

Cielo S.A.

Individual and Consolidated
Interim Financial Information for the
Three- and Nine-month Periods ended
September 30, 2016 and Report on Review
of Interim Financial Information - ITR



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Report on the review of the Interim Financial Information

To the Shareholders and Management

Cielo S.A.

Barueri-SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Cielo S.A. ("Company"), included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2016, which comprise the balance sheet as of September 30, 2016 and related statements of income and comprehensive income for the three and nine month periods then ended and the changes in shareholders' equity and cash flows for the nine month period then ended, including the explanatory notes.

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

Scope of the review

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

**Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above has not been prepared in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Interim Financial Information and presented in accordance with the standards issued by CVM.

Other matters***Interim statements of value added***

We have also reviewed the individual and consolidated interim statements of value added ("DVA"), for the nine month period ended September 30, 2016, which were prepared under Company's Management responsibility, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for IFRS, which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects consistently with individual and consolidated interim financial information taken as a whole.

Osasco, November 8, 2016

KPMG Auditores Independentes
CRC 2SP028567/O-1 F-SP
Original report in Portuguese signed by
André Dala Pola
Accountant CRC 1SP214007/O-2

Cielo S.A.

Statements of Financial Position at September 30, 2016 and December 31, 2015

(In thousands of Brazilian Reals - R\$)

		Parent Company		Consolidated				Parent Company		Consolidated	
Assets	Notes	09/30/2016	12/31/2015	09/30/2016	12/31/2015	Liabilities and Equity	Notes	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Current Assets						Current Liabilities					
Cash and cash equivalents	4	648,870	44,487	2,193,569	1,249,524	Payables to merchants	12	850,463	891,898	1,511,076	1,503,254
Trade receivables	5	7,212,434	10,153,664	9,896,915	11,151,905	Prepayment of receivables from card-issuing banks	11	528,496	1,269,190	528,496	1,269,190
Receivables from related parties	29	2,064	1,587	38	459	Borrowings	13	3,004,832	3,290,353	3,017,847	3,291,228
Prepaid and recoverable taxes		-	-	12,928	1,814	Trade payables		641,494	554,834	765,214	663,214
Prepaid expenses		25,617	10,369	38,206	17,350	Taxes payable	14	407,379	158,192	444,241	275,733
Derivative financial instruments	28	13,121	213,314	13,121	213,314	Payables to related parties	29	17,335	17,808	-	398
Other receivables		16,320	16,736	56,022	41,488	Dividends payable	17.h)	123,500	540,938	123,500	540,938
						Other payables	15	168,682	176,256	516,288	519,999
Total current assets		7,918,426	10,440,157	12,210,799	12,675,854	Total current liabilities		5,742,181	6,899,469	6,906,662	8,063,954
Noncurrent Assets						Noncurrent liabilities					
Financial investments	13	73,087	66,124	73,087	66,124	Borrowings	13	6,524,073	8,437,535	7,830,874	10,008,265
Investment Fund in Credit Rights	6	1,774,334	-	-	-	Provision for tax, labor and civil risks	16.a)	1,576,623	1,401,073	1,602,302	1,420,270
Deferred income tax and social contribution	7.a)	837,504	650,169	942,359	744,893	Deferred income tax and social contribution	7.b)	-	-	232,636	303,678
Escrow deposits	16.b)	1,457,477	1,296,203	1,465,027	1,302,455	Other payables	15	25,669	11,804	27,015	17,667
Other receivables		18,389	11,766	42,585	41,352	Total noncurrent liabilities		8,126,365	9,850,412	9,692,827	11,749,880
Investments	8	9,734,376	9,934,761	95,822	105,108	Equity					
Property and equipment	9	577,086	720,204	626,503	751,517	Issued capital	17.a)	3,500,000	2,500,000	3,500,000	2,500,000
Intangible assets	10	199,087	151,174	13,497,298	14,290,498	Capital reserve	17.b)	58,547	64,305	58,547	64,305
Total noncurrent assets		14,671,340	12,830,401	16,742,681	17,301,947	Capital transactions between shareholders	17.c)	(82,284)	-	(82,284)	-
						Treasury shares	17.d)	(107,499)	(140,648)	(107,499)	(140,648)
						Comprehensive income	17.e)	10,811	13,401	10,811	13,401
						Earnings reserves	17.f) and g)	5,341,645	4,083,619	5,341,645	4,083,619
						Attributable to:					
						Owners of the Parent Company		8,721,220	6,520,677	8,721,220	6,520,677
						Noncontrolling interests		-	-	3,632,771	3,643,290
						Total equity		8,721,220	6,520,677	12,353,991	10,163,967
Total assets		22,589,766	23,270,558	28,953,480	29,977,801	Total liabilities and equity		22,589,766	23,270,558	28,953,480	29,977,801

The accompanying notes are an integral part of this interim financial information.

Cielo S.A.

Interim statements of profit or loss

For the three- and nine-month periods ended September 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$, except earnings per share)

	Notes	Parent Company				Consolidated			
		Three-month period		Nine-month period		Three-month period		Nine-month period	
		09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Net revenue	19	1,842,365	1,731,088	5,467,937	5,150,279	3,063,368	2,918,057	9,180,290	8,065,602
Cost of services provided	20	(577,917)	(557,366)	(1,671,258)	(1,575,844)	(1,502,249)	(1,444,909)	(4,482,089)	(3,741,042)
Gross profit		1,264,448	1,173,722	3,796,679	3,574,435	1,561,119	1,473,148	4,698,201	4,324,560
Operating income (expenses)									
Personnel	20	(68,143)	(65,767)	(209,188)	(190,045)	(127,129)	(119,467)	(388,741)	(341,519)
General and administrative	20	(96,852)	(96,143)	(297,042)	(282,726)	(126,375)	(128,064)	(414,219)	(364,248)
Sales and marketing	20	(85,118)	(49,141)	(225,743)	(170,779)	(87,890)	(52,373)	(234,534)	(177,760)
Share of profit of investees	8	98,473	99,740	254,782	246,904	991	2,126	5,471	9,479
Other operating expenses, net	20 and 21	(58,177)	(61,655)	(172,505)	(170,638)	(76,200)	(72,006)	(253,736)	(187,224)
Operating profit		1,054,631	1,000,756	3,146,983	3,007,151	1,144,516	1,103,364	3,412,442	3,263,288
Finance income (costs)									
Finance income	27	27,566	4,891	63,372	59,504	62,181	30,513	162,191	107,484
Finance costs	27	(279,265)	(330,699)	(878,175)	(799,540)	(292,045)	(345,409)	(920,774)	(835,159)
Income from purchase of receivables	27	603,518	572,399	1,831,860	1,528,933	603,559	572,399	1,830,523	1,528,933
Exchange differences, net	27	(3,035)	750	(8,276)	4,318	(3,053)	784	(8,212)	4,378
		348,784	247,341	1,008,781	793,215	370,642	258,287	1,063,728	805,636
Operating profit before income tax and social contribution		1,403,415	1,248,097	4,155,764	3,800,366	1,515,158	1,361,651	4,476,170	4,068,924
Income tax and social contribution									
Current	7.b)	(398,334)	(278,154)	(1,349,208)	(1,031,109)	(472,651)	(373,340)	(1,578,402)	(1,304,220)
Deferred	7.b)	4,255	(92,487)	187,336	(110,504)	8,965	(69,769)	221,663	(12,440)
Profit for the period		1,009,336	877,456	2,993,892	2,658,753	1,051,472	918,542	3,119,431	2,752,264
Attributable to:									
Owners of the Company						1,009,336	877,456	2,993,892	2,658,753
Noncontrolling interests						42,136	41,086	125,539	93,511
						1,051,472	918,542	3,119,431	2,752,264
Earnings per share (in R\$) - Basic	18	0,44681	0,38869	1,32568	1,17822	0,44681	0,38869	1,32568	1,17822
Earnings per share (in R\$) - Diluted	18	0,44600	0,38766	1,32329	1,17513	0,44600	0,38766	1,32329	1,17513

The accompanying notes are an integral part of this interim financial information.

Cielo S.A.

Interim statements of comprehensive income

For the three- and nine-month periods ended September 30, 2016 and 2015

(In thousands of Brazilian Reais - R\$)

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Profit for the period	1,009,336	877,456	2,993,892	2,658,753	1,051,472	918,542	3,119,431	2,752,264
Comprehensive income								
Exchange differences on translating foreign operations:								
Exchange differences on foreign investments	11,402	276,449	(206,888)	416,443	11,402	276,449	(206,888)	416,443
Gains and losses on hedging instruments of foreign operations, net of taxes	(11,291)	(266,162)	204,298	(408,409)	(11,291)	(266,162)	204,298	(408,409)
Changes for the period	<u>111</u>	<u>10,287</u>	<u>(2,590)</u>	<u>8,034</u>	<u>111</u>	<u>10,287</u>	<u>(2,590)</u>	<u>8,034</u>
Total comprehensive income for the period	<u><u>1,009,447</u></u>	<u><u>887,743</u></u>	<u><u>2,991,302</u></u>	<u><u>2,666,787</u></u>	<u><u>1,051,583</u></u>	<u><u>928,829</u></u>	<u><u>3,116,841</u></u>	<u><u>2,760,298</u></u>
Attributable to:								
Owners of the Company					<u><u>1,009,447</u></u>	<u><u>887,743</u></u>	<u><u>2,991,302</u></u>	<u><u>2,666,787</u></u>
Noncontrolling interests					<u><u>42,136</u></u>	<u><u>41,086</u></u>	<u><u>125,539</u></u>	<u><u>93,511</u></u>

The accompanying notes are an integral part of this interim financial information.

Cielo S.A.

Interim statements of changes in equity

For the nine-month periods ended September 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

Attributable to owners of the Company													
Earnings reserves													
		Issued capital	Capital reserve	Treasury shares	Capital transactions	Legal reserve	Capital budget	Additional dividends	Earnings retention	Comprehensive income	Total owners of the Parent Company	Noncontrolling interests	Total equity
Balance at January 1, 2015		2,000,000	75,854	(194,478)	-	360,992	1,776,914	283,859	-	5,969	4,309,110	15,290	4,324,400
Dividends paid in addition to the mandatory minimum dividends in 2014	17.h)	-	-	-	-	-	-	(283,859)	-	-	(283,859)	-	(283,859)
Capital increase	17.a)	500,000	-	-	-	-	(500,000)	-	-	-	-	-	-
Acquisition of treasury shares		-	-	(17,304)	-	-	-	-	-	-	(17,304)	-	(17,304)
Stock options granted	26	-	17,241	-	-	-	-	-	-	-	17,241	-	17,241
Sale of treasury shares under the stock option plan	26 and 17.d)	-	(32,816)	67,228	-	-	-	-	-	-	34,412	-	34,412
Profit for the period		-	-	-	-	-	-	-	2,658,753	-	2,658,753	93,511	2,752,264
Allocation of profit for the period:													
Legal reserve	17.f)	-	-	-	-	132,938	-	-	(132,938)	-	-	-	-
Interest on capital paid	17.h)	-	-	-	-	-	-	-	(114,100)	-	(114,100)	-	(114,100)
Mandatory minimum dividends paid	17.h)	-	-	-	-	-	-	-	(410,685)	-	(410,685)	-	(410,685)
Interest on capital proposed		-	-	-	-	-	-	-	(66,600)	-	(66,600)	-	(66,600)
Effect of other noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	-	-	3,539,277	3,539,277
Comprehensive income:													
Exchange differences on translating foreign operations:													
Exchange differences on net foreign investments	17.e)	-	-	-	-	-	-	-	-	416,443	416,443	-	416,443
Gains and losses on hedging instruments of foreign operations, net of taxes	17.e)	-	-	-	-	-	-	-	-	(408,409)	(408,409)	-	(408,409)
Balances at September 30, 2015		2,500,000	60,279	(144,554)	-	493,930	1,276,914	-	1,934,430	14,003	6,135,002	3,648,078	9,783,080
Balance at January 1, 2016		2,500,000	64,305	(140,648)	-	500,000	3,583,619	-	-	13,401	6,520,677	3,643,289	10,163,966
Capital increase	17.a)	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-	-	-
Acquisition of treasury shares		-	-	(24,904)	-	-	-	-	-	-	(24,904)	-	(24,904)
Stock options granted	26	-	21,829	-	-	-	-	-	-	-	21,829	-	21,829
Goodwill on acquisition of noncontrolling interest , with no change in control	17. c)	-	-	-	(82,284)	-	-	-	-	-	(82,284)	(17,849)	(100,133)
Sale of treasury shares under the stock option plan	26 and 17.d)	-	(27,587)	58,053	-	-	-	-	-	-	30,466	-	30,466
Profit for the period		-	-	-	-	-	-	-	2,993,892	-	2,993,892	125,539	3,119,431
Allocation of profit for the period:													
Legal reserve	17.f)	-	-	-	-	149,695	-	-	(149,695)	-	-	-	-
Interest on capital paid	17.h)	-	-	-	-	-	-	-	(238,000)	-	(238,000)	-	(238,000)
Mandatory minimum dividends	17.h)	-	-	-	-	-	-	-	(374,366)	-	(374,366)	-	(374,366)
Interest on capital proposed	17.h)	-	-	-	-	-	-	-	(123,500)	-	(123,500)	-	(123,500)
Effect of other noncontrolling interests on consolidated entities		-	-	-	-	-	-	-	-	-	-	(118,208)	(118,208)
Comprehensive income:													
Exchange differences on translating foreign operations:													
Exchange differences on net foreign investments	17.e)	-	-	-	-	-	-	-	-	(206,888)	(206,888)	-	(206,888)
Gains and losses on hedging instruments of foreign operations, net of taxes	17.e)	-	-	-	-	-	-	-	-	204,298	204,298	-	204,298
Balances at September 30, 2016		3,500,000	58,547	(107,499)	(82,284)	649,695	2,583,619	-	2,108,331	10,811	8,721,220	3,632,771	12,353,991

The accompanying notes are an integral part of this interim financial information.

Cielo S.A.

Interim statements of cash flows

For the nine-month periods ended September 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

	Notes	Parent Company		Consolidated	
		09/30/2016	09/30/2015	09/30/2016	09/30/2015
Cash flows from operating activities					
Profit before income tax and social contribution		4,155,764	3,800,366	4,476,170	4,068,924
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:					
Depreciation and amortization	9 and 10	319,474	312,182	726,765	640,591
Recognition of provision for losses on property and equipment and intangible assets		17,871	26,416	17,871	26,416
Residual value of property and equipment and intangible assets disposed of	9 and 10	47,696	13,029	49,677	13,937
Stock option granted	26	21,829	17,241	21,829	17,241
Losses on doubtful debts	21	92,659	116,559	136,060	133,644
Provision for tax, labor and civil risks	16.a)	183,661	153,694	190,638	155,405
Unearned income from purchase of receivables	5	(160,609)	56,785	(48,501)	56,785
Noncontrolling interests		-	-	125,539	93,511
Exchange differences relating to interest on foreign borrowings		(209,134)	250,181	(209,134)	250,181
Gains (losses) on financial instruments		200,193	(187,122)	200,193	(187,122)
Interest on borrowings	13	866,094	754,276	907,643	787,158
Provision for losses on investments		-	-	23,997	-
Share of profit (loss) of investees	8	(254,782)	(246,904)	(5,471)	(9,479)
Yield from interest in FIDC-NP Cielo		(120,622)	-	-	-
(Increase) decrease in operating assets:					
Trade receivables		3,101,839	153,696	1,303,491	(612,000)
Receivables from related parties		(477)	(2,238)	421	309
Prepaid and recoverable taxes		-	-	(11,114)	(15)
Other receivables (current and noncurrent)		(13,170)	2,645	(22,730)	(20,263)
Escrow deposits	16.b)	(161,272)	(144,482)	(162,571)	(145,008)
Prepaid expenses		(15,248)	(21,842)	(20,856)	(27,736)
Increase (decrease) in operating liabilities:					
Payables to merchants		(874,788)	(1,326,064)	(868,932)	(820,727)
Trade payables		86,660	(58,751)	102,000	(37,915)
Taxes payable		39,566	20,188	25,024	32,879
Payables to related parties		(473)	3,156	(398)	-
Other payables (current and noncurrent)		6,290	(26,902)	(119,902)	120,860
Payment of tax, civil and labor lawsuits	16.a)	(8,110)	(8,146)	(8,605)	(8,906)
Cash generated from operations		7,320,911	3,657,963	6,829,104	4,528,670
Interest paid	13	(892,550)	(440,673)	(919,159)	(463,457)
Income tax and social contribution paid		(1,188,221)	(1,184,146)	(1,483,552)	(1,378,437)
Net cash generated by operating activities		5,240,140	2,033,144	4,426,393	2,686,776
Cash flows from investing activities					
Capital increase in subsidiaries, joint ventures and associate	8	(9,540)	(8,422,930)	(9,240)	(17,731)
Acquisition of quotas of FIDC NP-Cielo, net of redemptions		(1,653,712)	-	-	-
Dividends received from subsidiaries	8	275,668	132,156	-	-
Goodwill on investments in subsidiaries and associate	10	-	-	-	(14,999)
Additions to property and equipment and intangible assets, net of estimated losses	9 and 10	(289,837)	(435,288)	(352,062)	(8,449,676)
Net cash used in investing activities		(1,677,421)	(8,726,062)	(361,302)	(8,482,406)
Cash flows from financing activities					
Acquisition of treasury shares	17.d)	(24,904)	(17,304)	(24,904)	(17,304)
Sale of treasury shares under the stock option plan	17.d)	30,466	34,412	30,466	34,412
Acquisition of interest in subsidiary, with no change in control	8	(100,133)	-	(100,133)	-
Borrowings	13	56,937	9,232,459	56,937	9,232,459
Payment of principal	13	(1,710,788)	(4,901,346)	(1,710,788)	(4,901,346)
IRRF on interest on capital paid		(56,610)	(27,135)	(56,610)	(27,135)
Dividends and interest on capital paid	17.h)	(1,153,304)	(1,284,445)	(1,271,514)	(1,338,637)
Net cash generated by (used in) financing activities		(2,958,336)	3,036,641	(3,076,546)	2,982,449
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary		-	-	(44,500)	87,981
Increase (decrease) in cash and cash equivalents		604,383	(3,656,277)	944,045	(2,725,200)
Cash and cash equivalents					
Closing balance	4	648,870	101,760	2,193,569	1,273,521
Opening balance	4	44,487	3,758,037	1,249,524	3,998,721
Increase (decrease) in cash and cash equivalents		604,383	(3,656,277)	944,045	(2,725,200)

The accompanying notes are an integral part of this interim financial information.

Cielo S.A.

