

DEAR SHAREHOLDERS:

We present the Comments on Performance and the Interim Financial Information of Cielo SA ("Company" or "Cielo"), its subsidiaries and associate (collectively referred to as the "Group") for the quarter ended June 30, 2017, and the Independent Auditor's Report on Review of Interim Financial Information.

The individual (Parent 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 ("IFRS") issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil, which include those established by the Brazilian Corporate Law and the technical pronouncements, guidance 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 accounts of Cielo (parent company), its direct subsidiaries Multisplay, Servinet, Braspag, Cielo USA, Cateno and Aliança and indirect subsidiaries Me-S and M4Produtos. The profit or loss of the joint ventures Orizon and Paggo and the associate Stelo is accounted for under the equity method in the consolidated financial information. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup transactions, income and expenses are fully eliminated in the consolidated financial information.

MESSAGE FROM MANAGEMENT

With the first signs of improvement of the economic environment, also reflected in our Cielo Broad Retail Index (ICVA), we closed the first half of 2017 with solid results, reaffirming our commitment to obtaining the greatest operational efficiency and generation of value to our shareholders. The control of total expenses and the expansion of net margins are concrete examples of the results achieved with our efforts in the last few months. These results are also thanks to the work and dedication of our employees, who remain engaged and aligned in the achievement of robust results.

In search for the development of an increasingly agile environment, we remain firm in our digital evolution process. The first stages have been completed with the first project of improvement of our call center conducted by a multidisciplinary and deverticalized team. More and more we will spread the concept of working in squads so that the development and implementation of the most varied projects may be aligned with our protagonism in the Brazilian market.

Furthermore, we have strengthened the relationship with our customers through the program *Somos Todos Comerciais*, in which all employees are encouraged to make visits to merchants. In our continuous effort to offer the best solutions to our customers and maintain greater business proximity, we have created the application *Embaixadores Cielo*, through which any employee is capable of affiliating new merchants and helping those that are already customers.

To make this possible, we continue investing in the creation and development of an increasingly positive and productive work environment for our employees. We have incorporated practices of management of cutting-edge people who are concerned about meritocracy, timely and transparent communication, and the collaborative management of strategic initiatives for the company. Thus, we remain committed to delivering the best results in the company that has been considered, for more than sixteen years, one of the best companies to work for.

The digital evolution process, with growing focus on efficiency gains and creation of an even more collaborative work environment only makes sense if we have our customer at the core of our decision-making. Focusing our strategy on the power of our brand, the unquestionable quality of our sales force, the capillarity of our distribution, and the soundness of our technological and customer support platform, we have invested in the diversification of our products and greater proximity with the customer.

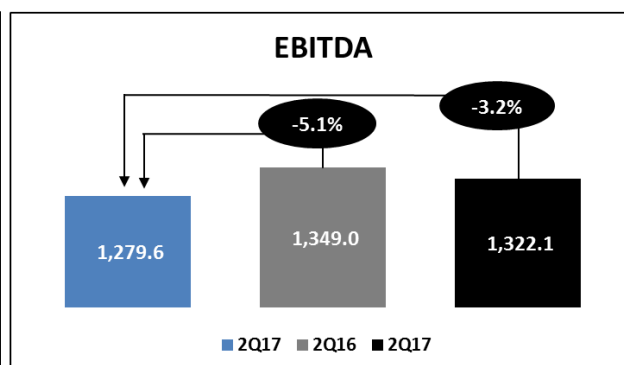
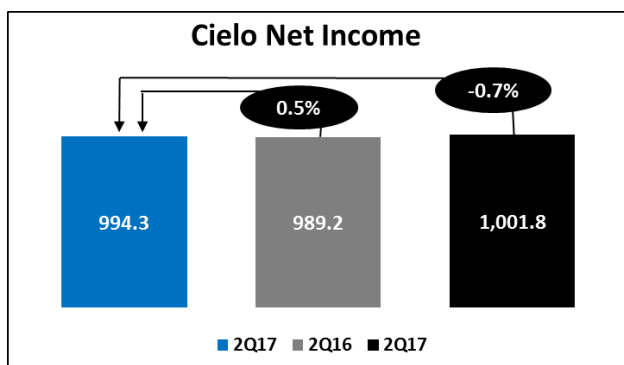
As part of this strategy, we have recently launched our marketing campaign, in which we highlight our greater segmentation and partnership with the customer. To develop it, we worked on the second layer of the positioning Machinery of Ideas and present, in a content multiplatform, all robustness of Cielo, which enables it to be a structure that keeps business in movement, reinforcing the company's reliability and innovation at the service of such structure. The campaign emphasizes Cielo's belief that no business was born to stand still.

The adoption by 48 thousand customers of *Cielo Controle*, a product for lower revenue customers that wish to have more predictability is an example in the field of greater proximity, differentiation and segmentation. In the first half of the year, we have seen the increased adoption by customers of *Cielo Farol* – today we have 25 thousand customers making use of the data intelligence services for the retail. These products reflect the company's belief of going beyond the machine.

There is much more work ahead, but we are confident that we will continue delivering solid and robust results. As a result of our efforts in maintaining the highest management and corporate standards, we were recognized by the regulator of the means of payment system, the Central Bank, as a payment institution in April 2017. This authorization gives us the comfort and confidence to keep working in order to do more for our customer. With this purpose, Cielo bases its operation on four pillars: digital evolution, customer at the core of the decision-making, happiness makes a profit and provides operational efficiency. Not abdicating from its role of protagonist, Cielo will move on.

HIGHLIGHTS 2Q17

- Transaction financial volume totaled R\$151.0 billion, up 5.9% compared to 2Q16, or R\$8.4 billion, and up 4.4% compared to 1Q17, or R\$6.3 billion;
- Net operating revenue totaled R\$2,831.0 million, down 7.8% compared to 2Q16, or R\$238.0 million, and up 1.1% compared to 1Q17, or R\$29.7 million;
- Income from purchase of receivables (ARV) gross of funding cost totaled R\$574.0 million, a decrease of 11.2% compared to 2Q16 and of 7.3% over 1Q17. Purchase of receivables reached 18.7% over the financial credit volume in the quarter, down 1.7% compared to 2Q16 and 1.6% over 1Q17;
- Total expenditures amounted to R\$1,789.2 million, down 8.9% compared to 2Q16, or R\$174.4 million, and up 3.8% compared to 1Q17, or R\$65.0 million;
- Cielo's Net Income totaled R\$994.3 million, a 0.5% increase compared to 2Q16, or R\$5.1 million, and a 0.7% decrease compared to 1Q17, or R\$7.5 million; and
- EBITDA of R\$1,279.6 million, down 5.1% compared to 2Q16, or R\$69.5 million, and down 3.2% compared to 1Q16, or R\$42.6 million.



OPERATING PERFORMANCE 2Q17

Transaction Financial Volume

Quarterly Evolution

In 2Q17, the transaction financial volume totaled R\$151.0 billion, an increase of 5.9%, or R\$8.4 billion, compared to R\$142.6 billion in the same quarter of the prior year, and an increase of 4.4%, or R\$6.3 billion compared to R\$144.6 billion in 1Q17.

Specifically with credit cards, the financial volume totaled R\$82.7 billion in 2Q17, up 2.2% compared to 2Q16 and 3.9% over 1Q17.

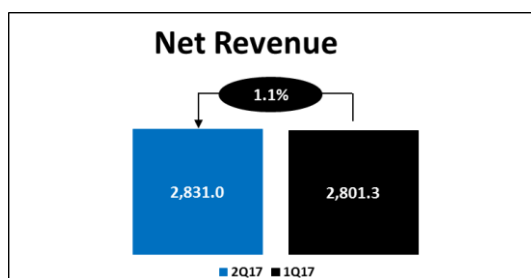
With debit cards, the financial volume totaled R\$68.3 billion in 2Q17, up 10.8% compared to 2Q16 and 5.0% over 1Q17.

Additionally, Cielo captured 1.789 billion transactions in 2Q17, an increase of 9.7% compared to 2Q16 and of 4.0% over 1Q17.

FINANCIAL PERFORMANCE 2Q17

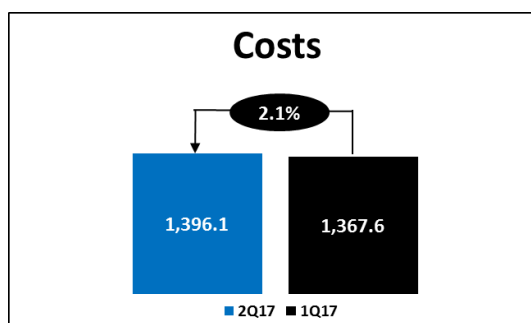
COMPARISON OF ACCOUNTS FOR THE QUARTERS ENDED JUNE 30, 2017 AND MARCH 31, 2017

Net Revenue Quarterly Evolution



Cielo's consolidated net revenue totaled R\$2,831.0 million in 2Q17, up R\$29.7 million, or 1.1%, compared to R\$2,801.3 million in 1Q17. The growth is basically related to the continuous business expansion of the subsidiaries Cateno and M4U, as well as the increase in revenues generated in the USA, in subsidiary Merchant E-Solutions, which is also impacted by the appreciation of the average dollar rate in the period, partially offset by the decrease in income from rental of POS equipment in the Parent Company due to a reduction of the installed POS equipment.

Cost Of Services Provided Quarterly Evolution

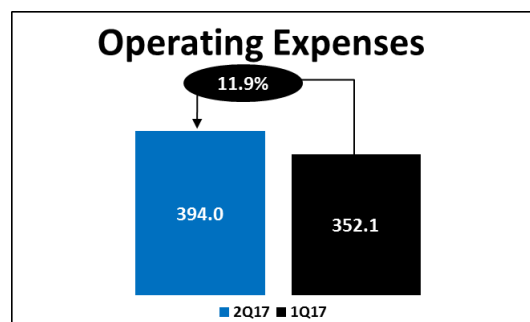


The cost of services provided totaled R\$1,396.1 million in 2Q17, an increase of R\$28.5 million, or 2.1%, compared to 1Q17. The increase occurred below the increase in the financial volume transacted, due to several expenditure rationalization measures.

