using the equity method, are eliminated against the investment in the proportion of the Company's interest in the subsidiaries. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

4.2 Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currency of the Company and its subsidiaries at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are converted into the functional currency at the exchange rate determined on that date. Foreign exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by interest and effective payments during the period, and the amortized cost in foreign currency at the exchange rate at the end of the presentation period.

4.3 Financial instruments

4.3.1 *Non-derivative financial assets - Recognition and derecognition*

The Company and its subsidiaries recognize the loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiation under which the Company becomes a party to the contractual provisions of the instrument.

The Company and its subsidiaries fail to recognize a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company and its subsidiaries transfer the rights to reception of the contractual cash flows on a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company and its subsidiaries is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right of the Company and its subsidiaries to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.3.2 *Non-derivative financial assets - measuring*

a. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, but not quoted on any active market. Such assets are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses. Loans and receivables comprise cash and cash equivalents, trade accounts receivable and other credits.

b. Cash and cash equivalents.

Cash and cash equivalents include balances of cash and banks, checking account and interest earning bank deposits with original maturities of three months or less as of the contracting date, which are subject to an insignificant risk of change in value and are used to manage short-term obligations.

c. Financial assets measured at fair value through profit or loss

A financial asset is classified as measured at fair value through income if it is classified as maintained for trading, i.e. designated as such at the time of initial recognition. The Company and its subsidiaries make purchasing and selling decisions based on fair value, in accordance with risk management and investment strategies established by the Company and its subsidiaries. The transaction costs are recognized in income (loss) as incurred. Financial assets measured at fair value through profit or loss are measured at fair value and changes in the fair value of such assets, which consider any gain with dividends, are recognized in profit or loss for the year.

4.3.3 *Non-derivative financial liabilities - Recognition, write-off and measuring*

The Company and its subsidiaries recognize non-derivative financial liabilities initially on the negotiation date on which the Company and its subsidiaries become a party to the contractual provisions of the instrument. The Company and its subsidiaries write off a financial liability when its contractual obligations are discharged or canceled or expired.

Such financial liabilities are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method, except for the contingent compensation for the acquisition of subsidiaries which is measured at fair value.

The Company and its subsidiaries have the following non-derivative liabilities: loans and financing, suppliers, accounts payable from acquisition of subsidiaries, dividends and other accounts payable.

4.3.4 *Derivative financial instruments*

The Company and its subsidiaries do not have outstanding derivative financial instruments at December 31, 2016 and 2015.

4.3.5 *Capital*

Common shares

Additional costs directly attributable to the issue of shares and share options are recognized as reducers of the shareholders' equity. Effects from taxes related to these transactions' costs are accounted for in conformity with CPC 32/ IAS 12

4.4 Property, plant and equipment

4.4.1 *Recognition and measurement*

Property, plant and equipment items are measured at historical acquisition, formation or construction cost, net of accumulated depreciation.

The cost includes expenditures that are directly attributable to the acquisition of assets.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of Property, plant and equipment.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "other income" in the statement of income.

4.4.2 *Subsequent costs*

The replacement cost of a component of property, plant and equipment is recognized in the book value of the item when it is probable that the future economic benefits embodied in the component will flow to the Company and its subsidiaries and cost can be reliably measured. The book value of the component that has been replaced by another is written off. The daily maintenance costs of fixed assets are recognized to profit or loss as incurred.

4.4.3 *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, as this method is that more closely reflects the pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are shown in the Note 10.

The depreciation methods, useful lives and residual values are reviewed at the end of fiscal year and potential adjustments will be recognized as a change in accounting estimates, that is, on a prospective basis.

4.5 Intangible assets and goodwill

4.5.1 *Goodwill*

Goodwill arising from the acquisition of subsidiaries is included in intangible assets in the consolidated financial statements. For goodwill measurement upon initial recognition, refer to note 2.

Goodwill is measured at cost, less accumulated impairment losses.

4.5.2 *Research and development*

Research expenses are recognized in income (loss) when incurred.

Development activities involve a plan or project for the production of new or substantially improved products. Development expenses are capitalized only when all the following elements are present: (i) technical feasibility to complete the intangible asset in order for it to be available for use or sale; (ii) intention to complete the intangible asset and use or sell it; (iii) ability to use or sell the intangible asset; (iv) the intangible assets should result in future economic benefit, useful for internal use or asset sale; (v) availability of technical, financial and other proper resources to conclude its development and to use the intangible asset; and (vi) ability to accurately measure the expenses attributable to intangible assets during their development. The expenditures capitalized include the cost of labor and materials that are directly attributable to preparing the asset. Other development expenses are recognized in profit or loss as incurred. Capitalized development expenditures are measured at cost less accumulated amortization and any impairment losses.

4.5.3 *Other intangible assets*

Other intangible assets acquired with finite useful lives are carried at cost, less accumulated amortization and any impairment losses.

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally-generated goodwill and trademarks, are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, except goodwill, from the date they are available for use, since this is the method that best reflects the pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

	In years:
• Software	5
• Software developed	3
• Technology of acquisitions	3-6
• Client portfolio - Acquisitions	8-20
• Non-competitiveness agreement for acquisitions	5
• Trademarks and patents	7

4.6 Impairment

4.6.1 *Financial assets (including receivables)*

Financial assets not measured at fair value through profit or loss, including investments calculated under the equity method of accounting are assessed at each reporting date for objective evidence of impairment loss.

Objective evidence that financial assets were impaired includes:

- debtor default or delays;
- restructuring of an amount owed to Linx Group at conditions that Linx Group would not consider under normal conditions;
- indications that debtor or issuer will become bankrupt;
- negative changes in debtors or issuers' payment situation;
- disappearance of an active market for the instrument; and
- observable data indicating that a decline occurred in measurement of expected cash flows of a group of financial assets.

Financial assets measured at amortized cost

The Company and its subsidiaries consider as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. All individually significant assets are evaluated for impairment losses. Those identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are collectively evaluated for impairment based on group of assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Company and its subsidiaries make use of historical trends of the recovery term and the amounts of losses incurred, adjusted to reflect the Management's judgment in relation to the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between book and present value of estimated future cash flows discounted at the asset's original effective interest rate. The losses are recognized in an allowance in the income statement. When the Company and its subsidiaries consider that there are no reasonable expectations of recovery, amounts are written-off. When a subsequent event indicates an impairment loss, impairment is reversed through income.

Investees recorded under the equity method of accounting

An impairment loss referring to an investee recognized at the equity method is measured by comparing investment's recoverable value with its book value. An impairment loss is recognized in income and reversed if there was a favorable change in estimates used to determine recoverable value.

4.6.2 *Non-financial assets*

The book values of non-financial assets of the Company and its subsidiaries, other than inventories and deferred income tax and social contribution assets are reviewed at each balance sheet date to determine if there is indication of impairment loss. If such indication exists, the asset's recoverable value is determined. In case of goodwill and intangible assets with undefined useful lives, recoverable values are tested on an annual basis.

An impairment loss is recognized when the book value or its CGU (cash generating unit) exceeds its recoverable value.

The recoverable value of an asset or cash generating unit is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment as to the recoverability period of capital and specific risks of the asset or cash generating unit.

As regards other assets, impairment losses recognized in prior years are evaluated at each reporting date in order to indicate that a loss has increased, decreased or no longer exists. An impairment loss is reversed in case estimates used to determine recoverable value change. An impairment loss is reversed only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

4.7 Provisions

A provision is formed if the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

4.8 Operating revenue

The Company's revenue is divided into two groups:

- Revenue from maintenance and subscriptions derives from: (1) subscription revenue related to services to provide the client with the right of use of software in a cloud-based infrastructure provided by the Company or by a third-party, or even based on the client's own internal infrastructure, where the client has no right to end the contract and become the owner of the software or use in its IT infrastructure or a third-party's infrastructure; and (2) revenue related to technological support, helpdesk, rent of equipment, software housing services, payment for the use of tools and support teams located in clients, and connectivity services. Maintenance and subscription are aggregated in a contract usually valid for twelve months. Maintenance and subscription revenue are not reimbursable and are billed and paid on a monthly basis. This revenue is recognized in revenue (loss) on a monthly basis, as services are provided, starting on the date in which services are made available to the client and all other income recognition criteria are met.