Interim statements of value added

For the nine-month periods ended September 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

		Parent Company		Consolidated	
	Notes	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Revenues					
Sales of services	19	6,081,014	5,728,240	10,102,552	8,874,244
Losses on doubtful debts	21	(92,659)	(116,559)	(136,060)	(133,644)
		5,988,355	5,611,681	9,966,492	8,740,600
Inputs purchased from third parties					
Cost of services provided		(1,253,987)	(1,162,786)	(3,770,146)	(3,089,863)
Materials, electric energy, outside services and others		(497,808)	(426,108)	(450,165)	(370,613)
Other expenses, net		(34,300)	(15,243)	(72,059)	(19,110)
Impairment of assets		(45,545)	(38,837)	(45,617)	(39,179)
		(1,831,641)	(1,642,974)	(4,337,987)	(3,518,765)
Gross value added		4,156,714	3,968,707	5,628,505	5,221,835
Retentions					
Depreciation and amortization	9 and 10	(319,474)	(312,182)	(726,765)	(640,591)
Wealth created, net		3,837,240	3,656,525	4,901,740	4,581,244
Wealth received in transfer					
Share of profit of investees	8	254,782	246,904	5,471	9,479
Finance income, including exchange differences and purchase of receivables, net	27	2,100,484	1,609,965	2,202,836	1,659,252
		2,355,265	1,856,869	2,208,307	1,668,731
Total wealth for distribution		6,192,506	5,513,394	7,110,047	6,249,975
Distribution of wealth					
Personnel and related taxes		(234,934)	(220,291)	(426,660)	(379,444)
Profit-sharing	24	(53,624)	(51,086)	(69,484)	(66,361)
Taxes and contributions		(1,918,338)	(1,780,950)	(2,450,762)	(2,204,995)
Interest and rental expenses		(991,717)	(802,314)	(1,043,710)	(846,911)
Dividends and interest on capital paid		(612,366)	(524,785)	(612,366)	(524,785)
Dividends and interest on capital proposed		(123,500)	(66,600)	(123,500)	(66,600)
Earnings retention		(2,258,026)	(2,067,368)	(2,258,026)	(2,067,368)
Noncontrolling interests		-	-	(125,539)	(93,511)
Wealth distributed		(6,192,506)	(5,513,394)	(7,110,047)	(6,249,975)

The accompanying notes are an integral part of this interim financial information.



Notes to the individual and consolidated interim financial information

(Amounts in thousands of Brazilian Reais - R\$, unless otherwise stated)

1 Operations

Cielo S.A. (the “Company” or “Cielo”) was established in Brazil on November 23, 1995, and is primarily engaged in providing services related to credit and debit cards and other means of payment, including signing up of merchants and service providers, rental, installation and maintenance of POS (point-of-sale) terminals, data capture and processing of electronic and manual transactions.

Cielo is a corporation headquartered in Barueri, State of São Paulo. Cielo’s shares are traded on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, under ticker symbol “CIEL3”, and its subsidiaries comprise Banco do Brasil and Bradesco groups.

The Company’s direct and indirect subsidiaries, joint ventures and associate that, together with Cielo, are also referred to as “Group” throughout this report, provide services related to means of payment or complementary to the acquiring services, such as provision of services in processing means of payments that involve cards, maintenance services and contacts with merchants for acceptance of credit and debit cards, data transmission services to load fixed or mobile phone credits, software development and licensing of computer programs, electronic transactions processing, IT services for collection and management of accounts payable and receivable using the Internet, data processing services and support services to medical companies.

Significant events of the quarter ended September 30, 2016

In the three-month period ended September 30, 2016, the following events occurred, which significantly impacted the Company’s financial position:

- *Increase in Cielo’s profit by R\$ 131,880 or 15.0% when comparing the quarters ended ended September 30, 2016 and 2015;*
- *On August 29, 2016, interest in the amount of R\$ 255,148 on the private debentures was paid.*
- *On September 30, 2016, dividends and interest on capital were paid out totaling R\$ 612,366 on the profit earned in the first half of 2016;*
- *On August 5, 2016, Cielo’s Investment Fund in Credit Rights started its operations;*



New corporate business

- **Increase in interest in the capital of Multidisplay:**

On August 27, 2015, Cielo communicated the market in general and other stakeholders that it had signed documents to increase interest in its direct subsidiary Multidisplay, which is the parent company of M4Produtos. On July 4, 2016, after the fulfillment of the suspensive conditions relating to the transaction, among them the authorizations from the Central Bank of Brazil and the CADE (Brazilian Antitrust Agency), the Company completed the formal procedures for increasing its interest in Multidisplay from 50.10% to 91.44%, through the investment of R\$ 89.7 million, of which R\$82.7 million (fixed remuneration) and R\$7.0 million (variable remuneration, “earn-out”), both inflation adjusted by the variation of 100% of the DI, amounting to a total investment of R\$100.1 million at the date of closing of the transaction. This investment aims to consolidate its leadership position in technology platforms that encourage the adoption of mobile payments in the country. Furthermore, the increase in interest represents a greater control over the Company’s strategic decisions, allowing better synergies and guidance to meet Cielo’s needs.

- **Investment Fund in Nonstandard Credit Rights Cielo**

In August 2016 the operations of Investment Fund in Nonstandard Credit Rights Cielo (“FIDC-NP Cielo”) were started, for an indeterminate period with the specific purpose of concentrating the operation of purchase of receivables made on Cielo’s acquisition system. In the operation period started on August 5 through September 30, 2016, R\$1,653.7 million were contributed by Cielo for the beginning of operations of the fund. FIDC-NP Cielo was created with the main purpose of supporting the operation of purchase of receivables using a known instrument of the capital market, regulated by the Brazilian Securities and Exchange Commission. See note 6 for further details on the creation and accounting treatment of FIDC-NP Cielo.

2 Significant accounting practices

2.1 Statement of compliance, basis of preparation and presentation

The individual (Company) and consolidated interim financial information has been prepared in accordance with the international standard IAS 34 - “Interim Financial Reporting” and other International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil which include those established in the Brazilian Corporate Law, as well as the technical pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Brazilian Securities and Exchange Commission (“CVM”).

The individual and consolidated interim financial information is presented in Brazilian reais (R\$), which is the Company’s functional and presentation currency, and has been prepared based on the historical cost, unless otherwise stated.

The accounting policies applied in preparing the individual and consolidated interim financial information are the same as those used in the previous year, disclosed in Note 2 to the Financial Statements of the Company and its subsidiaries for the year ended December 31, 2015, approved and published on February 1, 2016 and made available on the website of CVM, except for the supplements related to the matters addressed in notes 6-Investment Fund in credit rights



and note 17) c. Equity - Capital transactions between shareholders. Therefore, the interim financial information should be read together with the financial statements as of December 31, 2015.

2.2 Main judgements, estimates and accounting assumptions

The preparation of individual and consolidated interim financial information requires the Company's and its subsidiaries' Management to make estimates that affect certain assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses for the period. Significant assets and liabilities subject to these estimates include the residual value of property and equipment and intangible assets, allowance for doubtful debts (on trade accounts receivable from lease of POS equipment), deferred income tax and social contribution assets, impairment of goodwill, provision for risks and determining the fair value of financial instruments. Since Management's judgment involves making estimates concerning the probability of occurrence of future events, actual results could differ from those estimates. The Company and its subsidiaries review estimates and assumptions at least annually.

2.3 Regulations issued by the Central Bank of Brazil (BACEN)

Due to Law 12865, published on October 9, 2013, the Company is subject to regulations issued by the Central Bank of Brazil (BACEN), according to guidelines established by the National Monetary Council (CMN).

In this regard the Company is subject to operating approval by the Central Bank of Brazil, which application was filed in 2014 and the proceedings are in progress, and in the end the regulator may require adjustments in some practices of the Company. Management has made a number of adaptations in order to fully comply with regulations as of BACEN granting its approval, notwithstanding any further requests that the latter might require from the Company.

Finally, in addition to the individual and consolidated financial information prepared in accordance with IFRSs and the accounting practices adopted in Brazil, the Company will be subject to disclose, as from the authorization by the regulatory agency, the financial information prepared in accordance with the set of criteria, procedures and accounting rules embodied in the Chart of Accounts for Institutions of the Brazilian Financial System (COSIF), which differs from some practices currently adopted and whose effects may be different.

2.4 New and revised standards and interpretations issued and not yet adopted

The new IFRSs issued by the IASB and not yet effective are:

IFRS 9 - Financial Instruments - introduces new requirements for classification, measurement and derecognition of financial assets and liabilities (effective for annual periods beginning on or after January 1, 2018). The Company does not expect significant effects of adopting this standard on the Financial Statements.

IFRS 15 - Revenue from Contracts with Customers - introduces new requirements to recognize revenue from sales of goods and services (effective for annual periods beginning on or after January 1, 2018). The Company does not expect significant effects of adopting this standard on the Financial Statements.

IFRS 16 - Leases - Requires recognition of operating leases in the same formats of finance leases (effective for annual periods beginning on or after January 1, 2019). The Company is



evaluating the effects of adopting this standard on the Financial Statements.

3 Consolidated interim financial information

The consolidated interim financial information includes the interim financial information of the Company and its subsidiaries. When necessary, the subsidiaries' interim financial information is adjusted to conform their accounting policies to those set by the Group.

For subsidiaries and investment funds whose quotas are fully held by the Company, the full consolidation concept was applied, intended for investments in subsidiaries and funds and entailing the recognition of all assets, liabilities, income and expenses in the parent, thus requiring the recognition of noncontrolling interests. Changes in ownership interest in investments in subsidiaries that do not result in loss of control are accounted for as capital transactions between shareholders, and any differences between the amount by which noncontrolling interests have been adjusted and the fair value of the amount received or paid is recognized directly in equity attributable to the owners of the parent. .

In the Company's individual interim financial information, the interim financial information on subsidiaries, joint ventures and associate is accounted for under the equity method.

Due to the beginning of activities of FIDC-NP Cielo, the Company now consolidates the financial statements of the fund since it believes that the fund was created with the main purpose of concentrating the operation of purchase of receivables derived from payment transactions made by Cielo acquisition system, and all the risks and rewards related to the fund's yield are linked to the quotas held by the Company. In the process of consolidation of FIDC-NP Cielo, assets and liabilities and gains and losses on transactions between the Company and the fund were eliminated.

The consolidated interim financial information includes the following direct and indirect subsidiaries, joint ventures, associate and investment fund:

	Interest in the capital (%)		
Companies	09/30/2016	12/31/2015	Main activities
Direct subsidiaries and FIDC:			
Servinet Serviços Ltda. (“Servinet”)	99.99	99.99	Provision of maintenance services and contacts with merchants and service providers for acceptance of credit and debit cards.
Cateno Gestão de Contas de Pagamentos S.A. (“Cateno”)	70.00	70.00	Provision of services in processing means of payments that involve credit, debit and multiple cards of private and prepaids labels (not including credit card management).
Cielo USA, Inc. (“Cielo USA”)	100.00	100.00	Holding ownership interests in other companies as partner or shareholder.
Multidisplay Comércio e Serviços Tecnológicos S.A. (“Multidisplay”)	91.44	50.10	Provision of services in data transmission to load fixed or mobile phone credits.
Braspag Tecnologia em Pagamento Ltda. (“Braspag”)	99.99	99.99	Development and licensing of software for computer, automated transaction processing, IT services for collection and management of accounts payable and receivable using the Internet.
Aliança Pagamentos e Participações Ltda. (“Aliança”)	99.99	99.99	Provision of services of contacts developing and maintenance with merchants and holding ownership interests in other companies as partner or shareholder.
Cielo Cayman Island (“Cielo Cayman”)	100.00	100.00	Holding ownership interests in other companies as partner or shareholder. Cielo Cayman did not carry out any operational, non-operational, equity or financial activity in the period ended September 30, 2016.



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Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo ("FIDC-NP Cielo")	100.00	-	Acquisition of eligible credit rights arising from payment transactions originating from Cielo's acquisition system and other financial assets.
Indirect subsidiaries:			
M4Produtos e Serviços S.A. ("M4Produtos")	91.44	50.10	Provision of services in data transmission to load fixed or mobile phone, prepaid transportation, and mobile payment.
Merchant e-Solutions, Inc. ("Me-S")	100.00	100.00	Provision of services related to electronic payments with credit or debit cards.

	Interest in the capital (%)		
Companies	09/30/2016	12/31/2015	Main activities
Direct joint ventures:			
Companhia Brasileira de Gestão de Serviços. (“Orizon”)	40.95	40.95	Provision of data processing services for healthcare companies, management of back office services for health operators, electronic network interconnection services between health operators and medical and hospital service providers and other health system agents and drugstores.
Paggo Soluções e Meios de Pagamento S.A. (“Paggo”)	50.00	50.00	Provision of services relating to signing up of merchants for acceptance of credit and debit cards through the capture, transmission, data processing and settlement of electronic transactions.
Indirect joint ventures			
Previsaúde Comercial de Produtos e de Benefícios de Farmácia Ltda. (“Previsaúde”)	40.95	40.95	Provision of medicine benefit services to corporate customers, healthcare plans, public customers, and large laboratories.
Guilher Comércio, Importação, Exportação e Distribuição de Medicamentos e Tecnologia para Saúde Ltda. (“Guilher”)	40.95	40.95	Import, export, distribution, and sale of medicines and pharmaceutical raw materials, products and technology equipment for health.
Indirect associate:			
Stelo S.A. (“Stelo”)	30.00	30.00	Facilitator for online payments and digital portfolio, both for the physical world and for electronic commerce.

4 Cash and cash equivalents

	Weighted average rate per year	Parent Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
Cash and banks:					
Local currency		13,137	4,258	19,316	5,669
Foreign currency		1,083	30,581	488,909	384,697
Short-term investments:					
Debentures subject to repurchase agreements	100.99% of DI	634,463	6,558	1,671,537	837,228
Bank certificates of deposit - CDB	100.92% of DI	187	170	13,395	19,010
Money Market Deposit Account - MMDA	0.25%	-	2,920	-	2,920
Others		-	-	412	-
Total		648,870	44,487	2,193,569	1,249,524

The balances in line item "Cash and banks" consist of cash on hand and cash available in bank accounts in Brazil and abroad, derived primarily from deposits made by credit and debit



card issuing banks, in the case of the Company, and by card association members, in the case of Me-S, and such amounts are used to settle transactions with merchants.

These short-term investments are highly liquid and their carrying amounts do not differ from their fair values.

5 Trade receivables

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Purchase of receivables (a)	7,152,032	10,094,141	8,926,163	10,094,141
Receivables for processed financial transactions (b)	-	-	340,100	461,030
Receivables for interchange fees to merchants (c)	-	-	144,178	149,585
Receivables for merchant commissions (d)	-	-	310,408	292,376
Bank account lock (e)	11,104	6,645	11,104	6,645
Meal and transportation voucher capture and processing (f)	17,245	20,948	17,245	20,948
Receivables for mobile payment services (g)	-	-	110,422	85,502
Challenges of credit card holders - chargeback (h)	26,394	28,175	26,394	28,175
Other receivables	5,659	3,755	10,901	13,503
Total	7,212,434	10,153,664	9,896,915	11,151,905

- (a) The balance refers to purchase of receivables by the Company and by FIDC-NP Cielo from merchants, relating to card transactions that will be received from the card-issuing banks within 360 days from the purchase date. As at September 30, 2016, this amount is net of the income from purchase of receivables, to be recognized to the maturity dates of the transactions, totaling R\$226,113 in parent company and R\$338,221 in consolidated (R\$386,722 as at December 31, 2015 in parent company and consolidated), since it is related to the purchase of receivables for credit and installment sales with original maturity after the end of the reporting periods.
- (b) Refer to receivables recognized in subsidiary Me-S. These correspond to amounts due from card association members for processed transactions that were authorized but not yet received by Me-S by the end of the reporting periods. These amounts receivable are usually received on the business day following the transaction capture date. The card associations send to Me-S the amounts due to merchants for processing, net of the interchange fee withheld by the card-issuing banks.
- (c) Refer to interchange fees prepaid by the subsidiary Me-S to merchants during the month. These interchange fees, as well as the commission on services provided by Me-S, are received at the beginning of the month subsequent to the transaction month.
- (d) The balance refers to commissions earned by the subsidiary Cateno resulting from payment accounts management services under the Ourocard Payment Arrangement. In general, the commissions resulting from credit card transactions are settled in 28 days and those arising from debit card transactions are settled one business day following the transaction.
- (e) The Company offers to card-issuing banks account lock services upon prior approval from merchants to block any transfer of receivables from such merchants to another bank. For these services, the Company receives a commission, which is paid in the month subsequent to the request of the bank account lock by the issuing banks.
- (f) Receivables from Companhia Brasileira de Soluções e Serviços ("Alelo") arising from the provision of meal and transportation voucher capture and processing services.
- (g) Receivables for electronic payment services provided by subsidiaries M4Produtos and Multidisplay through mobile phones and sale of phone credits with credit and debit cards.
- (h) Refer substantially to receivables for transactions challenged by credit card holders (chargeback).

The aging of trade receivables is as follows:

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Current	7,186,040	10,125,489	9,870,521	11,123,730
Up to 45 days past-due	26,394	28,175	26,394	28,175
Total	7,212,434	10,153,664	9,896,915	11,151,905



6 Investment fund in credit rights

The Investment Fund in Nonstandard Credit Rights Cielo (“FIDC-NP Cielo”) started its operations on August 5, 2016 in the form of an open-ended condominium, exclusive and for an undeterminate period, governed by CMN Resolution No. 2907/2001, by CVM Instructions No. 356/01 and 444/06, by the terms of the Regulation, and by all other applicable legal and regulatory provisions.

The purpose of the fund is to provide quotaholders with an appreciation of the quotas through the investment of their funds mainly in credit rights arising from payment transactions made by end users using payment instruments, for purchase of goods, products and services in merchants, on Cielo’s acquisition system, complying with the other applicable rules and standards.

The fund shall keep after 90 days from the beginning of activities, at least 50% of its equity in the purchase of eligible credit rights.

The credit rights are measured at the purchase price and calculated based on the internal rate of return of the contracts, under the pro rata temporis criterion. The internal rate is calculated based on the purchase price, amount on maturity and term for receiving the credit rights.

The administration, management and custody of the fund is made by Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.

The equity structure of FIDC-NP Cielo as at September 30, 2016 comprises 1,597,800 quotas owned by Cielo, amounting to R\$1,110.48 Brazilian reais each, totaling R\$1,774,334.

The fund’s statement of financial position is as follows:

	FIDC-NP Cielo
	09/30/2016
Assets	
Cash and cash equivalents	412
Trade receivables	1,774,131
Total	<u>1,774,543</u>
Liabilities	
Trade payables	118
Payables to related parties	91
Equity	1,774,334
Total	<u>1,774,543</u>

7 Income tax and social contribution

Deferred income tax and social contribution arise from temporary differences caused mainly by temporarily non-deductible provisions, and are classified in noncurrent assets and noncurrent liabilities.

Deferred income tax and social contribution reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and the related carrying amount. Reported amounts are reviewed monthly.