- (i) Increase of R\$39.5 million in costs of subsidiary Merchant e-Solutions, due to increased exchange expenditures, remuneration of brands and call center, in line with the growth in revenues, as well as the appreciation of the average dollar rate in the quarter; and of subsidiary M4U, due to the increase in costs of sale of cellphone credits;
- (ii) Increase of R\$9.2 million or 2.4% in costs relating to the management of Ourocard Arrangement payment accounts, especially with remuneration of brands, in line with the growth in the volume of transactions captured under the arrangement, partly offset by initiatives to rationalize call center expenditures; and
- (iii) Net decrease of R\$20.2 million or 3.6% in costs directly related to the acquiring activities, basically represented by a drop in expenditures on settlement of transactions, call center, and processing services arising from cost rationalization actions, partially offset by the increase in the volume and quantity of transactions captured in 2Q17.

Operating Expenses

Quarterly Evolution



Operating expenses totaled R\$394.0 million in 2Q17, showing an increase of R\$41.9 million or 11.9%, compared to 1Q17. The increase derives basically from the following factors:

Personnel expenses - Personnel expenses decreased by R\$6.3 million or 4.5%, to R\$133.4 million in 2Q17, compared to R\$139.7 million in 1Q17. The decrease is especially due to expense incurred on an executive's severance pay in 1Q17, partially offset by higher health care plan expenses in 2Q17.

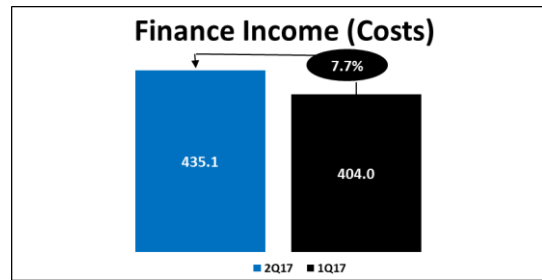
General and administrative expenses - General and administrative expenses, excluding depreciation, increased by R\$27.8 million, or 26.7%, to R\$132.1 million in 2Q17, compared to R\$104.3 million in 1Q17. The increase is basically related to expenses on structuring and strategic projects in the parent company (a large part with deliveries scheduled for the beginning of 3Q17) and with partnership fees in subsidiary Me-S, especially impacted by the appreciation of the average dollar rate in the quarter.

Sales and marketing expenses - Sales and marketing expenses increased by R\$7.5 million or 19.8%, to R\$45.6 million in 2Q17, compared to R\$38.1 million in 1Q16. The increase is basically due to expenditures on marketing actions performed with sales and customer loyalty partners, as well as with issuing banks.

Other operating expenses, net - Other operating expenses, net had an increase of R\$6.8 million or 12.0%, to R\$64.0 million in 2Q17, compared to R\$57.1 million in 1Q17. The increase is basically related to the increase in expected losses with bad debts (basically rent receivables), the increase in the provision for civil and labor risks in the parent company, partially offset by the decrease in estimated losses on POS equipment.

Financial Income

Quarterly Evolution



Finance income (costs) totaled R\$435.1 million in 2Q17, an increase of 7.7% or R\$31.1 million compared to 1Q17, when finance income (costs) amounted to R\$404.0 million. This variation resulted from the following events:

Finance Revenues - Finance income decreased by R\$25.5 million or 23.1%, to R\$85,0 million in 2Q17, compared to R\$110.6 million in 1Q17. The decrease is basically due to the lower average balance invested in 2Q17 compared to the prior quarter, due to the use of cash for payment of dividends in March 2017, as well as the payment of the second installment of public debentures in April 2017.

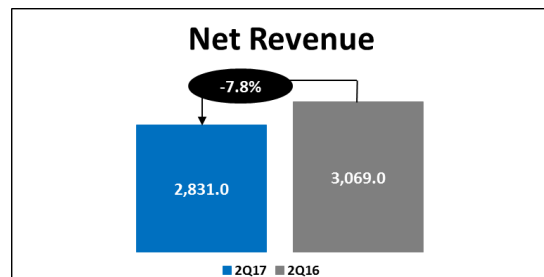
Finance Expenses – Finance costs decreased by R\$98.9 million or 30.4%, to R\$226.7 million in 2Q17, compared to R\$325.6 million in 1Q17. The decrease results from the reduction of average indebtedness to third parties, basically because of the payment of the second installment of public debentures in April 2017.

Net purchase of receivables (ARV) gross of funding cost- The purchase of receivables, made directly by Cielo or through the FIDC, net of taxes, totaled R\$574.0 million in 2Q17, a decrease of R\$45.3 million or 7.3% compared to R\$619.3 million in 1Q17. The decrease is basically due to the reduction of the financial volume of receivables purchased and the drop in average DI interest rate.

COMPARISON FOR THE QUARTERS ENDED JUNE 30, 2017 AND 2016

Net Revenue

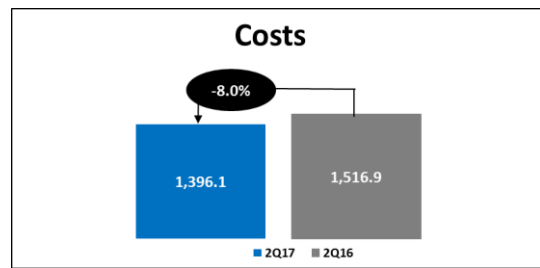
Quarterly Evolution



Cielo's consolidated net revenue totaled R\$2,831.0 million in 2Q17, a decrease of 7.8% or R\$238.0 million, compared to R\$3,069.0 million in 2Q16. The decrease in net revenue from capture, transmission, processing and financial settlement of transactions carried out with credit and debit cards is especially due to the reduction of average price, growth of the "debit" product participation, concentration on customers in the Major Accounts segment and the competitive environment. During the period, there was also a reduction in revenue from rental of POS equipment due to a decrease in the installed POS base, drop in revenue of the subsidiary M4U due to the change of the business model from resale to commissioning on sales of mobile phone credits, and the reduction of revenue generated in the United States, of subsidiary Merchant E-Solutions, caused by the devaluation of the average dollar rate in the quarter.

Cost Of Services Provided

Quarterly Evolution

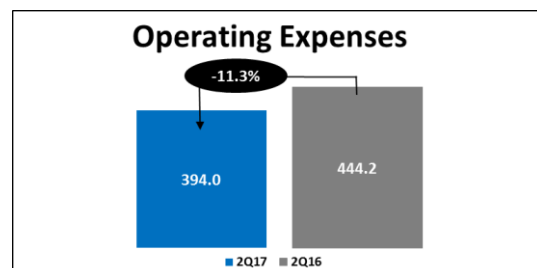


The cost of services provided totaled R\$1,396.1 million in 2Q17, a decrease of R\$120.7 million or 8.0%, compared to R\$1,516.9 million in the same quarter of the prior year. The decrease occurred, in spite of the growth in capture volume, as a result of the following events:

- (i) Decrease of R\$75.3 million in the costs of the subsidiary M4U, due to the change in the remuneration model of certain products, from resale to commissioning on sales, partially offset by increase in sales of mobile phone credits;
- (ii) Decrease of R\$17.8 million in the costs related to the management of the Ourocard Arrangement payment accounts, due to the drop in card management expenses due to the mass cards issuance action in 2Q16 and call center expenditure rationalization initiatives, partially offset by the increase in brand remuneration costs;
- (iii) Net decrease of R\$17.3 million in the costs of acquiring activities, basically represented by:
 - (a) Decrease of R\$10.4 million in the costs related to the transaction, such as call center, expenses on establishments, supplies and telecommunications, basically related to expenditure rationalization and operating efficiency actions, partially offset by the increase in the volume and quantity of transactions captured in 2Q17; and
 - (b) Decrease of R\$6.9 million in costs with equipment, related to lower demand for installation, repair and maintenance of POS terminals, considering the decrease in the volumetric analysis, equipment and active POS base and merchants, partially offset by an increase in expenses on purchase of spare parts.
- (iv) Decrease of R\$10.4 million in the costs of the subsidiary Merchant e-Solutions, basically related to the devaluation of the average dollar rate in the quarter, partially offset by the increase in exchange expenditures in the quarter.

Operating Expenses

Quarterly Evolution



Operating expenses totaled R\$394.0 million in 2Q17, a decrease of R\$50.3 million or 11.3% compared to R\$444.2 million in 2Q16. The decrease occurred primarily as a result of the following events:

Personnel expenses - Personnel expenses decreased by R\$1.7 million or 1.3%, to R\$133.4 million in 2Q17, compared to R\$135.2 million in 2Q16. The decrease is due to expenses on an executive's severance pay in 2Q16, partially offset by an increase in the number of employees in 2Q17, as well as the average adjustment set in the collective agreement on salaries in August 2016 in the parent company.

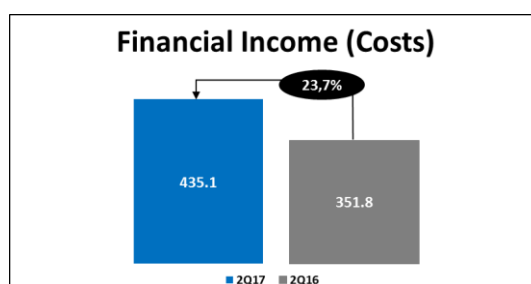
General and administrative expenses - General and administrative expenses, excluding depreciation, increased by R\$9.1 million or 7.4%, to R\$132.1 million in 2Q17, compared to R\$123.0 million in 2Q16. The increase is basically related to an increase in expenses on structuring and strategic projects in the parent company (a large part with deliveries scheduled for the beginning of 3Q17), partially offset by a decrease in expenses on customer accreditation and activation actions.

Sales and marketing expenses - Sales and marketing expenses decreased by R\$40.0 million, or 46.7%, to R\$45.6 million in 2Q17, compared to R\$85.6 million in 2Q16. The decrease is basically due to media scheduling expenses, as well as decrease in expenses on actions taken with issuing banks and sales partners.