- Revenue from service rendered is considered non-recurring and involves implementation services, including personalization, training, software licenses and other services. Income from services is recognized in proportion to the stage of completion of the service.

The revenue from use license is recognized when: i) contract is signed and software is made available to the client; ii) their value may be reliably measured (as contract terms); iii) all the inherent risks and benefits of the license are transferred to the buyer; iv) the Company no longer

holds effective control on the license; and v) it is likely that economic benefits be generated on behalf of the Company.
Revenue is not recognized if there are significant uncertainties as to its realization.

In case billed amounts exceed services rendered plus recognized revenue, the difference is stated in the balance sheet (current liabilities) as deferred income.

4.9 Financial income and expenses

Financial income comprises basically interest of interest earning bank deposits and discounts obtained. Financial expenses comprise basically bank fees, commercial discounts and interest on loans. Interest is recognized in the income (loss) for the period using the effective interest rate methodology.

4.10 Trade accounts receivable

Trade accounts receivable are recorded at the amount billed, adjusted to present value when applicable, and include the respective direct taxes for which the Company and its subsidiaries are responsible.

The allowance for doubtful accounts was calculated at an amount considered adequate by the management to cover any losses arising on collection of accounts receivable.

4.11 Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240,000 (annual basis) for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income.

Income tax and social contribution expense comprises both current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

Current taxes are the expected taxes payable on the taxable income for the period, at tax rates enacted or substantively enacted on the date of presentation of the financial statements, and any adjustments to taxes payable in relation to prior periods.

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

As permitted by Brazilian tax legislation, the subsidiaries company Linx Serviços de Gerenciamento de Redes Ltda. and Neemu Serviços em Tecnologia da Informação S.A. (established on September 30, 2016) opt for the deemed income taxation method. For these subsidiaries, income and social contribution taxes are calculated at the rate of 32% on income from services and 100% on financial income. The regular rates of the respective tax and contribution apply to these.

Tax exposures

To determine current and deferred income tax, the Company and its subsidiaries take into consideration the impact of uncertainties on positions taken on taxes and if the additional income tax and interest payment has to be made. The Company and its subsidiaries believe that the provision for income tax recorded in liabilities is adequate for all outstanding tax periods, based on its evaluation of several factors, including interpretations of tax laws and past experience. This evaluation is based on estimates and assumptions that may involve several judgments on future events. New information may be made available, leading the Company and its subsidiaries to change its judgment on the adequacy of existing provision. These changes will impact income tax expenses in the year in which they occur.

4.12 Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company and its subsidiaries have a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

a. Private pension plan and profit sharing

The Company and its subsidiaries do not hold private pension plans or any pension plan for its employees and management.

The Company and its subsidiaries have benefit plans for management and employees in the form of profit sharing and bonus plans.

Profit sharing and bonus plans are expected to be settled in up to 12 months and are presented at expected settlement value.

b. Post-employment benefit - health care plans

The Company and its subsidiaries offer health care plans compatible with the market to its employees; the Company and its subsidiaries are co-sponsors of the plan and their employees contribute with a monthly fixed installment that may be extended to spouses and dependents. Costs with monthly defined contributions made by the Company and its subsidiaries are recognized in income on a monthly basis, in conformity with the accrual basis.

Costs, contributions and actuarial liabilities related to such plans are determined annually, with a basis on an appraisal carried out by independent actuaries.

c. Remuneration based on stock options

The Company offers a long-term incentive plan to its executives comprised of grant of stock option plan.

Fair value of stock options granted to the executives of the Company and its subsidiaries is measured on grant date and the expense is recognized in income for the period in which the right is acquired, after meeting certain specific conditions. On balance sheet date, the Company and its subsidiaries review estimated regarding the number of stock options whose rights should be acquired based on such conditions, and, when applicable, recognized in income for the year, as a contra-entry to shareholders' equity, effect from review of these initial estimates.

4.13 Statements of added value

The Company and its subsidiaries prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements prepared according to the accounting practices adopted in Brazil applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

4.14 Segment information

Due to concentration of its activities on development and trading of computerized systems' rights of use, on provision of implementation, consulting, advisory, and maintenance services, the Company is organized as a single business unit.

The Company's software is developed to serve several economy segments and the Company's investments and income are followed-up, monitored and evaluated on an integrated basis.

4.15 New standards and interpretations not yet adopted

Several new standards, standard changes and interpretations are effective for years starting after January 1, 2016 and were not adopted for preparation of the individual and consolidated financial statements. Those that may be relevant to the Company and its subsidiaries are listed below. Management does not intend to early adopt this standard.

4.15.1 *IFRS 9 Financial Instruments*

IFRS 9, published in July 2014, replaced guidelines of IAS 39 Financial Instruments: Recognition and Measurement (Financial Instruments: Recognition and measurement). IFRS 9 includes reviewed guideline on classification and measurement of financial instruments, including a new model of expected credit loss for calculation of financial assets' impairment losses and new requirements for hedge accounting. This standard maintains guidelines existing in IAS 39 on recognition and de-recognition of financial instruments.

IFRS 9 is effective for years starting on or after January 1, 2018, and early adoption is permitted.
The Company and its subsidiaries have not yet chosen method for transition to the new standard, neither have them determined effects on current financial reports.

4.15.2 *IFRS 15 Income from Contracts with Clients*

IFRS 15 requires an entity to recognize income amount reflecting consideration expected to be received in exchange for control over these assets or services. New standard will replace most of detailed guidelines on recognition of income currently existing in IFRS when new standard is adopted. New standard is applicable beginning as of or after January 1, 2018, and early adoption is permitted by IFRS. This standard may be adopted on a retrospective basis, using an approach of cumulative effects. The Company is evaluating the effects that the IFRS 15 will have on financial statements and its disclosures.
The Company and its subsidiaries have not yet chosen method for transition to the new standard, neither have them determined effects on current financial reports.

4.15.3 IFRS 16 Leases

IFRS 16 introduces a single model of lease accounting, stating that the lessee must recognize, with limited exceptions, assets and liabilities for all lease agreements. The lessee shall recognize the right to use the leased underlying assets and corresponding liabilities. The new standard is applicable as of January 1, 2019. Management is assessing the impact of its adoption.

The Company and its subsidiaries have not yet chosen method for transition to the new standard, neither have them determined effects of new standard on current financial reports.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or changed prevailing pronouncements corresponding to these standards.

4.16 Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the result for the year attributed to the Company’s shareholders by the weighted average quantity of shares of capital paid up in the respective period.

The diluted earnings per share are calculated by dividing the income (loss) for the period attributable to the Company's shareholders by the weighted average of outstanding common shares in the respective period taking into account the conversion of all potential shares with dilution effect.

4.17 Determination of the fair value

A number of accounting policies and disclosures of the Company and its subsidiaries require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, additional information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.17.1 *Intangible assets*

The fair value of trademarks acquired in a business combination is based on the present value of estimated royalty payments that have been avoided by the ownership of the trademark or patent.

The fair value of client relationships acquired in a business combination is calculated under the multi-period excess earnings method, through which an underlying asset is valued after the deduction of a fair return on all other assets that contribute to the creation of th respective cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be accrued from the use and possible sale of the assets.

4.17.2 *Trade accounts receivable and other credits*

The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate on presentation date. Such fair value is determined for disclosure purposes.

4.17.3 *Property, plant and equipment*

The fair value of property, plant and equipment recognized due to a business combination is based on market values. The market value of a property is the estimated amount for which the asset could be exchanged on the valuation date between well informed parties interested in the transaction under normal market conditions. The fair value of fixed assets is based on a market approach and on a cost approach using market prices quoted for similar items, when available, and replacement costs, when applicable.

4.17.4 *Non-derivative financial liabilities*

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the financial statements.

4.17.5 *Share-based payment transactions*

The fair value of employee's share options and the rights on the valuation of shares are measured using the Black-Scholes formula. Measurement inputs include the share price on the measuring date, the instrument strike price, the expected volatility (based on the average historical volatility of the Company’s share price, adjusted to expected changes due to publicly available information), average weighted life of the instruments (based on historical experience and on the general behavior of option holders), expected dividends and risk-free interest rate (based on governmental securities).