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a. Breakdown of deferred income tax and social contribution - Assets

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>09/30/2016</u>	<u>12/31/2015</u>	<u>09/30/2016</u>	<u>12/31/2015</u>
Temporary differences:				
Provision for tax, labor and civil risks	529,941	470,254	538,251	476,164
Accrual for sundry expenses	253,506	132,819	350,051	221,632
Allowance for losses on POS equipment and doubtful debts	54,057	47,096	54,057	47,097
Total	<u>837,504</u>	<u>650,169</u>	<u>942,359</u>	<u>744,893</u>

b. Breakdown of deferred income tax - Liabilities recognized in foreign companies

	<u>Consolidated</u>	
	<u>09/30/2016</u>	<u>12/31/2015</u>
Temporary differences:		
Fair value of Me-S's intangible assets, acquired in 2012	214,866	288,752
Other temporary differences	17,770	14,926
Total	<u>232,636</u>	<u>303,678</u>

Current income tax and social contribution

The effective rate of income tax and social contribution for the three- and nine-month periods ended September 30, 2016 and 2015 is as follows:

	<u>Parent Company</u>				<u>Consolidated</u>			
	<u>Three-month period</u>		<u>Nine-month period</u>		<u>Three-month period</u>		<u>Nine-month period</u>	
	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
Profit before income tax and social contribution	1,403,415	1,248,097	4,155,764	3,800,366	1,515,158	1,361,651	4,476,170	4,068,924
Statutory rates - %	34%	34%	34%	34%	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(477,161)	(424,353)	(1,412,960)	(1,292,124)	(515,154)	(462,961)	(1,521,898)	(1,383,434)
Tax benefit of interest on capital	41,990	22,644	122,910	61,438	41,990	22,644	122,910	61,438
Tax benefit of R&D	2,970	-	19,028	14,331	2,970	-	19,028	14,331
Share of profit (loss) of investees	33,481	33,912	86,626	83,947	337	723	1,860	3,223
Effect on permanent differences, net	4,641	(2,844)	22,524	(9,205)	6,171	(3,515)	21,361	(12,218)
Income tax and social contribution	<u>(394,079)</u>	<u>(370,641)</u>	<u>(1,161,872)</u>	<u>(1,141,613)</u>	<u>(463,686)</u>	<u>(443,109)</u>	<u>(1,356,739)</u>	<u>(1,316,660)</u>
Current	<u>(398,334)</u>	<u>(278,154)</u>	<u>(1,349,208)</u>	<u>(1,031,109)</u>	<u>(472,651)</u>	<u>(373,340)</u>	<u>(1,578,402)</u>	<u>(1,304,220)</u>
Deferred	<u>4,255</u>	<u>(92,487)</u>	<u>187,336</u>	<u>(110,504)</u>	<u>8,965</u>	<u>(69,769)</u>	<u>221,663</u>	<u>(12,440)</u>



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Incentives to Cultural and Artistic Activities (“Lei Rouanet”), Sports, Pronas activities, Child and Adolescent Rights Fund and Elderly Fund are recognized in line item “income tax expenses - current” as follows:

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Total incentives	<u>10,620</u>	<u>3,910</u>	<u>31,389</u>	<u>11,130</u>	<u>11,560</u>	<u>3,910</u>	<u>33,365</u>	<u>11,130</u>

8 Investments

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Subsidiaries	9,587,726	9,801,843	-	-
Joint ventures	89,851	76,119	82,851	69,119
Associate	-	-	2,828	10,847
Goodwill on acquisition of investments (a)	<u>56,799</u>	<u>56,799</u>	<u>10,143</u>	<u>25,142</u>
Total	<u>9,734,376</u>	<u>9,934,761</u>	<u>95,822</u>	<u>105,108</u>

- (a) The goodwill arising from investments in subsidiaries, associate and joint ventures are included in the carrying amount of the investment in the individual financial information. In the consolidated financial information, the goodwill arising from the acquisition of subsidiaries is recognized in intangible assets.

The main information on direct and indirect subsidiaries, joint ventures and associate relating to the investment amounts and the share of profit (loss) of investees recognized in the individual and consolidated interim financial information is shown in the table below:



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	09/30/2016					12/31/2015				
	Ownership interest - %	Assets	Liabilities	Equity	Investments	Ownership interest - %	Assets	Liabilities	Equity	Investments
Subsidiaries:	99.99	79,542	55,209	24,333	24,333	99.99	68,288	49,225	19,063	19,063
	Servinet									
	91.44	110,206	46,490	65,255	59,668	50.10	79,520	33,340	62,554	31,338
	Multidisplay									
	99.99	41,695	8,485	33,210	33,210	99.99	37,112	6,892	30,220	30,220
	Braspag									
Joint ventures:	100.00	2,541,957	1,534,680	1,007,277	1,007,277	100.00	3,096,353	1,860,357	1,235,996	1,235,996
	Cielo USA									
	70.00	12,364,537	278,791	12,085,746	8,460,032	70.00	12,437,546	352,716	12,084,830	8,459,381
	Cateno									
Associate:	99.99	3,619	403	3,216	3,216	99.99	25,845	-	25,845	25,845
	Aliança									
Stelo		15,141,556	1,924,058	13,219,037	9,587,726		15,744,664	2,302,530	13,458,508	9,801,843
	Total									
	40.95	251,542	17,871	233,671	89,808	40.95	219,046	18,962	200,084	76,055
	Orizon (*)									
Associate:	50.00	294	209	85	43	50.00	336	209	127	64
	Paggo									
Stelo		251,836	18,080	233,756	89,851		219,382	19,171	200,211	76,119
	Total									
Associate:										
	30.00	79,786	40,367	39,419	2,828	30.00	51,747	15,595	36,152	10,846
Stelo										

(*) The amount of R\$5,880 is not reflected in the investment because it refers to the unrealized gain on capital contribution with goodwill initially reflected in CBGS Ltda. and transferred to the indirect subsidiary CBGS as a result of the merger. In November 2009, CBGS was merged into its then subsidiary Orizon.

		09/30/2016				09/30/2015			
		Operating profit (loss) before income tax and social contribution	Profit (loss) before income tax and social contribution	Share of profit (loss) of investees for the three-month period	Share of profit (loss) of investees for the nine-month period	Operating profit (loss) before income tax and social contribution	Profit (loss) before income tax and social contribution	Share of profit (loss) of investees for the three-month period	Share of profit (loss) of investees for the nine-month period
Subsidiaries:									
Servinet	108,562	6,037	7,818	1,909	5,270	1,721	1,721	1,721	4,733
Multidisplay	534,708	18,581	17,415	5,122	17,769	3,295	3,295	1,650	9,755
Braspag	30,417	252	1,781	3,097	2,990	418	418	418	2,770
Cielo USA Inc.	-	(23,136)	(64,686)	(8,130)	(21,831)	1,795	1,795	1,795	18,201
Cateno	1,811,451	503,406	597,793	137,587	394,562	131,472	131,472	92,030	295,479
Aliança	1,709	(32,168)	(32,151)	(3,779)	(32,169)	(2,799)	(2,799)	(2,799)	(2,799)
Total	2,486,847	472,972	527,970	135,806	366,591	135,902	135,902	94,815	328,139
Joint ventures:									
Orizon	109,993	30,102	42,281	11,745	33,581	12,043	12,043	4,932	30,033
Paggo	-	(42)	(42)	(14)	(42)	(14)	(14)	(7)	(41)
Total	109,993	30,060	42,239	11,731	33,539	12,029	12,029	4,925	29,992
Associate:									
Stelo	108,562	6,037	7,818	(12,706)	(27,533)	(9,329)	(9,329)	(2,799)	(9,329)



The main financial information relating to indirect subsidiaries and indirect joint ventures is as follows:

	09/30/2016				12/31/2015			
	Ownership interest - %	Assets	Liabilities	Equity	Ownership interest - %	Assets	Liabilities	Equity
Indirect subsidiaries:								
M4Produtos	91.44	116,844	93,337	23,507	50.10	108,108	88,391	19,717
Me-S	100.00	1,282,978	749,654	533,324	100.00	1,317,182	709,628	607,554
Indirect joint ventures:								
Prevsáide	40.95	28,354	1,344	27,010	40.95	22,218	1,472	20,746
Guilher	40.95	14,959	12,478	2,480	40.95	14,601	13,307	1,294
	09/30/2016				09/30/2015			
	Net revenue	Gross profit	Operating profit before finance income	Profit before income tax and social contribution	Profit for the three-month period	Profit for the nine-month period	Profit for the three-month period	Profit for the nine-month period
Indirect subsidiaries:								
M4Produtos	59,716	32,872	15,790	16,126	5,521	13,820	3,859	10,033
Me-S	1,315,801	345,996	77,489	76,666	13,282	47,764	33,146	80,060
Indirect joint ventures:								
Prevsáide	9,053	6,482	5,843	8,044	10,366	6,265	2	5,875
Guilher	5,139	825	434	1,773	260	1,186	271	562



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The consolidation of the interim financial information, for direct subsidiaries Multidisplay, Braspag and Cielo USA, as well as for indirect subsidiaries M4Produtos and Me-S, was based on the financial information as at August 31, 2016 to calculate the investments as at September 30, 2016. Accordingly, the share of profit (loss) of investees refers to the nine-month period ended August 31, 2016.

The Company has investments in foreign subsidiaries whose interim financial information was originally prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). No adjustments are made to the interim financial information of foreign subsidiaries, given that there are no significant differences in relation to Brazilian accounting practices.

As at September 30, 2016 and December 31, 2015, the goodwill arising on the acquisition of investments in the individual statement of financial position and the goodwill arising on the acquisition of investments in joint ventures and associate in the consolidated statement of financial position are recognized in line item "Investments", as shown below:

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Multidisplay	20,690	20,690	-	-
Braspag	25,966	25,966	-	-
Orizon	10,143	10,143	10,143	10,143
Stelo (*)	-	-	-	14,999
Total	56,799	56,799	10,143	25,142

(*) The Company recognized a provision for impairment related to the goodwill established during the initial investment in Stelo because it is not possible to predict the beginning of cash generation in this operation.

The details of the nature of the goodwill arising on the acquisition of investments recognized in line item "Investments" have not changed in relation to those disclosed in note 10 - Intangible Assets, item (a) Goodwill on acquisition of investments in the Company's financial statements as of December 31, 2015.



Changes in investments for the nine-month periods ended September 30, 2016 and 2015 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2014	1,025,856	69,010
Capital increase - Cateno	8,390,200	-
Capital increase - Aliança	32,730	-
Capital increase - Stelo	-	17,731
Goodwill on acquisition of Stelo	-	14,999
Exchange differences on foreign investment	416,443	-
Dividends received:		
Multidisplay	(7,350)	-
Servinet	(10,000)	-
Cateno	(114,806)	-
Share of profit of investees	246,904	9,479
Balance at September 30, 2015	<u>9,979,977</u>	<u>111,219</u>
Balance at December 31, 2015	9,934,761	105,108
Advances for future capital increase	9,540	9,240
Acquisition of additional interest in subsidiary M4U	100,133	-
Goodwill on capital transactions between shareholders arising from the acquisition of additional shares in subsidiary M4U	(82,284)	-
Provision for loss on investment	-	(23,997)
Exchange differences on foreign investment	(206,888)	-
Dividends received:		
Multidisplay	(117)	-
Cateno	(275,551)	-
Share of profit of investees	254,782	5,471
Balance at September 30, 2016	<u>9,734,376</u>	<u>95,822</u>

9 Property and equipment

Parent Company					
		09/30/2016		12/31/2015	
	Annual depreciation rate- %	Cost	Accumulated depreciation	Net	Net
POS equipment	33	1,541,177	(1,079,974)	461,203	589,838
Data processing equipment	20	147,764	(87,106)	60,658	72,480
Machinery and equipment	10 - 20	26,539	(20,890)	5,649	6,856
Facilities	10	46,780	(5,022)	41,758	43,015
Furniture and fixtures	10	11,744	(4,062)	7,682	7,558
Vehicles	20	728	(592)	136	457
Total		<u>1,774,732</u>	<u>(1,197,646)</u>	<u>577,086</u>	<u>720,204</u>



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Consolidated					
			09/30/2016	12/31/2015	
	Annual depreciation rate- %	Cost	Accumulated depreciation	Net	Net
POS equipment	33	1,542,140	(1,080,623)	461,517	590,593
Data processing equipment	20	185,144	(108,375)	76,769	86,669
Machinery and equipment	10 - 20	49,532	(31,414)	18,118	9,522
Facilities	10	73,806	(14,458)	59,348	54,949
Furniture and fixtures	10	16,926	(6,368)	10,558	9,255
Vehicles	20	826	(633)	193	529
Total		1,868,374	(1,241,871)	626,503	751,517

Changes in property and equipment for the nine-month periods ended September 30, 2016 and 2015 are as follows:

Parent Company					
	12/31/2015	Additions	Disposals and estimated losses	Depreciation	09/30/2016
POS equipment	589,838	177,810	(47,510)	(258,935)	461,203
Data processing equipment	72,480	5,942	-	(17,764)	60,658
Machinery and equipment	6,856	-	-	(1,207)	5,649
Facilities	43,015	2,135	-	(3,392)	41,758
Furniture and fixtures	7,558	875	-	(751)	7,682
Vehicles	457	-	(187)	(134)	136
Total	720,204	186,762	(47,697)	(282,183)	577,086

	12/31/2014	Additions	Disposals and estimated losses	Depreciation	09/30/2015
Total	701,274	367,203	(13,029)	(283,929)	771,519



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Consolidated						
	12/31/2015	Additions	Disposals and estimated losses	Depreciation	Exchange differences	09/30/2016
POS equipment	590,593	177,605	(47,595)	(259,038)	(48)	461,517
Data processing equipment	86,669	14,268	-	(21,729)	(2,439)	76,769
Machinery and equipment	9,522	12,348	-	(3,313)	(439)	18,118
Facilities	54,949	9,140	(3)	(4,738)	-	59,348
Furniture and fixtures	9,255	2,382	(1)	(1,027)	(51)	10,558
Vehicles	529	-	(187)	(149)	-	193
Total	751,517	215,743	(47,786)	(289,994)	(2,977)	626,503

	12/31/2014	Additions	Disposals and estimated losses	Depreciation	Exchange differences	09/30/2015
Total	723,915	375,191	(13,141)	(289,229)	4,964	801,700

As at September 30, 2016 and December 31, 2015, an allowance for impairment of POS equipment of R\$43,590 and R\$25,719, respectively, is recorded. Additionally, as at those dates, the Company had borrowing agreements with the National Bank for Economic and Social Development ("BNDES" - Finaime) to acquire new POS equipment and does not have finance leases payable.

10 Intangible assets

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	31/12/2015
Goodwill on acquisition of investments	-	-	1,573,871	1,884,977
Other intangible assets	199,087	151,174	11,923,427	12,405,521
Total	199,087	151,174	13,497,298	14,290,498



a. Goodwill on acquisition of investments

As at September 30, 2016, the goodwill on acquisition of investments in subsidiaries is recognized in line item “Intangible assets” in the consolidated statement of financial position, broken down as follows:

	Consolidated	
	09/30/2016	12/31/2015
Multidisplay	30,676	31,348
Braspag	34,912	39,343
Me-S	<u>1,508,283</u>	<u>1,814,286</u>
Total	<u><u>1,573,871</u></u>	<u><u>1,884,977</u></u>

Changes in goodwill in the nine-month periods ended September 30, 2016 and 2015 are as follows:

	Consolidated
Balance at December 31, 2014	1,112,623
Exchange differences	611,733
Reclassification of goodwill of Me-S	<u>191,937</u>
Balance at September 30, 2015	<u>1,916,293</u>
Balance at December 31, 2015	1,884,977
Exchange differences	(306,003)
Realization of tax benefit on goodwill	<u>(5,103)</u>
Balance at September 30, 2016	<u><u>1,573,871</u></u>

There were no changes in the Parent Company goodwill balance in the periods presented.



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b. Other intangible assets

The breakdown of other intangible assets is as shown below:

Parent Company					
			09/30/2016	12/31/2015	
	Annual amortization rate - %	Cost	Accumulated amortization	Net	Net
Software	20	358,623	(189,658)	168,965	140,056
Project development	20	47,637	(19,482)	28,155	8,075
Relationship with customers	10	953	(719)	234	270
Non-compete agreement	7.5	10,284	(8,551)	1,733	2,773
Service agreements	20	11,994	(11,994)	-	-
Total		429,491	(230,404)	199,087	151,174
Consolidated					
			09/30/2016	12/31/2015	
	Annual amortization rate - %	Cost	Accumulated amortization	Net	Net
Software	6.66 - 20	825,620	(372,042)	453,578	503,946
Project development	20	325,437	(213,512)	111,925	113,614
Relationship with customers	4 - 20	511,625	(181,900)	329,725	440,756
Non-compete agreement	7.5 - 50	139,894	(86,727)	53,167	74,923
Service agreements	8 - 20	32,173	(18,397)	13,776	21,726
Trademarks	10	3,248	(3,248)	-	-
Right to use Ourocard Payment Arrangement (b)	3.33	11,572,000	(610,744)	10,961,256	11,250,556
Total		13,409,997	(1,486,570)	11,923,427	12,405,521



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Changes in intangible assets for the nine-month periods ended September 30, 2016 and 2015 are as follows:

Parent Company								
	12/31/2015	Additions	Amortizations	09/30/2016				
Software	140,056	62,621	(33,712)	168,965				
Project development	8,075	22,583	(2,503)	28,155				
Relationship with customers	270	-	(36)	234				
Non-compete agreement	2,773	-	(1,040)	1,733				
Total	151,174	85,204	(37,291)	199,087				
	12/31/2014	Additions	Amortizations	09/30/2015				
Total	126,672	41,669	(28,253)	140,088				

Consolidated								
	12/31/2015	Additions	Granting of rights	Disposals	Transfers	Amortizations	Exchange differences	09/30/2016
Software	503,946	84,748	-	(1,891)	-	(74,397)	(58,829)	453,577
Project development	113,614	33,500	-	-	-	(19,357)	(15,832)	111,925
Relationship with Customers	440,756	-	-	-	-	(40,110)	(70,921)	329,725
Non-compete agreement	74,923	-	-	-	-	(11,975)	(9,780)	53,168
Service agreements	21,726	200	-	-	-	(1,632)	(6,518)	13,776
Right to use Ourocard Payment Arrangement (b)	11,250,556	-	-	-	-	(289,300)	-	10,961,256
Total	12,405,521	118,448	-	(1,891)	-	(436,771)	(161,880)	11,923,427
	12/31/2014	Additions	Granting of rights	Disposals	Transfers	Amortizations	Exchange differences	09/30/2015
Total	1,206,992	71,869	11,572,000	(796)	(301,998)	(351,362)	356,727	12,553,432

- (a) On September 30, 2015, other intangible assets balance was transferred to goodwill, related to the acquisition of Me-S and recorded in subsidiary Cielo USA.
- (b) In the association between the Company and BB Elo Cartões, a wholly-owned subsidiary of Banco do Brasil, BB Elo Cartões granted to Cateno the right to operate the payment account management activity of the Ourocard Payment Arrangement which, based on a valuation study conducted by independent auditors, was appraised at R\$11,572 million with definite useful life of 30 years. The amortization is recorded on a straight-line basis at the rate of 3.33% per year.

Expenses on depreciation of property and equipment and amortization of intangible assets were recognized in “Cost of services provided” and “General and administrative expenses” in the statement of profit or loss.

The additional information in this note has not changed in relation to that disclosed in the Company's financial statements as of December 31, 2015 and is being presented in notes 9 and 10 to those financial statements.



