

(A free translation of the original in Portuguese)

**Bematech S.A.
Parent company and consolidated
financial statements at
December 31, 2017
and independent auditor's report**

(A free translation of the original in Portuguese)

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

The Shareholders and Officers

Bematech S.A.

São Paulo, SP

Opinion

We have audited the parent company and consolidated financial statements of Bematech S.A. (the “Company”), identified as Parent Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2017 and the statement of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company and consolidated financial statements present fairly, in all material respects, the parent company and consolidated financial position of Bematech S.A. as at December 31, 2017, and its parent company and consolidated financial performance and cash flows for the year then ended in accordance with the 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 responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the parent company and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil’s National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Audit of corresponding figures

The parent company and consolidated financial statements of Bematech S.A. for the year ended December 31, 2016 were examined by another independent auditor who issued their report on February 20, 2017 with an unmodified opinion on those financial statements.

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

Management is responsible for such other information, which comprise the Management Report.

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

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

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

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

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

Those charged with governance, defined as management, are responsible for overseeing the Company's and its subsidiaries' financial reporting process (parent company and consolidated).

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

São Paulo, February 05, 2018

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

Luiz Carlos Marques
Accountant CRC-1SP147693/O-5

Bematech S.A.

Balance sheets as at December 31, 2017 and 2016

(In thousands of reais)

ASSET	Note	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current		20,099	189,056	208,823	238,883
Cash and cash equivalents	6	5,193	48,458	32,674	68,953
Trade accounts receivable	7	9,535	77,852	99,980	95,326
Inventory	8	-	22,477	44,826	29,290
Recoverable taxes	9	3,207	37,559	26,467	41,399
Advances to suppliers	10	495	-	525	-
Other receivables		1,669	2,710	4,351	3,915
Non-current		547,467	435,956	382,483	394,585
Judicial deposits	22 (b)	11,906	11,049	11,913	11,057
Recoverable taxes	9	-	21,572	20,287	21,572
Contractual deposits	11	7,013	6,461	7,013	6,461
Deferred income tax and social contribution	12	5,875	10,235	11,473	10,404
Other receivables		580	580	411	174
Investments	14	389,162	220,042	-	-
Property, plant and equipment	15	1,155	7,171	10,157	10,522
Intangible assets	16	131,776	158,846	321,229	334,395
Total Assets		567,566	625,012	591,306	633,468

The notes to the financial statements are part of this document

Bematech S.A.

Balance sheets as at December 31,2017 and 2016

(In thousands of reais)

LIABILITIES	Note	Parent Company		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current		22,967	74,910	74,578	83,351
Trade payables	17	2,640	24,638	30,064	24,877
Loans and financing	19	11,251	12,930	11,251	12,930
Debentures	20	-	12,112	-	12,112
Salaries and charges payable	18	3,654	12,538	13,768	17,450
Taxes and contributions payable	21	1,361	4,305	7,574	6,210
Commission payable		84	665	2,634	670
Dividends payable		3,404	1,876	3,757	2,257
Profit sharing	18	554	924	554	1,183
Income tax and social contribution		-	-	-	305
Other liabilities		19	4,922	4,976	5,357
Non-current					
Long-term liabilities		80,522	92,682	52,651	92,697
Loans and financing	19	17,075	27,971	17,075	27,971
Related-party transactions	13 (a)	27,883	-	-	-
Debentures	20	-	19,766	-	19,766
Provision for legal obligations related to judicial proceedings	22	6,975	16,887	6,987	16,902
Liabilities from acquisition of investments	23	28,589	28,058	28,589	28,058
Equity		464,077	457,420	464,077	457,420
Capital	24	344,601	344,601	344,601	344,601
Treasury shares		(13,473)	(13,473)	(13,473)	(13,473)
Capital reserves	24	-	842	-	842
Equity valuation adjustments		18,708	17,602	18,708	17,602
Profit reserves	24	114,241	102,468	114,241	102,468
Undistributed dividends		-	5,380	-	5,380
Total Liabilities and Equity		567,566	625,012	591,306	633,468

The notes to the financial statements are part of this document

Bematech S.A.

Income Statements of years ended December 31, 2017 and 2016

(In thousands reais)

	Note	Parent Company		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Continued operations					
Net revenue from services and sales	25	231,162	276,870	404,643	408,554
Cost of goods sold and services rendered		(133,761)	(194,035)	(234,942)	(274,160)
Gross profit		97,401	82,835	169,701	134,394
Operating revenue (expenses)					
Sales		(28,287)	(43,998)	(65,356)	(56,019)
Administrative and general expenses		(50,167)	(42,231)	(86,996)	(59,371)
Client portfolio and software amortization	14	(1,845)	(2,916)	-	-
Other operating (expenses)/revenue, net		1,659	2,769	(2,910)	(711)
Government subsidy		4,591	10,639	6,275	10,639
Earnings before financial income and equity income		23,352	7,098	20,714	28,932
Equity pick-up	14	(3,439)	16,478	-	-
Finance income	27	5,157	8,340	6,231	9,950
Finance expenses	27	(5,927)	(16,925)	(8,264)	(18,556)
Profit before income tax and social contribution		19,143	14,991	18,681	20,326
Current income tax and social contribution	12	(448)	-	(5,412)	(5,299)
Deferred income tax and social contribution	12	(4,360)	3,199	1,066	3,163
Total income tax and social contribution		(4,808)	3,199	(4,346)	(2,136)
Net income of the year		14,335	18,190	14,335	18,190
Attributable to				14,335	18,190
Company shareholders					
Shares in circulation in the end of year				51,568	51,568
Basic and diluted net profit per share attributable to the shareholders of the Company in the year (in Reais per share)				0.28	0.35

The notes to the financial statements are part of this document

Bematech S.A.

Statements of comprehensive income of years ended December 31,2017 and 2016

(In thousands of reais)

	Consolidated	
	<u>12/31/2017</u>	<u>12/31/2016</u>
Net profit for the year	14,335	18,190
Gain (loss) in conversion of overseas investments	<u>1,106</u>	<u>(14,071)</u>
Comprehensive income for the year	<u>15,441</u>	<u>4,119</u>

The notes to the financial statements are part of this document

Bematech S.A.
Statement of changes in equity
(In thousands of reais)

		Capital reserve		Profit reserves			Additional dividend proposed	Treasury stock	Other comprehensive income	Retained earnings	Total
		Capital	Granted options recognized	Legal	Profit retention	Tax incentive subsidy					
Balance as at December 31, 2015		344,601	842	9,067	1,763	80,622	81	(13,473)	31,673	-	455,176
Total comprehensive income											
Net income for the year		-	-	-	-	-	-	-	-	18,190	18,190
Exchange losses on overseas investments	14 (a)	-	-	-	-	-	-	-	(14,071)	-	(14,071)
Capital transactions with shareholders											
Interim dividends / distributed in advance	24 (d)	-	-	-	-	-	(81)	-	-	(1,794)	(1,875)
Creation of reserves											
Tax incentive reserve	24 (b)	-	-	-	-	10,639	-	-	-	(10,639)	-
Legal reserve		-	-	377	-	-	-	-	-	(377)	-
Undistributed dividends	24 (d)	-	-	-	-	-	5,380	-	-	(5,380)	-
Balance as at December 31, 2016		344,601	842	9,444	1,763	91,261	5,380	(13,473)	17,602	-	457,420
Total comprehensive income											
Net income for the year		-	-	-	-	-	-	-	-	14,335	14,335
Exchange variation gains on overseas investments	14 (a)	-	-	-	-	-	-	-	1,106	-	1,106
Capital transactions with shareholders											
Interim dividends / distributed	24 (d)	-	-	-	-	-	(5,380)	-	-	-	(5,380)
Creation of reserves											
Tax incentive reserve	24 (b)	-	-	-	-	4,591	-	-	-	(4,591)	-
Legal reserve		-	-	717	-	-	-	-	-	(717)	-
Transfers		-	(842)	-	842	-	-	-	-	-	-
Undistributed dividends	24 (d)	-	-	-	5,623	-	-	-	-	(9,027)	(3,404)
Balance as at December 31, 2017		344,601	-	10,161	8,228	95,852	-	(13,473)	18,708	-	464,077

The notes to the financial statements are part of this document

Bematech S.A.

Statements of cash flow of years ended December 31, 2017 and 2016

(In thousands of reais)

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash flow generated from operating activities				
Net profit for the year before income tax and social contribution	19,143	14,991	18,681	20,326
Adjustments for:				
Depreciation and amortization	13,190	12,530	18,993	18,754
Provision for contingencies and services	(10,180)	(2,867)	(10,180)	(2,688)
Provision for doubtful accounts - AFDA	(5,743)	896	1,125	515
Provision for inventory scrapping losses	(571)	(1,521)	12	(1,521)
Provision for profit sharing	321	892	321	1,193
Equity pick-up	3,439	(13,562)	-	-
Inventory adjustments	-	4,095	-	4,095
Intest and foreign exchange and monetary variation expenses	5,510	11,668	5,510	11,671
Write-off of intangible assets	206	4	30	7
Write-off of property, plant and equipment	1,321	135	595	194
	26,636	27,261	35,087	52,546
Changes in operating assets and liabilities:				
Accounts receivable	(3,580)	1,133	(3,228)	(7,789)
Inventory	(13,923)	10,999	(15,423)	12,023
Recoverable taxes	10,328	621	17,494	(2,107)
Judicial deposits	(857)	994	(856)	993
Other assets	(9,873)	1,072	(1,752)	(37)
Trade payables	(16,587)	(18,351)	5,628	(18,189)
Taxes and contributions payable	(1,708)	2,530	(4,614)	5,475
Other liabilities	21,793	(3,663)	(4,987)	(4,657)
	12,229	22,596	27,349	38,258
Cash flow generated from operations				
Interest paid	(6,930)	(9,031)	(6,928)	(9,034)
Income tax and social contributions paid	(671)	-	(1,359)	(2,717)
Net cash generated from operating activities	4,628	13,565	19,062	26,507
Cash flow generated from investment activities				
Dividends received	7,457	13,728	-	-
Capital contribution in subsidiary	(3,010)	-	-	-
Capitalization and Advance for future capital increase	(670)	(1,394)	-	-
Acquisition of property, plant and equipment	(896)	(1,108)	(4,030)	(1,549)
Acquisition of intangible assets	(646)	(2,435)	(1,327)	(2,530)
Payment of bonds for investment acquisition	-	(8,149)	-	(8,149)
	2,235	642	(5,357)	(12,228)
Net cash (used in) generated from investment activities	2,235	642	(5,357)	(12,228)
Cash flow generated from financing activities				
Dividends paid	(7,256)	-	(7,288)	-
Payment of loans and financing	(12,884)	(7,682)	(12,884)	(7,701)
Funds from new loans and financing	-	6,852	-	6,852
Repurchase (buyback) of debentures	-	(2,416)	-	(2,416)
Payment of debentures	(29,988)	(10,564)	(29,988)	(10,564)
Net cash used in financing activities	(50,128)	(13,810)	(50,160)	(13,829)
Exchange rate variation effect on cash and cash equivalents	-	-	176	(2,610)
Cash and cash equivalents from merged companies	-	1,734	-	-
(Decrease) increase in the cash and cash equivalents	(43,265)	2,131	(36,279)	(2,160)
Cash and cash equivalents at beginning of period	48,458	46,327	68,953	71,113
Cash and cash equivalents at end of period	5,193	48,458	32,674	68,953

The notes to the financial statements are part of this document

Bematech S.A.

Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***1 Reporting entity**

Bematech S.A. (hereinafter the "Parent company" or "Company"), having its registered office in São José dos Pinhais, in the State of Paraná, and its subsidiaries have as their core activities the manufacture, sale, intermediation of sales, import, export, design, development, representation, distribution and rental of electric, electronic and electromechanical equipment and related parts and components; the development, representation, distribution and rental of software; the licensing and assignment of rights to use software programs; the sale of supplies for IT equipment; the rendering of technical assistance services, support, training and information technology projects; the franchising of products and services, as well as investments in other companies.

The Board of Directors authorized the issuance of these financial statements at a meeting on February 5, 2018.

(a) Incorporation

On August 1, 2016, according to the minutes of the meeting, the 52nd Extraordinary General Meeting, the incorporation of Misterchef Sistema de Automação Ltda into the Company was approved in accordance to the conditions set out in the incorporation protocol and justification.

Below we present, in summary, the main accounting groups in the financial statement of Misterchef Sistemas de Automação Ltda:

	<u>08/01/2016</u>
	(not audited)
Assets	
Cash	1,734
Trade accounts receivable	4,477
Provision for doubtful accounts	(1,764)
Other receivables	238
Judicial deposits	3
Property, plant and equipment	33
Intangibles	87
Total assets incorporated	<u>4,808</u>
Liabilities	
Trade accounts payable	57
Salaries and charges payable	629
Tax obligations	100
Interest on shareholders' equity payable and Dividends	356
Provision for profit-participation	42
Income tax and social obligation	168
Provision for contingencies	3
	<u>1,355</u>
Net value incorporated	<u>3,453</u>

(a) Corporate Restructuring

On October 1, 2017, the carve-out of the Company was carried out, per the following resolution:

- (i) The Extraordinary Shareholders Meeting held on October 2, 2017, approved the partial transfer of the parent company Bematech S.A to remove from the Company an equity share corresponding to its operations and investments in the hardware segment for the purposes of a capital increase in Bematech Hardware Ltda.

Bematech S.A.

Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

Based on the book balances on October 1, 2017, Bematech S.A injected R\$243,006 in Bematech Hardware Ltda, related to the assets and liabilities from the hardware operating segment. Said assets and liabilities are supported by a valuation report issued by an independent expert and comprise the following assets and liabilities:

	Bematech S/A	Bematech HW	Bematech HW
	Balance on	Net assets	Net assets
	08/31/2017	Report (*)	invested on
	08/31/2017	08/31/2017	10/01/2017
Assets			
Current assets			
Cash and cash equivalents	30,793	-	-
Trade accounts receivable	79,028	72,395	78,912
Inventory	45,003	45,003	36,971
Recoverable taxes	30,401	22,841	22,990
Dividends receivable	350	-	-
Other assets	4,947	784	-
	190,522	141,023	138,873
Non-current assets			
Long-term assets			
Credits with related parties	580	-	-
Securities	6,867	-	-
Judicial deposit	11,369	-	-
Recoverable taxes	21,572	21,572	21,591
Deferred income tax and social contribution	8,216	-	-
	48,604	21,572	21,591
Investments			
Bematech Internacional Corporation	63,667	63,667	63,911
Bematech Asia Corporation Ltd.	1,933	1,933	1,781
Other investments	147,305	-	-
	212,905	65,600	65,692
Property, plant and equipment	6,224	4,296	3,612
Intangible assets	151,550	18,433	18,240
	157,774	22,729	21,852
Total assets	609,805	250,924	248,008
Liabilities			
Current liabilities			
Trade accounts payable	34,380	7,550	5,002
Loans	11,440	-	-
Debentures	10,180	-	-
Profit sharing	910	-	-
Tax liabilities	2,153	-	-
Taxes payable	63	-	-
Dividends payable	82	-	-
Labor and social obligations	14,084	-	-
Commissions payable	1,925	-	-
Other liabilities	4,617	-	-
	79,834	7,550	5,002
Non-current liabilities			
Long-term liabilities	65,253	-	-
Equity	464,718	-	-
Total liabilities	609,805	7,550	5,002
Net assets		243,374	243,006

(*) Issued by independent accounting expert.

Bematech S.A.

Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

2 Basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with Brazilian accounting practices, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and highlight all data relevant to the financial statements, and only such information, which is used by the Management of the Company.

The main accounting policies used to prepare these parent company and consolidated financial statements are as follow. These policies were consistently applied to all the years presented, unless stipulated otherwise.

2.1 Compliance statement

The parent company and consolidated financial statements were prepared and presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and show all material information strictly relating to the financial statements, which are consistent with those used by the Management.

2.2 Basis of preparation and presentation

The Financial Statements hereof were authorized at the Board of Executive Officers Meeting held on February 2, 2018, after a recommendation by the Audit Committee at a meeting held on January 31, 2018.

The main accounting policies applied to the preparation of these financial statements, parent company and consolidated, are defined below. These policies have been applied consistently in all fiscal years presented, except where otherwise stated.

The financial statements were prepared on the historical cost basis, except for the valuation of certain assets and liabilities, such as financial instruments from business combinations, which are measured at their fair value. The parent company and consolidated financial statements present comparative information in relation to the previous period. Due to the carve out executed and explained in Note 1.b), this event must be taken into account in the Parent Company's comparative balances.

All the amounts in these Financial Statements are in thousands of Brazilian reais, except when stated otherwise.

Moreover, the Company considered the guidelines issued under Technical Guideline OCPC07 when preparing its financial statements. Therefore, the relevant information pertaining specifically to the financial statements is highlighted and corresponds to that used by the Management in managing the company.

The preparation of parent company and consolidated financial statements requires the use of certain critical accounting estimates and the exercise of judgment by Company management in applying the accounting policies of the Group. Areas that need a higher level of judgment and have a greater degree of complexity, as well as areas in which the assumptions and estimates are relevant for the financial statements are listed in Note 3.

Bematech S.A.

Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

Settlement of the transactions involving these estimates could result in amounts that differ significantly from those recorded in the financial statements due to the probabilistic treatment applicable to the estimate process. The company revises its estimates at least annually.

More information on the estimates and assumptions used in the items mentioned above is provided in the respective notes.

The pronouncements, interpretations and reviews of CPCs / IFRS that came into effect from 2017 did not have any significant impact on the Company's financial statements.

(a) Parent company financial statements

The Parent Company's individual financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPC). Because the accounting practices adopted in Brazil applied to the individual financial statements from 2014 are no different to the IFRS applicable to the separate financial statements, as they permitted the equity method to be applied to subsidiaries in the separate statements, these statements are also in compliance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB). These individual statements are being published in conjunction with the consolidated financial statements.

(b) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with the Brazilian accounting practices, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

2.3 Consolidation

The Company consolidates all entities over which the Group exercises control.

The Company controls an entity when it is exposed or entitled to variable returns arising from its involvement in the entity and can interfere with its returns due to the power it exercises over the entity.

(i) Subsidiary

Subsidiaries are all entities (including the structured entities) the Company exercises control over. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

Transactions, balances and gains realized in transactions between the companies of the Group are excluded. Losses not realized are also excluded except if the operation provides evidence of impairment of the asset being transferred. The subsidiaries' accounting policies are changed, when necessary, to ensure compliance with the Group's policies.

The consolidated financial statements include the operations of the Company and the following subsidiaries, with the following percentage interests as at the reporting date:

Bematech S.A.

Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

Corporate name	HQ	Functional currency	Control	Participation %	
				12/31/2017	12/31/2016
Bematech Ásia Co.Ltd.	TWN	US Dollar	Indirect	100	100
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	BRA	Real	Direct	100	100
Bematech Internacional Corp. (a)	USA	US Dollar	Indirect	100	100
Logic Controls, Inc (a)	USA	US Dollar	Indirect	100	100
FICE - Bematech Foshan Shunde Ltd. (a)	CHN	US Dollar	Indirect	100	100
CMNet Participações S.A. (d)	BRA	Real	Direct	100	100
CM Soluciones - Argentina (d)	ARG	Argentine peso	Indirect	100	100
CMDIR - Soluções Informática, Lda - Portugal (d)	PRT	Euro	Indirect	100	100
CM Soluciones - Chile (d)	CHL	Chilean peso	Indirect	100	100
Misterchef Sistemas de Automação Ltda. (e)	BRA	Real	Direct		
CMNet Espanha (d)	ESP	Euro	Indirect	100	100
RJ Participações S.A. (b) e (c)	BRA	Real	Direct	100	100
R.J. Consultores en Sistemas de Información S.C. (c)	MEX	Mexican peso	Indirect	100	100
R.J. Consultores e Informática Ltda. (c)	BRA	Real	Indirect	100	100
Bematech Hardware (f)	BRA	Real	Direct	100	-

- (a) Bematech Internacional Corp. holds 100% of the capital of Logic Controls, which holds 100% of FICE - Bematech Foshan;
- (b) Bematech S/A holds 60% interest in the capital stock of RJ Participações. However, the Purchase Agreement for the acquisition of RJ also provides for a call option held by the Company and a put option by the holders of the remaining 40%, with the purpose of closing the acquisition of 100% of RJ. Due to this clause, the Company registered the equivalent of the present value of the exercise price of the put option in determining the compensation paid, considering the use of the anticipated acquisition method. Thus, it holds 100% interest for the purposes of equity income.
- (c) RJ Participações S.A. holds the entire capital of R.J. Consultores en Sistemas de Información S.C. and R.J. Consultores e Informática Ltda.;
- (d) CMNet Participações S.A. holds the entire capital of CMNet Espanha, CMDIR - Soluções Informática, Lda - Portugal, CM Soluciones - Chile and CM Soluciones - Argentina.
- (e) According to Note 1, on August 1, 2016, the subsidiary Misterchef Sistemas de Automação Ltda. was incorporated, see the minutes of the 52nd Extraordinary General Meeting.
- (f) Company created for the purpose of spinning off hardware operations. The amounts involved were presented in Note 1.