Other operating expenses - net - Other operating expenses, net decreased by R\$20.7 million, or 24.4%, to R\$64.0 million in 2Q17, compared to R\$84.6 million in 2Q16. The decrease is basically related to the decrease in estimated losses on POS equipment in the parent company, partially offset by the increase in expected losses on uncollectible debts in 2Q17.

Financial Income

Quarterly Evolution



Finance income (costs) totaled R\$435.1 million in 2Q17, an increase of R\$83.3 million or 23.7% compared to 2Q16, when finance income (costs) amounted to R\$351.8 million. This variation resulted basically from the following events:

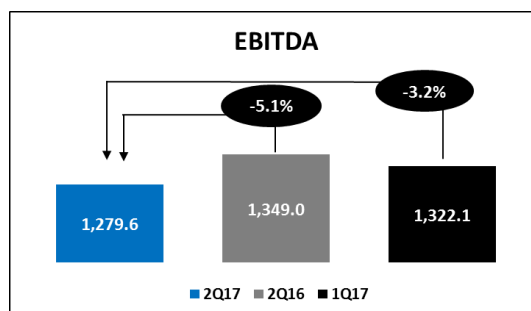
Finance Revenue - Finance income increased by R\$43.8 million or 106.2%, to R\$85.0 million in 2Q17, compared to R\$41.3 million in 2Q16. The increase is basically due to the higher average balance invested by Cielo in 2Q17, from the cash generated in its operations.

Finance Expenses – Finance costs decreased by R\$106.4 million or 31.9%, to R\$226.7 million in 2Q17, compared to R\$333.1 million in 2Q16. The decrease results from the reduction of average indebtedness to third parties, basically because of the payment of the second installment of public debentures in April 2017.

Net purchase of receivables (ARV) gross of funding cost - The purchase of receivables, made directly by Cielo or through the FIDC, net of taxes, decreased by R\$72.7 million, or 11.2%, to R\$574.0 million in 2Q17, compared to R\$646.7 million in 2Q16. The decrease is basically due to the reduction of the financial volume of receivables purchased, the drop in average DI interest rate and the reduction of the average term of the operations.

EBITDA

Quarterly Evolution



EBITDA totaled R\$1,279.6 million in 2Q17, a decrease of 5.1% compared to 2Q16 and of 3.2% compared to 1Q17, as shown below:

EBITDA (R\$ million)	2Q17	2Q16	2Q17
Cielo Net Income	994.3	989.2	1,001.8
Noncontrolling interests	46.2	40.5	44.1
Financial Income (Expenses)	(435.1)	(351.8)	(404.0)
Tax and Social Contribution	435.6	430.0	439.7
Depreciação e Amortização	238.6	241.1	240.6
EBITDA	1,279.6	1,349.0	1,322.1
<i>% EBITDA margin</i>	45.2%	44.0%	47.2%

EBITDA corresponds to profit plus income tax and social contribution, depreciation and amortization expenses and finance result. For its calculation, noncontrolling interests are added to the Parent Company's profit.

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

However, the EBITDA is not an accounting measurement used in accounting practices adopted in Brazil, it does not represent the cash flow for the reporting periods and it should not be considered as an alternative to profit as an operating performance indicator or as an alternative to cash flow as a liquidity indicator. Additionally, the EBITDA has limitations that impair its use as a profitability indicator since it does not consider certain costs related to the business, which could significantly impact the profit, such as finance costs, taxes, depreciation, capital expenditures and other related charges.

CORPORATE GOVERNANCE

Corporate Governance is a priority for the Company, which has as one of its goals its continuous improvement to support sustainable, long-term corporate performance. In this spirit, the Company voluntarily adopts the best corporate governance practices other than those required for companies listed on B3 (Brasil, Bolsa e Balcão), evidencing the commitment of the Company and its Management with the interest of its shareholders and investors.

The maximization of its efficiency and creation of long-term value translate, for example, into: (a) the adoption of appropriate decision-making system and the monitoring of its compliance by the system; (b) the maintenance of a Corporate Governance Office, which aims to support management agencies and committees/advisory forums of the Company and its subsidiaries, as well as to ensure the compliance with the best corporate governance practices; (c) the adoption of ethical and sustainable conduct; (d) the formal performance assessment of the Board of Directors members on an individual and group basis; (e) the presence of distinct personnel holding the positions of Chairman of the Board of Directors and Chief Executive Officer; (f) the existence of an annual calendar and minimum agenda for the Board of Directors, covering the subjects to be discussed over the year in meetings previously scheduled; (g) the exchange of information through the Corporate Governance Electronic Portal; (h) the existence of a Policy on Related Party Transactions and situations involving Conflicts of Interest; and (i) the existence of a Code of Ethics mandatorily adhered by all employees and Management, which establishes rules of conduct in relationships with all stakeholders.

It is important to highlight that in 2013 the Company formalized a Policy on Related Party Transactions and other situations involving Company's conflict of interests ('Policy'), aimed at consolidating the procedures to be observed in Company's businesses involving related parties, as well as in other situations involving potential conflict of interests, providing transparency about those procedures to its shareholders and the market in general and ensuring its strict alignment with the Company's interests, always in compliance with the best Corporate Governance practices.

The issues relating to conflict of interests/related parties shall be addressed to the Corporate Governance Committee so that, by means of assumptions, filters and mechanisms defined in the policy, such committee may direct them for the Board of Directors' resolution. When referring to the issues concerned with conflict

of interests/related parties between shareholders that are part of the controlling block and the Company, the Corporate Governance Committee, exceptionally, will be composed of two independent members, and the second member shall be convened to analyze the matter as "ad hoc" member of the Corporate Governance Committee, in replacement of the Controlling Shareholders' representatives.

As practical examples, we have (a) the policy of incentives to banks exclusively approved by independent members of the Board of Directors and (b) Cateno incorporation (a result of the association between Cielo and Banco do Brasil) exclusively approved by independent members and by members of the Board of Directors appointed by Banco Bradesco.

Referring to the Company's corporate governance bodies, the Board of Directors, the Board of Directors is composed of eleven (11) members, who do not perform management activities, out of which three (3) are independent, where their independence aims to protect the interests of the Company and its minority shareholders. The Board of Directors is responsible, among other attributions, for setting the general direction of the Company's business, electing the members of the Executive Board and oversee its management. Currently, the Company's Statutory Board is composed of five (5) members and performs the general management of the Company, respecting the guidelines defined by the Board of Directors. Moreover, as another evidence of the Company's adherence to the best Corporate Governance practices, the Board of Directors has five (5) advisory committees, namely: Audit Committee, Finance Committee, Corporate Governance Committee, People Management Committee and Sustainability Committee; and the Executive Board has ten (10) advisory forums: Risk Forum, Issuer Risk Forum, Earnings Release Forum, Ethics Forum, Expenses Forum, Business Continuity Management Forum, Social and Cultural Investments Forum, Pricing Forum, Projects Forum, and Diversity Forum.

The Company's Supervisory Board, an independent management body, is currently set up to oversee management activities, and is composed of five (5) members, of which one (1) is an independent member.

The Company is committed to the inclusion of issues related to Sustainability in its practices, aiming at ensuring the successful business in the long term, contributing to a healthy environment, a fairer society and Brazil's social and economic development.

Such commitment occurs on the day by day, by means of consistent environmental practices, such as, for example, the establishment of a climate strategy, which includes the conducting and dissemination of a Greenhouse Gas (GHG) Inventory, in line with the best global practices, audited and published in the Public Registry of Emissions of GHG Protocol Brazilian Program and the compensation of carbon emissions; the investment in social projects that promote innovation, entrepreneurship and transformation and social inclusion, increasing the access of more vulnerable public to cultural, sports, educational and health activities; and business solutions that promote the financial inclusion and ensure the formalization of economy.

The generation of value to the Company and the stakeholders with whom we maintain relationship occurs by means of an ethical conduct, assumption which guides and permeates all Cielo's activities. Through the Code of Ethics, Cielo seeks to ensure the best corporate practices in the relationship with all its stakeholders.

In accordance with the principle of transparency, in April 2017, the Company published its 2016 Sustainability Report, which was prepared based on the guidelines of the Global Reporting Initiative (GRI), G4 version, providing information on the Company's performance regarding the most significant aspects for the business sustainability, seeking to demonstrate its ability to generate long-term value to all its stakeholders.

Such agenda of sustainability promotes business opportunities and enables competitive advantages to Cielo, perceived by the financial market and the entire society. As an example, Cielo, as of 2014 has adhered to the portfolio of the Corporate Sustainability Index (ISE) of B3 (Brasil, Bolsa, Balcão), an acknowledgment which attests the Company's good management and corporate governance practices. Since 2015, the Company has been joining the Sustainability index Euronext-Vigeo EM70, which encompasses 70 companies with high performance in corporate responsibility in emerging markets, launched in 2015 by Vigeo, leading global rating agency focused on sustainability.

In September 2016, Cielo joined for the first time the portfolio of the Dow Jones Sustainability Index (DJSI), under the World category. In order to be included, companies go through a strict selection process, which analyzes the economic data, environmental and social performance, corporate governance, risk management, mitigation of climate change, labor practices, among other aspects. And, since 2011, the Company has been issuing the American Depositary Receipts (ADRs), Level I, listed on the international over-the-counter market OTCQX.

RELATIONSHIP WITH AUDITORS

Under CVM Rule 381/03, we inform that during 2Q17 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 have provided services not related to external audit, consisting of the assurance of the Sustainability Report and Greenhouse Gas Emissions Inventory for the year 2016 according to the guidelines of the Corporate Sustainability Index of B3 (Brasil, Bolsa, Balcão) at Cielo. This contract met the corporate governance requirements of the company, under which any extraordinary engagement of the independent auditing firm that audits its financial statements directly or indirectly, needs to be previously analyzed by the Audit Committee and authorized by the Board of Directors. The contract amounts represent 2.0% of the total audit fees related to the 2017 financial statements of Cielo and its subsidiaries Cateno, Cielo USA, Merchant e-Solutions, Orizon and associate Stelo.

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.