11 Prepayment of receivables from card-issuing banks

The Company receives in advance receivables from card-issuing banks for transactions made by cardholders, which will be transferred to merchants at the agreed settlement date. These prepayments have an average collection period of approximately eleven business days and the weighted average rate of financial charges as at September 30, 2016 is 102.22% of the DI - Interbank Deposit rate (101.99% of the DI as at December 31, 2015).

The amounts due by credit cardholders through card-issuing banks and the amounts to be transferred to merchants are recorded in memorandum accounts.

In Parent Company and Consolidated, the balances of prepayment of receivables with card-issuing banks are R\$528,496 as at September 30, 2016 and R\$1,269,190 as at December 31, 2015.

12 Payables to merchants

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Payables to merchants	50,831,966	58,685,347	50,831,966	58,685,347
Receivables from card-issuing banks	(49,981,503)	(57,793,449)	(49,981,503)	(57,793,449)
Transactions pending transfer (a)	850,463	891,898	850,463	891,898
Payables to merchants (b)	-	-	526,131	491,684
Merchant deposits (c)	-	-	134,482	119,672
Total	850,463	891,898	1,511,076	1,503,254

- (a) Transactions pending transfer - Transactions pending transfer refer to the difference between the amounts received from card-issuing banks relating to transactions made by cardholders and the amounts to be transferred to merchants. In general, the settlement term of credit card issuers for the Company is 28 days, while the Company's average settlement term for merchants is 30 days. Therefore, these balances payable as at September 30, 2016 and December 31, 2015 refers to a float of approximately two days.
- (b) Payables to merchants - Represented by amounts due to merchants by the subsidiary Me-S relating to transactions captured and processed until the end of the reporting period. Such amounts are settled on the business day following the date on which transactions are captured.
- (c) Merchant deposits - The subsidiary Me-S requires deposits from customers in order to protect against the potential risk of complaints from card holders due to fraud on the transaction or bankruptcy of the merchant.

In addition to the provision of services consisting of the transfer of credit and debit card transaction amounts between the card-issuing banks and the merchants, the Company also guarantees accredited merchants that they will receive the amounts of transactions paid using credit cards. As described in note 28(c), the Company adopts a strategy to mitigate card-issuing banks' credit risk in order to protect against the risk of default of these financial institutions. Based on the immaterial amount of the Company's history of losses due to default of card-issuing banks and the current credit risk of these financial institutions, the Company estimates that the fair value of the guarantees provided to merchants is not material and, therefore, is not recognized as a liability.



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13 Borrowings

	Interest rate per year	Parent Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
FINAME	7.67%	263,380	384,431	263,380	384,431
Long-term financing - "Ten-year bonds"	3.75%	1,539,185	1,835,003	2,859,001	3,406,608
Private debentures	100% to 111% of DI	3,381,570	3,506,434	3,381,570	3,506,434
Public debentures	105.8% of DI	3,268,959	4,729,805	3,268,959	4,729,805
R&D financing (*)	4.0%	58,656	58,663	58,656	58,663
Borrowing in foreign currency - "operation 4131"	100% of Libor and spread of 0.73% to 1%	1,017,155	1,213,552	1,017,155	1,213,552
Total		<u>9,528,905</u>	<u>11,727,888</u>	<u>10,848,721</u>	<u>13,299,493</u>
Current		3,004,832	3,290,353	3,017,847	3,291,228
Noncurrent		<u>6,524,073</u>	<u>8,437,535</u>	<u>7,830,874</u>	<u>10,008,265</u>
Total		<u>9,528,905</u>	<u>11,727,888</u>	<u>10,848,721</u>	<u>13,299,493</u>

(*) The Company has financial investments, recognized as held to maturity in noncurrent assets, remunerated at 101.00% of the Interbank Deposit (DI) rate in the amount of R\$73,087 (R\$66,124 as at December 31, 2015), pledged as collateral for the borrowing.

The debt structure as well as the information related to borrowings and their covenants have not changed in relation to the information disclosed in note 13 - Borrowings to the Company's financial statements as of December 31, 2015.

The Company was compliant with the financial ratio related to the covenants of its borrowings described above.

As at September 30, 2016, the Company had financial instruments designated as hedging instrument to protect against possible fluctuations in exchange rates and interest rates, as mentioned in note 28 (f) and (g).

Changes in borrowings for the nine-month periods ended September 30, 2016 and 2015 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2014	6,268,518	7,339,742
New borrowings	9,232,459	9,232,459
Payment of principal	(4,901,346)	(4,901,346)
Exchange differences (principal and interest)	868,983	1,400,966
Mark-to-market	(59,126)	(59,126)
Accrued interest and charges	813,402	846,284
Interest paid	<u>(440,673)</u>	<u>(463,457)</u>
Balance at September 30, 2015	<u>11,782,217</u>	<u>13,395,522</u>
Balance at December 31, 2015	11,727,888	13,299,493
New borrowings	56,937	56,937
Payment of principal	(1,710,788)	(1,710,788)
Exchange differences (principal and interest)	(518,676)	(785,405)
Mark-to-market	10,163	10,163
Accrued interest and charges	855,931	897,480
Interest paid	<u>(892,550)</u>	<u>(919,159)</u>
Balance at September 30, 2016	<u>9,528,905</u>	<u>10,848,721</u>



Breakdown of borrowings recorded in noncurrent liabilities

Borrowings classified as noncurrent as at September 30, 2016 by maturity date are broken down as follows:

Year of maturity	Parent Company	Consolidated
2017	22,681	22,681
2018	1,590,193	1,590,193
2019	15,300	15,300
2020	8,346	8,346
2021	8,346	8,346
2022	1,534,060	2,848,772
2023	3,345,468	3,345,468
2024	8,346	8,346
Total borrowings	6,532,740	7,847,452
Debt issue costs	(8,667)	(16,578)
Total	6,524,073	7,830,874

14 Taxes payable

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Income tax and social contribution, net of prepayments and withholding income tax	369,993	103,762	392,893	192,799
Tax on revenue (Cofins)	17,069	26,899	19,914	41,883
Service tax (ISS)	5,510	7,233	12,387	14,375
Tax on revenue (PIS)	6,638	9,136	7,766	12,495
Other taxes payable	8,169	11,162	11,281	14,181
Total	407,379	158,192	444,241	275,733

15 Other payables

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Current liabilities:				
Accrual for sundry expenses	74,549	82,102	210,217	222,644
Accrual for vacation and related charges	40,509	25,465	70,665	42,809
Profit-sharing	53,624	68,689	75,431	93,643
Other payables (a)	-	-	159,975	160,903
Total	168,682	176,256	516,288	519,999
Noncurrent liabilities:				
Other payables	25,669	11,804	27,015	17,667
Total	194,351	188,060	543,303	537,666

- (a) Balance basically relating to expenses of subsidiaries Cateno on embossing and mailing of cards, and Me-S on processing of transactions and fees paid to trading partners and banks.



16 Provision for tax, civil and labor risks and escrow deposits

a. Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before various courts and government agencies, arising in the normal course of their operations and involving tax, labor, civil and other matters.

Management, based on information from its legal counsel, in the analysis of pending lawsuits and past experience on the amounts claimed in labor, civil and tax lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the nine-month periods ended September 30, 2016 and 2015, as follows:

Parent Company						
	12/31/2015	Additions (i)	Write-offs/ reversals	Inflation adjustment	Payments	09/30/2016
Tax	1,292,010	151,147	(474)	719	-	1,443,402
Civil	25,918	22,191	(4,205)	3,623	(7,680)	39,847
Labor	83,145	14,480	(4,315)	494	(430)	93,374
Total	1,401,073	187,818	(8,994)	4,836	(8,110)	1,576,623
	12/31/2014	Additions (i)	Write-offs/ reversals	Inflation adjustment	Payments	09/30/2015
Total	1,205,427	170,430	(19,816)	3,080	(8,146)	1,350,975
Consolidated						
	12/31/2015	Additions (i)	Write-offs/ reversals	Inflation adjustment	Payments	09/30/2016
Tax	1,292,010	151,147	(474)	719	-	1,443,402
Civil	27,626	22,191	(4,744)	3,623	(7,680)	41,016
Labor	100,634	25,989	(8,349)	535	(925)	117,884
Total	1,420,270	199,327	(13,567)	4,877	(8,605)	1,602,302
	12/31/2014	Additions (i)	Write-offs/ reversals	Inflation adjustment	Payments	09/30/2015
Total	1,223,633	173,840	(21,534)	3,099	(8,906)	1,370,132

- (i) Refer mainly to the increase in the provision for tax risks for the nine-month periods ended September 30, 2016 and 2015, relating to taxes with suspended payment, recorded as an offsetting entry to "Taxes on services" and "Other operating expenses, net", and other additions to the provision for civil and labor risks, represented by new lawsuits and changes in the assessment of the likelihood of losses made by the legal counsel, which were recorded as an offsetting entry to "Other operating expenses, net", in the statement of profit or loss.

Tax lawsuits

The balances below refer to the provision for tax risks, arising from diverging interpretation by tax authorities, and related escrow deposits:



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	Provision for tax lawsuits (Consolidated)		Escrow deposits (Consolidated)	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Main tax lawsuits (ii)				
Noncumulative Cofins	1,405,100	1,257,102	1,389,313	1,239,776
Amazon Investment Fund (FINAM)	16,544	15,835	-	-
Social contribution (CSLL) 2002	10,895	10,895	10,895	10,895
Negative Balance of IRPJ of calendar year 2008	7,045	7,045	7,045	7,045
Others	3,817	1,133	19,992	11,638
Total	1,443,401	1,292,010	1,427,245	1,269,354

- (ii) The status of such tax lawsuits has not changed in the nine-month period ended September 30, 2016 when compared with the 2015 Financial Statements approved and published on February 1, 2016.

Based on the opinion of its legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of the provision for tax risks will occur within 5 years and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Civil lawsuits

Refer basically to collection of transactions made through the Company's system that were not transferred to merchants in view of noncompliance with clauses of the affiliation contract, and compensation for losses caused by transactions not transferred at that time.

Based on the opinion of its legal counsel, the management of the Company and its subsidiaries estimates that the actual disbursement of the mentioned provision for civil risks will occur within 5 years and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Additionally, as at September 30, 2016, the Company is a party to public civil lawsuits and civil investigations, most of them filed by the Public Prosecution Office or professional organizations, whose intention is to defend collective interests (such as consumers' rights and labor rights). Court decisions may grant rights to groups of people (even without their consent). In many situations, the group's decision on availing a favorable outcome will only be made after the final decision.

Labor lawsuits

Refer to labor lawsuits that, as at September 30, 2016, included 340 labor claims against the Company and 73 against the subsidiaries, totaling 413 claims. Of these claims, 146 were filed by former employees, and the remaining 267 claims were filed by subcontractors, some of whom claiming the recognition of an employment relationship.

The risk of loss on labor claims, when these are started, is assessed as possible. As a general rule, only after the decisions of the lower or higher courts are issued, the lawsuits are reclassified to probable or remote loss, depending on the decision and based on the history of losses on similar lawsuits. In general, labor lawsuits are related to salary equalization, overtime and effects of annual bonus, rights guaranteed by agreements between the employer and the labor union, recognition of employment relationship, and pain and suffering.



Based on the opinion of its legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of 45.6% of the mentioned provision for labor risks will occur within 5 years, and 54.4% within 10 years, and understands that the development of the lawsuits will depend on external factors not under the Company's control.

Additionally, as at September 30, 2016, the Company and its subsidiaries are parties to tax, civil and labor lawsuits assessed by their legal counsel as possible likelihood of losses, for which no provision was recognized, as follows:

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Tax	87,500	83,534	91,836	113,939
Civil	109,507	83,260	109,507	83,260
Labor	93,577	81,725	118,750	102,147
Total	290,584	248,519	320,093	299,346

b. Escrow deposits

In the nine-month periods ended September 30, 2016 and 2015, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows::

	Parent Company			
	12/31/2015	Addition	Write-off	09/30/2016
Tax	1,266,231	158,189	(273)	1,424,147
Civil	5,991	1,116	(1,590)	5,517
Labor	23,981	4,285	(453)	27,813
Total	1,296,203	163,590	(2,316)	1,457,477
	12/31/2014	Addition	Write-off	09/30/2015
Total	1,103,037	145,388	(906)	1,247,519

	Consolidated			
	12/31/2015	Addition	Write-off	09/30/2016
Tax	1,269,354	158,189	(298)	1,427,245
Civil	6,043	1,117	(1,624)	5,536
Labor	27,058	5,777	(589)	32,246
Total	1,302,455	165,083	(2,511)	1,465,027
	12/31/2014	Addition	Write-off	09/30/2015
Total	1,108,475	146,018	(1,010)	1,253,483



17 Equity

a. Share capital

Capital as at September 30, 2016 is R\$ 3,500,000 represented by 2,264,012,551 common shares (R\$ 2,500,000 represented by 1,886,677,126 as at December 31, 2015), fully subscribed and paid in.

As mentioned in note 18, the number of shares, net of treasury shares as at September 30, 2016 is 2,259,623,845 (1,881,830,814 shares as at December 31, 2015).

Share capital can be increased by up to 2,400,000,000 additional common shares, regardless of amendments to bylaws, at the discretion of the Board of Directors, which has the power to set the share issue price, the terms and conditions for subscription and payment of shares within the authorized capital limit. Except in the cases described below, according to the number of shares held, shareholders will have preemptive right to subscribe to shares issued in a capital increase, which shall be exercised within 30 days from the publication of the minutes of the Board of Director's meeting that approved such capital increase. The Board of Directors may exclude the preemptive right or reduce the term for exercising such right on the issue of shares, debentures convertible into shares or subscription warrant whose placement is made upon trade on stock exchanges, public subscription or exchange of shares, in a public offering for acquisition of control, within the authorized capital limit. The Board of Directors may also resolve on any shares that remained unsubscribed in the capital increase during the term for exercising the preemptive right and establish, prior to their sale on stock exchanges to the benefit of the Company, the apportionment, proportional to the amounts subscribed, among the shareholders that have indicated, in the subscription form or list, interest in subscribing to any remaining shares.

b. Capital reserve

Represents share-based payment costs and goodwill on the subscription of shares related to capital contributions by shareholders that exceed the amount allocated to capital formation.

The capital reserve as at September 30, 2016 is R\$58,547 (R\$64,305 as at December 31, 2015).

c. Capital transactions between shareholders

In July 2016, as mentioned in new corporate business, after fulfilling suspensive conditions regarding the transaction, the Company concluded an additional acquisition of a 41.34% interest in subsidiary Multidisplay, as follows:

Net assets acquired (a)	17,849
Amounts paid on the closing date (b)	(92,309)
Amounts payable Earn-out (c)	(7,824)
Goodwill on capital transactions between shareholders	<u>(82,284)</u>

(a) Balance corresponding to 41.34% of Multidisplay's equity at the acquisition date.

(b) Consideration transferred through amounts available in cash and cash equivalents.

(c) Remaining balance recorded as "Other payables" in noncurrent liabilities to be paid in 43 months from the closing date, inflation adjusted based on 100% of the DI rate, contingent upon the attainment of certain "performance" goals established in the Share Purchase and Sale Agreement.



d. Treasury shares

On February 26, 2016, the Company's Board of Directors, pursuant to article 8, paragraph 3 of CVM Instruction No. 567/15, approved the acquisition of up to 1,000,000 common shares, without par value, issued by the Company itself, equivalent to approximately 0.13% of the outstanding shares of the Company, to allow the exercise of the options and/or shares to be granted under the Company's Stock Option Plan ("Plan"), approved and amended in the Annual and Extraordinary General Meetings held on 06/01/2009 and 04/29/2011, respectively, and for the eligible statutory and non-statutory directors according to the rules set out in the Plan, within 365 days from the disclosure of the significant event that communicated the approval of the repurchase program. Moreover, these acquisitions of shares issued by the Company itself are limited to the balance available in line item "Capital reserve" determined during the fiscal year, in compliance with articles 1 and 12 of Instruction 10/80.

The Company's Management is responsible for defining the timing and the number of shares to be acquired, within authorized limits.

Changes in treasury shares are as follows:

	Parent Company and Consolidated		
	Shares	Amount	Average cost R\$ per share
Balance at December 31, 2015	(4,846,312)	(140,648)	29.02
Sale in January 2016	32,966	957	29.02
Sale in February 2016	255,158	7,405	29.02
Repurchase in February 2016	(394,350)	(12,263)	29.19
Repurchase in March 2016	(394,355)	(12,641)	29.40
Sale in March 2016	113,005	3,322	29.40
Sale in April 2016	5,491	161	29.40
Balance of treasury shares before the bonus	(5,228,397)	(153,707)	29.40
Increase in treasury shares due to the bonus (*)	(1,046,778)	-	24.49
Sale in April 2016	147,468	3,613	24.49
Sale in May 2016	653,943	16,018	24.49
Sale in June 2016	29,043	711	24.49
Sale in July 2016	376,261	9,216	24.49
Sale in August 2016	543,672	13,317	24.49
Sale in September 2016	136,082	3,333	24.49
Balance at September 30, 2016	(4,388,706)	(107,499)	

(*) **Bonus:** New common shares were issued and one new common share for each lot of five common shares was freely assigned to shareholders, as bonus, generating a total effect of 1,046,778 new shares in treasury.

e. Comprehensive income

Represent cumulative translation adjustments for translation of foreign investments into the foreign currency and gains or losses on hedging instruments of foreign investments, net of taxes. The balances below reflect the cumulative adjustments at the end of the reporting period, as follows:



	Parente Company and Consolidated	
	09/30/2016	12/31/2015
Exchange differences on foreign investments	385,941	592,829
Gains (losses) on hedging instruments ("bonds") of foreign operations, net of taxes	(364,485)	(568,783)
Gains (losses) on hedging instruments ("NDF") of foreign operations, net of taxes	(10,645)	(10,645)
Total	10,811	13,401

f. Earnings reserve - legal

Recognized at 5% of the profit for the period, pursuant to article 193 of Law 6404/76, up to the limit of 20% of the capital. The legal reserve balance is R\$649,695 as at September 30, 2016 (R\$500,000 as at December 31, 2015).

g. Earnings reserve - capital budget

At the Board of Director's meeting held on February 1, 2016, the financial statements and the capital budget proposal for the year ended December 31, 2015 were submitted for approval at the Annual General Meeting of Shareholders held on April 8, 2016. The capital budget consists of the equivalent to 68.4% of the profit for fiscal year 2015, less the legal reserve and the balance withheld in the capital budget for 2014. The capital budget proposal is justified by the need to improve the working capital and assure greater robustness and financial stability to the Company and facilitate the financing of its operations, especially the acquisition of sale receivables ("ARV"), and provide funds for an eventual repurchase of the Company shares.

As per the minutes of the Extraordinary General Meetings held on April 8, 2016, a capital increase of the Company in the amount of R\$1,000,000 from the capital budget reserve balance was approved.