2.4 Foreign currency translation

(a) Functional and presentation currency

The items included in each of the subsidiaries' entities' financial information are measured using the currency of the principal economy in which the company operates (the "functional currency").

The parent company and consolidated financial statements are presented in thousands of Reais (R\$), which is the Company's functional and presentation currency.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing as at the transaction dates, or valuation dates where the items are re-measured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the income statement.

(c) Subsidiaries with different currencies

Income and financial statements and of all entities part of the Company (none of which uses a hyperinflationary currency, whose functional currency is different from the presentation currency, are converted to the presentation currency, as follows:

- (i) The assets and liabilities of foreign operations, are translated into the Brazilian Real at the exchange rates as at the reporting date.
- (ii) The income and expenses of foreign operations are translated into the Brazilian Real at average exchange rates in the year (except in cases where the average is not reasonably close to the cumulative exchange rates as at the dates of the operations, and, in that case, income and expenses are translated according to the exchange rates on the actual operations' dates).
- (iii) Foreign currency differences are recognized in other comprehensive income in shareholders' equity, in the account "Equity valuation adjustments".

Goodwill and fair value adjustments arising on acquisitions are translated into the Brazilian Real at the exchange rates as at the reporting date.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, with an immaterial risk of impairment.

2.6 Financial assets**2.6.1 Classification**

The Company classifies its financial assets upon initial recognition in the category loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets, except for those with maturities greater than 12 months after the end of the reporting period (in which case they are classified under non-current assets). The Company's receivables include Trade accounts receivable and Contractual deposits.

2.6.2 Recognition and measurement

Loans and receivables are recognized at amortized cost, using the effective interest rate method.

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(In thousands of Reais, unless stated otherwise)

2.6.3 Offset of financial instruments

Financial assets and liabilities are recognized and a net amount is presented in the financial statement when there is a right to offset the recognized values and there is an intention to settle them on a net basis, or to realize the assets and settle the liability simultaneously. The right should not be contingent on future events and must be applicable in the regular course of business as well as in the case of default, insolvency or bankruptcy of the company or counterparty.

2.6.4 Impairment of financial assets

Assets measured at amortized cost

Each year the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deteriorated and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that loss event(s) had an impact on the estimated future cash flow of that asset that can be estimated reliably.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the parent company and consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for the impairment test is the effective interest rate determined in the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the impaired loss amount is decreased and the decrease can be objectively associated with an event occurring after the recognition of the impairment (as a credit upgrade in the debtor's classification), the decrease in impairment losses is reversed through profit or loss.

2.7 Trade accounts receivable

Trade receivables are amounts due from customers for property sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, the accounts receivable are classified as current assets. Otherwise, they are classified as non-current assets.

Trade accounts receivable are initially recorded at fair value and subsequently measured at amortized cost less the allowance for doubtful accounts.

2.8 Inventory

Inventory is measured at the lower of cost and net realizable value. Inventory is recorded at average cost and includes expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventory to its current status and location. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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(In thousands of Reais, unless stated otherwise)

2.9 Intangible assets**(a) Goodwill**

Goodwill resulting from the acquisition of subsidiaries represents the surplus of: (i) the payment made; (ii) the non-controlling interest in the acquiree; and (iii) the fair value as at the acquisition date of any previous equity interest in the acquired party, over the fair value of the net identifiable assets acquired. If the total amount transferred, the minority interest recognized and the interest previously held measured at fair value is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in profit or loss for the year, in the case of a bargain purchase.

(b) Software

Software licenses are recognized as assets based on the acquisition costs and necessary costs to make them available for use. Those costs are amortized over the software's useful lives of five years.

Costs associated with software maintenance are recognized as expenses, as they occur.

(c) Other intangible assets

Other intangible assets consist of trademarks and patents, applications, client portfolio, software usage rights acquired by the Company and are recognized at fair value as at the acquisition date. Assets with finite useful lives are measured at cost, minus accumulated amortization and impairment losses, if applicable. Amortization is calculated based on the straight line method during the expected useful life (Note 16).

2.10 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation. The historical cost is comprised of costs directly related to the acquisition of the items. The historical cost also includes financing costs incurred through the acquisition of qualifying assets.

Subsequent costs are capitalized for recognition of a separate asset, if appropriate, only when there is an increase in the economic benefits to those costs and that can be confidently measured. The carrying amounts of replaced parts or items are written down. All other forms of repair and maintenance are recognized in the statement of income as they are incurred.

Depreciation is calculated using the straight line method, which take into account the estimated useful life of the assets and the respective residual amounts. (Note 15).

The assets' net book values and useful lives are reviewed, and adjusted annually, if appropriate, at the end of the year.

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

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

Other additions are capitalized only when there is an increase in the economic benefits to the item of property, plant and equipment. All other forms of expenditure are recognized in the statement of income as they are incurred.

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2.11 Impairment of nonfinancial assets

Assets with an indefinite useful lives, such as goodwill, are not subject to amortization and are tested annually for impairment. Goodwill impairment is reviewed annually, or more frequently if events or changes in circumstances suggest possible impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. This value is the higher of the fair value of an asset, minus selling costs, and its value in use.

For impairment testing purposes, assets are grouped at the lowest level for which there is separately identifiable cash flow (Cash-generating Unit - CGU). For the purposes of this test, this allocation is made to the cash generating units or groups of cash generating units that should benefit from the business combination generating the goodwill, and is identified by operational segment.

Non-financial assets, excluding goodwill, that have been adjusted for impairment are subsequently reviewed in order to analyze the possible reversal of the impairment at the reporting date. Impairment of goodwill recognized in profit or loss in the year is not reversed.

2.12 Trade accounts payable

Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business, and are classified as current liabilities if the payment is due within a year. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.13 Debentures, loans and financing

Debentures, loans and financing are recognized initially at fair value, net of transaction costs incurred. Borrowing is subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of income over the year of the debentures, loans and financing using the effective interest method.

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

The costs of general and specific debentures, loans and financing directly attributable to the acquisition, construction or production of qualifying asset, defined as an asset that requires a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset when they are likely to result in future economic benefits to the entity, and when such costs can be measured with confidence. Other loan costs are recognized as expenses as they are incurred.

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2.14 Provisions

Provisions for lawsuits (labor, civil or tax) are recognized when: (i) the Company has a legal or constructive obligation as a result of a past event; (ii) and it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) the value can be estimated with confidence. Provisions do not include future operational losses.

When there is a series of similar obligations, the probability of settling them is determined considering the class of obligations as a whole. A provision is recognized even if the probability of settlement of any individual item included in the same class is low.

Provisions are measured through the present value of the expenses required to settle the obligation, using a rate before tax which expresses the present market assessment of the time value of money and the specific risks inherent in the obligation. The increase in the obligation over time is recognized as finance expenses.

2.15 Current and deferred income and social contribution taxes

The income tax and social contribution expenses for the year are comprised of current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they are related to items recognized directly as net equity or comprehensive income. In that case the tax is also recognized in the net income or comprehensive income.

The current income tax and social contribution are calculated using tax rates at the reporting dates in the countries in which the Company's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities

Current income tax and social contribution are stated net, by entity, in liabilities when there are amounts payable, or in assets when the prepaid amounts exceed the total amount due.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax and social contribution are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit (or tax loss).

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

Deferred income tax and social contribution are recognized on temporary differences deriving from investments in subsidiaries, except where the reversal of the temporary differences is controlled by the Company and provided that it is possible that the temporary difference will not be reversed in the foreseeable future.

Deferred income and social contribution tax assets are stated net in the statement of financial position when there is a legal right and intention to offset them against current taxes, generally related to the same legal entity and tax authority. Thus, deferred assets and liabilities in distinct entities or in distinct countries are generally presented separately, and not in the net income.

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2.16 Employee benefits – profit sharing

A liability account for employee benefits in the form of a profit share is recognized based on a method that considers the profit attributed to the shareholder after adjustments. A provision is recognized when the Company has a contractual obligation or a past event that has created an unrecorded obligation (constructive obligation).

2.17 Capital

Common shares are classified as shareholders' equity.

2.18 Revenue recognition

Revenue from product sales and services rendered in the normal course of the Company's business is stated at the fair value of the consideration received or receivable. Revenue is presented net of taxation, returns, deductions and discounts, as well as Intercompany sales eliminations.

The Company recognizes the income when there is convincing evidence that economic benefits will flow to the Company, and when specific criteria are met for each of the activities of the Company, according to the descriptions below.

(a) Sales of goods

Hardware revenue is recognized when there is convincing evidence that the risks and rewards of ownership have been transferred to the buyer, the economic benefits will flow to the Company, the associated costs and possible returns of goods can be estimated, there is no ongoing involvement with the goods sold, and the value of the revenue can be reliably measured. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction in revenue at the time when the sales are recognized.

(b) Sales of services and software

The Company and its subsidiaries earn software revenue, made up of licensing and subscription fees, revenue from maintenance, revenue from services that includes implementation, customization and consulting, and revenue from hardware. Revenues are presented net of taxes, returns, allowances and discounts, when applicable.

Revenue related to software license is recognized in accordance with the following models:

- (i) Licensing rate, when the ownership of licenses for solutions is transferred to the client: is recognized when all risks and rewards inherent to the license are transferred to the buyer through software delivery and when the amount can be measured reliably, as well as it is probable that economic benefits be generated for the benefit of the Company.
- (ii) Subscription, when licenses are made available to the client upon subscription: are recognized on a monthly basis over the terms of the agreements with customers.

Revenue from services is billed separately and recognized as the services are performed. Billed revenue that does not meet the recognition criteria is not included in the balances of respective revenue account and accounts receivable.

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Revenue from maintenance, comprising technological developments and technical support services are recognized monthly over the terms of the agreements with customers.

(c) Finance income

Finance income is recognized on an accruals basis using the effective interest method.

2.19 Government subsidy

Government subsidies are recognized in profit or loss in the course of the year, and are used to provide immediate financial support, this recognition occurs when it is determined and complies with the conditions of CPC 07/ IAS 20 – “Government Subsidies and Assistance”.

State Decree 1922/2011 provides a presumed ICMS credit equal to the rate established for the sale of the goods covered by the said Decree for industrial establishments, manufacturing, IT and automation products, that meet the requirements of Federal Law 8248/1991 (IT Law) and that have a basic production process (PPB).

This credit is awarded as an investment subsidy, and is conditional on the Company:

- a) Having publications included in an interministerial Ordinance (Finance, Development, Foreign Trade and Industry, and Science and Technology);
- b) Investing in research and development, pursuant to Art. 1 (2,II) of State Decree 1922/2011.

2.20 Dividends

The distribution of dividends is recognized as a liability at the end of the year, in accordance with the Company’s bylaws. Any amount in excess of the mandatory minimum dividend is only recorded on the date on which it is declared by the Board of Directors.