Out-of-market service and performance conditions inherent to transactions are not taken into consideration on fair value determination.

4.17.6 *Contingent consideration*

The fair value of the contingent consideration for a business acquisition is calculated by using the income approach based on estimated payment amounts and the probabilities associated to making those payments. Where appropriate, the value is discounted to present value.

5 Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Cash and banks	36	100	2,499	13,692
Short-term interest earning bank deposits	16	16	4,728	1,098
	52	116	7,227	14,790

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

These financial investments refer mainly to Bank Deposit Certificates (CDB) remunerated at the rate of 101.95% of Interbank Deposit Certificate (CDI) (103.70% as of December 31, 2015).

The exposure of the Company and its subsidiaries to risk and the sensitivity analysis are disclosed in Note 21.

6 Interest earning bank deposits

					Parent company		Consolidated	
Type	Name	Date of investment	Maturity	Average yield rate as percentage of CDI (interbank deposit rate) (%)	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Fund	Retail Renda Fixa Crédito Privado	02/14/2013	Undetermined	101.95%	31,261	8,021	639,185	211,840
LF	Registered Financial Bill	10/13/2014	10/15/2018	103.00%	-	-	19,036	17,251
					31,261	8,021	658,221	229,091

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current assets	31,261	8,021	639,185	229,091
Non-current assets	-	-	19,036	-
	31,261	8,021	658,221	229,091

Breakdown of investment fund portfolio is as follows:

Type	Code	Date of investment	Issuance	Maturity	Quantity	Index	Investment value	12/31/2020 Net value
Fixed income	CDBLA	10/30/2013-02/21/2014	10/30/2013-02/21/2014	02/22/2016-10/02/2018	30,948	CDI D 101%	30,948	38,588
Fixed income	DEBLA	02/03/2014-04/29/2014	04/28/2016-02/01/2016	02/01/2016-04/28/2016	36,581	CDI D 101.5%	10,002	12,308
Fixed income	LF	10/31/2013-10/26/2015	11/29/2013-10/26/2015	11/03/2015-10/22/2018	43	CDI and CDI D 108%	13,270	14,838
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D 111%	8,453	11,846
Fixed income	LFSFC	02/15/2013-03/30/2015	08/30/2010-05/16/2012	08/30/2016-05/15/2018	23	CDI and CDI D112%	14,405	14,464
Fixed income	LFT	03/27/2015-09/21/2015	07/01/2000-01/11/2013	09/01/2018-03/01/2021	2,419	SELIC	16,832	17,913
Fixed income	PRE	12/31/2015	07/01/2000	01/04/2016	5,527	PRE 14.15 P.A.	40,794	40,794
Investment fund	Other funds	-	-	-	359,532	-	61,115	61,115
Fixed income	LF	.	10/13/2014	10/13/2016	1	CDI 103.7%	17,251	17,251
								229,117
						Fund expenses		(28)
						Treasury balance		2
								229,091

Type	Code	Date of investment	Issuance	Maturity	Quantity	Index	Investment value	12/31/2016 - Net value
Fixed income	CDBLA	11/29/2016	11/29/2016	06/09/2017	4,715	CDI D 101%	4,715	4,771
Fixed income	DEBLA	02/25/2016	02/25/2016	02/22/2018	22,188	CDI D 101.5%	7,588	8,503
Fixed income	LF	12/11/2014-10/26/2015	12/11/2014-10/26/2015	12/11/2017-10/26/2017	326	CDI and CDI D 108%	98,026	103,276
Fixed income	LFS	02/15/2013	01/16/2013	01/15/2019	28	CDI D 111%	8,453	13,734
Fixed income	LFSFC	02/15/2013-12/01/2015	03/30/2011-05/16/2012	03/30/2017-05/15/2018	20	CDI and CDI D112%	11,289	11,245
Fixed income	LFT	03/27/2015-09/30/2016	07/01/2000-01/11/2013	09/01/2018-01/09/2021	17,714	LFT	142,361	149,202
Fixed income	PRE	12/30/2016	12/30/2016	08/15/2018	53,256	PRE 13.65 p.a.	160,155	160,155
Investment fund	Other funds	-	-	-	969,809	-	188,359	188,359
Fixed income	LF	-	10/13/2014	10/15/2018	1	CDI 103%	19,120	19,036
								658,281
						Fund expenses		(64)
						Treasury balance		4
								658,221
							Current assets	639,185
							Non-current assets	19,036

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

The exposure of the Company and its subsidiaries to risk and the sensitivity analysis are disclosed in Note 21.

7 Trade accounts receivable

	Consolidated	
	12/31/2016	12/31/2015
Trade notes and checks receivable		
Falling due	90,213	77,440
Overdue (a)	21,721	20,339
	111,934	97,779
(-) Allowance for doubtful accounts	(2,615)	(2,996)
(-) Adjustment to present value	(255)	(315)
	109,064 *	94,468
Current	107,290	91,690
Non-current	1,774	2,778

(a) Receivables overdue have the following breakdown:

	Consolidated	
	12/31/2016	12/31/2015
In days:		
1-30	7,405	7,376
31-60	4,360	3,544
61-90	2,389	2,272
91-180	3,612	3,135
>181	3,955	4,012
	21,721	20,339

The Company and its subsidiaries recognize allowance for doubtful accounts of receivables past due over 180 days that basically represents the historical loss, including returned checks and trade notes receivable under discussion in court. In our criterion, we deducted amounts referring to non-identified deposits that were received more than 180 days (R$ 1,507 and R$ 1,266 as of December 31, 2016 and 2015, respectively).

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

	Consolidated	
	12/31/2016	12/31/2015
Opening balance	(2,996)	(3,604)

Addition due to acquisition	-	(62)
Addition of provision	(3,637)	(1,172)
Use / reversal	4,018	1,842
Closing balance	(2,615)	(2,996)

* The position of accounts receivable on December 31, 2016, includes Intercamp, which was acquired on November 7, 2016.

8 Related parties

Equity balances

Assets- Accounts receivable

	Parent company			
	12/31/2016		12/31/2015	
	Current assets	Non-current assets	Current assets	Non-current assets
Linx Sistemas e Consultoria Ltda.	11,343	2,812	11,201	13,862
	11,343	2,812	11,201	13,862

Liabilities-Other accounts payable

	Parent company			
	12/31/2016		12/31/2015	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Linx Sistemas e Consultoria Ltda.	108	-	-	-
	108	-	-	-

Related-party balance refers mainly to the transfer of expenses and loan adjusted at TJLP plus 1% to 1.5% per annum and also transfer of expenses. The balance of the loan is received from April 2014 to March 2018.

On August 23, 2016, subsidiaries Linx Sistemas and Linx Gerenciamento de Redes transferred to the Company the amounts of R$8,000 and R$4,000, respectively, as prepaid dividends for the first half of 2016, in the period from January 1, 2016 to June 30, 2016. Amounts are recorded under caption prepaid dividends in the balance sheet.

On December 31, 2016, the Company has loans outstanding in the amount of R$ 130,767 (R$ 128,338 as of December 31, 2015) with its shareholder (BNDES), as presented in note 12.

8.1 Remuneration of key management personnel

Total remuneration of key management personnel (4 and 5 administrators in 2016 and 2015, respectively) is summarized as follows:

	Consolidated	
	12/31/2016	12/31/2015
Short-term employee benefits		
Payment of Directors' fees	5,985	5,299
Share-based payments	1,865	2,052
	7,850	7,351

8.2 Income (loss)

In the year ended December 31, 2016, there were shared expenses amounting to R$ 7,809 (R$ 9,450 in 2015) purchase transactions and sales among related parties in the amount of R$ 156 (R$ 87 in 2015) and financial income and expenses for loan interest, which were eliminated totaling R$ 1,719 (R$ 1,870 in 2015).