The capital budget reserve balance as at September 30, 2016 is R\$2,583,619 (R\$3,583,619 as at December 31, 2015).

h. Dividends and interest on capital

Under the Company's bylaws, shareholders are entitled to a mandatory minimum dividend of 30% of the profits earned, after the recognition of the legal reserve of 5% of the profit for the year until the reserve reaches 20% of the capital, as provided for in Corporate Law's article 202.

The allocation of the remaining balance of the profit for the year will be decided at the Annual General Meeting. At year-end, the Company recognizes the provision for the minimum dividend that has not yet been distributed during the year up to the limit of the aforementioned mandatory minimum dividend. Under the bylaws, the Company may prepare semiannual or shorter period statements of financial position and, based on them, in accordance with the limits provided for in applicable law, the Board of Directors may approve the distribution of dividends from the profit account. The Board of Directors may also propose interim dividends from the existing profit account based on the latest statement of financial position approved by the shareholders.

On February 1, 2016, the Board of Directors approved, subject to ratification by the Annual General Meeting held on April 8, 2016, the proposal for payment of dividends and interest on capital, totaling R\$401,538 and R\$139,400, respectively, relating to the profit earned in the



second half of 2015 and paid on March 31, 2016, which, together with the dividends and interest on capital of R\$524,785 paid in September 2015, correspond to a distribution of 31.6% of the profit earned in 2015 after the recognition of the legal reserve.

At the meeting held on August 1, 2016 the Board of Directors approved the distribution of R\$ 612,365 from the profit for the first half of 2016, of which R\$ 374,366 in dividends and R\$ 238,000 in interest on capital (R\$ 202,300 net of withholding tax), paid to shareholders on September 30, 2016.

The balance provisioned on September 30, 2016 as interest on capital for the three-month period then ended is R\$ 123,500.

18 Earnings per share

a. Change in the number of common shares

Shares issued	Common
Shares at December 31, 2015	1,881,830.814
Exercise of stock options:	
January 2016	32,966
February 2016	255,158
Repurchase in February 2016	(394,350)
Repurchase in March 2016	(394,355)
March 2016	113,005
April 2016	5,491
Effect of bonus shares (*)	376,288,648
April 2016	147,467
May 2016	653,943
June 2016	29,043
July 2016	376,261
August 2016	543,672
September 2016	136,082
Total	<u>2,259,623,845</u>

(*) **Bonus:** New common shares were issued and one new common share for each lot of five common shares was freely assigned to shareholders, as bonus, generating a total effect of 376,288,648 new common shares.

Earnings per share

In compliance with CPC 41 - Earnings per Share, the following tables reconcile the profit and the weighted average number of outstanding shares with the amounts used to calculate the basic and diluted earnings per share.



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Basic earnings per share

	Parent Company and Consolidated			
	Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Profit for the period available for common shares	1,009,337	877,456	2,993,892	2,658,753
Weighted average number of outstanding common shares (in thousands)	2,259,000	2,257,487	2,258,382	2,256,576
Earnings per share (in R\$) - basic	0.44681	0.38869	1.32568	1.17822

Diluted earnings per share

	Parent Company and Consolidated			
	Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Profit for the period available for common shares	1,009,337	877,456	2,993,892	2,658,753
Diluted denominator:				
Weighted average number of outstanding common shares (in thousands)	2,259,000	2,257,487	2,258,382	2,256,576
Potential increase in common shares as a result of the stock option plan	4,074	5,951	4,074	5,951
Total (in thousands)	2,263,074	2,263,438	2,262,456	2,262,527
Earnings per share (in R\$) - diluted	0.44600	0.38766	1.32329	1.17513

19 Net revenue

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Gross operating revenue	2,048,690	1,925,663	6,081,014	5,728,240	3,375,136	3,209,071	10,102,552	8,874,244
Taxes on services	(206,325)	(194,575)	(613,077)	(577,961)	(311,768)	(291,014)	(922,262)	(808,642)
Total	1,842,365	1,731,088	5,467,937	5,150,279	3,063,368	2,918,057	9,180,290	8,065,602

The gross operating revenue is derived from the capture, transmission, processing and financial settlement of the transactions made with credit and debit cards, management of payment accounts related to Ourocard Payment Arrangement, rental of POS equipment, and provision of services for using the network.



20 Expenses by nature

The Company elected to present the consolidated statement of profit or loss by function.

The breakdown of cost of services provided and net operating expenses by nature is as follows:

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Personnel expenses	107,439	104,647	324,524	306,489	183,311	172,769	553,313	497,710
Depreciation and amortization	104,152	113,176	319,474	312,183	238,015	258,180	726,765	640,592
Professional services	104,825	100,918	313,085	271,206	114,907	111,055	356,042	285,985
Acquiring costs (a)	464,158	436,024	1,331,474	1,243,140	1,117,103	1,086,169	3,314,397	2,793,146
Sales and marketing (b)	85,118	49,141	225,743	170,779	87,890	52,373	234,534	177,760
Costs of mobile phone credits in subsidiaries (c)	-	-	-	-	176,027	110,030	508,934	301,684
Others	20,515	26,166	61,436	86,235	2,590	26,243	79,334	114,916
Total	886,207	830,072	2,575,736	2,390,032	1,919,843	1,816,819	5,773,319	4,811,793
Classified as:								
Cost of services provided	577,917	557,366	1,671,258	1,575,844	1,502,249	1,444,909	4,482,089	3,741,042
Personnel expenses	68,143	65,767	209,188	190,045	127,129	119,467	388,741	341,519
General and administrative expenses	96,852	96,143	297,042	282,726	126,375	128,064	414,219	364,248
Sales and marketing	85,118	49,141	225,743	170,779	87,890	52,373	234,534	177,760
Other operating expenses, net	58,177	61,655	172,505	170,638	76,200	72,006	253,736	187,224
Total	886,207	830,072	2,575,736	2,390,032	1,919,843	1,816,819	5,773,319	4,811,793

- (a) Acquiring costs are mainly represented by expenses on logistics and maintenance of POS equipment, supplies to merchants, customer registration and service, telecommunication services, and capture and processing of transactions
- (b) Sales and marketing expenses include campaigns for trademark development, advertising and publicity, internal marketing and sales incentives to partners and card-issuing banks.
- (c) Refer to the cost of product sold related to the credit minutes for cell phones sold by the direct subsidiary Multidisplay



21 Other operating expenses, net

Represented by:

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Allowance for doubtful debts	(36,469)	(33,585)	(92,659)	(116,559)	(51,825)	(42,584)	(136,060)	(133,644)
Provision for risks, net	(10,753)	(10,707)	(27,959)	(11,133)	(11,834)	(11,003)	(35,365)	(8,578)
Write-off and provision for loss on property and equipment	(2,261)	(19,970)	(45,545)	(38,837)	(2,264)	(19,970)	(45,549)	(38,837)
Provision for loss on investments (a)	-	-	-	-	-	-	(23,997)	-
Expenses on strategic projects (b)	-	107	-	(7,732)	-	107	-	(7,732)
Others	(8,694)	2,500	(6,342)	3,623	(10,277)	1,444	(12,765)	1,567
Total	(58,177)	(61,655)	(172,505)	(170,638)	(76,200)	(72,006)	(253,736)	(187,224)

- (a) In the nine-month period ended September 30, 2016, the Company recognized a provision for loss on the investment in Stelo, through its subsidiary Aliança.
- (b) Expenses on investment banks and attorneys related to the strategic project of creating Cateno in association with BB ELO Cartões, a wholly-owned subsidiary of Banco do Brasil S.A.

22 Commitments

The Company is primarily engaged in the capture, transmission, processing and financial settlement of transactions made using credit and debit cards. In order to conduct said activities, the Company entered into the following agreements:

a. Lease agreements

As at September 30, 2016, future annual lease payments are estimated as follows:

	Consolidated
Up to 1 year	15,050
1 year to 5 years	30,516
Total	45,566

Most agreements specify a penalty for termination equivalent to three-month rent, and a partial return can be negotiated in each case.

b. Providers of telecommunications, technology (processing of transactions), logistics call center and back office services

As at September 30, 2016, based on contracts in effect, the minimum commitments assumed with providers of technology, telecommunications, logistics, call center, back office and telesales services are as follows:



	<u>Consolidated</u>
Up to 1 year	212,793
1 year to 5 years	547,287
Total	<u>760,080</u>

The call center contracts contain penalties for termination in the amount of R\$10,263. The transaction capture and processing contracts, as well as the telecom and back office contracts, do not provide for penalty for termination.

23 Employee benefits

Pension plan

The Company and its subsidiary Servinet contribute monthly to a defined contribution pension plan ("PGBL") for their employees, and contributions made during the nine-month period ended September 30, 2016 amounted to R\$6,064 (R\$8,245 during the nine-month period ended September 30, 2015), recognized in line items "Cost of services provided" and "Personnel expenses".

Others benefits

Further to the benefit of pension plan the Company and its subsidiaries offer their employees other benefits, among them: health insurance, dental care, life and personal accident insurance and professional training, these expenses totaled R\$39,682 in the nine-month period ended September 30, 2016 (R\$35,351 in the nine-month period ended September 30, 2015).

The Company has a Corporate Education Program that aims to leverage learning, ensuring the mapping and the dissemination of key knowledge through educational practices and actions that encourage the creation, acquisition, dissemination, use and sharing of knowledge, focusing on business results. In addition, at the Company there are development actions for all its employees, for example, leadership development, e-learning, contractual training, on-demand training, continuing education and languages. The costs related to the actions described are recognized in profit or loss when incurred.

24 Profit sharing

The Company and its subsidiaries pay profit sharing to their employees and officers, subject to the achievement of operational targets and specific objectives established and approved at the beginning of each fiscal year.

The shares of employees and officers in profit for the nine-month periods ended September 30, 2016 and 2015 were recognized in line item "Personnel expenses" in the statement of profit or loss and are presented as follows:

	<u>Parent Company</u>				<u>Consolidated</u>			
	<u>Three-month period</u>		<u>Nine-month period</u>		<u>Three-month period</u>		<u>Nine-month period</u>	
	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
Employees	17,019	14,545	44,805	40,839	22,740	19,600	60,005	55,388
Statutory directors	1,752	3,565	8,819	10,248	1,999	3,805	9,479	10,973
Total	<u>18,771</u>	<u>18,110</u>	<u>53,624</u>	<u>51,087</u>	<u>24,739</u>	<u>23,405</u>	<u>69,484</u>	<u>66,361</u>



25 Compensation of key management personnel

Key management personnel include the members of the Board of Directors and the statutory directors. Expenses recognized in profit for the periods are as follows:

	Three-month period			Nine-month period		
	09/30/2016			09/30/2016		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Statutory Directors	804	2,038	2,842	5,314	7,812	13,126
Board of Directors	515	-	515	1,490	-	1,490
Total	1,319	2,038	3,357	6,804	7,812	14,616

	Three-month period			Nine-month period		
	09/30/2015			09/30/2015		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Statutory Directors	1,455	2,784	4,239	4,905	8,252	13,157
Board of Directors	471	-	471	1,368	-	1,368
Total	1,926	2,784	4,710	6,273	8,252	14,525

(*) Not including the stock option plan (see note 26).

The overall annual compensation of Management (Executive Officers and Board of Directors) and of the Supervisory Board in 2016, set by the Annual General Meeting held on April 8, 2016, was R\$46,458, plus the related taxes and contributions thereon, as prescribed by the relevant laws.

For the Supervisory Board, the annual compensation approved for the year ended December 31, 2016 and 2015 was R\$515 and R\$547, respectively.



26 Stock option plan and restricted shares

As at September 30, 2016, the position of the stock option plan and restricted shares was as follows:

Grant date	Number of shares					Balance	Exercise price (R\$ per share)	Fair value of options (R\$ per share)			
	Granted	Canceled	Exercised	Bonus							
				2012	2013				2014	2015	2016
July 2011	1,312,065	(212,977)	(2,422,929)	239,266	269,520	811,283	54,397	25,785	76,410	7.54	3.01
July 2012	986,475	(183,624)	(2,053,227)	-	188,945	1,047,455	254,514	107,483	348,021	12.87	5.29
July 2013	1,049,141	(266,809)	(1,663,924)	-	-	989,734	370,317	263,000	741,459	15.03	7.00
July 2014	1,561,552	(203,517)	(612,953)	-	-	-	303,607	311,729	1,360,418	22.65	10.44
March 2015	178,492	-	(74,113)	-	-	-	-	34,971	139,350	-	23.49
July 2015	557,354	(43,281)	(41,823)	-	-	-	-	105,050	577,300	-	34.59
March 2016 (*)	235,536	-	(80,380)	-	-	-	-	47,108	202,264	-	26.48
July de 2016 (**)	635,450	(7,137)	-	-	-	-	-	-	628,313	-	32.91
Total	6,516,065	(917,345)	(6,949,349)	239,266	458,465	2,848,472	982,835	895,126	4,073,535		

(*) At the meeting of the Board of Directors held on January 27, 2016, the "Sócio Cielo 2016 - Restricted shares" plan, granted in March of the same year, was approved.

(**) At the meeting of the Board of Directors held on June 29, 2016, the Restricted Shares Plan - 2016, granted in July of the same year, was approved.

To determine the fair value of options, from 2011, the binomial pricing model was chosen. In previous years the Black & Scholes methodology was used, based on the following economic assumptions:

	Grant on			
	July 2011	July 2012	July 2013	July 2014
Dividend yield	8.87%	5.36%	3.71%	3.31%
Share price volatility	38.27%	31.65%	30.06%	23.15%
Expected period for exercise	6 years	6 years	6 years	6 years

In the nine-month period ended September 30, 2016, a provision of R\$21,829 was recognized, net of charges (R\$17,241 in the nine-month period ended September 30, 2015), with an offsetting entry in line item "Personnel expenses". These amounts refer to the portion of Statutory Directors in the amount of R\$12,113 net of charges (R\$7,341 as at September 30, 2015).

4,388,706 shares were exercised, in the amount of R\$27,587 for the nine-month period ended September 30, 2016 (2,318,283 shares amounting to R\$32,816 for the nine-month period ended September 30, 2015), and the total stock options granted were recognized in line item "Capital reserve" in equity as at September 30, 2016, in the amount of R\$5,758 (R\$15,575 as at September 30, 2015).



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27 Finance income (costs)

	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Finance income:								
Interest on short-term investments	30,418	4,731	66,438	58,096	66,588	31,404	169,517	107,032
Other finance income	116	399	1,651	1,647	248	595	2,195	1,938
Pis and Cofins on finance income (b)	(2,968)	(239)	(4,717)	(239)	(4,655)	(1,486)	(9,521)	(1,486)
Total	27,566	4,891	63,372	59,504	62,181	30,513	162,191	107,484
Finance costs:								
Late payment interest and fines	(659)	(297)	(714)	(413)	(665)	(346)	(720)	(517)
Provision for risks	(1,615)	(912)	(4,875)	(2,394)	(1,615)	(919)	(4,916)	(2,413)
Withholding income tax on interest remittance abroad	(3,014)	(3,853)	(9,271)	(8,855)	(3,014)	(3,853)	(9,271)	(8,855)
Interest on borrowings	(268,845)	(320,978)	(847,950)	(773,441)	(281,483)	(334,774)	(889,500)	(806,322)
Other finance costs	(5,132)	(4,659)	(15,365)	(14,437)	(5,268)	(5,517)	(16,367)	(17,052)
Total	(279,265)	(330,699)	(878,175)	(799,540)	(292,045)	(345,409)	(920,774)	(835,159)
Income from purchase of receivables:								
Income from purchase of receivables (a)	676,147	634,202	2,040,670	1,720,012	676,188	634,202	2,039,333	1,720,012
Pis and Cofins on finance income (b)	(29,893)	(16,971)	(92,741)	(16,971)	(29,893)	(16,971)	(92,741)	(16,971)
Cost of funding with third parties (c)	(42,736)	(44,832)	(116,069)	(174,108)	(42,736)	(44,832)	(116,069)	(174,108)
Total	603,518	572,399	1,831,860	1,528,933	603,559	572,399	1,830,523	1,528,933
Exchange differences, net (d)	(3,035)	750	(8,276)	4,318	(3,053)	784	(8,212)	4,378
Total	348,784	247,341	1,008,781	793,215	370,642	258,287	1,063,728	805,636

- (a) Purchase of receivables net of pro rata temporis adjustment for the three and nine-month periods ended September 30, 2016 and 2015 comprising income from receivables relating to cash and installment sales transactions purchased by the parent company and FIDC-NP Cielo, recognized according to the maturity dates of the transactions.
- (b) Expenses on Pis and Cofins on finance income earned by the Group companies, subject to the non-cumulative taxation regime, at the rates of 0.65% and 4%, respectively, as laid down in Decree 8426/15, effective July 1, 2015. The expenses incurred in the period were recognized as "Finance Income" and "Purchase of Receivables", in the proportion of their levy, for a better presentation of the account balances.
- (c) Financial charges arising from funding with third parties to undertake transactions related to purchase of receivables. Funding for the three- and nine-month periods ended September 30, 2015 was partially in the form of Promissory Notes issued on December 29, 2014 and fully redeemed on April 13, 2015, funds from Bank of Tokyo-Mitsubishi UFJ, Ltd. and transactions related to advances on the flow of receivables with issuers (see note 11). For the three- and nine-month periods ended September 30, 2016 the funds were totally provided by Bank of Tokyo-Mitsubishi UFJ, Ltd and by advances on the flow of receivables with issuers. Cost of funding with third parties was recognized in line item "Purchase of Receivables" for a better presentation of the net impact of the purchase of receivables in the individual and consolidated interim financial information.
- (d) Derives basically from exchange differences related to two borrowings in U.S. dollars in the amounts of US\$204,625 thousand and US\$109,016 thousand, equivalent to R\$630,000 and R\$370,000 at the contracting dates respectively, both maturing on December 19, 2016 obtained from Bank of Tokyo-Mitsubishi UFJ, Ltd and fluctuation of the financial instruments contracted to hedge these transactions, represented by:



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	Parent Company				Consolidated			
	Three-month period		Nine-month period		Three-month period		Nine-month period	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Exchange differences, net:								
Income	12,430	246,215	101,381	249,783	12,435	246,251	101,486	249,859
Expenses	(15,465)	(245,465)	(109,657)	(245,465)	(15,488)	(245,467)	(109,698)	(245,481)
Total	(3,035)	750	(8,276)	4,318	(3,053)	784	(8,212)	4,378

28 Financial instruments

The estimated fair values of the Group's financial assets and financial liabilities were determined using available market inputs and appropriate valuation methodologies. However, considerable judgment was required to interpret market inputs and then develop the most appropriate fair value estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in the market. The use of different market methodologies may have a significant effect on the estimated realizable values.

These financial instruments are managed through operating strategies that aim at obtaining liquidity, profitability and security. The control policy consists of ongoing monitoring of the contracted rates compared to market rates. The Group does not make investments for speculative purposes, either in derivatives or in other risk assets.

a. Capital risk management

The Group manages its capital to ensure that its companies can continue as going concerns at the same time they maximize the return to all stakeholders or parties involved in the operations by optimizing the debt and equity balance.

The Group's capital structure consists of its equity and net debt (borrowings less cash and cash equivalents, derivative financial instruments and financial investments).