2.21 New standards that are not yet effective

The following new standards were issued by the IASB, but were not effective in 2017. Whilst encouraged by the IASB, the early adoption of standards in Brazil is not permitted by the Accounting Pronouncements Committee (CPC).

IFRS 9/CPC 48 - "Financial Instruments" covers the classification, measurement and recognition of finance assets and liabilities. The full version of IFRS 9 was published in July 2014, and is effective on January 1, 2018, replacing the provisions of IAS 39 regarding the classification and measurement of financial instruments. The main changes in IFRS 9 are: (i) new guidelines for the classification of financial assets; (ii) new standards for the impairment of financial assets, hybrid expected losses/incurred losses, replacing the current standards on incurred losses; and (iii) relaxation of the requirements for hedge accounting.

Management understands that the new IFRS 9/CPC 48 guidelines will not have significant impact on classification and measurement of its financial assets, especially considering that the company does not have hedging operations on the reporting date of these financial statements. The Company does not expect any significant impact on its balance sheet and statement of changes in equity, except for the effect of the application of the impairment requirements under IFRS 9/CPC 48, for which it will apply the simplified approach and record any expected losses throughout the asset’s life under accounts receivable. According to the most recent analyses, the Company estimates that there will be no significant impacts from the change of model from incurred losses to expected losses.

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IFRS 15/CPC 47 - Revenue from Contracts with Customers: The standard sets a new model containing five steps that must be applied to revenues from contracts with customers. According to IFRS 15/CPC47, revenues are recognized in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for the transfer of goods or services to a client.

The new standard replaces IAS 18 – Revenue, IAS 11 – Construction Contracts and the corresponding interpretations. The Company adopted the new standard on the date it came into effect, i.e. January 1, 2018. For future statements, the Company will use the modified retrospective method. In 2016, the Company conducted a preliminary assessment of IFRS 15/CPC 47, which was continued with a more detailed analysis concluded in 2017.

Bematech and its subsidiaries offer software solutions, services and hardware that can be individually observed in contracts with customers, with certain exceptions, and expect the following impacts for contracts with customers:

- (i) Distinct performance obligation – some contracts with customers offer joint hardware and software solutions, notably Bemacash. However, the Company concluded that the sale of these products reflects two distinct performance obligations, since the customer is benefiting from both products offered separately, coupled with the fact that the control of hardware equipment is transferred to the customer at some point, whereas the software subscription revenue is recognized over the period of the contract as long as the client remains on the base. Therefore, the Company calculated an increase in “Subscription” revenue in the estimated amount net of tax effects of R\$2,845, with a positive impact on the opening balance of equity income on January 1, 2018.

The company analyzed the other revenue lines and concluded that there are no other impacts based on the analyses carried out.

IFRS 16 - "Leases" provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, it replaces IAS 17/CPC 06 – “Leases” and respective interpretations.

The Company has not yet determined how the extension of these commitments will affect the recognition of assets and liabilities to future obligations, nor the impact in the income and cash flow classification. It is relevant to state that some present obligations fit the exception, as they are short term and low value. Besides, some obligations may be connected to agreements not qualified as leases under IFRS16.

There were no other IFRS standards or IFRIC interpretations that have not yet come into force which could have a significant impact on the Company.

3 Critical accounting estimates and judgments

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

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3.1 Critical accounting estimates and assumptions

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates may, by definition, differ from the related actual results. The estimates and assumptions that present a significant risk, with the probability of causing relevant adjustments on the carrying amount of assets and liabilities in future periods are listed below.

(a) Impairment of goodwill

The Company is testing goodwill for impairment annually, in accordance with the accounting policy presented in Note 2.11. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations and based in estimates. For the purposes of goodwill impairment testing, the CGUs were defined as the Company's reportable segments, namely Hardware and Software.

(b) Tax income, social contribution and other taxes

The Company is subject to income tax in every country in which it operates. It is necessary to use judgment in order to determine the provision to income tax in those countries.

In various operations, determining the tax is imprecise. The Company also recognizes provisions because there are occasions when additional taxation is due. When the final result of those questions is different from the values previously estimated and registered, these differences affect the current and deferred assets and tax liabilities in the period in which the definitive value is determined.

3.2 Critical accounting judgments**(a) ICMS tax incentives**

The Company has Value-added Tax on Sales and Services (ICMS) incentives granted by the State Government of Paraná, which are not supported by an arrangement with the National Council of Fiscal Policy (Confaz). However, the principles of legal security and administrative morality, according to the Company's legal advisors, who issued an opinion on this matter, require that we take into account that fact that, in the event that the incentives are declared invalid by the courts, the bodies that granted the benefits have historically supported and reaffirmed the benefits granted. As a result, there is no liability to be recorded in the financial statements.

4 Financial risk management**4.1 Financial risk factors**

The activities of the Company carry various financial risks: market risk, credit risk and liquidity risk. The risk management policy concentrates on the unpredictability of the finance markets and aims to minimize any potential adverse effects on the financial performance.

The Company has a risk management policy, with guidelines to transactions and demands the diversification of transactions and financial compensation. According to that policy, the nature and general position of the financial risks is regularly watched in order to assess the results and the financial impact on cash flow. The credit limits are also reviewed periodically.

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Market risks are protected when considered necessary to support the corporate strategy or when it is necessary to maintain the financial flexibility level.

The management analyzes and reviews data related to risk management, including relevant policies, procedures and practices applied to risk management.

(a) Market risk

Cash flow risk or fair value is associated with interest rates.

Interest rates risks derive from short and long-term debentures, loans and financing.

Debentures, loans and financing issued at variable rates expose the Company to cash flow interest rate risk. Debentures, loans and financing issued at fixed rates expose the Company to the risk of fair value associated with the interest rate.

The Company continuously monitors market interest rates aiming to assess the eventual necessity to contract new operations in order to protect against the volatility of the rates.

(b) Foreign exchange risk

As at December 31, 2017 and 2016, the Company had assets and liabilities in Foreign Exchange at the amounts below:

	Parent Company				Consolidated			
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
	Foreign Currency (US Dollars)	Reais	Foreign Currency (US Dollars)	Reais	Foreign Currency Mainly (US Dollars)	Reais	Foreign Currency Mainly (US Dollars)	Reais
Asset								
Trade accounts receivable	-	-	1,222	3,982	367	1,215	4,512	14,706
Liabilities								
Trade accounts payable	208	689	1,462	4,765	1,074	3,554	847	2,761
Rate 12/31/2017 and 12/31/2016								
US Dollars	3.31		3.26		3.31		3.26	

(c) Credit risk

Credit risk is managed on a corporate basis, arising from cash and cash equivalents and credit exposures, bank deposits and financial institutions, as well as exposure to customers, including receivables.

Sales policy considers the credit risk level the Company is willing to take on in the ordinary course of business. The diversification of the receivables portfolio, the selection of customers, as well as the following deadlines to sales financing and individual position limits, are procedures adopted in order to minimize defaults.

(d) Liquidity risk

Cash flow forecasts are carried out by the Finance department. This department watches the continuous predictions of the liquidity demands of the Company to ensure that there is enough cash to satisfy the operational necessities. The Finance department also keeps enough resources in the credit lines available at any moment. This prediction takes into consideration the planned debt financing of the Company, compliance with contract clauses, compliance with internal rules regarding financial statements quotas and, if applicable, external or legal regulatory demands, such as currency restrictions.

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The Controller invests excess cash in current accounts with low-risk products that pay market interest rates, choosing instruments with appropriate maturities or enough liquidity to give a sufficient margin in accordance with the mentioned predictions.

The table below analyzes the finance liabilities of the Company, by maturity, corresponding to the remaining year in the balance sheet to the contractual maturity date. The amounts in the table represent the contracted undiscounted cash flow.

	Parent Company				Consolidated			
	Up to 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Up to 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
On December 31, 2017								
Trade accounts payable	2,640	-	-	-	30,064	-	-	-
Loans and financing	290	18,691	9,345	-	290	18,691	9,345	-
Other liabilities	84	-	-	-	2,634	-	-	-
	Parent Company				Consolidated			
	Up to 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Up to 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
On December 31, 2016								
Trade accounts payable	24,638	-	-	-	24,877	-	-	-
Loans and financing	1,215	14,959	30,302	-	1,215	14,959	30,302	-
Debentures	-	14,298	23,860	-	-	14,298	23,860	-
Investment acquisition obligations	-	-	24,016	-	-	-	24,016	-

4.2 Capital management

Management's policy is to maintain a solid capital base to preserve the trust of the stockholders, creditors and the market, and keep an ideal capital to reduce cost. In order to maintain or adjust the capital structure, the Company may review equity-sharing policy, return equity to shareholders or sell assets to reduce, for instance, the debt burden.

The Company monitors capital using the finance leverage ratio. This ratio is calculated as the company's debt divided by its total capital. The debit comprises debentures, loans and financing (current and non-current, as shown in the financial statement Consolidated), subtracting cash and cash equivalents. Total capital is found by adding up shareholders' equity, as demonstrated in the consolidated financial statements, with net total liabilities (net debt).

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Total loans and debentures	28,326	72,779	28,326	72,779
Cash and cash equivalents (-)	(5,193)	(48,458)	(32,674)	(68,953)
Net debt	23,133	24,321	(4,348)	3,826
Total shareholders' equity	464,077	457,420	464,077	457,420
Total capital	487,210	481,741	459,729	461,246
Financial leverage rate - %	5%	5%	-1%	1%

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*(In thousands of Reais, unless stated otherwise)***5 Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired may be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Corporate	6,580	20,846	35,197	24,670
Logistics distributors	154	23,590	18,314	23,497
Resellers	1,067	23,736	22,109	25,277
End users	1,734	8,097	16,165	13,160
International	-	1,583	8,195	8,722
Total	9,535	77,852	99,980	95,326

The amount included in the Corporate line consists of a portfolio of large customers where the credit risk is extremely low. In the facility called line item Logistics Distributor, the portfolio is concentrated on just one distributor (CDC), and the credit risk is also low. In the Resellers line item, the Company's portfolio is comprised of partners consisting of Bematech technical assistance and product resellers throughout Brazilian territory. Most Resellers are small and in some cases there is credit risk. In the End Users line item, the Company's portfolio is comprised of customers spread throughout Brazil, which are usually small and have moderate credit risk. Finally, the Company has the International line item, the portfolio of which covers Latin America and North America, where many of the sales are made through an input percentage in the form of advance payment, minimizing credit risk.

Credit risk is managed on a corporate basis and arises from cash and cash equivalents and credit exposure to wholesale and retail customers. For the customer portfolio, the Company's credit analysis department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with financial capacity, as approved by management and the Finance Department. The use of credit limits is monitored regularly.

Management does not expect any losses arising from defaults of the counterparties which exceed the amounts already provided.