9 Investments

9.1 Investments in direct subsidiaries

	Parent company	
	12/31/2016	12/31/2015
Linx Sistemas e Consultoria Ltda.	1,070,023	631,097
Linx Serviços de Gerenciamento de Redes Ltda.	49,135	16,826
Linx Telecomunicações Ltda.	4,562	3,481
	1,123,720	651,404

9.2 Information on direct subsidiaries

	Linx Sistemas	Linx Gerenciamento de Redes	Linx Telecomunicações	Total
December 31, 2015				
Interest	99.99%	99.99%	99.99%	
Current assets	344,059	12,664	3,814	360,537
Non-current assets	615,246	7,527	135	622,908
Total assets	959,305	20,191	3,949	983,445
Current liabilities	96,107	3,357	468	99,932
Non-current liabilities	232,101	8	-	232,109
Total liabilities	328,208	3,365	468	332,041
Shareholders' equity	631,097	16,826	3,481	651,404
Income	486,770	28,646	10,981	526,397
Expenses	(437,719)	(24,350)	(10,394)	(472,463)
Income or loss	49,051	4,296	587	53,934
Equity income (loss)	49,051	4,296	587	53,934
December 31, 2016				
Interest	99.99%	99.99%	99.99%	
Current assets	737,951	46,151	5,634	789,736
Non-current assets	656,398	8,132	79	664,609
Total assets	1,394,349	54,283	5,713	1,454,345
Current liabilities	111,354	5,148	1,151	117,653
Non-current liabilities	212,971	-	-	212,971
Total liabilities	324,325	5,148	1,151	330,624
Shareholders' equity	1,070,024	49,135	4,562	1,123,720
Income	529,231	68,725	13,158	611,114
Expenses	(498,538)	(36,416)	(12,077)	(547,031)
Income or loss	30,693	32,309	1,081	64,083
Equity in net income of subsidiaries	30,693	32,309	1,081	64,083

9.3 Changes in investments

	Linx Sistemas	Linx Gerenciamento de Redes	Linx Telecomunicações	Total
Investment balances at December 31, 2014	470,443	12,530	2,894	485,867
Equity in net income of subsidiaries	49,051	4,296	587	53,934
Capital increase	124,000			124,000
Stock option plans	2,603	-	-	2,603
Interest on own capital	(15,000)	-	-	(15,000)
Investment balances at December 31, 2015	631,097	16,826	3,481	651,404
Equity in net income of subsidiaries	30,693	32,309	1,081	64,083
Capital increase	405,000	-	-	405,000
Stock option plans	3,233	-	-	3,233
Balance of investments at December 31, 2016	1,070,023	49,135	4,562	1,123,720

10 Property, plant and equipment

	Consolidated							
	Computers and electronics	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Leasehold improvements**	**Real estate**	**Other components**	**Total fixed assets**
Cost								
Balance at December 31, 2014	25,419	9,543	5,154	16,663	12,465	3,349	1,012	73,605
Additions	2,140	2,490	793	4,666	3,179	-	-	13,268
Additions for company acquisitions	687		697	306	1,310	-	-	3,000
Write-offs	(87)	(2,274)	(67)	(15)		-	-	(2,443)
Transfer	278	(1)	1	(275)	2	1	(6)	
Balance at December 31, 2015	28,437	9,758	6,578	21,345	16,956	3,350	1,006	87,430
Balance at December 31, 2014	(17,379)	(4,462)	(2,168)	(4,637)	(2,489)	(179)	-	(31,314)
Additions	(3,071)	(1,887)	(507)	(1,669)	(1,568)	(110)	-	(8,812)
Additions for company acquisitions	(280)		(156)	(67)	(973)	-	-	(1,476)
Write-offs	44	1,791	15	12	-	-	-	1,862
Transfer	(143)			143	-	-	-	
Balance at December 31, 2015	(20,829)	(4,558)	(2,816)	(6,218)	(5,030)	(289)	-	(39,740)
Residual value								
Balance at December 31, 2015	7,608	5,200	3,762	15,127	11,926	3,061	1,006	47,691
Balance at December 31, 2014	8,040	5,082	2,986	12,026	9,976	3,170	1,012	42,293
Annual average rate of depreciation	20%	20%	10%	10%	10%	4%		

	Consolidated							
	Computers and electronics	**Vehicles**	**Furniture and fixtures**	**Facilities, machinery and equipment**	**Leasehold improvements**	**Real estate**	**Other components**	**Total fixed assets**
Cost								
Balance at December 31, 2015	28,437	9,758	6,578	21,345	16,956	3,350	1,006	87,430
Additions	3,721	897	1,412	4,426	-	2,908	-	13,364

Additions for company acquisitions	-	-	-	-	-	-	-	-
Write-offs	(47)	(797)	(75)	(88)	-	(1)	-	(1,008)
Transfer			6	(6)	-	(1)	-	(1)
Additions	32,111	9,858	7,921	25,677	16,956	6,256	1,006	99,785
Depreciation								
Balance at December 31, 2015	(20,829)	(4,558)	(2,816)	(6,218)	(5,030)	(289)		(39,740)
Additions	(2,868)	(1,746)	(620)	(2,138)	-	(1,704)	(120)	(9,196)
Additions for company acquisitions	(190)	(16)	(59)	(55)	-	-	-	(320)
Write-offs	27	640	31	31	-	-	-	729
Transfer					-	-	-	
Additions	(23,860)	(5,680)	(3,464)	(8,380)	(5,030)	(1,993)	(120)	(48,527)
Residual value								
Balance at December 31, 2016	8,251	4,178	4,457	17,297	11,926	4,263	886	51,258
Balance at December 31, 2015	7,608	5,201	3,762	15,127	11,926	3,061	1,006	47,691
Annual average rate of depreciation	20%	20%	10%	10%	10%	4%		

The additions to accumulated depreciation, shown in the activity of the year, were recorded in the column of “general and administrative operating expenses”.

11 Intangible assets

	Consolidated										
	Software	Software development	Software developed	Software Development - Capitalized Interest*	Brands acquired	Technology	Client portfolio - acquisitions	Non-competition agreement - acquisitions	Goodwill	Other	Total intangible assets
Cost											
Balance at December 31, 2014	19,944	586	61,556	817	42,375	74,271	86,408	771	303,961	1	590,690
Additions	6,656	323	17,216	1,151	-	411	-	-	-	-	25,757
Additions for company acquisitions	25	-	-	-	-	-	-	-	106,613	-	106,638
Write-offs	-	(16)	(217)	-	-	-	-	-	1	-	(232)
Transfer	(661)	-	167	1	3,812	15,949	13,570	1	(32,841)	2	
Balance at December 31, 2015	25,964	893	78,722	1,969	46,187	90,631	99,978	772	377,734	3	722,853
Amortization											
Balance at December 31, 2014	(8,392)	-	(38,095)	(87)	(232)	(39,194)	(17,491)	(772)	(3,963)		(108,226)
Additions	(3,694	-	(13,543)	(375)	(961)	(15,471)	(9,013)	-	-	-	(43,057)
Additions for company acquisitions	(9)	-	-	-	-	-	-	-	-	-	(9)
Write-offs	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2015	(12,095)	-	(51,638)	(462)	(1,193)	(54,665)	(26,504)	(772)	(3,963)		(151,292)
Residual value											
Balance at December 31, 2015	13,869	893	27,084	1,507	44,994	35,966	73,474		373,771	3	571,561
Balance at December 31, 2014	11,552	586	23,461	730	42,143	35,077	68,917	(1)	299,998	1	482,464

* Amounts related to capitalization of interest on loans from BNDES (adjusted at the rate of 1.5% p.a. higher than long-term interest rate - TJLP (limited to 6%)), intended to and used for software development.