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Cielo S.A.
Individual and Consolidated
Interim Financial Information for the
Three- and Six-month Periods ended June
30, 2017 and Report on Review of Interim
Financial Information – ITR (IFRS)

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Report on the review of the Interim Financial Information

To the Shareholders and Board of Directors of
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 June 30, 2017, which comprise the balance sheet as of June 30, 2017 and related statements of income and comprehensive income for the three and six month periods then ended and the changes in shareholders' equity and cash flows for the six 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* (Interim Financial Information) 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.

Emphasis

We call attention to the Explanatory Note 2.4 to the interim information, on the authorization obtained by Cielo with the Central Bank of Brazil (“BACEN”) to act as a payment institution operating in the modality of accreditation entity (*credenciadora*), adopting – starting on the date of Authorization – the accounting practices defined in the Chart of Accounts of National Financial System Institutions (“COSIF”) for the preparation of its official financial statements, for statutory, tax and other purposes. Our conclusion is not qualified in relation to this matter.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (“DVA”), for the six month period ended June 30, 2017, 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, August 1, 2017

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 June 30, 2017 and December 31, 2016
(In thousands of Brazilian Reals - R\$)

	Parent Company				Consolidated					Parent Company				Consolidated			
	Notes	06/30/2017	12/31/2016	06/30/2017	12/31/2016	Notes	06/30/2017	12/31/2016		06/30/2017	12/31/2016	Notes	06/30/2017	12/31/2016	06/30/2017	12/31/2016	
Assets						Liabilities and equity											
Current assets						Current liabilities											
Cash and cash equivalents	4	886,139	933,048	2,755,711	2,658,956	Payables to merchants	12	53,025,716	1,196,978	53,531,647	1,924,255						
Trade receivables	5	51,204,664	1,713,425	60,637,048	11,014,048	Prepayment of receivables from card-issuing banks	11	-	574,604	-	574,604						
Receivables from related parties	28	25,888	1,661	4,466	-	Borrowings	13	1,838,897	2,920,324	1,839,559	2,921,002						
Investment fund in credit rights	6	8,590,645	8,310,458	-	-	Trade payables		563,292	725,226	684,115	837,583						
Prepaid and recoverable taxes		-	-	12,634	9,416	Taxes payable	7.c)	110,379	367,617	158,409	409,789						
Prepaid expenses		39,701	11,838	55,505	23,770	Payables to related parties	28	33,574	21,472	-	-						
Other receivables		20,851	13,067	38,254	37,210	Dividends payable	16.h)	536,882	587,560	536,882	587,560						
						Derivative financial instruments payable	27	-	37,665	-	37,665						
Total current assets		60,767,888	10,983,497	63,503,618	13,743,400	Other payables	14	154,764	215,719	516,503	560,322						
						Total current liabilities		56,263,504	6,647,165	57,267,115	7,852,780						
Noncurrent assets						Noncurrent liabilities											
Financial investments		-	75,481	-	75,481	Borrowings	13	5,083,675	6,557,747	6,416,521	7,870,107						
Deferred income tax and social contribution	7.a)	845,207	870,720	953,341	976,607	Provision for tax, civil and labor risks	15.a)	1,718,811	1,634,748	1,742,120	1,659,419						
Escrow deposits	15.b)	1,594,250	1,514,389	1,604,418	1,522,612	Deferred income tax and social contribution	7.a)	-	-	211,171	224,329						
Other receivables		19,584	14,967	44,028	39,194	Other payables	14	35,919	33,112	37,195	34,445						
Investments	8	9,777,336	9,809,287	108,207	104,355	Total noncurrent liabilities		6,838,405	8,225,607	8,407,007	9,788,300						
Property and equipment	9	480,951	586,401	533,812	640,099												
Intangible assets	10	289,920	261,431	13,255,786	13,442,322	Equity											
Total noncurrent assets		13,007,248	13,132,676	16,499,592	16,800,670	Issued capital	16.a)	4,700,000	3,500,000	4,700,000	3,500,000						
						Capital reserve	16.b)	67,910	66,689	67,910	66,689						
						Capital transactions between shareholders	16.c)	(82,284)	(82,284)	(82,284)	(82,284)						
						Treasury shares	16.d)	(84,419)	(103,967)	(84,419)	(103,967)						
						Comprehensive income	16.e)	9,705	10,989	9,705	10,989						
						Earnings reserves	16.f) and g)	6,062,315	5,851,974	6,062,315	5,851,974						
						Attributable to:											
						Owners of the Company		10,673,227	9,243,401	10,673,227	9,243,401						
						Noncontrolling interests		-	-	3,655,861	3,659,589						
						Total equity		10,673,227	9,243,401	14,329,088	12,902,990						
Total assets		73,775,136	24,116,173	80,003,210	30,544,070	Total liabilities and equity		73,775,136	24,116,173	80,003,210	30,544,070						

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

Cielo S.A.

Interim statements of profit or loss

For the three- and six-month periods ended June 30, 2017 and 2016

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

	Notes	Parent Company				Consolidated			
		Three-month period		Six-month period		Three-month period		Six-month period	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net revenue	18	1,649,905	1,799,217	3,344,346	3,625,572	2,831,013	3,069,024	5,632,316	6,116,922
Cost of services provided	19	(534,590)	(548,920)	(1,089,271)	(1,093,341)	(1,396,127)	(1,516,907)	(2,763,755)	(2,979,840)
Gross profit		1,115,315	1,250,297	2,255,075	2,532,231	1,434,886	1,552,117	2,868,561	3,137,082
Operating income (expenses)									
Personnel	19	(65,903)	(73,412)	(146,060)	(141,045)	(133,428)	(135,159)	(273,130)	(261,612)
General and administrative	19	(109,255)	(98,505)	(196,481)	(200,190)	(150,103)	(141,331)	(271,773)	(287,844)
Sales and marketing	19	(42,613)	(82,332)	(77,716)	(140,625)	(45,596)	(85,596)	(83,650)	(146,644)
Share of profit (loss) of investees	8	106,370	88,199	202,093	156,309	(845)	2,496	3,605	4,480
Other operating expenses, net	19 and 20	(57,915)	(62,090)	(100,011)	(114,328)	(63,981)	(84,640)	(121,125)	(177,536)
Operating profit		945,999	1,022,157	1,936,900	2,092,352	1,040,933	1,107,887	2,122,488	2,267,926
Finance income (costs)									
Finance income	26	51,713	7,855	124,136	35,806	85,043	41,250	195,606	100,010
Finance costs	26	(213,972)	(319,097)	(527,051)	(672,243)	(226,737)	(333,105)	(552,361)	(702,062)
Income from purchase of receivables and FIDC	26	573,440	647,457	1,192,019	1,301,675	573,975	646,722	1,193,267	1,300,297
Exchange differences, net	26	2,893	(3,114)	2,774	(5,241)	2,849	(3,037)	2,587	(5,159)
		414,074	333,101	791,878	659,997	435,130	351,830	839,099	693,086
Operating profit before income tax and social contribution		1,360,073	1,355,258	2,728,778	2,752,349	1,476,063	1,459,717	2,961,587	2,961,012
Income tax and social contribution									
Current	7	(289,813)	(490,994)	(707,248)	(950,874)	(376,213)	(565,211)	(872,222)	(1,105,751)
Deferred	7	(76,006)	124,903	(25,512)	183,081	(59,358)	135,198	(3,039)	212,698
Profit for the period		994,254	989,167	1,996,018	1,984,556	1,040,492	1,029,704	2,086,326	2,067,959
Attributable to:									
Owners of the Company						994,254	989,167	1,996,018	1,984,556
Noncontrolling interests						46,238	40,537	90,308	83,403
						1,040,492	1,029,704	2,086,326	2,067,959
Earnings per share (in R\$) - Basic	17	0.36651	0.36484	0.73580	0.73188	0.36651	0.36484	0.73580	0.73188
Earnings per share (in R\$) - Diluted	17	0.36602	0.36423	0.73481	0.73066	0.36602	0.36423	0.73481	0.73066

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

Cielo S.A.

Interim statements of comprehensive income

For the three- and six-month periods ended June 30, 2017 and 2016

(In thousands of Brazilian Reals - R\$)

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Profit for the period	994,254	989,167	1,996,018	1,984,556	1,040,492	1,029,704	2,086,326	2,067,959
Comprehensive income								
Exchange differences on translating foreign operations:								
Exchange differences on foreign investments	41,934	(109,395)	13,947	(218,290)	41,934	(109,395)	13,947	(218,290)
Gains and losses on hedging instruments of foreign operations, net of taxes	(43,366)	108,291	(15,231)	215,589	(43,366)	108,291	(15,231)	215,589
Changes for the period	<u>(1,432)</u>	<u>(1,104)</u>	<u>(1,284)</u>	<u>(2,701)</u>	<u>(1,432)</u>	<u>(1,104)</u>	<u>(1,284)</u>	<u>(2,701)</u>
Total comprehensive income for the period	<u>992,822</u>	<u>988,063</u>	<u>1,994,734</u>	<u>1,981,855</u>	<u>1,039,060</u>	<u>1,028,600</u>	<u>2,085,042</u>	<u>2,065,258</u>
Attributable to:								
Owners of the Company					<u>992,822</u>	<u>988,063</u>	<u>1,994,734</u>	<u>1,981,855</u>
Noncontrolling interests					<u>46,238</u>	<u>40,537</u>	<u>90,308</u>	<u>83,403</u>

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

Cielo S.A.