6 Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and bank deposits	1,949	3,844	16,791	20,032
Financial investments - CDB (i)	3,244	44,614	15,883	48,921
	5,193	48,458	32,674	68,953

(i) Bank deposit certificates (CDBs) and repurchase commitments are remunerated at rates that range between 80% and 110% of the Interbank Deposit Certificate (CDI) interest rate and can be redeemed immediately at an amount known as interest-free rate cash, subject to an immaterial risk of changes in value, the management intends to use these resources in the short term. The balance is in line with the strategy and in the normal course of business.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***7 Trade accounts receivables**

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Domestic receivables	13,610	84,477	111,604	94,707
Foreign receivables	-	4,352	1,215	14,706
Related parties (Note 13a)	600	715	-	-
Gross accounts receivable	14,210	89,544	112,819	109,413
(-) Provision for doubtful accounts	(4,675)	(11,692)	(12,839)	(14,087)
Current assets	9,535	77,852	99,980	95,326

The amounts receivable, net of the allowance for doubtful accounts, by maturity (aging list), as at December 31, 2017 and December 31, 2016:

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Not yet due	6,934	72,837	84,374	83,539
Overdue				
1 to 30 days	1,398	2,037	8,655	5,266
31 to 60 days	538	952	2,782	2,063
61 to 90 days	271	518	1,509	1,614
91 to 180 days	344	1,495	2,211	2,338
more than 180 days	4,725	11,705	13,288	14,593
(-) Provision for doubtful accounts	(4,675)	(11,692)	(12,839)	(14,087)
	9,535	77,852	99,980	95,326

The changes in the allowance/provision for doubtful accounts are as follow:

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	(11,692)	(10,245)	(14,087)	(15,118)
Additional provision in the period	(4,002)	(3,779)	(12,855)	(5,568)
Amounts written-off from provision	9,745	2,883	11,730	6,083
Exchange variance	1,274	(551)	2,373	516
Closing balance	(4,675)	(11,692)	(12,839)	(14,087)

8 Inventory

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Finished goods	-	2,352	11,798	6,632
Raw material	-	12,563	23,933	15,509
Products for resale and other goods	-	5,675	8,218	5,675
Parts for technical assistance	-	1,346	762	1,346
Provision for inventory losses (i)	-	(532)	(963)	(945)
Advances to suppliers and imports in transit	-	1,073	1,077	1,073
	-	22,477	44,826	29,290

- (i) The provision for inventory losses is made by valuing items which are not expected to be used and sold.

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*(In thousands of Reais, unless stated otherwise)***9 Recoverable taxes**

	Parent Company		Consolidated	
	Dec/2017	Dec/2016	Dec/2017	Dec/2016
Value-added tax on sales and services – ICMS (a)	-	46,324	41,780	46,324
Excise Tax – IPI	-	2,555	-	2,555
Income tax and social contribution	-	1,103	207	2,660
Income tax on financial investments	-	625	22	961
Taxes withheld on services (b)	3,207	3,838	4,591	5,561
Other taxes recoverable	-	4,686	154	4,910
	3,207	59,131	46,754	62,971
Current	3,207	37,559	26,467	41,399
Non-current	-	21,572	20,287	21,572
	3,207	59,131	46,754	62,971

- (a) The Company uses the ICMS benefit for investments granted by the State of Paraná through Decrees 1922/11 (Re-issued by Decree 2175/2015) and 5375/02 with the purpose of fostering the development of products with technological content, provided that the requirements in the Federal Legislation, primarily the requirement to spend the legislatively required amount on research and development, have been complied with. The deemed ICMS credit is granted at the equivalent of the amount due on shipment, which results in a tax burden of 0% for specific products sold by the Company. Following the issuance of Decree 2175/15, from September 2015 the presumed credit used at the end of the accrual period was limited, and does not exceed the total debt and does not result in a credit balance being accumulated. Of the total ICMS recoverable, R\$ 20,287 is classified as non-current.

The amounts registered in non-current on December 31, 2017 and December 31, 2016 show the following schedule of realization:

	Consolidated	
	12/31/2017	12/31/2016
2018	4,436	5,761
2019	5,418	5,531
2020	5,201	5,242
2021 onwards	5,232	5,038
	20,287	21,572

- (b) Refers to Social Integration Program (PIS), Social Contribution on Revenue (COFINS), Social Contribution on Net Income (CSLL) withheld on services rendered (Law 10833/03) and Income Tax Withheld at Source (IRRF) (Decree 3000/99).

10 Advances to suppliers

Refers to advance payments to suppliers who render services.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***11 Contractual deposits**

Refers to an amount held in an escrow account, arising from the acquisition of UNUM Tecnologia e Consultoria em Informática Ltda. (subsequently Bematech Sistemas de Gestão e Consultoria Ltda.). The balance has been placed in a low-risk investment fund yielding the Interbank Deposit Certificate rate (CDI). The fund's portfolio consists of government securities and a maximum of 50% of private low-risk credits.

12 Income tax and social contribution**(a) Breakdown of deferred income tax and social contribution**

The breakdown of deferred tax assets and liabilities is shown below:

	Parent Company		Consolidated	
	Dec/2017	Dec/2016	Dec/2017	Dec/2016
Deriving from temporary differences:				
Total tax losses	21,749	26,876	22,668	26,876
(-) Tax losses without recording of deferred tax credits	-	(6,154)	-	(6,154)
Total tax losses carried forward	7,830	9,608	8,160	9,608
(-) Tax losses carried forward without recording of deferred tax credits	-	(2,309)	-	(2,309)
Difference between fiscal base and book value from goodwill	9,370	4,286	9,370	4,286
Tax benefit from goodwill amortization	(32,843)	(26,905)	(32,843)	(26,868)
Intangible asset allocation	(3,177)	(4,241)	(3,177)	(4,241)
Provision for comissions	35	-	35	-
Provision for doubtful accounts	38	1,100	135	1,100
Provision for contingencies and other liabilities	2,289	5,742	2,289	5,742
Provision for losses in inventory	-	194	1,754	194
Provision for warranties	-	1,640	-	1,640
Present value adjustment	-	1,290	4	1,290
Provision for profit sharing	-	367	391	492
Provision for service costs	-	584	350	584
Goodwill (premium) generated on acquisition of companies	-	36	-	36
Other balances of assets and liabilities	584	528	2,291	491
Deferred tax effect from foreign subsidiaries	-	-	46	-
Income tax and social contribution on amortization of expenditure for the development of new products	-	(2,407)	-	(2,363)
Total current deferred income tax and social contribution	5,875	10,235	11,473	10,404

(b) Reconciliation of income tax and social contribution expense

The reconciliation between the tax calculation at the standard rates and the tax expense in the financial year ended December 31, 2017 and 2016 is as follows:

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Earnings before tax	19,143	14,990	18,681	20,326
Income tax and social contribution at nominal combined rate of 34%	(6,508)	(5,097)	(6,352)	(6,911)
(Additions) Exclusions:				
Equity pick-up	(1,170)	5,603	-	-
Law 11,196/05 (Incentive to R&D)	-	-	988	404
Incentive subsidy	1,561	3,617	2,134	3,617
Accounts receivable deemed uncollectible	-	(144)	(92)	(144)
Tax Incentive (PAT, Sponsorships, Donations, etc)	63	-	150	72
Permanent Additions/Exclusions	(296)	(1,157)	(1,039)	(1,223)
IRPJ (Corporate Income Tax) on tax loss recorded in proportion to the portions of goodwill excluded in 2013	1,282	1,539	1,282	1,539
CSLL deferred on negative basis recorded in proportion to the portions of goodwill excluded in 2013	481	577	481	577
Others	(222)	(1,739)	(1,898)	(66)
Income tax and social contribution expenses	(4,808)	3,199	(4,346)	(2,136)
Current income tax and social contribution	(448)	-	(5,412)	(5,299)
Deferred income tax and social contribution	(4,360)	3,199	1,066	3,163
Total income tax and social contribution expense	(4,808)	3,199	(4,346)	(2,136)

(c) Estimated realization period

The composition, considering the year of realization, of deferred income tax and social contribution assets is as follows:

	Parent Company		Consolidated	
	Dec/2017	Dec/2016	Dec/2017	Dec/2016
2017	-	13,480	-	13,480
2018	4,236	9,683	4,236	9,683
2019	4,684	6,606	4,684	6,606
2020	5,293	4,624	5,293	4,624
2021	6,551	6,847	6,551	6,847
2022 onwards	21,131	2,548	26,729	2,636
	41,895	43,788	47,493	43,876

The Company expects that the deferred tax assets resulting from temporary differences will be realized in accordance with the final resolution of the contingencies and other events.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***13 Related party transactions****(a) Subsidiaries and Associated Companies**

The main related party assets and liabilities as at December 31, 2017 and 2016, as well as the transactions that affected the results of operations for the year are as follow:

Accounts receivable (Current assets)

	<u>12/31/2017</u>	<u>12/31/2016</u>
Logic Controls Inc.	-	115
RJ Participações	20	20
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	580	580
	<u>600</u>	<u>715</u>

Trade accounts payable (Current liabilities)

	<u>12/31/2017</u>	<u>12/31/2016</u>
Logic Controls Inc.	-	8
Bematech Asia Co. Ltda.	689	1,996
	<u>689</u>	<u>2,004</u>

Dividends received

	<u>12/31/2017</u>	<u>12/31/2016</u>
RJ Participações	1,211	4,207
CMNet Soluções em Informática e Agência de Viagens e Turismo S.A.	6,246	5,521
Misterchef Sistemas de Automação Ltda.	-	4,000
	<u>7,457</u>	<u>13,728</u>

Revenue

	<u>12/31/2017</u>	<u>12/31/2016</u>
Logic Controls Inc.	5	-
RJ Participações	240	240
	<u>245</u>	<u>240</u>

Costs and expenses

	<u>12/31/2017</u>	<u>12/31/2016</u>
Logic Controls Inc.	-	120
Bematech Asia Co. Ltda.	1,479	1,965
	<u>1,479</u>	<u>2,085</u>

(b) Credits and debts with Bematech Hardware

Refers to the net balance of the current account agreement between Bematech S/A and Bematech Hardware resulting from the contribution of assets and liabilities, as described in Note 1b. The Company's Management estimates that the current account will be closed during the first quarter of 2018.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***Current account (Non-current liabilities)**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Bematech Hardware Ltda	<u>27,883</u>	<u>-</u>
	<u>27,883</u>	<u>-</u>

(c) Compensation of key management staff

According to the Extraordinary and Ordinary General Meeting held on April 25, 2016, there was no fixed annual compensation as a consequence of the waiver of compensation by the statutory board of directors of the parent company. In 2016, the Fiscal Council and Management Council were dissolved.