The subsidiary Cateno maintains a minimum equity, under the BACEN regulations, corresponding to 2% of the monthly average of the payment transactions within the scope of the Ourocard Payment Arrangement. There is no requirement for compliance with a minimum equity for the other Group companies. From the granting of the authorization to operate as a Payment Institution by the BACEN, the parent company Cielo will be subject to compliance with the regulations, which include, but are not limited to, risk management, minimum equity, and compliance with requirements similar to those applicable to a Financial Institution.



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The debt ratio at the end of the period is as follows:

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Debt (i)	(9,528,905)	(11,727,888)	(10,848,721)	(13,299,493)
Derivative financial instruments (ii)	13,121	213,314	13,121	213,314
Cash and cash equivalents	648,870	44,487	2,193,569	1,249,524
Financial investments	73,087	66,124	73,087	66,124
Net debt	(8,793,827)	(11,403,963)	(8,568,944)	(11,770,531)
Equity (iii)	8,721,220	6,520,677	12,353,991	10,163,967
Net debt ratio	100.83%	174.89%	69.36%	115.81%

- (i) Debt is defined as short- and long-term borrowings, as described in note 13.
- (ii) Derivative financial instruments comprise the position of swap contracts, mentioned in item g - Fair value hedge.
- (iii) Equity includes the entire share capital and the Group's reserves, managed as capital.

b. Financial assets and financial liabilities

The Group's financial assets and financial liabilities are cash and cash equivalents, trade receivables, receivables from related parties, escrow deposits, derivative financial instruments, trade payables, payables to merchants and related parties and borrowings.

The estimated fair values of the financial instruments as at September 30, 2016 are as follows:

		09/30/2016			
		Parent Company		Consolidated	
	Type	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Fair value through profit or loss	648,870	648,870	2,193,569	2,193,569
Trade receivables	Loans and receivables	7,212,434	7,212,434	9,896,915	9,896,915
Receivables from related parties	Loans and receivables	2,064	2,064	38	38
Investment fund in credit rights	Available-for-sale financial assets	1,774,334	1,774,334	-	-
Escrow deposits	Loans and receivables	1,457,477	1,457,477	1,465,027	1,465,027
Derivative financial instruments (Swap)	Fair value through profit or loss	13,121	13,121	13,121	13,121
Financial investments	Held-to-maturity	73,087	73,087	73,087	73,087
Trade payables	Other financial liabilities	641,494	641,494	765,214	765,214
Payables to merchants	Other financial liabilities	850,463	850,463	1,511,076	1,511,076
Payables to related parties	Other financial liabilities	17,335	17,335	-	-
Borrowings	Loans and receivables	8,511,750	8,735,322	9,831,566	10,070,220
Borrowings	Fair value through profit or loss	1,017,155	1,017,155	1,017,155	1,017,155

The fair value of financial assets and financial liabilities and short- and long-term borrowings was determined, when applicable, by using current interest rates available for transactions conducted under similar conditions and with similar maturity dates.

The Company applies CPC 40 for financial instruments measured at fair value in the statement of financial position, which requires disclosure of fair value measurements at the following fair value measurement hierarchy:

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



- Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on data adopted by the market (that is, unobservable inputs) (Level 3).

The table below presents the Group's assets and liabilities as at September 30, 2016:

	Parent Company			Consolidated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash and cash equivalents	648,870	-	-	2,193,569	-	-
Derivative financial instrument (swap)	-	13,121	-	-	13,121	-
Investment fund in credit rights	-	1,774,334	-	-	-	-
Financial investments	-	73,087	-	-	73,087	-
Others (loans and receivables)	-	8,671,975	-	-	11,361,980	-
Liabilities:						
Borrowings	-	9,528,905	-	-	10,848,721	-
Others (other financial liabilities)	-	1,509,292	-	-	2,276,290	-

c. Credit risk

In Cielo's operations of merchant acquiring, the primary risk refers to the possibility of default of card issuers, which are required to transfer to the Company the amounts charged relating to transactions carried out by holders of the cards issued by them, so that Cielo can then transfer these amounts to its affiliated establishments. This primary risk is substantially mitigated by the very legal-financial model of transferring amounts adopted by Cielo, since the amounts already paid by the holders to an issuer that eventually becomes in default will always be treated as third-party funds and, as such, should be transferred to Cielo and, then, from Cielo to the merchant - the end creditor of the transaction.

Cielo's model of transferring amounts substantially mitigates the risk of default of the card issuers, also remaining a residual risk to the Company relating to the possible default of cardholders with the issuer in a situation of default. This residual risk may or may not exist for Cielo depending on the risk/guarantee model adopted by the card Brand on its operation with card issuers and acquirers.

Each branch has its own guarantee system, which is specified in its regulations. Considering the variation of the guarantee model and the risk level of the accrediting entities, the Company assesses and manages such risks according to the model of each brand, requiring or waiving the provision of guarantees.

Note that even with this model of hedging provided by the Brand, in an eventual situation of default of any card issuer, Cielo will always resort primarily to its legal-financial model of transferring amounts for the prompt recovery of amounts received or that come to be received from cardholders by the card issuer.

The Company has rights subject to credit risk with financial institutions recognized in line items cash and cash equivalents, financial investments, derivative financial instruments and receivables from card-issuing banks, totaling R\$7,947,512 in Parent Company and R\$12,176,692 in Consolidated.



d. Fraud risk

The Company uses an antifraud system to monitor transactions with credit and debit cards, which detects and identifies suspected fraud at the time of the authorization and sends an alert message to the card-issuing bank for it to contact the cardholder.

e. Transactions with derivative financial instruments

Policy on the use of derivatives

According to the internal policy, the Company's finance income (costs) must derive from the generation of cash from its activities rather than from gains in the financial market. Accordingly, it considers that derivatives should only be used to hedge against potential exposures arising from risks to which it is exposed, without speculative purposes. The contracting of a derivative transaction should have as counterparty an unhedged asset or liability.

The criterion adopted for definition of the notional value of derivatives is linked to the amount of the debt and/or of the assets denominated in foreign currency.

f. Hedges of net investments in foreign operations

The Company, after the funds raised on the issuance of bonds in November 2012 and based on Interpretation 16 of the International Financial Reporting Interpretations Committee - IFRIC (technical interpretation ICPC 06 - Hedge of Net Investments in Foreign Operations), issued in July 2008, and on standard IAS 39 (technical pronouncement CPC 38 - Financial Instruments: Recognition and Measurement), elected to designate as hedge for the investment in Cielo USA, in the amount of US\$311,981 thousand, the ten-year bonds held by the Company, in the amount of US\$470,000 thousand to hedge against the risk of foreign currency fluctuations. The value of the designated financial instrument, i.e., the ten-year bonds, is increased by the income tax and social contribution gross-up (rate of 34% under the relevant Brazilian tax legislation) for purposes of analysis of the hedge accounting effectiveness.

The net investment hedge effects were accounted for in accordance with CPC 38 and IAS 39 - Financial Instruments: Recognition and Measurement. Accordingly, the Company formally designated the transactions by documenting the: (i) purpose of the hedge; (ii) type of the hedge; (iii) nature of the hedged risk; (iv) identification of the hedged item; (v) identification of the hedging instrument; (vi) demonstration of the relationship between the hedge and the hedged item (retrospective effectiveness test); and (vii) prospective demonstration of the effectiveness.

The application of the effectiveness tests confirmed the effectiveness of the financial instrument; accordingly, for the period ended September 30, 2016, there was no ineffectiveness recognized in profit or loss arising from net investment hedges at Cielo USA; consequently, gains or losses on these transactions were fully recognized in the Company's equity.

g. Fair value hedge

The Company, upon contracting of Swap Financial Instrument based on Technical Pronouncement CPC 38 (Financial Instruments: Recognition and Measurement) corresponding to the International Accounting Standard 39 (Financial Instruments: Recognition and Measurement), designated it as hedging instrument for the borrowing from Bank of Tokyo-Mitsubishi UFJ, Ltd. in the amount of US\$313,641 thousand, equivalent to R\$1,000,000 maturing on 12/19/2016, to hedge against the risk of foreign currency fluctuations and exposure



to Libor interest rates.

As at September 30, 2016 and December 31, 2015, the individual and consolidated position of swaps is as follows:

	Maturity date	Notional R\$	09/30/2016			12/31/2015
			Valuation			Fair value (market)
			Long position	Short position	MTM Adjustment	Amount receivable/ (payable)
Swap floating rate in US\$ (114.2857% Libor + 0.8343% p.a.) vs. floating rate in R\$ (99.4% of DI)	12.19.2016	630,000	34,559	(2,963)	(696)	30,901
Swap floating rate in US\$ (114.2857% Libor + 1.1429% p.a.) vs. floating rate in R\$ (99.4% of DI)	12.19.2016	370,000	(15,914)	(1,740)	(125)	(17,780)
Total		1,000,000	18,645	(4,703)	(821)	13,121
Current assets						13,121

The terms of the borrowing and swap agreements were entered into so that the comparison between the swap's long position (Company's accounts receivable) and the borrowing balance (Company's accounts payable), both adjusted at fair value, does not present losses or gains derived from foreign exchange rate and interest rate fluctuations contracted in the hedged item. Accordingly, the Company remains exposed only to the swap short position, which has a notional amount in reais of R\$1,000,000 remunerated at 99.4% of the daily average interest rate of the DI - Interbank Deposits.

In order to document the designation strategy adopted and the effectiveness of the derivative instrument, the Company used the hypothetical derivative method, which is based on a comparison of the change in the fair value of a hypothetical derivative with terms identical to the critical terms of the floating rate obligation, and this change in the fair value of the hypothetical derivative is considered a representation of the present value of the cumulative change in the expected future cash flow of the hedged obligation. Accordingly, gains and losses on the hedging instrument and the hedged item are recognized at fair value in profit or loss for the period in which they arise.

The method used by the Company to determine the fair value consists in calculating the future value based on contracted conditions and determine the present value based on market curves extracted from BM&F BOVESPA.

As at September 30, 2016, the hedging relationships established by the Company were effective, according to prospective tests conducted. Thus, no reversal for hedge accounting ineffectiveness was recognized.

h. Foreign exchange rate risk

The Group conducts some transactions in foreign currency, mainly represented by transactions carried out by foreign credit card holders in merchants in Brazil. In addition, on August 31, 2012, the Company acquired the control of Me-S through its holding Cielo USA, both located in the United States of America, whose transactions are carried out in the functional currency, the US dollar.



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The exposures to foreign exchange rate risks are managed according to the parameters established by the approved policies using currency futures contracts. As at September 30, 2016, the exposure to foreign exchange rate risk, net of the hedging instruments, in thousands of US dollars, is as follows:

	Parent Company	Consolidated
Assets:		
Cash and cash equivalents	1,083	151,359
Trade receivables	-	149,183
Other assets	-	8,984
Investments in foreign currency	310,294	-
Property and equipment	-	8,170
Intangible assets, including goodwill	-	700,652
Total	311,377	1,018,348
Liabilities:		
Payables to merchants	(412)	(203,915)
Other liabilities	-	(21,956)
Foreign borrowings - principal	(470,000)	(875,000)
Foreign borrowings - interest	(6,609)	(11,034)
Foreign borrowings - charges	-	2,852
Deferred income tax	-	(74,939)
Tax effect on hedging instruments- bonds designated as hedge of the net foreign investment	159,800	159,800
Total	(317,221)	(1,024,192)
Long (short) position - US dollar	(5,844)	(5,844)

The Company enters into transactions to hedge against currency fluctuations, which consist in pre-sale of US dollars, which reduces significantly any risks of currency fluctuation exposure.

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollar fluctuations.

The sensitivity analysis includes only monetary items outstanding and denominated in foreign currency and adjusts their translation at the end of each reporting period for a change of 10%, 25% and 50% in exchange rates. The sensitivity analysis includes borrowings from third parties when they are denominated in a currency different from that of the creditor or debtor. As at September 30, 2016, estimating the increase or decrease by 10%, 25% and 50% in exchange rates, there would be an increase or decrease in profit or loss and equity, in thousands of Brazilian reais (R\$), as follows:

	Parent Company and Consolidated			
	Probable scenario	Possible scenario	Remote scenario	
		10%	25%	50%
Profit or loss (i)		1,928	4,819	9,638
Equity (i)		1,897	4,743	9,486

(i) Refers mainly to the exposure of trade receivables and trade payables in US dollars at the end of each reporting period.



i. Interest rate risk on financial investments

The Company's profit or loss are subject to significant fluctuations derived from financial investments with floating interest rates. Pursuant to its financial policies, the Company invests its funds in first-tier financial institutions. The Company operates with financial instruments within the limits and approval levels established by Management.

j. Liquidity risk

The Group manages the liquidity risk by maintaining proper reserves, bank and other credit facilities to raise new borrowings that it considers appropriate, based on the ongoing monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of the financial assets and financial liabilities.

k. Interest rate sensitivity analysis - Financial investments and borrowings

Income from financial assets and interest on the Company's borrowings are mainly affected by fluctuations in DI rate (source: Cetip). As at September 30, 2016, the balances exposed to fluctuations in DI rate are R\$707,737 in Parent Company and R\$1,758,019 in Consolidated relating to financial investments and R\$7,667,684 in Parent Company and Consolidated relating to borrowings. Estimating an increase or a decrease of 10%, 25% and 50% in interest rates would increase or decrease income or expenses as follows:

	Company			Consolidated		
	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%	Probable scenario 10%	Possible scenario 25%	Remote scenario 50%
Financial investments	6,644	16,610	33,220	16,952	42,380	84,760
Borrowings	84,795	211,988	423,976	88,950	222,375	444,750

29 Related-party balances and transactions

In the normal course of their activities and under market conditions, the Company, its subsidiaries and associate conduct transactions with related parties, such as receivables (related to operations of purchase of receivables) from card-issuing banks, which are financial groups in which its controlling shareholders, Banco Bradesco S.A. and Banco do Brasil, hold interests, as well as expenses and income from services provided by Servinet, Orizon, Multidisplay, M4Produtos, Cateno, Braspag, Aliança, Stelo and FIDC-NP Cielo.

In conducting its business and contracting services, the Company and its subsidiaries make market quotations and surveys intended to find the best technical and pricing terms. Also, the type of business conducted by the Company requires it to enter into agreements with various card-issuing entities, some of which are its direct and indirect shareholders. The Company and its subsidiaries believe that all the agreements entered into with related parties are carried out on an arm's-length basis.

The tables below include the balances as at September 30, 2016 and December 31, 2015, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company, its subsidiaries and associate related to the nine-month periods ended September 30, 2016 and 2015:



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		Parent Company										12/31/2015
		09/30/2016										12/31/2015
Shareholders		Subsidiaries, joint ventures and associate										
Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidispla	M4Produtos	Paggo	Braspag	Cateno	FIDC NP-Cielo	Aliança	Total	Total
1,665	430,133	-	-	-	-	-	-	-	-	-	431,798	13,550
3,113	1,708	-	-	-	-	-	-	-	-	-	4,821	5,892
-	(3,381,570)	-	-	-	-	-	-	-	-	-	(3,381,570)	(3,506,434)
-	-	-	38	888	924	-	32	91	91	-	2,064	1,587
-	-	(13,547)	-	(2)	(1,239)	-	(2,345)	-	-	(202)	(17,335)	(17,808)
Assets (Liabilities):												
Cash and cash equivalents (a)												
Trade receivables												
Borrowings (f)												
Receivables from related parties												
Payables to related parties												
Consolidated												
		09/30/2016										12/31/2015
Shareholders		Subsidiaries, joint ventures and associate										
Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidispla	M4Produtos	Braspag	Cateno	FIDC NP-Cielo	Aliança	Total	Total	
19,850	776,083	-	-	-	-	-	-	-	-	795,933	289,631	
3,113	1,708	-	-	-	-	-	-	-	-	4,821	5,892	
-	(3,381,570)	-	-	-	-	-	-	-	-	(3,381,570)	(3,506,434)	
-	-	-	38	-	-	-	-	-	-	38	459	
-	-	-	-	-	-	-	-	-	-	-	(398)	
Assets (Liabilities):												
Cash and cash equivalents (a)												
Trade receivables												
Borrowings (f)												
Receivables from related parties												
Payables to related parties												



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Parent Company															Nine-month period ended September 30, 2016
09/30/2016															
Subsidiaries, joint ventures and associate															
Shareholders															
	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Paggo	Braspag	Cateno	FIDC NP- Cielo	Aliança	Total	Total		
Income:															
Income from financial investments (a)	5,826	27,603	-	-	-	-	-	-	-	-	-	-	33,429	51,456	
Income from other services provided (b)	29,432	17,090	-	9	16,718	6,187	-	164	-	91	-	-	69,691	50,793	
Income from rental of POS equipment	-	-	-	35	-	-	-	-	-	-	-	-	35	86	
Expenses:															
Other operating expenses - affiliation commission	(2,993)	(2,516)	-	-	-	-	-	-	-	-	-	-	(5,509)	(5,919)	
Other operating expenses (c)	(21,197)	(2,009)	-	-	-	(11,379)	-	(5,477)	-	-	-	-	(40,062)	(32,719)	
Service agreement with Servinet and Aliança (d)	-	-	(126,381)	-	-	-	-	-	-	-	(1,992)	(128,373)	(115,317)	(115,317)	
Provision of data processing services (e)	-	-	-	-	-	-	-	(2,894)	-	-	-	(2,894)	(402)	(402)	
Finance costs (f)	-	(377,108)	-	-	-	-	-	-	-	-	-	(377,108)	(278,630)	(278,630)	
Provision of promissory notes placement service	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,360)	



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Consolidated

	09/30/2016										Nine-month period ended September 30, 2015		
	Subsidiaries, joint ventures and associate												
	Shareholders												
	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Paggo	Braspag	Cateno	FIDC NP- Cielo	Aliança	Total	Total
Income:													
Income from financial investments (a)	5,826	126,667	-	-	-	-	-	-	-	-	-	132,493	97,422
Income from other services (b)	29,432	17,090	-	9	-	-	-	-	-	-	-	46,531	42,163
Income from rental of POS equipment	-	-	-	35	-	-	-	-	-	-	-	35	86
Expenses:													
Other operating expenses - affiliation commission	(2,993)	(2,516)	-	-	-	-	-	-	-	-	-	(5,509)	(5,919)
Other operating expenses (c)	(21,197)	(2,009)	-	-	-	-	-	-	-	-	-	(23,206)	(22,984)
Finance costs (f)	-	(377,108)	-	-	-	-	-	-	-	-	-	(377,108)	(278,630)
Provision of payment management service (g)	-	(17,383)	-	-	-	-	-	-	-	-	-	(17,383)	(12,756)
Provision of promissory notes placement service	-	-	-	-	-	-	-	-	-	-	-	-	(4,360)
(a)	Balances corresponding to the amounts held in checking account and financial investments whose terms, charges and interest rates were agreed under conditions similar to those applicable to unrelated parties.												
(b)	Refer to fraud prevention services and receivables-based financing provided by the Company to the shareholder banks, commission on processing of transactions for the companies M4Produtos, Multidisplay and Orizon, provision of financial, administrative, procurement, legal, and HR services for the company Braspag and purchase of receivables from the company Multidisplay and fare collection and settlement services for FIDC NP-Cielo. These related-party transactions are carried out at prices and conditions similar to those practiced with other issuing banks.												
(c)	Services contracted with shareholder banks, relating to: (i) corporate collective life insurance; (ii) health and dental insurance; and (iii) private pension agreement. Development of mobile capture solution services for the company M4Produtos and transactions pre-processing services for the company Braspag. The Company understands that the financial conditions adopted by the shareholders in respect of prices, terms and other conditions were applied under conditions similar to those adopted with respect to third parties												
(d)	Provision of contact registering and maintenance services by the subsidiaries Servinet and Aliança with merchants and service providers for acceptance of credit and debit cards, as well as other means of payment. The remuneration for services provided is established based on costs incurred by Servinet and Aliança when such services are provided, plus taxes and contributions, as well as remuneration margin												
(e)	Refer to data processing services provided by Braspag												
(f)	Refer to the balances of the issuance of Private Debentures held by BB Elo Cartões, a company of the Banco do Brasil conglomerate.												
(g)	Provision of services by Banco do Brasil to Cateno to operate as Payment Institution in managing post-paid accounts and purchase functions by charging the Outrout Payment Arrangement while the activities of Rights Granted to Cateno are not exercised by it..												