Interim statements of changes in equity

For the six-month periods ended June 30, 2017 and 2016

(In thousands of Brazilian Reals - R\$)

Attributable to owners of the Company												
Notes	Issued capital	Capital reserve	Treasury shares	Capital transactions	Legal reserve	Earnings reserves				Total owners of the Company	Noncontrolling interests	Total equity
						Capital budget	Additional dividends proposed	Earnings retention	Comprehensive income			
Balance as 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	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-	-	-
Acquisition of treasury shares	-	-	(24,904)	-	-	-	-	-	-	(24,904)	-	(24,904)
Stock options granted	25	16,325	-	-	-	-	-	-	-	16,325	-	16,325
Sale of treasury shares under the stock option plan	25	(18,647)	32,187	-	-	-	-	-	-	13,540	-	13,540
Profit for the six-month period	-	-	-	-	-	-	-	1,984,556	-	1,984,556	83,403	2,067,959
Allocation of profit for the six-month period:												
Legal reserve	-	-	-	-	99,228	-	-	(99,228)	-	-	-	-
Interest on capital proposed	-	-	-	-	-	-	-	(238,000)	-	(238,000)	-	(238,000)
Mandatory minimum dividends	-	-	-	-	-	-	-	(374,366)	-	(374,366)	-	(374,366)
Effect of noncontrolling interests on consolidated entities	-	-	-	-	-	-	-	-	-	-	(75,541)	(75,541)
Comprehensive income:												
Exchange differences on translating foreign operations:												
Exchange differences on net foreign investments	-	-	-	-	-	-	-	-	(218,290)	(218,290)	-	(218,290)
Gains and losses on hedging instruments of foreign operations, net of taxes	-	-	-	-	-	-	-	-	215,589	215,589	-	215,589
Balances as at June 30, 2016	3,500,000	61,983	(133,365)	-	599,228	2,583,619	-	1,272,962	10,700	7,895,127	3,651,151	11,546,278
Balance as at January 1, 2017	3,500,000	66,689	(103,967)	(82,284)	700,000	5,151,974	-	-	10,989	9,243,401	3,659,589	12,902,990
Capital increase	16.a)	1,200,000	-	-	-	(1,200,000)	-	-	-	-	-	-
Stock options granted	25	-	14,363	-	-	-	-	-	-	14,363	-	14,363
Sale of treasury shares under the stock option plan	25 and 16.d)	-	(13,142)	19,548	-	-	-	-	-	6,406	-	6,406
Profit for the six-month period	-	-	-	-	-	-	-	1,996,018	-	1,996,018	90,308	2,086,326
Allocation of profit for the six-month period:												
Legal reserve	16.f)	-	-	-	91,536	-	-	(91,536)	-	-	-	-
Interest on capital proposed	16.h)	-	-	-	-	-	-	(325,300)	-	(325,300)	-	(325,300)
Mandatory minimum dividends	16.h)	-	-	-	-	-	-	(260,377)	-	(260,377)	-	(260,377)
Additional dividends proposed to the mandatory minimum dividends	16.h)	-	-	-	-	-	741,674	(741,674)	-	-	-	-
Effect of noncontrolling interests on consolidated entities	-	-	-	-	-	-	-	-	-	-	(94,036)	(94,036)
Comprehensive income:												
Exchange differences on translating foreign operations:												
Exchange differences on net foreign investments	16.e)	-	-	-	-	-	-	-	13,947	13,947	-	13,947
Gains and losses on hedging instruments of foreign operations, net of taxes	16.e)	-	-	-	-	-	-	-	(15,231)	(15,231)	-	(15,231)
Balances as at June 30, 2017	4,700,000	67,910	(84,419)	(82,284)	791,536	3,951,974	741,674	577,131	9,705	10,673,227	3,655,861	14,329,088

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

Cielo S.A.

Statements of cash flows

For the six-month periods ended June 30, 2017 and 2016

(In thousands of Brazilian Reals - R\$)

	Notes	Parent Company		Consolidated	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016
Cash flows from operating activities					
Profit before income tax and social contribution		2,728,778	2,752,349	2,961,587	2,961,012
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:					
Depreciation and amortization	9 and 10	215,043	215,321	479,217	488,752
Recognition of provision for losses on property and equipment		(10,551)	21,305	(10,551)	21,305
Residual value of property and equipment and intangible assets disposed of	9 and 10	8,951	22,983	9,339	24,962
Stock options granted	25	14,363	16,325	14,363	16,325
Loss on doubtful debts and fraud	20	86,136	56,190	103,155	84,236
Provision for tax, civil and labor risks	15.a)	91,017	119,223	89,655	125,137
Unearned revenue from purchase of receivables	5	(46,814)	(37,376)	(45,052)	(37,376)
Noncontrolling interests		-	-	90,308	83,403
Exchange differences relating to interest on foreign borrowings		(8,328)	(220,661)	(8,328)	(220,661)
Gains (losses) on financial instruments		(37,665)	213,314	(37,665)	213,314
Interest on borrowings		430,983	590,058	455,777	618,967
Provision for losses on investments	8	-	-	-	23,997
Share of profit (loss) of investees	8	(202,093)	(156,309)	(3,605)	(4,480)
Yield from interest in FIDC	6	(1,195,876)	-	-	-
(Increase) decrease in operating assets:					
Trade receivables		(49,444,425)	1,361,604	(49,597,761)	1,423,885
Receivables from related parties		(24,227)	(1,303)	(4,466)	(197)
Prepaid and recoverable taxes		-	-	(3,218)	11,418
Other receivables (current and noncurrent)		61,462	2,752	64,892	(16,549)
Escrow deposits	15.b)	(79,861)	(108,313)	(81,807)	(109,482)
Prepaid expenses		(27,863)	(12,599)	(31,735)	(18,122)
Increase (decrease) in operating liabilities:					
Payables to merchants		51,167,998	(1,448,833)	50,929,633	(1,621,156)
Trade payables		(161,934)	49,080	(153,468)	75,971
Taxes payable		(105,198)	(9,848)	(128,120)	(25,493)
Payables to related parties		12,102	1,865	-	2,458
Other payables (current and noncurrent)		(58,147)	(28,584)	(131,376)	(88,702)
Payment of tax, civil and labor lawsuits	15.a)	(6,954)	(5,925)	(6,954)	(5,925)
Cash generated from operations					
Interest paid	13	3,406,897	3,392,618	4,953,820	4,026,999
Income tax and social contribution paid		(258,617)	(628,127)	(258,617)	(654,736)
		(851,443)	(634,103)	(996,570)	(880,444)
Net cash generated by operating activities		<u>2,296,837</u>	<u>2,130,388</u>	<u>3,698,633</u>	<u>2,491,819</u>
Cash flows from investing activities					
Capital increase in subsidiaries, joint ventures and associate	8	-	(9,540)	-	(9,240)
Acquisition of quotas of FIDC		(6,243,084)	-	-	-
Redemption of quotas of FIDC		7,138,959	-	-	-
Dividends received from subsidiaries	8	249,610	176,110	4,466	-
Additions to property and equipment and intangible assets	9 and 10	(136,482)	(156,927)	(156,915)	(194,607)
Net cash used in investing activities		<u>1,009,003</u>	<u>9,643</u>	<u>(152,449)</u>	<u>(203,847)</u>
Cash flows from financing activities					
Acquisition of treasury shares		-	(24,904)	-	(24,904)
Sale of treasury shares under the stock option plan		6,406	13,540	6,406	13,540
Borrowings	13	100,453	32,495	100,453	32,495
Payment of principal, net of derivatives	13	(2,823,253)	(1,653,865)	(2,823,253)	(1,653,865)
IRRF on interest on capital paid		(48,795)	(20,910)	(48,795)	(20,910)
Dividends and interest on capital		(587,560)	(520,028)	(679,713)	(595,570)
Net cash generated by (used in) financing activities		<u>(3,352,749)</u>	<u>(2,173,672)</u>	<u>(3,444,902)</u>	<u>(2,249,214)</u>
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary		-	-	(4,527)	(59,730)
Increase (decrease) in cash and cash equivalents		(46,909)	(33,641)	96,755	(20,972)
Cash and cash equivalents					
Closing balance	4	886,139	10,846	2,755,711	1,228,552
Opening balance	4	933,048	44,487	2,658,956	1,249,524
Increase (decrease) in cash and cash equivalents		<u>(46,909)</u>	<u>(33,641)</u>	<u>96,755</u>	<u>(20,972)</u>

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

Cielo S.A.

Interim statements of value added

For the six-month periods ended June 30, 2017 and 2016

(In thousands of Brazilian Reals - R\$)

	Notes	Parent Company		Consolidated	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016
Revenues					
Sales of services	18	3,719,784	4,032,324	6,202,507	6,727,416
Loss on doubtful debts and fraud	20	(86,136)	(56,190)	(103,155)	(84,236)
		<u>3,633,648</u>	<u>3,976,134</u>	<u>6,099,352</u>	<u>6,643,180</u>
Inputs purchased from third parties					
Cost of services provided		(800,545)	(813,571)	(2,275,748)	(2,505,533)
Materials, electric energy, outside services and others		(253,521)	(324,442)	(229,596)	(298,943)
Other expenses, net		(16,958)	(14,853)	(20,903)	(49,945)
Impairment of assets		<u>3,084</u>	<u>(43,284)</u>	<u>2,933</u>	<u>(43,356)</u>
		<u>(1,067,940)</u>	<u>(1,196,150)</u>	<u>(2,523,314)</u>	<u>(2,897,777)</u>
Gross value added		<u>2,565,708</u>	<u>2,779,984</u>	<u>3,576,038</u>	<u>3,745,403</u>
Retentions					
Depreciation and amortization	9 and 10	(215,043)	(215,321)	(479,217)	(488,752)
Wealth created, net		<u>2,350,665</u>	<u>2,564,663</u>	<u>3,096,821</u>	<u>3,256,651</u>
Wealth received in transfer					
Share of profit (loss) of investees	8	202,093	156,309	3,605	4,480
Finance income, including purchase of receivables and exchange differences, net	26	<u>1,382,295</u>	<u>1,396,837</u>	<u>1,458,307</u>	<u>1,462,862</u>
		<u>1,584,388</u>	<u>1,553,146</u>	<u>1,461,912</u>	<u>1,467,342</u>
Total wealth for distribution		<u>3,935,053</u>	<u>4,117,809</u>	<u>4,558,733</u>	<u>4,723,993</u>
Distribution of wealth					
Personnel and related taxes		(174,133)	(159,032)	(302,799)	(288,259)
Profit sharing	23	(31,697)	(34,853)	(45,288)	(44,744)
Taxes and contributions		(1,206,452)	(1,268,846)	(1,565,472)	(1,616,410)
Interest and rental expenses		(526,753)	(670,522)	(558,848)	(706,621)
Dividends and interest on capital proposed		(1,327,351)	(612,366)	(1,327,351)	(612,366)
Earnings retention		(668,667)	(1,372,190)	(668,667)	(1,372,190)
Noncontrolling interests		<u>-</u>	<u>-</u>	<u>(90,308)</u>	<u>(83,403)</u>
Wealth distributed		<u>(3,935,053)</u>	<u>(4,117,809)</u>	<u>(4,558,733)</u>	<u>(4,723,993)</u>