	Consolidated										
	Software	Software development	Software developed	Software Development - Capitalized Interest*	Brands acquired	Technology - acquisitions	Client portfolio	Non-competition agreement - acquisitions	Goodwill	Other	Total intangible assets
Cost											
Balance at December 31, 2015	25,964	893	78,722	1,969	46,187	90,631	99,978	772	377,734	3	722,853
Additions	6,474	6,909	20,761	1,223	-	120	-	-	21	-	35,508
Additions for company acquisitions	2,327	-	-	-	-	865	9,205	-	28,510	-	40,907
Write-offs	-	-	-	-	-	-	-	-		-	-
Transfer	-	(5,954)	5,954	-	-	(215)	(2,772)	-	2,987	-	-
Balance at December 31, 2016	34,765	1,848	105,437	3,192	46,187	91,401	106,411	772	409,252	3	799,268
Amortization											
Balance at December 31, 2015	(12,095)	-	(51,638	(462)	(1,193)	(54,665)	(26,504)	(772)	(3,963)	-	(151,292)
Additions	(4,879)	-	(18,987)	(750)	(961)	(11,481)	(10,062)	-	-	-	(47,120)
Additions for company acquisitions	(214)	-	-	-	-	-	-	-	-	-	(214)
Write-offs		-	-	-	-	-	-	-	-	-	-
Transfer	(499	-	-	-	-	499	-	-	-	-	-
Balance at December 31, 2016	(17.687)-	-	(70,625)	(1,212)	(2,154)	(65,647)	(36,566)	(772)	(3,963)	-	(198,626)
Residual value											
Balance at December 31, 2016	17,078	1,848	34,812	1,980	44,033	25,754	69,845	-	405,289	3	600,642
Balance at December 31, 2015	13,869	893	27,084	1,507	44,994	35,966	73,474	-	373,771	3	571,561

* Amounts related to capitalization of interest on loans from BNDES (adjusted at the rate of 1.5% p.a. higher than long-term interest rate - TJLP (limited to 6%)), intended to and used for software development.

The additions to accumulated amortization, shown in the activity of the year, were recorded in the column of "general and administrative operating expenses".

11.1 Software development

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

In the year ended December 31, 2016, the amount of R$ 59,894 was recognized in income (loss) (R$ 57,818 in 2015) in consolidated, referring to research and maintenance of developed software.

11.2 Recoverability analysis - Goodwill

The Company's management, on an annual basis, conducts an analysis of goodwill recoverability. On November 30, 2016 the recovery was tested, considering the long-term planning up to 2021 prepared for the Linx Sistemas segment, engaged in the development of software programs in the retail and wholesale segments, provision of technical assistance related to its commercial activity, consulting and courses for personal formation and development, advisory for strategic decision making with the most significant assumptions:

Income was projected for the period from 2017 to 2021 considering clients’ basis growth. The growth is from 10% to 11% per annum.

The costs and expenses were projected in line with the Company’s historical performance, as well as the historical growth of income.

The investments in capital goods were estimated considering the current technological infrastructure necessary to facilitate the supply of services, based on the Company’s history.

To surpass the projections on December 31, 2016, for perpetuity, we considered a growth rate of 5.5%, equivalent to the long-term inflation expectation of the Central Bank of Brazil (BCB), plus a real growth of 1%. The discount rate used was 15.03%

At December 31, 2016, the amount of operating assets was recorded, in which net value of goodwill is included. The recovery test proved the economic return on operating assets including goodwill. The Company expects that all the recognized goodwill will be deductible for tax purposes.

12 Loans and financing

					Parent company		Consolidated	
Type	Charges	Effective rate	Maturity	Guarantee / Type	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Loan - BNDES	TJLP + 1.5% p.a.	9.274% p.a.	03/15/2018	(a)	14,106	25,032	14,106	25,032
Loan - BNDES	TJLP + 1.67% p.a.	9.446% p.a.	02/15/2021	(b)	-	-	104,994	103,306
Loan - BNDES	TJLP + 1.96% p.a.	9.751% p.a.	03/15/2022	(c)	-	-	9,715	-
Loan - BNDES	TJLP + 1.00% p.a.	8.768% p.a.	09/01/2019	(d)	-	-	1,952	-
					14,106	25,032	130,767	128,338
Current liabilities					11,294	11,170	34,499	11,917
Non-current liabilities					2,812	13,862	96,268	116,421

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

	Parent company	
Year	12/31/2016	12/31/2015
2017	-	11,090
2018	2,812	2,772
	2,812	13,862

	Parent company	
Year	12/31/2016	12/31/2015
2017	-	32,450
2018	31,446	28,414
2019	28,984	25,642
2020	28,453	25,642
2021	6,776	4,273
2022	609	-
	96,268	116,421

Changes are shown below:

	Parent company	
	12/31/2016	12/31/2015
Previous balance	25,032	36,013
Financial charges	1,718	1,266
Financial charges paid	(1,588)	(1,193)
Payments of loans and financing	(11,056)	(11,054)
	14,106	25,032

	Consolidated	
	12/31/2016	12/31/2015
Previous balance	128,338	72,177
Income from loans and financing	10,000	67,584
Income from acquisition	2,296	-
Financial charges	10,808	5,903
Financial charges paid	(9,491)	(4,711)
Payments of loans and financing	(11,184)	(12,615)
	130,767	128,338

12.1 Operations with related parties

(a) The loan from BNDES has a restrictive clause for prepayment of the debt. The following indices should be determined on a half-annual basis in consolidated financial statements:

a. General Indebtedness / total assets: equal or less than 65%;

b. Net debt / EBITDA: equal or less than 3.0;

c. EBITDA / Net operating income: equal or higher than 20%.

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

- EBITDA: Income (loss) before interest, income tax, depreciation and amortization;

- Net debt: Balances of the debts resulting from financings, debentures and alike, excluding the amounts corresponding to the balances of the debt resulting from the loan taken out directly at BNDES as well as Cash and Cash Equivalents.

In the hypothesis that levels established in the contract are not met, the Company must present, within 120 days counted as of default date, real guarantees accepted by BNDES at an amount corresponding to at least 130% of financing value or deriving debt, except if within that period, above mentioned levels were re-established.

Subsidiary and intermediator Linx Sistemas e Consultoria Ltda. is obliged to deposit service fee income in a “centralizing account” created for this purpose.

We did not identify any non-conformity event with covenants on December 31, 2016 and 2015.

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

a. General Indebtedness / total assets: equal or less than 60%;

b. Net debt / EBITDA: equal or less than 2.0;

c. EBITDA / Net operating income: equal or higher than 20%.

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

- EBITDA: Income (loss) before interest, income tax, depreciation and amortization;

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

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

We did not identify any non-conformity event with covenants on December 31, 2016 and 2015.

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

a. General Indebtedness / total assets: equal or less than 60%;

b. Net debt / EBITDA: equal or less than 2.0;

c. EBITDA / Net operating income: equal or higher than 20%.

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

- EBITDA: Income (loss) before interest, income tax, depreciation and amortization;

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

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

We did not identify any non-conformity event with covenants on December 31, 2016 and 2015.

(d) The BNDES loan balance refers to bank loans resulting from the acquisition of the company Intercamp Sistemas e Comércio de Informática S.A. as of November 7, 2016.

13 Labor obligations

	Consolidated	
	12/31/2016	12/31/2015
Provision for 13th salary and payroll charges	20,561	17,443
INSS payable	4,602	3,964
Provision for profit sharing	2,081	3,178
FGTS payable	1,818	1,708
Salaries payable	1,252	1,952
Other	890	545
	31,204	28,790

14 Accounts payable from acquisition of subsidiaries

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

	Consolidated	
	12/31/2016	12/31/2015
Installments not subject to restatement	11,996	5,135
Installments subject to restatement based on the variation of the CDI	448	4,346
Installments subject to restatement based on the variation of IPCA (National amplified consumer price index)	60,988	76,854
Installments subject to restatement based on the variation of the IPC	-	383
Installments subject to restatement based on the variation of the IGPM	9,824	9,165
Adjustment to present based on the SELIC rate	(2,662)	(312)
	80,594	95,571
Current liabilities	23,508	28,335
Non-current liabilities	57,086	67,236

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

	Consolidated	
Year	12/31/2016	12/31/2015
2017	-	23,361
2018	38,806	29,876
2019	14,983	11,879
2020	2,253	2,120
2021	1,044	-
	57,086	67,236

Of total amount payable on December 31, 2016, R$ 46,692 is related to contingent consideration (R$ 52,108 as of December 31, 2015). The company expects to fully settle the amounts related to contingent consideration and there were no material changes in expectations in relation to the previous year. The fair value of these obligations also considered a market interest rate (Selic). Hierarchy of contingent consideration fair value is level 3.