(d) Dividends paid

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
TOTVS	7,256	1,875	7,256	1,875
Individual shareholders	-	1	2,535	382
Totais	<u>7,256</u>	<u>1,876</u>	<u>9,791</u>	<u>2,257</u>

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*(In thousands of Reais, unless stated otherwise)***14 Investments****(a) Investments in subsidiaries**

Company name	% Interest	Equity income of Parent Company								Investment at Parent Company					
		Subsidiaries		Equity income		Amortization of portfolio of clients and software (*)		Total		Investment value		Goodwill and portfolio of clients and software		Total investment	
		Equity	Income of the period	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bematech Hardware Ltda	100%	238,955	(10,355)	(10,356)	-	-	-	(10,356)	-	238,955	-	-	-	238,955	-
Bematech International Corp. (a)	100%	63,911	(2,249)	(2,249)	2,521	-	-	(2,249)	2,521	-	68,068	-	-	-	68,068
Bematech Ásia Co. Ltd. (a)	100%	1,781	(555)	(555)	(25)	-	-	(555)	(25)	-	2,263	-	-	-	2,263
Misterchef Sistema de Automação Ltda.	100%	-	-	-	3,341	-	-	-	3,341	-	-	-	-	-	-
CMNET Participações S.A.	100%	1,222	(740)	(740)	247	(60)	(60)	(800)	187	1,222	843	3,597	3,657	4,819	4,500
CMNET Soluções em Informática e Agência de Viagem e Turismo Ltda.	100%	17,526	8,899	8,899	6,575	(612)	(1,683)	8,287	4,892	17,526	14,873	75,691	76,303	93,217	91,176
RJ Participações S.A.	100%	2,613	1,562	1,562	3,819	(1,173)	(1,173)	389	2,646	2,613	3,304	49,558	50,731	52,171	54,035
Total Parent Company		326,008	(3,438)	(3,439)	16,478	(1,845)	(2,916)	(5,284)	13,562	260,316	89,351	128,846	130,691	389,162	220,042

(a) The investments of Bematech Internation Corp. and Bematech Asia Co. Ltd. were transferred from Bematech S.A. to Bematech Hardware Ltda as of October 10,2017. The balance of Equity and Income of the period presented above these companies refer to September 30,2017.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

	Parent Company	
	12/31/2017	12/31/2016
Changes in investment balances and unfunded liabilities		
Previous balance	220,042	253,331
Gain (loss) with equity pick-up	(5,284)	13,562
Gain (loss) with exchange variation	1,106	(14,071)
Dividends	(8,064)	(11,711)
Paying in capital - Bematech Hardware Ltda	3,010	-
Capital constitution via carve out - Bematech Hardware Ltda (a)	243,374	-
Advances on future capital increases - CMNET Participações	670	1,313
BIC and Bematech Ásia transfer to Bematech Hardware (b)	(65,692)	-
Capitalization of CMNET Soluções	-	80
Reclassification of goodwill on Misterchef to intangibles	-	(19,009)
Incorporation of Misterchef (Note 1)	-	(3,453)
	389,162	220,042
Balance of investments	389,162	220,042
Losses of subsidiaries (i)	-	-
Balance	389,162	220,042

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*(In thousands of Reais, unless stated otherwise)***15 Property, plant and equipment****(a) Parent Company**

	Parent Company							
	Furniture and fixtures	Buildings, machinery and equipment	PP&E under lease	PP&E reserved to lease	Tools	Leasehold improvements	Others	Total PP&E
Cost or valuation								
Balance as at 12.31.2016	2,529	9,710	12,749	361	4,646	2,711	528	33,234
Additions	78	863	3	-	-	-	48	992
Write-offs	(164)	(371)	(19)	(359)	-	(2,553)	-	(3,466)
Carve out	(1,690)	(6,455)	(12,678)	-	(4,646)	-	(342)	(25,811)
Transfer	-	-	2	(2)	-	-	-	-
Balance as at 12.31.2017	753	3,747	57	-	-	158	234	4,949
Depreciation								
Balance as at 12.31.2016	(1,945)	(7,673)	(10,325)	-	(3,692)	(2,101)	(327)	(26,063)
Depreciation in year	(179)	(948)	(819)	-	-	(95)	(34)	(2,075)
Write-offs	2	2	18	-	-	2,123	-	2,145
Carve out	1,575	5,627	11,067	-	3,692	-	238	22,199
Balance as at 12.31.2017	(547)	(2,992)	(59)	-	-	(73)	(123)	(3,794)
Residual value								
Balance as at 12.31.2016	584	2,037	2,424	361	954	610	201	7,171
Balance as at 12.31.2017	206	755	(2)	-	-	85	111	1,155
Average annual depreciation rate	10%	10%	33%	-	20%	4%	20%	

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***(b) Consolidated**

	Consolidated							
	Furniture and fixtures	Buildings, machinery and equipment	PP&E under lease	PP&E reserved to lease	Tools	Leasehold improvements	Others	Total PP&E
Cost or valuation								
Balance as at 12.31.2016	4,020	15,416	12,753	361	5,162	3,735	1,041	42,488
Additions	420	1,493	3	-	-	2,136	74	4,126
Write-offs	(13)	(151)	(19)	-	-	(3,013)	(11)	(3,207)
Transfer	-	82	2	(2)	-	(82)	-	-
Exchange variation	8	97	-	-	15	-	1	121
Balance as at 12.31.2017	4,435	16,937	12,739	359	5,177	2,776	1,105	43,528
Depreciation								
Balance as at 12.31.2016	(2,868)	(11,273)	(10,320)	-	(4,662)	(2,380)	(463)	(31,966)
Depreciation in year	(384)	(1,811)	(1,023)	-	(102)	(586)	(65)	(3,971)
Write-offs	68	28	18	-	112	2,382	4	2,612
Transfer	-	(18)	-	-	(3)	18	-	(3)
Exchange variation	(1)	(32)	-	-	(10)	-	-	(43)
Balance as at 12.31.2017	(3,185)	(13,106)	(11,325)	-	(4,665)	(566)	(524)	(33,371)
Residual value								
Balance as at 12.31.2016	1,152	4,143	2,433	361	500	1,355	578	10,522
Balance as at 12.31.2017	1,250	3,831	1,414	359	512	2,210	581	10,157
Average annual depreciation rate	10%	10%	33%	-	20%	4%	20%	

In the year ended December 31, 2017, the Company's management analyzed the recoverable values of the assets and did not identify the need to record any provision for impairment of PP&E.

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(In thousands of Reais, unless stated otherwise)

16 Intangible assets

(a) Parent Company

	Parent Company							
	Software	Brands and patents	Client portfolio	Expenses on development of products - in progress	Expenses on development of products - finished	Development costs of internal projects	Goodwill	Total intangible assets
Cost or valuation								
Balance as at 12.31.2016	17,717	708	2,213	11,233	63,279	20,420	144,229	259,799
Additions	531	115	-	-	-	-	-	646
Write-offs	-	(10)	-	-	(180)	(20)	-	(210)
Transfer	-	-	-	(11,233)	11,233	-	-	-
Carve out	(2,312)	-	-	-	(37,753)	(15,443)	-	(55,508)
	15,936	813	2,213	-	36,579	4,957	144,229	204,727
Amortization								
Balance as at 12.31.2016	(12,194)	(207)	(647)	-	(50,561)	(15,265)	(22,079)	(100,953)
Amortization in year	(3,397)	(33)	(221)	-	(4,795)	(824)	-	(9,270)
Write-offs	-	4	-	-	-	-	-	4
Carve out	-	-	-	-	24,782	12,486	-	37,268
	(15,591)	(236)	(868)	-	(30,574)	(3,603)	(22,079)	(72,951)
Residual value								
Balance as at 12.31.2016	5,523	501	1,566	11,233	12,718	5,155	122,150	158,846
	345	577	1,345	-	6,005	1,354	122,150	131,776
Average annual amortization rate	20%	20%	20%	-	20%	20%	-	

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(In thousands of Reais, unless stated otherwise)

(b) Consolidated

	Consolidated							
	Software	Brands and patents	Client portfolio	Expenses on development of products - in progress	Expenses on development of products - finished	Development costs of internal projects	Goodwill	Total intangible assets
Cost or valuation								
Balance as at 12.31.2016	26,367	5,518	18,517	11,234	69,177	20,326	306,754	457,893
Additions	1,212	115	-	-	-	-	-	1,327
Write-offs	(4)	(10)	-	-	-	(20)	-	(34)
Transfer	-	-	-	(11,234)	11,234	-	-	-
Exchange variation	(3)	77	-	-	-	-	564	638
Balance as at 12.31.2017	<u>27,572</u>	<u>5,700</u>	<u>18,517</u>	<u>-</u>	<u>80,411</u>	<u>20,306</u>	<u>307,318</u>	<u>459,824</u>
Amortization								
Balance as at 12.31.2016	(16,306)	(1,914)	(9,739)	-	(52,374)	(15,267)	(27,898)	(123,498)
Amortization in year	(4,917)	(835)	(1,283)	-	(7,051)	(936)	-	(15,022)
Write-offs	-	4	-	-	-	-	-	4
Exchange variation	4	(62)	-	-	-	-	(21)	(79)
Balance as at 12.31.2017	<u>(21,219)</u>	<u>(2,807)</u>	<u>(11,022)</u>	<u>-</u>	<u>(59,425)</u>	<u>(16,203)</u>	<u>(27,919)</u>	<u>(138,595)</u>
Residual value								
Balance as at 12.31.2016	<u>10,061</u>	<u>3,604</u>	<u>8,778</u>	<u>11,234</u>	<u>16,803</u>	<u>5,059</u>	<u>278,856</u>	<u>334,395</u>
Balance as at 12.31.2017	<u>6,353</u>	<u>2,893</u>	<u>7,495</u>	<u>-</u>	<u>20,986</u>	<u>4,103</u>	<u>279,399</u>	<u>321,229</u>
Average annual amortization rate	20%	20%	20%	-	20%	20%	-	

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***(c) Breakdown of goodwill - consolidated**

	Balance in 2015	Exchange variation	Balance in 2016	Exchange variation	Balance in 2017
GSR7 Serviços para Tecnologia da Informação S.A.	10,601	-	10,601	-	10,601
Tecnologia de Gerência Comercial S.A. (GEMCO)	47,393	-	47,393	-	47,393
CMNET Soluções em Informática e Agência de Viagens e Turismo Ltda.	73,088	-	73,088	-	73,088
CMNET Participações S.A.	3,556	-	3,556	-	3,556
RJ Participações S.A.	43,373	-	43,373	-	43,373
Logic Controls, Inc.	43,958	(7,269)	36,689	(1,022)	35,667
W2M Serviços de Informática Ltda.	10,447	-	10,447	-	10,447
Misterchef Sistemas de Automação Ltda.	19,009	-	19,009	-	19,009
C&S Sistemas Ltda.	963	-	963	-	963
Bematech Gestão - Unum	31,880	-	31,880	-	31,880
SnackControl Sistemas Ltda.	1,857	-	1,857	-	1,857
	<u>286,125</u>	<u>(7,269)</u>	<u>278,856</u>	<u>(1,022)</u>	<u>277,834</u>

(d) Impairment of assets

As required by CPC 01 (R1) on the impairment of assets, the Company carries out annual evaluations of the recoverability of amounts recorded in Intangible assets.