Main related-party transactions

Balances of card-issuing banks

Receivables from card-issuing banks, presented on a net basis in line item “Payables to merchants”, refer to the amounts payable by the issuers to the Company derived from the transactions carried out with credit and debit cards, which will be subsequently transferred by the Company to the authorized merchants. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other issuers of credit or debit cards.

Domicile bank incentives

The Company entered into agreements with domicile banks to promote the invoicing of commissions and purchase of receivables. Under these agreements, the Company remunerates the banks based on the performance and metrics established therein.

Prepayment of receivables from card-issuing banks

The Company has agreements with card-issuing banks to transfer in advance the amounts from the transactions carried out by the bank’s customers with credit cards. These prepayment transactions are carried out in order to generate short-term working capital and the amounts deposited in checking account are net of prepayment fees, on a pro rata temporis basis, calculated at market rates that do not differ significantly from those adopted by card-issuing banks that are not Company’s shareholders.

Use of Cielo authorized network (Value Added Network - VAN)

The Company entered into service agreements with Companhia Brasileira de Soluções e Serviços - CBSS. These services include the capture, authorization and processing of transactions with ALELO cards, as well as services provided to merchants, operational and financial back office services, protection against fraud, issuance of statements and financial control of the electronic transactions resulting from these transactions. The fees and tariffs charged for these related-party transactions are carried out at prices and under conditions similar to transactions carried out with other third party partners.

VAN services and connectivity rate - Amex

The Company entered into a nonexclusive service agreement for the capture of credit card transactions issued under Amex (VAN) card association, with Bankpar S.A. (“Bankpar”), a Bradesco Group’s company which holds the rights over the American Express (“Amex”) card association in Brazil. Until December 31, 2015 this agreement also established BankPar remuneration by the Company through the payment of a connectivity rate for the Company’s access to merchants affiliated to Amex brand acquisition systems. The partnership with Amex brand has high potential of generating value to the Company to the extent that supplements its brand portfolio. The signing of the agreements was approved by the Board of Directors, with abstention from those legally impeded by conflict of interest. Prices charged for the provision of thre service are similar to those practiced with other third party partners.



Bank account lock

Refers to bank account lock service agreements entered into with various banks, whose service consists of ensuring to the banks the bank account lock of the authorized merchants that carry out financial transactions with them. These related-party transactions are carried out at prices and under conditions similar to the transactions carried out with other domicile banks.

Recordkeeping of Cielo's shares

A stock book-entry service agreement entered into between Cielo and Banco Bradesco S.A., whereby the latter provides stock book-entry and share certificate issuance services to the Company.

Operating services - Stock option program

Agreement consisting of provision of operating services for the stock option program and the related grants entered into with Bradesco S.A. Corretora de Títulos e Valores Mobiliários.

Payment management services

Banco do Brasil entered into an agreement with Cateno in order to operate as Payment Institution in managing post-paid accounts and purchase functions by charging the Ourocard Payment Arrangement while Cateno's Granted Rights are not exercised by it. The agreement has a clause of remuneration equivalent to 0.01% of the total financial flow of transactions carried out under the contracting party's management.

Securities bookkeeping services

Contract entered into with Banco Bradesco S.A. for the provision of debenture and mandate bank bookkeeping services.

Securities management services

Contract entered into with Banco Bradesco BBI S.A. for the provision of promissory notes and debentures coordination and distribution services, the latter pursuant to the terms of CVM Instruction No. 400.

Public and private securities operating management services

The object of the contract entered into with Banco do Brasil S.A. is to regulate the provision of movement, custody and financial settlement services for transactions carried out with public securities registered with SELIC and private securities registered with CETIP.

Representation services with CIP

Contract entered into with Banco do Brasil S.A. for representation of the bank with CIP (Interbank Payment Clearing House) for provision of settlement services for Transactions carried out with credit and/or debt cards and provision of STR (Reserve Transfer System) issuance services.

Other widespread agreements

In addition to the recognized balances, the Company engages other services from the main shareholders, namely:

- Cash management services.
- Insurance.
- Health insurance and private pension services.



- Corporate credit card.
- Payment to suppliers.

Cateno project

On February 27, 2015, the Company entered into an association with BB Elo Cartões Participações S.A., a wholly owned subsidiary of Banco do Brasil S.A., for the creation of Cateno.

30 Segment information

Information by operating segments is presented consistently with the internal reports provided to the Chief Operating Decision-Maker - CODM.

As of the closing of the association with BB Elo Cartões, when Cateno was established on February 27, 2015, with operating activities related basically to managing payment accounts within the scope of the Ourocard Payment Arrangement, the Group now holds two types of business: (i) provision of services related to capture and processing of credit and debit card transactions, other means of payment, accreditation of merchants and related services, and (ii) management of transactions arising from credit and debit card transactions, among which issuing cards, managing payment accounts, support to management and control of security in transactions, payments of fees to brands and payment arrangements, and other services related to managing payment accounts.

Therefore, as of 2015, Management started to monitor separately the operating profit or loss of its business units in order to make decisions on the allocation of resources and assess the performance. The performance of segments is assessed based on various metrics, such as net revenue, profit before taxes, profit for the year, among others that in many cases are measured differently from operating profit or loss in the consolidated interim financial information. Additionally, the information presented in the performance of each segment does not correspond individually to the profit or loss of a Group's entity.



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Regarding operations in different geographical areas, the Company carries out transactions in Brazil and the United States of America through its subsidiaries Me-S and Cielo USA.

	Three-month period ended September 30, 2016			Three-month period ended September 30, 2015		
	Capture and processing of transactions	Management of payment accounts	Consolidated	Capture and processing of transactions	Management of payment accounts	Consolidated
Domestic market	2,039,561	608,978	2,648,539	1,866,985	605,600	2,472,585
Foreign market	414,829	-	414,829	445,472	-	445,472
Net operating revenue	2,454,390	608,978	3,063,368	2,312,457	605,600	2,918,057
Cost of services provided	(976,900)	(306,094)	(1,282,994)	(889,637)	(311,974)	(1,201,611)
Depreciation and amortization	(122,853)	(96,402)	(219,255)	(146,865)	(96,433)	(243,298)
Gross profit	1,354,637	206,482	1,561,119	1,275,955	197,193	1,473,148
Operating expenses	(367,004)	(30,921)	(397,844)	(332,791)	(22,111)	(354,902)
Depreciation and amortization	(18,678)	(81)	(18,759)	(14,882)	-	(14,882)
Operating profit	968,955	175,480	1,144,516	928,282	175,082	1,103,364
Finance income (costs)	585,801	(215,159)	370,642	536,018	(277,731)	258,287
Profit (loss) before taxes	1,554,756	(39,679)	1,515,158	1,464,300	(102,649)	1,361,651
Income tax and social contribution	(477,155)	13,469	(463,686)	(477,715)	34,606	(443,109)
Profit (loss)	1,077,601	(26,210)	1,051,472	986,585	(68,043)	918,542
Attributable to:						
Owners of the Company	1,076,740	(67,487)	1,009,336	984,940	(107,484)	877,456
Noncontrolling interests	861	41,275	42,136	1,645	39,441	41,086

	Nine-month period ended September 30, 2016			Nine-month period ended September 30, 2016		
	Capture and processing of transactions	Management of payment accounts	Consolidated	Capture and processing of transactions	Management of payment accounts	Consolidated
Domestic market	6,053,038	1,811,451	7,864,489	5,525,734	1,384,592	6,910,326
Foreign market	1,315,801	-	1,315,801	1,155,276	-	1,155,276
Net operating revenue	7,368,839	1,811,451	9,180,290	6,681,010	1,384,592	8,065,602
Cost of services provided	(2,877,785)	(933,174)	(3,810,959)	(2,432,019)	(710,921)	(3,142,940)
Depreciation and amortization	(381,830)	(289,300)	(671,130)	(373,091)	(225,011)	(598,102)
Gross profit	4,109,224	588,977	4,698,201	3,875,900	448,660	4,324,560
Operating expenses	(1,144,633)	(85,572)	(1,230,124)	(973,525)	(45,258)	(1,018,783)
Depreciation and amortization	(55,554)	(82)	(55,635)	(42,489)	-	(42,489)
Operating profit	2,909,037	503,323	3,412,442	2,859,886	403,402	3,263,288
Finance income (costs)	1,749,430	(685,702)	1,063,728	1,420,042	(614,406)	805,636
Profit (loss) before taxes	4,658,467	(182,379)	4,476,170	4,279,928	(211,004)	4,068,924
Income tax and social contribution	(1,418,738)	61,999	(1,356,739)	(1,388,115)	71,455	(1,316,660)
Profit (loss)	3,239,729	(120,380)	3,119,431	2,891,813	(139,549)	2,752,264
Attributable to:						
Owners of the Company	3,232,558	(238,748)	2,993,892	2,886,946	(228,193)	2,658,753
Noncontrolling interests	7,171	118,368	125,539	4,867	88,644	93,511

In order to start operating in the business segment “Management of Payment Accounts”, the rights to use the Ourocard Payment Arrangement in the amount of R\$11,572 million were granted to the subsidiary Cateno.

The balances by segment as at September 30, 2016 and December 31, 2015 are as follows::



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**Statement of financial position
as at September 30, 2016**

	Capture and processing of transactions	Management of Payment Accounts	Consolidated
Total assets	16,588,943	12,364,537	28,953,480
Purchases of property and equipment and intangible assets	333,213	980	334,193
Investments in subsidiaries and associate	95,821	-	95,821

**Statement of financial position
as at December 30, 2015**

	Capture and processing of transactions	Management of Payment Accounts	Consolidated
Total assets	17,540,255	12,437,546	29,977,801
Purchases of property and equipment and intangible assets	553,463	11,601,343	12,154,806
Investments in subsidiaries and associate	105,108	-	105,108

31 Noncash transactions

	Parent Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Exchange differences on net foreign investments	206,888	416,443	206,888	416,443
Exchange differences on borrowings	309,542	618,802	576,271	1,150,785
Minimum dividends and interest on capital proposed	123,500	66,600	123,500	66,600
Minimum dividends and interest on capital receivable from direct subsidiary	-	2,218	-	-
Noncontrolling interests' contribution	-	-	-	3,539,277

32 Insurance

As at September 30, 2016, the Company has the following insurance agreements:

Type	Insured amount
Civil liability of Directors and Officers	265,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood)	264,035
Loss of profits	18,977
Vehicles	279
POS equipment warehousing	253,657
POS equipment transportation	2,097,091
POS equipment FINAME	918,699

33 Approval of interim financial information

The individual and consolidated interim financial information was approved by the Company's Board of Directors and authorized for issue on November 8, 2016.

DEAR SHAREHOLDERS:

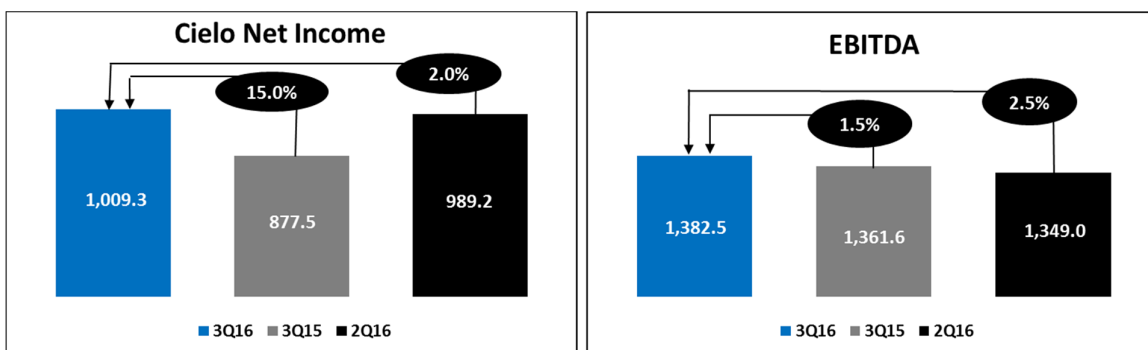
We present the performance report and interim financial information of Cielo S.A. ("Company's" or "Cielo"), subsidiaries and associated company ("Group"), presented as part of quarter statement forms – ITR, for the quarter ended September 30, 2016, and the Independent Auditor's Report on Review of Interim Financial Information.

The individual (Company) and consolidated interim financial information has been prepared in accordance with the international standard IAS 34 - "Interim Financial Reporting" and other International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil which includes those established in the Brazilian Corporate Law, as well as the technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM").

The consolidated financial information includes the balances of Cielo's accounts (parent company), its direct subsidiaries Multidisplay, Servinet, Braspag, Cielo USA, Cateno and Aliança, its indirect subsidiaries Me-S and M4Produtos, as well as FIDC-NP Cielo. The result of joint ventures Orizon and Paggo and associated Stelo is accounted for under the equity method in interim financial information. The results of subsidiaries acquired during the year are included in the consolidated statement of income from the date of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies adopted in line with those adopted by the Group. All intercompany transactions, balances, income and expenses are eliminated in the consolidation process.

HIGHLIGHTS 3Q16

- Transaction financial volume totaled R\$143.5 billion, up 4.5% compared to 3Q15, or R\$6.2 billion; and up 0.7% compared to 2Q16, or R\$929.5 million;
- Net Operating Revenue totaled R\$3,063.4 million, up 5.0% year-on-year, or R\$145.3 million, and down 0.2% compared to 2Q16, or R\$5.6 million;
- Net Product of Purchase of Receivables totaled R\$603.6 million, up 5.4% year-on-year and in line with total recorded in 2Q16. Purchase of receivables reached 21.1% over the financial credit volume, up 1.7 p.p. compared to 3Q15 and up 0.7 p.p. compared to 2Q16;
- Total expenditure totaled R\$1,918.8 million, up 5.7% year-on-year, or R\$104.1 million, and down 2.2% compared to 2Q16, or R\$42.3 million;
- Cielo's Net Income totaled R\$1,009.3 million, up 15.0% year-on-year, or R\$131.8 million, and up 2.0% quarter-on-quarter, or R\$20.1 million; and
- EBITDA of R\$1,382.5 million, up 1.5% year-on-year, or R\$20.9 million, and up 2.5% quarter-on-quarter, or R\$33.5 million.



OPERATING PERFORMANCE 3Q16

Transaction Financial Volume

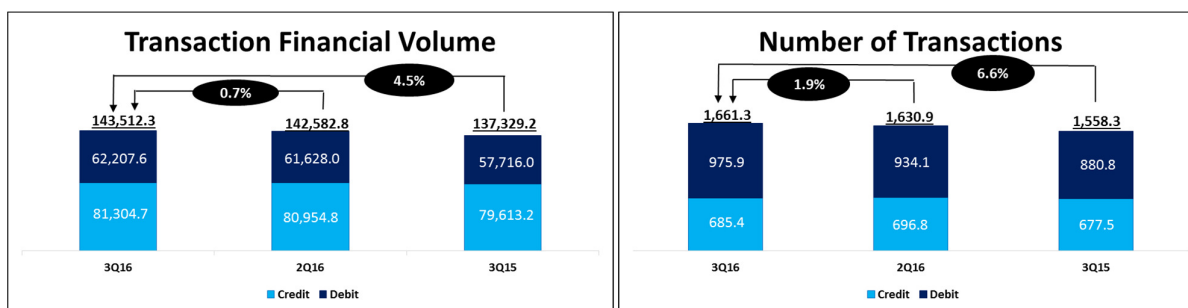
Quarterly Evolution

In 3Q16, the transaction financial volume totaled R\$143.5 billion, an increase of 4.5% compared to R\$137.3 billion in the same period of 2015 and up 0.7% compared to R\$142.6 billion recorded in 2Q16.

Specifically with credit cards, financial volume totaled R\$81.3 billion in 3Q16, up 2.1% compared to 3Q15 and up 0.4% quarter-on-quarter.

With debit cards, financial volume totaled R\$62.2 billion in 3Q16, an increase of 7.8% compared to 3Q15 and up 0.9% quarter-on-quarter.

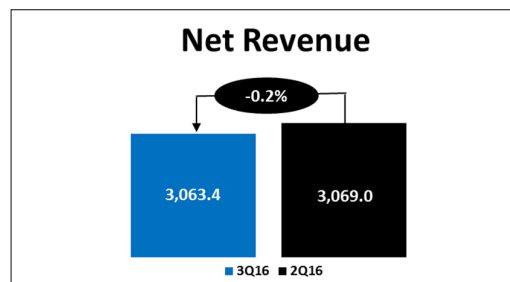
In addition, Cielo captured 1,661 billion transactions in 3Q16, an increase of 6.6% compared to 3Q15 and up 1.9% over 2Q16.



FINANCIAL PERFORMANCE 3Q16

COMPARISON FOR THE QUARTERS ENDED SEPTEMBER 30, 2016 AND JUNE 30, 2016

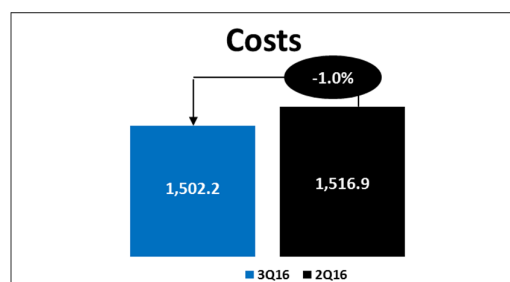
Net Revenue Quarterly Evolution



Cielo's consolidated net revenue totaled R\$ 3,063.4 million in 3Q16, decreased by R\$5.6 million or 0.2%, compared to R\$3,069.0 million in 2Q16. Such decrease derives from average US dollar depreciation in the quarter which impacted the consolidation of foreign investments and lower revenues from subsidiary M4U, partially offset by increased revenues related to Cielo's ongoing business expansion.