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

Notes to the individual and consolidated interim financial information

(Amounts in thousands of Brazilian Reals - 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. Its shares are traded on B3 – B3 Brasil, Bolsa, Balcão S.A., 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 program, electronic transaction's 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

In the quarter ended June 30, 2017, the following events occurred, which significantly impacted the Company's financial position:

- Cielo’s profit for the second quarter of 2017 totaled R\$994,254, 0.5% higher when comparing with the same quarter of 2016;
- In a shareholders’ meeting held on April 12, 2017, the shareholders approved a capital increase in the Company by R\$1,200,0000 using the balance of the capital budget reserve;
- Payment in April 2017 of the second installment of the principal of the public debentures in the amount of R\$1,740,165;
- Settlement on June 22, 2017 of the borrowing in foreign currency – “operation 4,131” in the amount of R\$993,272 and consequently of the derivative financial instruments (swaps) in the amount of R\$32,800;
- On April 27, 2017, Cielo was authorized by BACEN to operate as an accrediting payment institution. In view of the new regulatory framework, there was a change in the operation model, in which the Company became a debtor of the merchant,

guaranteeing the payment of the transaction from the moment the transaction is carried out and no longer as a clearing house, and started recognizing in its accounting records (i) as an asset, the right to receive the amount relating to the purchase of products and services from the card-issuing institutions (receivables from card-issuing banks); and, as a balancing item, (ii) as a liability, the obligation to pay the amount relating to transactions of purchase of products and services made with cards to the merchants accredited by the Company (payables to merchants).

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 Pronouncement CPC 21 (R1) – Interim Financial Statements, equivalent to international standard IAS 34 - Interim Financial Reporting and other International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board – IASB, which converge with the accounting practices adopted in Brazil, including 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, 2016, approved and published on January 30, 2017 and made available on the website of CVM. Therefore, the interim financial information should be read together with the financial statements as of December 31, 2016.

Due to the authorization to operate issued by BACEN, as mentioned in note 2.4, the Company's official financial information for corporate, tax and other purposes started reflecting the accounting rules defined in the Chart of Accounts of the Institutions of the National Financial System – COSIF ("COSIF"). In order to provide comparability of the results in relation to the prior periods and in accordance with CVM rules ("Instrução CVM nº 480"), the Company is disclosing this individual (Company) and consolidated interim financial information prepared in accordance with Pronouncement CPC 21 (R1) and with other IFRS standards, which converge with the accounting practices adopted in Brazil.

2.2 Main judgments, 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 reporting period. Significant assets and liabilities subject to these estimates include the residual value of property and equipment and intangible assets, allowance for doubtful accounts (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 the estimates and assumptions at least annually.

2.3 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.

2.4. Regulation from the Brazilian Central Bank

On April 27, 2017, Cielo received authorization ("Authorization") from the Brazilian Central Bank ("BACEN or Central Bank") to operate as an accredited payment institution, as published in the Federal Official Gazette.

The Authorization derives from Law No. 12,865/2013 and a set of rules issued by the National Monetary Council ("CMN") and the Central Bank, which define the new regulatory framework applicable to payment arrangements and payment institutions that are members of the Brazilian Payment System ("SPB"), including the activity of accreditation of merchants, as developed by the Company. This set of rules has as main objective to modernize the payment instruments with focus on efficiency and security of the SPB, and their application and the oversight of the so-called payment institutions (like the Company) are now the responsibility of the Central Bank.

Due to the authorization, the Company started complying with the common rules applicable to the SPB payment institutions, and must adopt procedures and internal controls related to its accreditation activities, including the preparation and disclosure of financial statements according to the accounting criteria and rules defined by the Chart of Accounts of the Institutions of the National Financial System – "COSIF".

Additionally, due to the new regulatory framework applicable to the SPB payment institutions and the granting of the Authorization, there was a change in the Company's operation model in which Cielo became a debtor of the merchant, guaranteeing the payment to merchants from the moment the transaction is carried out and no longer as a clearing house, and started recognizing in the accounting records (i) as an asset, the right to receive the amount of purchase of goods and services from the card-issuing institutions (receivables from card-issuing banks) and, as a balancing item, (ii) as a liability, the obligation to pay the amount of transactions of purchase of

goods and services made with cards to merchants accredited by the Company (payables to merchants), already deducting the discount related to compensation for services of capture, processing and settlement of transactions. As at June 30, 2017 the receivables from the card-issuing banks, already deducting the prepayments, and the payables to merchants amount to R\$51,037,665 and R\$53,025,716, respectively. This change does not have effect on the Company's profit for the period and equity, nor on the covenants imposed on the borrowings (data that did not affect the Company's indebtedness and the consolidated adjusted EBITDA).

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 the subsidiaries, the full consolidation concept was applied, intended for investments in subsidiaries entailing the recognition of their 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 financial information on subsidiaries, joint ventures and associate is accounted for under the equity method.

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

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

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Companies	Interest in the capital (%)		Main Activities
	06/30/2017	12/31/2016	
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 prepaid 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	91.44	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 computer software; electronic 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 of ownership interests in other companies as partner or shareholder.
Cielo Cayman Island (“Cielo Cayman”)	100.00	100.00	Holding of 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 June 30, 2017.
Fundo de Investimento em Direitos Creditórios Não-Padronizados Cielo (“FIDC”)	100.00	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	91.44	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.
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 of 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:			
Prevsáude Comercial de Produtos e de Benefícios de Farmácia Ltda. (“Prevsáude”)	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	
		06/30/2017	12/31/2016	06/30/2017	12/31/2016
Cash and banks:					
Local currency		13,060	7,981	14,985	11,694
Foreign currency		395	22,782	447,324	553,298
Short-term investments:					
Debentures subject to repurchase agreements	99.65% of DI	285,946	902,090	1,030,810	1,750,354
Bank certificates of deposit – CDBs	98.87% of DI	586,738	195	874,481	336,709
Corporate Fund – BB Ampla LP FICFI –	97.40% of DI	-	-	369,654	-
Others		-	-	18,457	6,901
Total		886,139	933,048	2,755,711	2,658,956

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	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Receivable from issuers (a)	51,037,665	-	51,037,665	-
Purchase of receivables (b)	113,818	1,657,527	8,706,389	9,967,646
Receivables for processed financial transactions (c)	-	-	247,621	374,840
Receivables for merchant commissions (d)	-	-	145,442	137,058
Receivables for interchange fees to merchants (e)	-	-	337,463	360,922
Bank account lock (f)	10,647	9,667	10,647	9,667
Meal and transportation voucher capture and processing (g)	11,086	8,985	11,086	8,985
Receivables for mobile payment services (h)	-	-	109,730	111,929
Challenges of credit card holders - chargeback (i)	27,468	32,282	27,468	32,282
Other receivables	3,980	4,964	3,537	10,719
Total	51,204,664	1,713,425	60,637,048	11,014,048

- (a) Refers to receivables from card-issuing banks for transactions carried out with credit and debit cards by cardholders, already deducting the advances with issuing banks at June 30, 2017.

Due to the new regulatory framework applicable to the SPB payment institutions and the granting of the Authorization, there was a change in the Company’s operation model in which Cielo became a debtor of the merchant (and no longer as a clearing house) with the right to receive the amount of purchase of products and services from card-issuing institutions, for transactions carried out by the bank’s customers, credit card holders.

Regarding such amount receivable from issuers, the Company advances the amounts for generation of short-term working capital. These advances have an average period of approximately sixteen business days and the weighted average rate of financial charges at June 30, 2017 is 102.40% of DI - Interbank Deposit (101.96% of DI at December 31, 2016). In parent company and consolidated, the corresponding balances of advance of receivables with issuing banks are R\$739,037 at June 30, 2017, and R\$574,604 at December 31, 2016, as mentioned in note 11.

- (b) The balance refers to purchase of receivables by the Company and by the FIDC from merchants, relating to card transactions that will be received from the card-issuing banks within 360 days from the purchase date. As at June 30, 2017, this amount is net of the income from purchase of receivables, to be recognized to the maturity dates of the transactions, totaling R\$1,502 in parent company and R\$337,733 in consolidated (R\$48,316 in parent company and R\$362,972 in consolidated as at December 31, 2016), since it is related to the purchase of receivables for credit and installment sales with original maturity after the end of the reporting periods.

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- (c) Refers to the receivables recognized in subsidiary Me-S. They refer 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.
- (d) Refer to interchange fees and service fees charged for processing of transactions receivable from merchants, as a result of the practice adopted by Me-S of settling the transactions for the full amounts to the merchants and of collecting these fees at the beginning of the next month.
- (e) The balance refers to commissions received by the subsidiary Cateno for payment account management services under the Ourocard Payment Arrangement. In general, the commissions from credit card transactions are settled within 28 days and those from debit card transactions are settled one business day following the transaction.
- (f) The Company offers to card-issuing banks account lock services upon prior approval from merchants to block any transfer of receivables from such merchant 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.
- (g) Receivables from Companhia Brasileira de Soluções e Serviços (“Alelo”) arising from the provision of meal and transportation voucher capture and processing services.
- (h) Receivables for electronic payment services provided by subsidiaries M4Produtos and Multidisplay through mobile phones and sale of phone credits with credit and debit cards.
- (i) Refer substantially to receivables for transactions challenged by credit card holders (chargeback).

The aging of trade receivables is as follows:

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Current	51,177,196	1,681,143	60,609,580	10,981,766
Up to 45 days past-due	27,468	32,282	27,468	32,282
Total	51,204,664	1,713,425	60,637,048	11,014,048

6 Investment fund in credit rights

The Investment Fund in Nonstandard Credit Rights Cielo (“FIDC”) 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 FIDC 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 FIDC 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 remunerated based on the internal rate of return of the contracts, under the pro rata temporis criterion. At June 30, 2017 and June 30, 2016, the credit rights adjusted by IRR reflect the fair value of the fund. 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 FIDC is made by Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.