For the purposes of impairment testing, the goodwill paid on the acquisitions was allocated to each of the Company's cash generating units that benefited from the synergies of the related acquisitions. These cash generating units represent the lowest level of control and internal management of the Company, and are currently represented by its business segments (Hardware and Software).

The carrying value of goodwill to each CGU was allocated to the following segments:

	Balance in 2015	Exchange variation	Balance in 2016	Exchange variation	Balance in 2017
Hardware	43,958	(7,269)	36,689	(1,022)	35,667
Software	242,167	-	242,167	-	242,167
	<u>286,125</u>	<u>(7,269)</u>	<u>278,856</u>	<u>(1,022)</u>	<u>277,834</u>

The impairment testing for each CGU to which goodwill has been allocated is carried out annually for all cash generating units, or whenever circumstances indicate a possible impairment loss of an asset of that unit.

For the analysis of each CGU, the value in use was determined by discounting the future cash flow generated from the continuous use of the unit.

Revenue and expenses were projected for the period between 2018 and 2022, considering the growth of the operating customer base.

Costs and expenses were projected in line with the Company's historical performance and the historical revenue growth.

Investments in capital goods were estimated considering the current technological infrastructure required to support the provision of solutions, on the basis of the historical performance of the Company.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

In order to extrapolate the projections on December 31, 2017, the following assumptions were considered:

- 6% perpetuity rate applied after the last year of the flow (2023);
- 11.00% of the discount rate - Weighted Average Cost of Capital (“WACC”).

The last test took place on December 31, 2017. It did not result in the need to recognize a loss in the year as the estimated market value was higher than the net carrying amount as at the valuation date.

17 Trade payables

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Third parties				
Domestic	1,951	19,873	26,510	22,116
Foreign	-	2,761	3,554	2,761
Related parties				
Foreign (Note 13a)	689	2,004	-	-
	2,640	24,638	30,064	24,877

18 Salaries and charges payable

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Payroll payable	-	-	677	646
Vacation payable	3,090	8,084	9,065	10,899
Others	576	4,196	2,780	5,003
Changes payable	542	258	1,800	902
Total	4,208	12,538	14,322	17,450

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***19 Loans and financing**

Loans and financing are summarized as follows:

Loans and financing	Maturity	Financial charges annual	Currency	Parent Company and Consolidated	
				12/31/2017	12/31/2016
BNDES PROSOFT	07/15/2020	TJLP +1.52%	Real	5,488	5,476
BNDES PSI	07/15/2020	4% aa	Real	3,818	3,847
Financial lease	03/07/2020	15.12% a 17.24% aa	Real	44	-
BNDES - Inovação	07/15/2020	TJLP + 0.52% aa	Real	1,508	1,503
BNDES EXIM Banco do Brasil	08/15/2017	8% aa	Real	-	1,523
FINAME	09/15/2018	7% aa	Real	393	616
Comission on borrowing from BNDES			Real	-	(35)
Current liabilities				11,251	12,930
Financ. BNDES PROSOFT	07/15/2020	TJLP +1.52%	Real	8,690	13,982
Financ. BNDES PSI	07/15/2020	4% a.a.	Real	6,045	9,846
Financ. BNDES Inovação	07/15/2020	TJLP +0.52%	Real	2,388	3,844
Finame Componente	05/15/2018	7% a.a.	Real	-	392
Financial lease	03/07/2020	16.23% a.a.	Real	55	-
Comission on borrowing from BNDES	-	-	Real	(92)	(93)
Unrealized lease charges			Real	(11)	-
Non-current liabilities				17,075	27,971
Total loans				28,326	40,901

	Parent Company and Consolidated	
	12/31/2017	12/31/2016
Opening balance	40,901	41,933
Additions	-	6,852
Accrued interest	2,359	3,072
Exchange variation	-	(235)
Comission	96	36
Incurred interest	(2,146)	(3,057)
Amortization	(12,884)	(7,700)
Closing balance	28,326	40,901

The credit financing agreement establishes special covenants for the Company. It includes the following funding: BNDES PROSOFT, Capital Inovador (Innovative Capital) and Internacionalização (Internationalization).

The main aspects are as follow:

- Communicate formally and in advance to BNDES the establishment of a secured guarantee through legal determination or as a guarantee of liability contingencies, as well as in cases of fiduciary ownership in the case of financing for the acquisition of equipment.
- Do not establish, except with express prior authorization from BNDES, secured guarantees of any type on transactions with other creditors without the same type of guarantee being provided to BNDES, under equal conditions and priority levels.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

- Do not transfer, assign, burden or sell the ownership rights on the technology or products developed with funds from this transaction, without the prior express authorization of BNDES, and

- Maintain the following debt service coverage ratios (Covenants):

- Equal to or greater than 2.00 (division of the Net Bank Debt over EBITDA).
- Equity/Assets ratio equal to or greater than 0.40.

As a result of the change in Bematech's share control, authorized by the BNDES Executive Board on October 23, 2015, TOTVS S.A. has been included as a guarantor in these contracts, and the financial statements comply with the aforesaid covenants. The covenants in the financing contract with the National Bank for Economic and Social Development ("BNDES") were calculated based on the consolidated financial statements of its parent company TOTVS S.A.

As at December 31, 2017, Management calculated that all of the financial indexes above were met.

No guarantees were provided for the loan agreements.

20 Debentures

Series	Date	Value	Maturity end	Annual compensation	Effective rate	Parent Company and Consolidated	
						12/31/2017	12/31/2016
<u>Current</u>							
1 st issuance	07/10/2014	50,000	04/10/2019	CDI +2.25%	16.38%	-	12,112
<u>Non-current</u>							
1 st issuance	07/10/2014	50,000	04/10/2019	CDI +2.25%	16.38%	-	19,766
Total						-	31,878

	Parent Company and Consolidated	
	12/31/2017	12/31/2016
Opening balance 12/31/16	31,878	45,384
Additions	-	
Share buyback	-	(2,416)
Accrued interest	2,513	5,299
Comission	379	152
Principal payment	(29,988)	(10,564)
Interest payment	(4,782)	(5,977)
Closing balance	-	31,878

In 2014, the Company issued a single series of unsecured, simple debentures, non-convertible into shares, placed through a public offering with restricted distribution, at the amount of R\$ 50,000, comprised of 500 debentures of R\$ 100 each.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

The debentures were set to mature in July 2019. However, in September 2017, the Company's Management resolved to early repurchase the balance amount of R\$20,690 (principal and interest). Thus, all the obligations undertaken by the Company or its guarantor (TOTVS S/A) were settled.

21 Taxes and contributions

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
<u>Current</u>				
Contribution for social security financing	39	1,294	1,038	1,327
Value-added tax on sales and services – ICMS	-	119	162	119
Withholding Income Tax (IRPF) on payroll and third party services	558	1,453	1,385	1,725
Withholding Income Tax on interest on equity	-	-	-	-
Tax on manufactured products - IPI	-	-	459	-
Social Integration Program - PIS	9	275	223	281
Value-added Tax (VAT) payable (Argentina)	-	-	42	65
Service taxes - ISS	156	305	621	710
Taxes on services rendered overseas	341	772	813	772
Income tax	-	-	297	-
Social contribution on net income	-	-	103	-
Pension contribution on gross revenue	-	-	324	-
Taxes on remittances overseas	-	-	1,588	969
Other taxes	258	87	519	242
	<u>1,361</u>	<u>4,305</u>	<u>7,574</u>	<u>6,210</u>

22 Provisions for legal obligations in connection with legal proceedings

Based on information from its legal advisers and an analysis of the pending legal proceedings, Management recorded a provision at an amount considered sufficient to cover the expected losses on the outcome of the lawsuits in progress, as follow:

	<u>Parent Company</u>			
	<u>Tax</u>	<u>Labor</u>	<u>Civil</u>	<u>Total</u>
Balance as at 12/31/2016	11,620	4,288	979	16,887
(+) Provision supplement	-	1,201	626	1,827
(+) Monetary restatement	39	444	59	542
(-) Write-offs	-	(440)	(244)	(684)
(-) Reversal of provision not used	(5,827)	(322)	(186)	(6,335)
(-) Reversal of monetary restatement	(5,262)	-	-	(5,262)
Balance as at 12/31/2017	570	5,171	1,234	6,975

	<u>Consolidated</u>			
	<u>Tax</u>	<u>Labor</u>	<u>Civil</u>	<u>Total</u>
Balance as at 12/31/2016	11,621	4,302	979	16,902
(+) Provision supplement	-	1,201	626	1,827
(+) Monetary restatement	38	444	59	541
(-) Write-offs	-	(443)	(244)	(687)
(-) Reversal of provision not used	(5,827)	(321)	(186)	(6,334)
(-) Reversal of monetary restatement	(5,262)	-	-	(5,262)
Balance as at 12/31/2017	570	5,183	1,234	6,987

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***(a) Tax**

These comprise estimates of tax lawsuits, with the majority of the reversal made in the fiscal year related to the conclusion of the judgment by the Supreme Court (STF), considering the general repercussion system, which decided to exclude ICMS from the PIS and COFINS calculation base, and based on the opinion of its legal advisors, on June 30, 2017, the company reversed the accrued provision of R\$8,454, of which R\$4,288 related to the principal amount being disputed under “General and Administrative Expenses” and R\$4,166 related to inflation adjustment losses under “Financial Expenses.”

(b) Labor claims

These relate to lawsuits brought by former employees and service providing companies.

(c) Civil and administrative claims

These represent estimates of third party claims, related to products and collections.

(d) Possible losses

There is other litigation assessed by the legal advisors as representing a possible risk of loss, for which no provision has been recorded, and which refer to judicial and administrative proceedings arising in the normal course of business at courts and government agencies. The accounting practices adopted in Brazil and IFRS do not require their recognition. The amounts related to these proceedings are as follow:

Nature	Parent Company and Consolidated	
	12/31/2017	12/31/2016
Tax	28,585	42,959
Civil	22,811	20,333
Labor	8,127	3,240
	59,523	66,532

(i) Among the litigation in process representing possible losses, the main item is the claim against the Internal Revenue Service to obtain recognition of the amount excluded of the calculation of IRPJ and CSLL of the years 2007, 2008 and 2009 of the tax credit subsidy for presumed tax credit of ICMS against Paraná State referring to investment subsidies, which in turn is characterized by the RFB as subsidy to funding in the amount of R\$24,627.