The changes in the consolidated are shown as follow:

	Consolidated	
	12/31/2016	12/31/2015
Previous balance	95,571	76,959
Addition due to acquisition	42,000	111,436
Principal payments	(55,317)	(97,074)
Financial charges paid	(4,357)	(3,693)
Restatement of financial charges / NPV variation	2,697	7,943
	80,594	95,571

15 Income and social contribution taxes

15.1 Income and social contribution tax expense

Tax on income before tax differs from theoretical value that would be obtained if nominal tax rate, applicable to consolidated entities' income, were used, as follows:

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current tax				
Current tax on income for the year	-	(279)	(10,595)	(5,052)
Deferred tax				
Deferred tax on income for the year	(2,237)	(141)	(13,803)	(12,496)
Income and social contribution tax expense for effective income	(2,237)	(420)	(24,398)	(17,548)

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

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income (loss) before income and social contribution taxes	70,738	64,238	92,898	81,367
Equity income (loss)	(64,083)	(53,934)	-	-
Adjusted income (loss)	6,655	10,304	92,898	81,367
Combined statutory rate	34%	34%	34%	34%

Income and social contribution taxes at the rate of 34%	(2,263)	(3,503)	(31,585)	(27,665)
Permanent differences				
Law 11196/05 (Research and development subsidies)	-	-	-	-
Payment of interest on own capital	-	8,160	-	2,448
Receipt of interest on own capital	-	(5,100)	-	8,160
Estimate for payment of interest on own capital	-	-	-	-
Income tax and social contribution difference by the deemed profit	-	-	7,387	-
Other net differences	26	23	(200)	(491)
Income tax expense for effective rate	(2,237)	(420)	(24,398)	(17,548)
Effective rate	34%	4%	26%	22%

15.2 Deferred taxes

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values, and to tax loss carryforwards.

Temporary deferred income tax and social contribution are as follows:

	Parent company		
	12/31/2015	Recognized in shareholders' equity	12/31/2016
Deferred income and social contribution taxes on issuance of shares' expenses	-	4,108	4,108
Deferred tax assets	-	4,108	4,108

	Consolidated		
	12/31/2015	Recognized in income (loss)	12/31/2016
Deferred income and social contribution taxes on accounting and tax goodwill	(28,235)	(20,544)	(48,779)
Deferred income tax/ social contribution assets identified in acquisitions	(20,447)	4,750	(15,697)
Deferred IR/CS on tax loss and negative basis	-	5,104	5,104
Deferred income and social contribution taxes on issuance of shares' expenses	-	4,108	4,108
Allowance for doubtful accounts	170	87	257
Provision of benefits to employees	1,921	(624)	1,297
Provision for contingencies	196	(20)	176
Provision for adjustment to present value	(56)	130	74
Provision for commission payments	104	57	161
Share purchase option plan	595	(403)	192
Other provisions	209	(163)	46
Deferred, net	(45,543)	(7,518)	(53,061)
Deferred tax liabilities	(45,543)		(53,061)

16 Shareholders' equity

16.1 Capital

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

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

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

At the criteria of the Board of Directors, the share issue may be made, without right of preference or with a reduction of the time frame addressed by article 171, §4 of Law No. 6404, dated December 15, 1976, as amended ("Corporation Law") of shares and debentures that are convertible into shares or a subscription bonus, the flotation of which is made through a sale on the stock exchange or by public subscription, or even through an exchange for shares in a takeover bid, in the terms established in law, within the limits of the authorized capital.

On February 29, 2016 a capital increase of the Company was approved, due to the partial exercising, by the beneficiaries, of the purchase option related to the initial grant of the stock option plan approved in the Special Shareholders' Meeting held on December 4, 2012, in the amount of R$ 5,779, thus increasing it from R$ 352,501 to R$ 358,280, through the issuance of 232,591 new common shares by the Company.

On June 14, 2016 the Board of Directors approved the stock split of each of the 47,069,132 common shares at a ratio of 2 new shares for each common share held on that date. Thus, due to the approval of such stock split, the Company issued 94,138,264 new common shares, representing a 200% increase in the shareholder base, and the Company's capital is now represented by 141,207,396 common shares, without any change in amount of capital or in the rights granted by these shares to its shareholders, including dividends and any capital remuneration that may be paid by the Company. Earnings per share is now disclosed in the new proportion retrospectively in these financial statements.

On September 26, 2016, a capital increase of R$ 118,560 was approved, within the limit of authorized capital, and the Company's capital increased from R$ 358,280 to R$ 476,840, with the issuance of 24,000,000 new Common Shares, which were distributed through a primary public offering held in Brazil, on the non-organized over-the-counter market.

On October 3, 2016, a capital increase of R$ 3,967,751.34 was approved, within the limit of authorized capital, and the Company's capital increased from R$ 476,840 to R$ 480,808, with the issuance of 402,555 new Common Shares, which were distributed through a primary public offering held in Brazil, on the non-organized over-the-counter market.

Capital is represented by authorized, subscribed and fully paid-up shares and is divided as follows:

Shareholder	Shares	Total capital (%)
Founding shareholders	34,794,882	21.01%
Free float (*)	130,815,069	78.99%
	165,609,951	**100%**

(*) BNDES Participações S.A., GIC Private Limited and Genesis Asset Managers and Mawer Investments hold shareholding interest higher than 5%.

16.2 Capital reserves

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

The capital reserve is set up as follows:

	12/31/2016	12/31/2015
Goodwill in capital subscription (a)	539,571	214,131
Stock option plan (Note 25)	9,741	6,508
Expenses with issuance of shares (b)	(37,009)	(24,692)
	512,303	**195,947**

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

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

16.3 Legal reserve

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

For the year ended December 31, 2016, in conformity with paragraph 1 of Article 182, the Company did not form a legal reserve, as capital reserves exceeded 30% on capital.

16.4 Dividends

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

	12/31/2016	12/31/2015
Net income for the year	68,501	63,818
(-) Formation of legal reserve (Article 193 of Law No. 6.404)	-	-
Net income after the allocation of the legal reserve	**68,501**	**63,818**
Minimum mandatory dividends	17,125	15,954
Additional dividends proposed by the Management	18,875	16,046
Dividends proposed by the Management	**36,000**	**32,000**
Payment method		
Interest on own capital	-	24,000
Dividends	36,000	8,000
	36,000	**32,000**
Changes in dividends		
Opening balance - Dividends payable for the prior year	8,000	14,700
Dividends paid in the prior year	(8,000)	(14,700)
Minimum mandatory dividends for the year	17,125	15,954
Additional dividends proposed by the Management	18,875	16,046
Dividends paid in the year	(16,000)	(24,000)
Closing balance - Dividends payable for the year	**20,000**	**8,000**
Presentation of dividends		
Liabilities - Minimum mandatory dividends for the year	1,125	-
Shareholders' equity - Additional dividends proposed by the Management	18,875	8,000
	20,000	**8,000**
Number of shares as of December 31	165,609,951	140,509,623 *
Dividends and interest on own capital per share - in reais	**0.22**	**0.23**

(*) Amounts after the stock split carried out on June 13, 2016.

The Board of Directors' meeting held on February 18, 2016 approved, in the terms of article 9 of Law No. 9249/95 the payment of dividends in the gross amount of R$ 8,000, which were included in the amount of the minimum dividend established by article 36 of the Company's bylaws and paid on May 10, 2016.

The capital budget proposal as of December 31, 2016, which was prepared by the Company's Executive Board and approved by the Board of Directors on February 13, 2017, allocates the balance of the profit retention reserve of 2016, totaling R$ 32,501, to the investments presented below:

Investments:	**12/31/2016**	**12/31/2015**
Infrastructure	4,599	4,450
Innovative research and development	7,359	7,240
Acquisitions	20,543	20,128
Total investments	**32,501**	**31,818**
Sources of resources:		
Profit reserve	32,501	31,818
Total sources	**32,501**	**31,818**

17 Provision for contingencies

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.
On December 31, 2016, based on information from its legal advisors, Management formed a provision at amount considered sufficient to cover probable losses amounting to R$ 518 (R$ 575 as of December 31, 2015).

There are other proceedings that have been assessed by the legal advisors as being a possible risk of loss which cannot be determined with certainty in the amount of R$ 2,099 on December 31, 2016 (R$ 1,072 on December 31, 2015), for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require that they be recorded.