The equity structure of the FIDC as at June 30, 2017 comprises 6,075,048 quotas owned by Cielo (6,809,517 as at December 31, 2016), amounting to R\$1,414.09 Brazilian reais each (R\$1,220.42 as at December 31, 2016), totaling R\$8,590,645 (R\$8,310,458 as at December 31, 2016).

The statement of financial position and statement of profit or loss for the six-month period of the FIDC are as follows:

Assets	06/30/2017	12/31/2016	Liabilities	06/30/2017	12/31/2016
Cash and cash equivalents	635	508	Trade payables	155	119
			Taxes and contributions payable	2,356	-
			Payables to related parties	50	50
Trade receivables	<u>8,592,571</u>	<u>8,310,119</u>	Equity	<u>8,590,645</u>	<u>8,310,458</u>
Total	<u>8,593,206</u>	<u>8,310,627</u>	Total	<u>8,593,206</u>	<u>8,310,627</u>

	06/30/2017				
	Income from purchase of receivables	Yield of quotas	Profit before finance income and costs	Profit for the six-month period	Profit for the quarter
FIDC	1,197,123	1,197,123	1,195,828	1,195,876	590,249

7 Income tax, social contribution and other taxes

a. Deferred 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 monthly reviewed.

a.1. Breakdown of deferred income tax and social contribution - Assets

	<u>Parent Company</u>		<u>Consolidated</u>	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Temporary differences:				
Provision for tax, labor and civil risks	578,991	549,704	586,585	557,700
Accrual for sundry expenses	224,498	262,008	323,365	359,899
Allowance for losses on POS equipment and doubtful debts	41,718	59,008	43,391	59,008
Total	<u>845,207</u>	<u>870,720</u>	<u>953,341</u>	<u>976,607</u>

a.2. Breakdown of deferred income tax - Liabilities recognized in foreign companies

	Consolidated	
	06/30/2017	12/31/2016
Temporary differences:		
Fair value of intangible assets of Me-S, acquired in 2012	187,745	207,406
Other temporary differences	23,426	16,923
Total	211,171	224,329

Deferred income and social contribution tax assets as at June 30, 2017, as shown in note 7(a), were recognized on temporary differences. According to Management's best estimate, tax credits recognized on the accrual for sundry expenses, allowance for losses on POS equipment and doubtful debts, in the amount of R\$266,216 in parent company and R\$366,756 in consolidated as at June 30, 2017 (R\$321,016 in parent company and R\$418,907 in consolidated as at December 31, 2016) will be realized mainly during 2017. The portion of tax credits on the provision for risks, in the amount of R\$578,991 in parent company and R\$586,585 in consolidated as at June 30, 2017 (R\$549,704 in parent company and R\$557,700 in consolidated as at December 31, 2016) will be realized upon the final outcome of each lawsuit, partially estimated at up to 5 years, except for 53.16% in parent company (52.02% in consolidated) of the provision for labor risks which is estimated to be realized in up to 10 years, according to the development of the lawsuit described in note 15.

b. Income tax and social contribution - Current

The effective rate of income tax and social contribution for the three-month and six-month periods ended June 30, 2017 and 2016 is as follows:

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2016	06/30/2016
Profit before income tax and social contribution	1,360,073	1,355,258	2,728,778	2,752,349	1,476,063	1,459,717	2,961,587	2,961,012
Statutory rates - %	34%	34%	34%	34%	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(462,425)	(460,788)	(927,785)	(935,799)	(501,861)	(496,304)	(1,006,940)	(1,006,744)
Tax benefit of interest on capital	54,332	54,060	110,602	80,920	54,332	54,060	110,602	80,920
Tax benefit of R&D ("Lei do bem")	5,276	3,024	11,977	16,058	5,276	3,024	11,977	16,058
Share of profit (loss) of investees	36,166	29,988	68,712	53,145	(287)	849	1,226	1,523
Effect on permanent differences, net	832	7,625	3,734	17,883	6,969	8,358	7,874	15,190
Income tax and social contribution	(365,819)	(366,091)	(732,760)	(767,793)	(435,571)	(430,013)	(875,261)	(893,053)
Current	(289,813)	(490,994)	(707,248)	(950,874)	(376,213)	(565,211)	(872,222)	(1,105,751)
Deferred	(76,006)	124,903	(25,512)	183,081	(59,358)	135,198	(3,039)	212,698

Incentives to Cultural and Artistic Activities ("Rouanet Law"), Sports, Pronas, Child and Adolescent Rights Fund and Fund for the Elderly are recorded under "Income tax expense – current". The tax incentives recorded as income tax expense - current, in parent company and consolidated, totaled R\$20,596 in the six-month period ended June 30, 2017 (R\$20,769 in the

six-month period ended June 30, 2016). In the three-month period ended June 30, 2017, the tax incentives recorded as income tax expense – current in parent company R\$7,735 (R\$11,205 in the three-month period ended June 30, 2016) and in consolidated totaled R\$ 8,570 (R\$11,205 in the three-month period ended June 30, 2016).

c. Taxes payable

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Income tax and social contribution, net of prepayments and withholding income tax	66,026	325,999	90,050	343,328
Contribution for Social Security Funding - Cofins	27,454	19,154	39,231	29,958
Tax on Services – ISS	4,796	6,662	11,796	14,383
Social Integration Program – PIS	5,471	7,542	8,143	10,393
Other taxes payable	6,632	8,260	9,189	11,727
Total	110,379	367,617	158,409	409,789

8 Investments

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
In subsidiaries	9,622,473	9,658,276	-	-
In joint ventures	98,064	94,212	98,064	94,212
Goodwill on acquisition of investments (a)	56,799	56,799	10,143	10,143
Total	9,777,336	9,809,287	108,207	104,355

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 recorded in the individual and consolidated interim financial information is shown in the table below:

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	06/30/2017					12/31/2016				
	Ownership interest - %	Assets	Liabilities	Equity	Investments	Ownership interest - %	Assets	Liabilities	Equity	Investments
Subsidiaries										
Servinet	99.99	75,567	46,571	28,996	28,995	99.99	82,576	56,581	25,995	25,995
Multidisplay(*)	91.44	109,774	59,366	50,408	47,500	91.44	107,620	35,283	72,337	67,552
Braspag	99.99	37,852	5,573	32,279	32,279	99.99	44,539	9,378	35,161	35,160
Cielo USA	100.00	2,511,394	1,521,252	990,142	990,142	100.00	2,519,176	1,520,444	998,732	998,732
Cateno	70.00	12,468,928	292,418	12,176,510	8,523,557	70.00	12,450,492	267,811	12,182,681	8,527,877
Aliança	99.99	3,881	3,881	-	-	99.99	3,702	741	2,961	2,960
Subtotal		15,207,396	1,929,061	13,278,335	9,622,473		15,208,105	1,890,238	13,317,867	9,658,276
Joint ventures:										
Orizon (**)	40.95	281,360	27,580	253,780	98,043	40.95	264,951	20,616	244,335	94,176
Paggo	50.00	252	209	43	21	50.00	280	208	72	36
Subtotal		281,612	27,789	253,823	98,064		265,231	20,824	244,407	94,212
Total Parent Company					9,720,537					9,752,488
Associate:										
Stelo	30.00	112,569	98,288	14,281	-	30.00	77,910	53,478	24,432	-
Total Consolidated					98,064					94,212

(*) The investment held by Cielo includes adjustment in the equity of subsidiary Multidisplay due to the special goodwill reserve generated in the corporate restructuring process in which Servrede was merged into its then subsidiary Multidisplay, in the amount of R\$16,484.

(**) 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.

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	06/30/2017						06/30/2016			
	Three-month period			Six-month period			Three-month period		Six-month period	
	Net revenue	Gross profit (loss)	Operating profit (loss) before finance income (costs)	Profit (loss) before income tax and social contribution	Profit (loss) for the quarter	Share of profit (loss) of investees for the quarter	Profit (loss) for the quarter	Share of profit (loss) of investees for the quarter	Profit (loss) for the period	Share of profit (loss) of investees for the period
Subsidiaries:										
Servinet	68,090	67,099	3,694	4,636	1,528	1,528	1,769	1,769	3,362	3,362
Multidisplay	234,772	12,226	13,899	14,468	8,150	7,453	3,379	1,693	12,646	6,336
Braspag	15,670	9,240	247	822	395	395	(403)	(403)	(107)	(107)
Cielo USA Inc.	-	(43,058)	(29,191)	(53,985)	(8,550)	(8,549)	(8,038)	(8,038)	(13,701)	(13,701)
Cateno	1,216,176	432,561	382,292	450,113	151,796	106,257	129,501	90,651	256,974	179,882
Aliança	2,429	2,451	(4,579)	(4,532)	(4,581)	(4,581)	(2,569)	(2,569)	(28,391)	(28,391)
Subtotal					148,738	102,503	284,083	123,639	83,103	230,783
Joint ventures:										
Orizon	73,875	29,542	16,195	25,281	9,464	3,874	12,462	5,103	21,836	8,942
Paggo	-	-	(28)	(28)	(14)	(7)	(14)	(7)	(28)	(14)
Subtotal					9,450	3,867	20,320	12,448	5,096	21,808
Total Parent Company						106,370			88,199	156,309
Associate:										
Stelo	251	(4,441)	(26,250)	(28,146)	(9,166)	(4,712)	(10,151)	(8,667)	(2,600)	(14,827)
Total Consolidated										4,480

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

	06/30/2017				12/31/2016			
	Ownership interest - %	Assets	Liabilities	Equity	Ownership interest - %	Assets	Liabilities	Equity
Indirect subsidiaries:								
M4Produtos	91.44	137,348	114,974	22,374	91.44	128,654	96,909	31,745
Me-S	100.00	1,138,928	601,014	537,914	100.00	1,344,579	813,870	530,709
Indirect joint ventures:								
Prevsatúde	40.95	34,411	1,081	33,330	40.95	30,386	1,356	29,030
Guilher	40.95	11,117	8,444	2,673	40.95	14,860	12,475	2,385
	06/30/2017				06/30/2016			
	Operating profit (loss) before finance income (costs)	Profit before income tax and social contribution	Profit (loss) for the quarter	Profit for the six-month period	Operating profit before finance income (costs)	Profit before income tax and social contribution	Profit for the quarter	Profit for the six-month period
Indirect subsidiaries:								
M4Produtos	18,997	19,993	7,696	13,342	13,995	14,260	3,984	12,608
Me-S	22,393	22,163	7,469	13,753	55,971	55,241	15,027	34,482
	Net revenue	Gross profit			Net revenue	Gross profit		
	66,408	38,932			51,770	28,988		
	797,107	189,466			900,972	242,355		
Indirect joint ventures:								
Prevsatúde	3,863	5,544	2,220	4,299	3,886	5,252	2,049	4,102
Guilher	(131)	379	(10)	289	527	1,375	421	926

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In 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, the financial information as at May 31, 2017 was used to calculate the investments as at June 30, 2017. Accordingly, the share of profit (loss) of investees refers to the six-month period ended May 31, 2017.