(ii) Among the civil claims representing possible losses, the main ones are the ordinary claims in damages for breach of contract, property and reputational damage, and recognition of cessation of trade, issued by Yuri Gomes de Oliveira, Garra Soluções em Informática Ltda in the amount of R\$6,613.

(e) Judicial deposit

The judicial deposits classified as non-current assets, whether or not linked to litigation subject to provisions, are as follow:

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

Nature	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Tax (i)	9,177	8,744	9,177	8,744
Labor	2,094	1,922	2,101	1,930
Civil	635	383	635	383
	11,906	11,049	11,913	11,057

Consolidated judicial deposits sum up R\$11,913 (R\$11,057 on December 31, 2016) and refer to administrative claims against the Federal Revenue Authority, an appeals deposit against the Labor Court and frozen accounts related to civil claims.

(i) In December 2006, the Company filed an injunction against the Federal Revenue Regional Office in Curitiba to obtain recognition of the illegality/unconstitutionality of the inclusion of ICMS in the calculation basis of PIS and COFINS. The lawsuit is pending judgment by the Federal Regional Court of the 4th Region until a final decision regarding the matter is obtained from the Federal Supreme Court. There are judicial deposits linked to this case, whose balances as at December 31, 2017 totaled R\$8,637 (R\$8,023 as at December 31, 2016). In February 2009, Management decided to suspend the payment of amounts through judicial deposits and resumed normal payments to the Federal Tax Authority.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***23 Obligations for acquisition of investments**

	Parent Company and Consolidated	
	Dec/2017	Dec/2016
RJ Participações S.A. (a)	21,398	21,038
Bematech Sistemas de Gestão e Consultoria Ltda. - UNUM (b)	7,191	7,020
Contingent consideration payable	178	559
Escrow Account - Unum	7,013	6,461
	28,589	28,058

a) Refers to the recording of the liability corresponding to the present value of the exercise price of the put option held by the selling stockholders of RJ for the acquisition of the remaining 40%, which is expected to occur in January 2019. Additionally, the liability includes the present value of the future minimum dividends payable to the holders of the shares that correspond to 40% of RJ Participações, for a period of five years, up to the exercise of the put option.

b) Refers to the balance payable for the acquisition of UNUM Tecnologia e Consultoria em Informática Ltda., subsequently Bematech Gestão e Consultoria Ltda., monetarily restated and adjusted to present value.

24 Equity**(a) Capital**

Subscribed and paid-up capital as at December 31, 2017 amounts to R\$ 344,601, comprising 51,568,270 common shares, all nominative and with no nominal value.

(b) Reserve

	12/31/2017	12/31/2016
Capital reserves (i)		
Stock option plan	-	842
Profit reserves		
Legal reserve (ii)	10,161	9,444
Profit retention (iii)	8,228	1,763
Tax incentive subsidy - ICMS (iv)	95,852	91,261
	<u>114,241</u>	<u>102,468</u>
Total reserves	<u>114,241</u>	<u>103,310</u>

(i) Capital reserve

The amount of R\$842 recorded in capital reserves refers to: (a) R\$583 of stock options granted and allocated, in accordance with the services provided by the employees and officers that hold these options; (b) R\$259 of goodwill reserves arising from the options exercised.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

(ii) Legal reserve

Constituted at the rate of 5% of the net income determined for each financial year pursuant to Article 193 of Law 6404/76 up to the limit of 20% of the share capital.

(iii) Profit retention reserve

The amount of R\$7,386 (R\$1,763 in 2016) recorded refers to the profit retention reserve.

(iv) Tax incentive reserve

In the twelve month period ended December 31, 2017, the amount of R\$4,591 (R\$10,639 as at December 31, 2016) of government subsidies was recorded in the profit reserve, corresponding to the balance of tax incentive reserves related to Decrees 1922/11 and 5375/02 of the State of Paraná.

This reserve is not used to pay out dividends.

(e) Treasury shares

The Company held 1,577,400 shares in the treasury on December 31, 2017 and 2016, equivalent to 3% of its total outstanding shares, which were acquired for R\$ 13,473, for subsequent sale and/or cancellation. These shares were acquired as part of the share repurchase program approved by the then Board of Directors on April 4, 2011 and November 4, 2014.

(d) Dividends

The Company's Bylaws determine the distribution of a minimum dividend of 25% of the net income for the year, after the tax incentive reserve, whose distributed value in 2017 was R\$3,404 (R\$1,794 in 2016).

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***25 Revenue**

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Gross revenue	282,149	337,103	481,655	482,616
Licensing fees	10,177	3,881	10,335	5,663
Services	13,174	18,463	50,625	52,530
Subscription	23,694	28,319	73,067	68,169
Maintenance	43,481	37,905	59,234	61,743
Hardware	191,623	248,535	288,394	294,511
Deductions	(50,987)	(60,233)	(77,012)	(74,062)
(-) Cancellations	(6,607)	(5,426)	(10,101)	(7,066)
(-) Taxes on sales	(44,380)	(54,807)	(66,911)	(66,996)
Net revenue	231,162	276,870	404,643	408,554

26 Expenses by nature

Nature	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Salaries, benefits and charges	73,183	78,167	131,343	124,471
Raw materials	75,035	112,007	119,452	136,277
Outsourced services and other inputs	34,548	45,923	56,922	62,797
Depreciation and amortization	13,201	11,499	19,003	14,806
Rent	4,911	4,581	9,859	7,653
PCLD (Reversal)	5,743	(896)	(1,125)	515
Warranties	618	5,587	6,819	5,649
Others	4,976	23,396	45,021	37,382
Total	212,215	280,264	387,294	389,550

Function	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cost of goods sold and/or services rendered	133,761	194,035	234,942	274,160
Sales	28,287	43,998	65,356	56,019
Administrative and general expenses	50,167	42,231	86,996	59,371
Total	212,215	280,264	387,294	389,550

For a better presentation of research and development expenses, the amount in 2017 (R\$44,239) is included in the general and administrative expenses group, whereas the amount in 2016 (R\$15,987) was presented in the cost of goods sold and/or services rendered group.

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***27 Financial income**

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Financial income				
Income on short term investments	3,214	3,378	3,732	3,987
Monetary variation gains	582	551	582	551
Exchange variation gains	614	702	726	947
Discounts obtained	443	342	481	408
Interest earned	420	3,367	825	4,046
Other financial income	(116)	-	(115)	11
	5,157	8,340	6,231	9,950
Financial expenses				
Interest and monetary variation losses	(139)	(9,954)	(531)	(10,125)
Exchange variation losses	(724)	(667)	(1,029)	(938)
Commissions and bank expenses	(787)	(606)	(1,365)	(1,990)
Discounts granted	(2,047)	(284)	(3,017)	(758)
Adjustment to present value	(981)	(1,482)	(981)	(1,482)
Other financial expenses	(1,249)	(3,932)	(1,341)	(3,263)
	(5,927)	(16,925)	(8,264)	(18,556)
	(770)	(8,585)	(2,033)	(8,606)

28 Commitments**(a) Investments in Research and Development**

The Company has a commitment to invest each year in research and development activities relating to information technology in Brazil. These commitments refer to Excise Tax (IPI) benefits, as established by Laws 11077/04, 10176/01 and 8248/91, and to government subsidies, as established by Decrees 1922/11 and 5375/02 of the State of Paraná.

The amount to be invested is equivalent to 3% (CPUs and Microterminals) or 4% (Other Products) of the net billing in the domestic market from the sale of computer products and IT services with incentives provided by Law. In this context, the Company must maintain the Basic Production Process (PPB) of the products authorized by Ordinances 770/05 and 109/02.

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

	Consolidated	
	12/31/2017	12/31/2016
Net billing of products with incentives (CPUs and microterminals)	10,730	9,589
Investment percentage	3%	3%
Total CPUs and microterminals	322	288
Net billing of other products with incentives	105,604	116,738
Investment percentage	4%	4%
Total other products with incentives	4,224	4,670
Compulsory investment	4,546	4,958
Investment made	3,799	4,924
Investment to be made on first quarter according to plans for next fiscal year	(747)	(34)

The Company monitors compliance with its commitment to invest in research and development activities, and, if it does not make the necessary investments up to the end of the year, it may consider the investments made in the first quarter of the following year, as permitted by Art. 34 (I) of Decree 5906/06, which regulates Law 8248/91.

29 Insurance coverage

Based on the assessments of its advisers, the Company has insurance coverage considered sufficient to cover the risks posed by its own assets, rented assets and those deriving from commercial leases and civil liabilities.

The insured assets are company-owned and rented vehicles and the building where the Company and its subsidiaries are located. The maximum coverage breaks down as follows:

Type	Insurer	Effective		Maximum limit of Responsibility	Total value insured	Currency
		From	To			
Comprehensive corporate	Mitsui	07/09/2017	07/09/2018	72,504	72,504	Real
Vehicles	Itaú	07/17/2017	07/17/2018	5.24	5.24	Real
General liabilities	Hartford	01/11/2017	01/11/2018	52.93	52.93	US Dollar
Automobile liabilities	Hartford	07/06/2017	07/06/2018	15.89	15.89	US Dollar
Umbrella liabilities	Hartford	07/06/2017	07/06/2018	66.52	66.52	US Dollar
Marine	Hartford	07/06/2017	07/06/2018	14.91	14.91	US Dollar
Comprehensive corporate	Liberty Seguros	02/16/2017	02/16/2018	1,500	1,500	Real

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Notes to the financial statements on December 31, 2017

*(In thousands of Reais, unless stated otherwise)***30 Financial instruments by category**

	Parent Company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Laons and receivables				
Trade accounts receivable	9,535	77,852	99,980	95,326
Contractual deposits	7,013	6,461	7,013	6,461
Total financial assets	16,548	84,313	106,993	101,787
	Other financial liabilities		Other financial liabilities	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Financial liabilities measured at amortized cost				
Loans and financing	28,326	40,901	28,326	40,901
Trade accounts payable	2,640	24,638	30,064	24,877
Debentures payable	-	31,878	-	31,878
Comission payable	84	665	2,634	670
Profit sharing	554	924	554	1,183
Dividends payable	3,404	1,876	3,757	2,257
Total financial liabilities	35,008	100,882	65,335	101,766

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Notes to the financial statements on December 31, 2017

(In thousands of Reais, unless stated otherwise)

Executive Board

Eros Alexandre Jantsch

Chief Executive Officer

Controller's department

Adriano Cesar Passenko

Chief Corporate Finance Officer

Eric dos Santos

Accountant CRC PR – 055622/O-7