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

Changes	Labor	Civil	Total
Balance at December 31, 2015	284	291	575
Additions	542	39	581
Write-offs	(595)	(91)	(686)
Restatement	23	25	48
Balance at December 31, 2016	**254**	**264**	**518**

18 Net operating revenues

The reconciliation between operating gross revenues for tax purposes and the revenues presented in the statement of revenues for the year are presented below:

	Consolidated	
	12/31/2016	12/31/2015
Operating gross revenues		
Revenue from maintenance and subscription	479,750	409,765
Revenuefrom services	88,239	93,128
Other income*	1,216	2,340
	569,205	505,233
Sales tax		
PIS	(3,602)	(3,079)
COFINS	(16,622)	(14,209)
ISS	(13,190)	(11,001)
INSS	(20,131)	(9,997)
Other	(3,425)	(5,300)
Cancellations and rebates	(16,436)	(12,464)
	495,799	449,183

(*) Other income value refers to reversal of unachieved earn-out of companies acquired by the Company.

19 Costs and expenses

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Nature				
Rents	-		(9,475)	(9,930)
Commissions	-		(19,666)	(15,679)
Depreciation and amortization	-		(56,316)	(51,869)
Maintenance and preservation	-		(6,314)	(5,404)
Personnel	-		(245,792)	(217,281)
Advertising and publicity	(33)	(3)	(4,838)	(3,480)
Third party services	(37)	(10)	(26,232)	(28,250)
Travel and accommodation	-		(11,838)	(11,873)
Expenses with link *	-		(23,357)	(14,642)
IT expenses	-		(2,721)	(3,273)
Other	(173)	(111)	(21,074)	(17,741)
	(243)	(124)	(427,623)	(379,422)
Function				
Cost of services rendered	-		(147,364)	(128,267)
Administrative and general expenses	(208)	(124)	(152,350)	(134,784)
Sales expenses	-		(62,453)	(54,768)
Research and development	(35)		(59,894)	(57,818)
Other operating expenses	-		(5,562)	(3,785)
	(243)	(124)	(427,623)	(379,422)

*In the specific case of expenses with links, the increase is the result of the full consolidation of Chaordic and Neemu in the year, 100% cloud operations, and the fast growth of cross offerings, especially the Electronic Invoice (NFC-e), which are also totally delivered in the cloud

20 Financial income (loss)

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Financial income				
Asset interest	1,719	2,107	2,183	1,945
Interest on interest earning bank deposits	7,260	10,176	45,391	30,179
Discounts obtained	-	2	114	104
Asset foreign exchange fluctuation	-	-	16	2
Other income	299	286	1,763	(365)
	9,278	12,571	49,467	31,865
Financial expenses				
Liability interest	(10)	-	(270)	(128)
Interest on loans and financing	(1,719)	(1,870)	(15,108)	(14,099)
Discount granted	-	-	(6,737)	(4,144)
Liability foreign exchange fluctuations	-	(27)	(49)	(110)
Tax on financial operations	(559)	-	(827)	(153)
Other expenses	(92)	(246)	(1,753)	(1,626)
	(2,380)	(2,143)	(24,744)	(20,260)
	6,898	10,428	24,723	11,605

21 Financial instruments

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

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

21.1 Credit risk

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

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

The Company has a very diversified client portfolio with low concentration level, and major client represents only 2.6% of income.
The subsidiaries establish an allowance for doubtful accounts that represents its estimate of losses incurred in relation to trade accounts receivable (See Note 7). The main component of this allowance is specific and related to significant individual risks.

On December 31, 2016, maximum exposure referring to cash and cash equivalents, interest earning bank deposits and accounts receivable.

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash and cash equivalents	52	116	7,227	14,790
Interest earning bank deposits	31,261	8,021	658,221	229,091
Trade accounts receivable	-	-	109,064	94,468
	31,313	8,137	774,512	338,349

21.2 Liquidity risk

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

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

	Parent company		
Operation	Up to 1 year	Up to 2 years	Total
Suppliers	22	-	22
Loans and financing	11,294	2,845	14,139
	11,316	2,845	14,161

	Consolidated				
	In years:				
Operation	Up to 1	Up to 2	3-5	>5	Total
Suppliers	6,254	-	-	-	6,254
Loans and financing	34,499	36,536	69,809	424	141,268
Accounts payable from acquisition of subsidiaries - Earn Outs	13,364	28,133	7,381	-	48,878
Accounts payable from acquisition of subsidiaries - Retained installment	7,365	13,240	14,330	-	34,935
Accounts payable from acquisition of subsidiaries - Other	2,779	-	-	-	2,779
Other accounts payable	4,110	638	758	-	5,506
	68,371	78,547	92,278	424	239,620

As amounts included in table are non-discounted cash flows, these amounts will not be reconciled with amounts disclosed in balance sheet as loans and accounts payable due to acquisition of subsidiaries.* The amount of accounts payable for the acquisition of assets is recorded in the balance sheet under "Other accounts payable".

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

21.3 Market risk

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

21.4 Operating risk

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

21.5 Capital management

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

21.6 Financial instruments' analysis

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

	Parent company		Consolidated	
	Book value		Book value	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Financial assets				
Cash and cash equivalents	52	116	7,227	14,790
Interest earning bank deposits	31,261	8,021	658,221	229,091
Trade accounts receivable	-	-	109,064	94,468
Other receivables	35	137	22,306	12,847
Total	31,348	8,274	796,818	351,196
Financial liabilities				
Suppliers	22	14	6,254	6,454
Loans and financing	14,106	25,032	130,767	128,338
Accounts payable from acquisition of subsidiaries	-	-	80,594	95,571
Interest on own capital payable	-	20	-	20
Other accounts payable	-	-	6,041	8,072
Total	14,128	25,066	223,656	238,455

The amounts of these instruments recognized in the balance sheet do not differ substantially from the fair values.

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

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

Financial instruments by category:

	Parent company					
	12/31/2016			12/31/2015		
	Loans and receivables	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets						
Cash and cash equivalents	52			116	-	-
Interest earning bank deposits	-	31,261	-	-	8,021	-
Trade accounts receivable	-		-	-	-	-
Other receivables	35		-	137	-	-
	87	31,261	-	253	8,021	-
Financial liabilities						
Suppliers	-	-	22	-	-	14
Loans and financing	-	-	14,106	-	-	25,032
Accounts payable from acquisition of subsidiaries	-	-	-	-	-	-
Interest on own capital payable	-	-	-	-	-	20
Other accounts payable	-	-	-	-	-	-
			14,128	-	-	25,066

	Consolidated					
	12/31/2016			12/31/2015		
	Loans and receivables	Fair value through profit or loss	Amortized cost	Loans and receivables	Fair value through profit or loss	Amortized cost
Financial assets						
Cash and cash equivalents	7,227	-	-	14,790	-	-
Interest earning bank deposits	-	658,221	-	-	229,091	-
Trade accounts receivable	109,064	-	-	94,468	-	-
Other receivables	22,306	-	-	12,847	-	-
	138,597	658,221		122,105	229,091	-
Financial liabilities						
Suppliers	-	-	6,254	-	-	6,454
Loans and financing	-	-	130,767	-	-	128,338
Accounts payable from acquisition of subsidiaries - Earn Outs	-	46,692	-	-	52,108	-
Accounts payable from acquisition of subsidiaries - Retained installment	-	-	31,123	-	-	37,640
Accounts payable from acquisition of subsidiaries - Other	-	-	2,779	-	-	5,823
Interest on own capital payable	-	-	-	-	- -	20
Other accounts payable	-	-	6,041	-	-	8,072
	-	46,692	176,964	-	52,108	186,347

21.7 Fair value hierarchy

The table below presents financial instruments recorded at fair value through fair value hierarchy, using an evaluation method.

The different levels were defined as follows:

- Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities.

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

Non-derivative financial instruments carried at fair value are the interest earning bank deposits that were classified into Level 2.

21.8 Sensitivity analysis for financial assets and liabilities

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

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

In order to verify the sensitivity of the index in the financial investments to which the Company on the base date December 31, 2016, 3 different scenarios were defined. Based on projections disclosed by financial institutions, the CDI projection was obtained for the next 12 months, averaged 14.13% and is defined as a probable scenario; the percentages of 25% and 50% were calculated with a basis on the foregoing.