Cost Of Services Provided

Quarterly Evolution

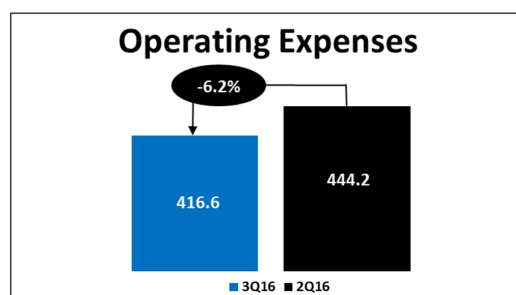


The cost of services provided totaled R\$1,502.2 million in 3Q16, decreased R\$14.7 million, or 1.0% compared to 2Q16. This decrease was mainly due to the following:

- (i) Decrease of R\$17.6 million in the costs of foreign subsidiaries, mainly related to the average US dollar depreciation in the quarter which impacts the consolidated costs of Cielo USA and Merchant e-Solutions, partially offset by an increase of expenditures incurred in the period, due to ongoing expansion of business;
- (ii) Decrease of R\$12.8 million in the costs of subsidiary M4U, deriving from the change in the remuneration model of certain products, which were altered from resale to sales commission, partially offset by increased recharge sales, due to ongoing business expansion;
- (iii) Decrease of R\$11.7 million in costs related to the management of the Ourocard Arrangement, chiefly due to the volumetric analysis of expenses and non-recurring expenses recorded in 2Q16; and
- (iv) Net increase of R\$27.4 million in costs related to the acquiring business, mostly represented by:
 - (a) Increase of R\$14.2 million in transaction costs, such as processing, call centers, brand's fees and accreditation commission, basically due to the increased volume and number of captured transactions in 3Q16; and
 - (b) Increase of R\$13.2 million in costs related to equipment costs, basically due to the acquisition of spare parts and increased demand for maintenance, installation and activation of POS terminals, such growth driven by the Olympic and Paralympic Games in 3Q16.

Operating Expenses

Quarterly Evolution



Operating expenses totaled R\$416.6 million in 3Q16, decreased R\$27.6 million or 6.2%, compared to 2Q16. The decrease is chiefly due to the following factors:

Personnel Expenses – Personnel expenses decreased R\$8.1 million or 5.9%, to R\$127.1 million in 3Q16, compared to R\$135.2 million in 2Q16. Such decrease derives from one-time charges related to executives severance pay in 2Q16, partially offset by adjustment defined in the Collective Agreement over salaries (8.56%) and effects on provision for Christmas bonus salary, profit sharing plan, vacation and related charges.

General and Administrative Expenses - General and administrative expenses, excluding depreciation decreased R\$15.4 million or 12.5%, to R\$107.6 million in 3Q16, compared to R\$123.0 million in 2Q16. The decrease is basically related to the result of several initiatives to streamline administrative expenses at the Company, as well as reduced expenses with business partners (“partnership fees”) in subsidiary Me-S, especially impacted by average US dollar depreciation in the quarter.

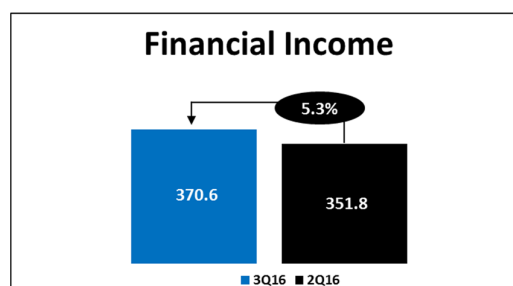
Sales and Marketing Expenses – Sales and marketing expenses increased R\$2.3 million or 2.7%, to R\$87.9 million in 3Q16, compared to R\$85.6 million in 2Q16. The increase is chiefly due to expenditures with distribution of institutional campaigns in 3Q16.

Equity Interest – The Equity Interest result decreased R\$1.5 million, to R\$1.0 million in revenues in 3Q16, compared to R\$2.5 million in revenues in 2Q16. The reduction is chiefly due to results of Stelo associated company in 3Q16.

Other Net Operating Expenses – Other net operating expenses decreased R\$8.4 million or 10.0%, to R\$76.2 million in 3Q16, compared to R\$84.6 million in 2Q16. The decrease is chiefly due to lower expectation of losses with POS terminals, partially offset by higher expectation of losses with bad debts.

Financial Income

Quarterly Evolution



The financial income totaled R\$370.6 million in 3Q16, up 5.3% or R\$18.8 million compared to 2Q16, which presented a figure of R\$351.8 million. The main variations are the following:

Financial Revenues – Financial revenues increased R\$20.9 million or 50.7%, to R\$62.2 million in 3Q16, compared to R\$41.3 million in 2Q16. The increase is chiefly related to the higher average balance invested by parent company in 3Q16, especially due to the use of available funds to pay the first tranche of public debentures in 2Q16.

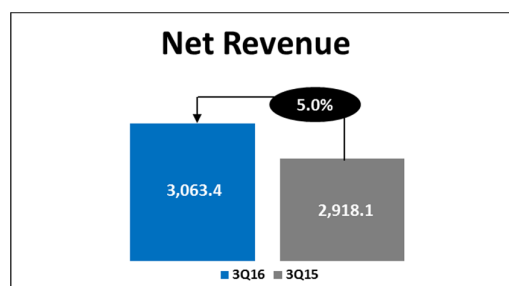
Financial Expenses – Financial expenses increased R\$2.0 million or 0.7%, to R\$292.0 million in 3Q16, compared to R\$290.0 million in 2Q16. The increase is chiefly due to higher average indebtedness with third parties, when compared to the previous quarter.

Net Product of Purchase of Receivables – Product of purchase of receivables net of funding with third parties and the taxes on financial revenues totaled R\$603.6 million in 3Q16, in line with total amount of R\$603.6 million recorded in 2Q16. In the quarter, the higher financial volume of receivables acquired represented by greater contribution from Corporate Clients, was partially offset by a decrease in average spread in the quarter, in view of terms and profile of operations carried out in 3Q16.

COMPARISON FOR THE QUARTERS ENDED SEPTEMBER 30, 2016 AND 2015

Net Revenue

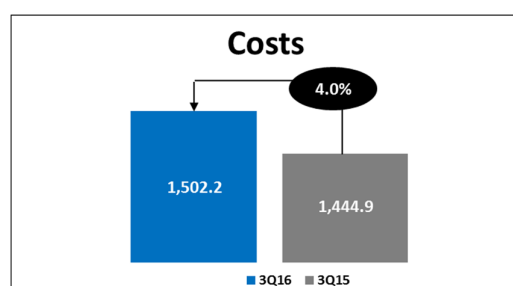
Quarterly Evolution



Cielo's consolidated net revenue increased 5.0% or R\$145.3 million, to R\$3,063.4 million in 3Q16, compared to R\$2,918.1 million in 3Q15. The increase in net revenue is chiefly related to the ongoing business expansion of parent company Cielo and its group, including M4U's mobile credit sales and revenue from Ourocard Arrangement in Cateno, partially offset by the effect of average US dollar depreciation in the quarter to consolidate the revenue generated in the USA from subsidiary Me-S.

Cost Of Services Provided

Quarterly Evolution

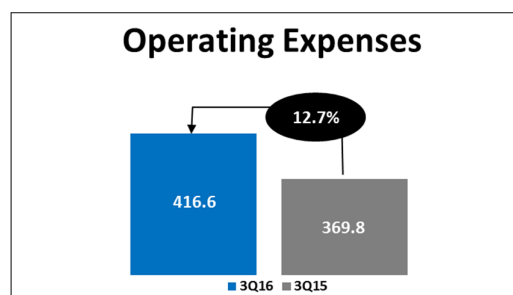


The cost of services provided totaled R\$1,502.2 million in 3Q16, increased R\$57.3 million or 4.0%, compared to R\$1,444.9 million in 3Q15. The increase was chiefly due to the following:

- (i) Increase of R\$66.9 million in the costs of subsidiary M4U, mainly related to the acquisition of mobile recharge, due to ongoing business expansion;
- (ii) Net increase of R\$18.5 million in the costs related to the acquiring business, mostly represented by:
 - (a) Increase of R\$15.5 million in transaction costs, such as capture and processing, call centers, supplies and accreditation commission, chiefly due to the increased volume and number of transactions, when compared to the same quarter of the prior period; and
 - (b) Increase of R\$3.0 million related to equipment costs, basically due to the acquisition of spare parts and increased demand for maintenance, installation and activation of POS terminals, such growth driven by the Olympic and Paralympic Games in 3Q16.
- (iii) Decrease of R\$22.2 million in the costs of foreign subsidiaries, mainly related to the average US dollar depreciation in the quarter which impacts the consolidated costs of Cielo USA and Merchant e-Solutions, partially offset by an increase of expenditures incurred in the period, due to ongoing business expansion; and
- (iv) Decrease of R\$5.9 million in the costs related to the management of the Ourocard Arrangement, such as brand's fees, expenditures with merchants and banks, basically related to result from cost efficiency initiatives.

Operating Expenses

Quarterly Evolution



Operating expenses totaled R\$416.6 million in 3Q16, increased R\$46.8 million or 12.7%, compared to R\$369.8 million in 3Q15. The main variations are described below:

Personnel Expenses – Personnel expenses increased R\$7.6 million or 6.4%, to R\$127.1 million in 3Q16, compared to R\$119.5 million in 3Q15. Such increase derives from higher personnel expenses chiefly due to the 8.56% average adjustment over wages established in Collective Agreement in 3Q16 and effects on provisions for the Christmas bonus salary, profit sharing, vacation and related charges, as well as an increase in subsidiary Cateno’s staff deriving from the migration of its activities.

General and Administrative Expenses - General and administrative expenses, excluding depreciation, decreased R\$5.6 million or 4.9%, to R\$107.6 million in 3Q16, compared to R\$113.2 million in 3Q15. The decrease is basically due to the result of several initiatives to streamline administrative expenses at the Company, partially offset by increased expenditures with accreditation measures and client activation.

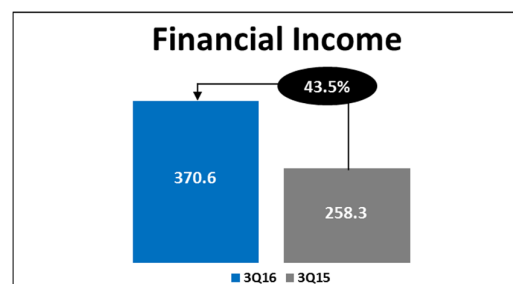
Sales and Marketing Expenses- Sales and marketing expenses increased R\$35.5 million or 67.8%, to R\$87.9 million in 3Q16, compared to R\$52.4 million in 3Q15. The increase is substantially related to expenditures with distribution of institutional campaigns in 3Q16 and marketing activities held in conjunction with issuing banks by parent company.

Equity Interest – The Equity Interest result decreased R\$1.1 million or 53.4%, to R\$1.0 million in revenues in 3Q16, compared to R\$2.1 million in revenues in 3Q15. The reduction is chiefly due to the results of Stelo associated company in 3Q16.

Other Net Operating Expenses – Other net operating expenses increased R\$4.2 million or 5.8%, to R\$76.2 million in 3Q16, compared to R\$72.0 million in 3Q15. This increase is mainly related to higher expectation of losses with bad debts.

Financial Income

Quarterly Evolution



The financial income totaled R\$370.6 million in 3Q16, up R\$112.3 million or 43.5% compared to 3Q15, which presented a figure of R\$258.3 million. The main variations are described as follows:

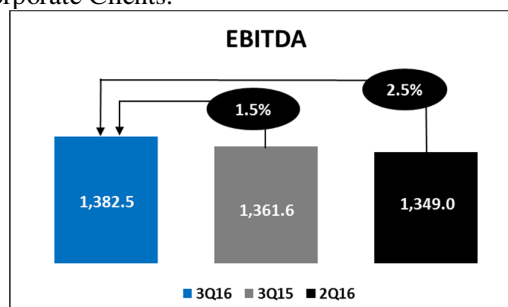
Financial Revenues – Financial revenues increased R\$31.7 million or 103.8%, to R\$62.2 million in 3Q16, compared to R\$30.5 million in 3Q15. The increase is chiefly due to higher average balance of financial investments in 3Q16.

Financial Expenses – Financial expenses decreased R\$53.4 million or 15.4%, to R\$292.0 million in 3Q16, compared to R\$345.4 million in 3Q15. The decrease is chiefly due to the lower average indebtedness with third parties, mainly due to amortization of the first tranche and payment of public debentures interest, in April 2016, totaling R\$1.9 billion.

Net Product of Purchase of Receivables – Product of purchase of receivables, net of funding with third parties and of taxes on financial revenues increased R\$31.2 million or 5.4%, to R\$603.6 million in 3Q16, compared to R\$572.4 million in 3Q15. The increase is chiefly due to the growth in the financial volume of purchased receivables, in line with ongoing product expansion and higher average spread in the quarter due to the growth of acquisitions of small retailers compared to Corporate Clients.

EBITDA

Evolução Trimestral



EBITDA totaled R\$1,382.5 million in 3Q16, up 1.5% compared to 3Q15 and up 2.5% over 2Q16, as follows:

EBITDA (R\$ million)	3Q16	3Q15	2Q16
Cielo Net Income	1,009.3	877.5	989.2
Noncontrolling interests	42.1	41.1	40.5
Financial Income (Expenses)	(370.6)	(258.3)	(351.8)
Tax and Social Contribution	463.7	443.1	430.0
DeDepreciation and Amortization	238.0	258.2	241.1
EBITDA	1,382.5	1,361.6	1,349.0
% EBITDA Margin	45.1%	46.7%	44.0%

EBITDA consists of net income, plus income tax and social contribution, financial income (expenses) and depreciation and amortization. It should be noted that, for this calculation, the share of non-controlling shareholders is added to the parent company's net income.

Management believes that the EBITDA is an important parameter for the investors because it provides relevant information about our operating results and the profitability.

The EBITDA is not an accounting measurement used in the accounting practices adopted in Brazil. It does not represent the cash flow for the presented periods and it should not be considered as an alternative to net income as an operating performance measure or as an alternative to operating cash flow or as a measurement of liquidity. Additionally, the EBITDA has limitations that may harm its use as an indicator of the profitability of the Company and its subsidiaries, since costs related to the business are not considered, and could deeply impact the income, e.g., financial expenses, taxes, depreciation, capital expenditures and other related charges.

CORPORATE GOVERNANCE

Corporate Governance is a priority for Cielo, where a key goal is continuous improvement to support sustainable, long-term corporate performance. In this spirit, Cielo voluntarily adopts the best corporate governance practices beyond those required for companies listed on BM&FBovespa Novo Mercado,

evidencing the commitment of the Company and its Management with the interest of its shareholders and investors.

Our commitment to corporate efficiency and long-term value creation is explained, for instance, through (a) the adoption of appropriate decision-making systems and its monitoring by Cielo; (b) the establishment of a Corporate Governance Office, which aims to support management agencies and committees/advisory committees of the Company and its subsidiaries, as well as ensuring the monitoring of the best practices of corporate governance; (c) adoption of ethics and sustainable practices; (d) the formal annual performance assessment of the Board of Directors members on an individual and group basis; (e) the variation of personnel who hold the Chairman of the Board of Directors and Chief Executive Officer positions; (f) the creation of an annual calendar for the Board of Directors, covering the subjects likely to be discussed over the year; (g) restricting the flow of internal company information exclusively to the Corporate Governance Electronic Portal; (h) maintaining the Related Party Transactions Policy as well as situations involving Conflicts of Interest; and (i) the Code of Ethics mandatorily adhered by all employees and Management, which establishes rules of conduct when communicating to stakeholders.

The Board of Directors of the Company is composed of 11 (eleven) members, who do not perform management activities, out of which 3 (three) are independent, where their independence aims to serve the best interests of the Company and its minority shareholders. The Board of Directors shall determine the general direction of the Company's business, elect members of Management and supervise its management, among others. The Management is composed of five (5) members and performs general management of the company, respecting the guidelines defined by the Board of Directors. In addition to demonstration of Cielo's adherence to the best Corporate Governance practices, the Board of Directors has five (5) support committees, which are: Audit Committee, Finance Committee, Corporate Governance Committee, People Management Committee and Sustainability Committee. The Management has 10 (ten) assistance forums: Risk Forum, Issuer Risk Forum, Earnings Release Forum, Ethics Forum, Expenses Forum, Management of Continuous Business Expansion Forum, Social Investments Forum, Pricing Forum, Projects Forum and Diversity Forum.

The Fiscal Council of Cielo is an independent management body, installed to supervise management activities, and is composed of 5 (five) members, of which 1 (one) is an independent member.

Regarding Sustainability, the company maintains structured practices, such as: (a) establishment of a climate strategy, including the conduction and dissemination of a Greenhouse Gas (GHG) Inventory and offsetting emissions through the purchase of carbon credits; (b) support for social projects that contribute to the improvement of child and adolescent education, empower young people for work, promoting child health, developing cancer research and new treatments, and implementing the inclusion of people with disabilities; (c) the implementation of several policies that address important issues such as ethics, anti-corruption practices and the environment, in order to guide the Company's practices aimed at contributing to a healthy environment and the economic and social development of Brazil.

On April 29, 2016, the Company published its 2015 Sustainability Report, which was prepared based on the Global Reporting Initiative (GRI), G4 version, providing information on the Company's performance regarding the most material aspects for the sustainability of its business, seeking to demonstrate its ability to generate long-term, sustainable value to all its stakeholders.

Since 2011, Cielo holds Level 1 American Depositary Receipts (ADRs), listed at the OTCQX international over-the-counter market. As of 2014, Cielo joined the BM&FBOVESPA Corporate Sustainability Index (ISE) and has also been included in the Euronext-Vigeo EM70 Sustainability Index since 2015.

In September 2016, for the first time, Cielo now composes the portfolio of the Dow Jones Sustainability Index, under the World category. In order to be included, companies go through a strict selection process, which analyzes the economic data, the environmental and social performance, corporate governance, risk management, mitigation of climate change and labor practices.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Under CVM Rule 381/03, we inform that during 3Q16 the Company contracted the independent audit services of KPMG.

The Company's Policy for contracting independent audit services seeks to ensure that there are no conflicts of interest, loss of independence or objectivity. These principles, based on internationally accepted principles, consist of: (a) the auditor should not audit his own work, (b) the auditor should not exercise management positions at his client, and (c) the auditor should not foster the interests of the client.

Cielo declares that the independent auditors has supplied it with limited assurance services of apportionment criteria and expenditures allocation of Ourocard Payment Arrangement, conducted in accordance to NBC TO 3000 (ISAE 3000) to subsidiary Cateno. Both contracts met the corporate governance requirements of the company, under which any extraordinary engagement of independent audit that audits the financial directly or indirectly statements need first be reviewed by the Audit Committee and authorized by the Board of Directors. The contracts values representing 5.8% of aggregated costs of audit fees of Cielo and its subsidiaries Cateno, Cielo USA and Merchant e-Solutions and associated Stelo's financial statements.

Performance reporting information on EBITDA, financial volume and number of transactions, discount rates, industry and sector information, net revenue additions, number of employees, total investments, and managerial revenue was not reviewed by the independent auditors.