Parent company					
Operation	Balance at 12/31/2016	Risk	Scenario I (probable)	Scenario II	Scenario III
Interest earning bank deposits	31,261	CDI	13.63%	10.22%	6.82%
Financial income			4,261	3,195	2,132

Consolidated					
Operation	Balance at 12/31/2016	Risk	Scenario I (probable)	Scenario II	Scenario III
Interest earning bank deposits	658,221	CDI	13.63%	10.22%	6.82%
Financial income			89,716	67,270	44,891

In order to verify the sensitivity of the index in the debts to which the Company is exposed on the base date December 31, 2016, 3 different scenarios were defined. Based on the values of

TJLP, IPCA, IPC, and SELIC CDI in effect on December 31, 2016, a likely scenario was defined for 2017, on which basis changes from 25% to 50% were found.

For each scenario the Company calculated the gross financial expense, not taking into account the taxes levied and the flow of maturities for each contract scheduled for 2016. The base date used for financings was December 31, 2016, projecting indices for one year and verifying their sensitivity in each scenario.

Parent company					
Operation	Balance at 12/31/2016	Risk	Scenario I (probable)	Scenario II	Scenario III
Financings - BNDES	14,106		1,058	1,323	1,587
Rate subject to variation		TJLP	7.5% *	9.38%	11.25%

Consolidated					
Operation	Balance at 12/31/2016	Risk	Scenario I (probable)	Scenario II	Scenario III
Financings - BNDES	130,767		9,808	12,266	14,711
Rate subject to variation		TJLP	7.5%*	9.38%	11.25%
Acquisition of companies	9,824		706	883	1,060
Rate subject to variation		IGPM	7.19%*	8.99%	10.79%
Acquisition of companies	448		61	76	92
Rate subject to variation		CDI	13.63%*	17.04%	20.45%
Acquisition of companies	60,988		3,836	4,794	5,757
Rate subject to variation		IPCA	6.29%	7.86%	9.44%

* http://www.bcb.gov.br/pec/Indeco/Port/indeco.asp
** Source : https://www.bcb.gov.br/Pec/Copom/Port/taxaSelic.asp

22 Information per business segment

The management of Linx's business, in the financial and operating spheres, is backed by the segment called "Software development" through management reports and internal controls, with segregated information on income, expenses and investments. Reports are reviewed on a periodic basis by the Executive Board and the Board of Directors to evaluate performance and make decisions on allocation of funds and/or investments.

	Software development		**Others / reconciliation ****		**Consolidated**	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Net operating revenues	495,799	449,183	-	-	495,799	449,183

Cost of services rendered	(147,364)	(128,267)	-	-	(147,364)	(128,267)
Gross income	348,435	320,916	-	-	348,435	320,916
Operating expenses	(280,016)	(251,031)	(243)	(124)	(280,259)	(251,155)
Income before net financial income (expenses) and taxes	68,419	69,885	(243)	(124)	68,176	69,761
Net financial income (expenses)	17,825	1,177	6,898	10,428	24,723	11,605
Income before taxes	86,244	71,062	6,655	10,304	92,899	81,366
Income and social contribution taxes contribution taxes	(22,161)	(17,128)	(2,237)	(420)	(24,398)	(17,548)
Net income for the period	64,083	53,934	4,418	9,884	68,501	63,818

* The Company's operating revenues is substantially obtained in Brazil, as well as its non-current assets.

** Others/ reconciliation items refer to parent company's balances.

23 Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance coverage for properties subject to risks in amounts considered sufficient to cover any casualties, considering the nature of their activity. As of December 31, 2016, insurance coverage for operating risks comprised in the consolidated in the amounts of R$ 5,000 for civil liability for professionals, R$ 70,000 for civil liability for management, R$ 67,260 for operating risks and R$ 600 for vehicles.

24 Earnings per share

a. Basic earnings per share

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

	12/31/2016	**12/31/2015**
Net income for the year	68,501	63,818
Weighted average of shares	149,249,887	140.381.183*
Basic earnings per share (in reais)	0.4590	0.4546

(*) Amounts after the stock split carried out on June 13, 2016.

b. Diluted earnings per share

Diluted profit per share is calculated by adjusting the weighted average number of common shares, presuming the conversion of all the potential diluted common shares. The Company has a Stock Option Plan that provides for the granting of 1,082,819 stock options with the Plan's total dilutive potential being represented by 1,690,610 stock options, including initial granting.

	12/31/2016	12/31/2015
Net income for the year	68,501	63,818
Weighted average of shares	149,780,388	140.676.254*
Diluted earnings per share - basic (in reais)	0.4573	0.4537

(*) Amounts after the stock split carried out on June 13, 2016.

25 Share-based payment

Extraordinary Shareholders' Meeting held on December 4, 2012 approved the Stock Options Plan of Linx S.A., which establishes general conditions for the granting of stock options for shares issued by the Company, pursuant to the terms of Article 168, paragraph 3, of Law no. 6,404/76.

The Plan aims to attract and retain management and employees of the Company and companies under its direct or indirect control, providing managers and employees the opportunity, subject to certain conditions, become shareholders of the Company, with a view to: (i) reward them due to its positions and length of service with the Company; (ii) providing incentive for the achievement of the Company's social goals; (iii) aligning the Company's shareholders' interests to those of the Company's management; and (iv) encourage performance and favor retention of key persons in the Company, to the extent in which their interest in the institution's capital will permit them to benefit from results for which they have contributed and that are reflected in share price appreciation.

The plan is managed by the Board of Directors, which establishes granting programs and is in charge of determining: (i) the creation and application of general rules relating to the grant of options under the Plan and the solution of questions of interpretation of the Plan; (ii) performance targets for the Company's top executives in order to establish objective criteria for election of beneficiaries; (iii) election of Plan Beneficiaries and authorization to grant stock options in their favor, establishing all conditions for options to be granted, as well as change of such conditions when it is necessary to adequate options to the terms of the law, standard or subsequent regulation; and (iv) issuance of new Company's shares within authorized capital limit, or disposal of treasury shares to comply with exercise of stock options granted pursuant to the terms of the Plan.

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

On February 28, 2013, the Board of Directors approved the first concession of stock options and respective election of plan members - as well as definition of the quantity of shares that each of them may acquire when exercising the option - totaling 614,317 stock option at strike price of

R$18.72, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 28, 2014, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the quantity of shares that each of them may acquire when exercising the option - totaling 135,353 stock option at strike price of R$ 33.83, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 27, 2015, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the quantity of shares that each of them may acquire when exercising the option - totaling 144,285 stock option at strike price of R$38.72, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

On February 29, 2016, the Board of Directors approved the concession of stock options and respective election of plan members - as well as definition of the quantity of shares that each of them may acquire when exercising the option - totaling 188,864 stock option at exercise price of R$ 38.17, subject to adjustments deriving from stock split, grouping and bonus, adjusted for inflation at General Market Price Index (IGP-M) disclosed by Fundação Getúlio Vargas, and also adjusted for possible dividend and/or interest on own capital payment.

The fair value of each granted option is estimated on the concession date with basis on the Black-Scholes option pricing model and considering the following variables and results:

				Grant	Fair value assumptions			
					Expected			
Number	**Date**	**Quantity of options (*)**	**Strike price - reais (*)**	**Option pricing (*)**	**Dividends - %**	**Volatility - %**	**Risk-free interest rate, %**	**Maturity term**
1	02/28/2013	1,842,951	6.24	4.24	3.3%	25.24%	10.27%	4 years
2	02/28/2014	406,059	11.28	3.94	0.8%	25.11%	10.12%	4 years
3a	02/27/2015	432,855	12.91	3.95	1.3%	24.00%	12.96%	4 years
4	02/29/2016	566,592	12.72	4.67	0.8%	25.01%	7.25%	4 years

(*) Amounts after the stock split carried out on June 13, 2016.

The accumulated effect in the year ended December 31, 2016 is R$ 3,233 (R$ 2,603 in the same period of 2015) recorded in the statement of income as payroll expenses. This effect did not impact the Company’s cash.

The accumulated balance in shareholders' equity presented in the capital reserve under "stock option plan", is R$ 9,741 (R$ 6,508 as of December 31, 2015).

* * *

Alberto Menache Chief Executive Officer	Dennis Herszkowicz Financial Vice-President and IR

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