As at June 30, 2017 and December 31, 2016, 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 in the breakdown below:

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Multidisplay	20,690	20,690	-	-
Braspag	25,966	25,966	-	-
Orizon	10,143	10,143	10,143	10,143
Total	56,799	56,799	10,143	10,143

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 at December 31, 2016.

Changes in investments for the six-month periods ended June 30, 2017 and 2016 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2015	9,934,761	105,108
Advances for future capital increase – Stelo	9,540	9,240
Provision for loss on investment	-	(23,997)
Exchange differences on foreign investment	(218,290)	-
Dividends received:		
Multidisplay	(117)	-
Cateno	(175,993)	-
Share of profit (loss) of investees	156,309	4,480
Balance at June 30, 2016	9,706,210	94,831
Balance at December 31, 2016	9,809,287	104,355
Exchange differences on foreign investment	13,947	-
Dividends received:		
Multidisplay	(32,918)	-
Orizon	(4,466)	(4,466)
Cateno	(212,227)	-
Share of profit (loss) of investees	202,093	3,605
Provision for obligations with investees	1,620	4,713
Balance at June 30, 2017	9,777,336	108,207

9 Property and equipment

Parent Company					
06/30/2017					
12/31/2016					
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net	Net
POS equipment	33	1,552,784	(1,172,276)	380,508	474,951
Data processing equipment	20	152,637	(103,914)	48,723	57,097
Machinery and equipment	10 - 20	26,924	(22,042)	4,882	5,662
Facilities	10	47,861	(8,538)	39,323	41,066
Furniture and fixtures	10	12,362	(4,883)	7,479	7,517
Vehicles	20	378	(342)	36	108
Total		1,792,946	(1,311,995)	480,951	586,401

Consolidated					
06/30/2017					
12/31/2016					
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net	Net
POS equipment	33	1,553,802	(1,172,999)	380,803	475,278
Data processing equipment	20	191,154	(126,802)	64,352	71,857
Machinery and equipment	10 - 20	45,790	(28,377)	17,413	18,538
Facilities	10	79,493	(19,786)	59,707	62,851
Furniture and fixtures	10	18,869	(7,410)	11,459	11,414
Vehicles	20	476	(398)	78	161
Total		1,889,584	(1,355,772)	533,812	640,099

Changes in property and equipment for the six-month periods ended June 30, 2017 and 2016 are as follows:

Parent Company					
	12/31/2016	Additions	(Disposals/ Losses) Estimated Reversal	(Depreciation)	06/30/2017
POS equipment	474,951	73,960	1,645	(170,048)	380,508
Data processing equipment	57,097	2,877	-	(11,251)	48,723
Machinery and equipment	5,662	-	-	(780)	4,882
Facilities	41,066	622	-	(2,365)	39,323
Furniture and fixtures	7,517	496	-	(534)	7,479
Vehicles	108	-	(45)	(27)	36
Total	586,401	77,955	1,600	(185,005)	480,951
	12/31/2015	Additions	(Disposals/ Losses) Estimated Reversal	(Depreciation)	06/30/2016
Total	720,204	107,563	(44,288)	(190,968)	592,511

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Consolidated						
	12/31/2016	Additions	(Disposals/ Losses) Estimated Reversal	(Depreciation)	Exchange differences	06/30/2017
POS equipment	475,278	73,970	1,609	(170,057)	3	380,803
Data processing equipment	71,857	6,641	(151)	(14,253)	258	64,352
Machinery and equipment	18,538	2,020	-	(1,894)	(1,251)	17,413
Facilities	62,851	710	(120)	(3,734)	-	59,707
Furniture and fixtures	11,414	925	(22)	(874)	16	11,459
Vehicles	161	-	(46)	(37)	-	78
Total	640,099	84,266	1,270	(190,849)	(974)	533,812
	12/31/2015	Additions	(Disposals/ Losses) Estimated Reversal	(Depreciation)	Exchange differences	06/30/2016
Total	751,517	120,581	(44,376)	(195,560)	(3,187)	628,976

As at June 30, 2017 and December 31, 2016, an allowance for impairment of POS equipment of R\$29,275 and R\$39,826, respectively, is recorded. Additionally, as at those dates, the Company had borrowing agreements with the National Bank for Economic and Social Development - BNDES (FINAME) to acquire new POS equipment and does not have finance leases payable.

10 Intangible assets

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Goodwill on acquisition of investments	-	-	1,600,149	1,579,097
Other intangible assets	289,920	261,431	11,655,637	11,863,225
Total	289,920	261,431	13,255,786	13,442,322

a. Goodwill on acquisition of investments

As at June 30, 2017, 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	
	06/30/2017	12/31/2016
Multidisplay	30,162	30,581
Braspag	32,899	34,241
Me-S	1,537,088	1,514,275
Total	1,600,149	1,579,097

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Changes in goodwill in the six-month periods ended June 30, 2017 and 2016 are as follows:

	Consolidated
Balance at December 31, 2015	1,884,977
Exchange differences	(322,917)
Tax benefit on goodwill	(4,336)
Balance at June 30, 2016	1,557,724
Balance at December 31, 2016	1,579,097
Exchange differences	22,813
Tax benefit on goodwill	(1,761)
Balance at June 30, 2017	1,600,149

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

b. Other intangible assets

The breakdown of other intangible assets is as shown below:

Parent Company				
06/30/2017				
12/31/2016				
Annual amortization rate - %	Cost	Accumulated amortization	Net	Net
Software	441,818	(229,354)	212,464	209,944
Project development	98,549	(21,985)	76,564	49,878
Relationship with customers	953	(755)	198	222
Non-compete agreement	10,285	(9,591)	694	1,387
Total	551,605	(261,685)	289,920	261,431
Consolidated				
06/30/2017				
12/31/2016				
Annual amortization rate - %	Cost	Accumulated amortization	Net	Net
Software	934,241	(453,144)	481,097	484,713
Project development	383,356	(233,471)	149,885	132,202
Relationship with customers	521,356	(223,863)	297,493	318,556
Non-compete agreement	142,580	(99,812)	42,768	49,632
Service agreements	31,977	(19,539)	12,438	13,300
Right to use Ourocard Payment Arrangement	11,572,000	(900,044)	10,671,956	10,864,822
Total	13,585,510	(1,929,873)	11,655,637	11,863,225

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Changes in intangible assets in the six-month periods ended June 30, 2017 and 2016 are as follows:

Parent Company						
	12/31/2016	Additions		(Amortizations)		06/30/2017
Software	209,944	30,172		(27,652)		212,464
Project development	49,878	28,355		(1,669)		76,564
Relationship with customers	222	-		(24)		198
Non-compete agreement	1,387	-		(693)		694
Total	261,431	58,527		(30,038)		289,920
	12/31/2015	Additions		(Amortizations)		06/30/2016
Total	151,174	49,364		(24,353)		176,185
Consolidated						
	12/31/2016	Additions	(Disposals)	(Amortizations)	Exchange differences	06/30/2017
Software	484,713	45,770	-	(52,308)	2,922	481,097
Project development	132,202	26,879	(58)	(10,299)	1,161	149,885
Relationship with customers	318,556	-	-	(24,833)	3,770	297,493
Non-compete agreement	49,632	-	-	(7,447)	583	42,768
Service agreements	13,300	-	-	(615)	(247)	12,438
Right to use Ourocard Payment Arrangement (b)	10,864,822	-	-	(192,866)	-	10,671,956
Total	11,863,225	72,649	(58)	(288,368)	8,189	11,655,637
	12/31/2015	Additions	(Disposals)	(Amortizations)	Exchange differences	06/30/2016
Total	12,405,521	74,026	(1,892)	(293,192)	(170,471)	12,013,992

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 at December 31, 2016 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 paid to merchants at the agreed settlement date. These prepayments have an average collection period of approximately sixteen business days and the weighted average rate of financial charges as at June 30, 2017 is 102.40% of the DI - Interbank Deposit rate (101.96% of the DI as at December 31, 2016).

Until April 2017, the amounts due by credit cardholders through card-issuing banks and the amounts to be transferred to merchants are recorded in memorandum accounts.

As mentioned in note 2.4 and 5, the Company started recording the balance of receivables from issuers in assets, therefore, the amounts advanced with issuers started reducing the balance of

receivables in assets. In parent company and consolidated, the balances related to advance of receivables with card-issuing banks are R\$739,037 as at June 30, 2017 and R\$574,604 as at December 31, 2016.

12 Payables to merchants

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Payables to merchants (a)	53,025,716	1,196,978	53,025,716	1,196,978
Amounts payable to merchants (b)	-	-	463,365	589,918
Merchant deposits (c)	-	-	42,566	137,359
Total	53,025,716	1,196,978	53,531,647	1,924,255

- (a) Payables to merchants – In view of the new regulatory framework applicable to the SPB payment institutions and the granting of authorization by BACEN, there was a change in the Company’s operation model and the Company became a debtor of the merchant, guaranteeing the payment of the transaction from the moment the transaction is carried out, and no longer as a clearing house, and started to recognize the obligation to pay the amount of transactions of purchase of products and services made with cards to the merchants accredited by the Company. The balance of payables to merchants is higher than the asset balance of receivables from card-issuing banks, in assets, because in general, the payment term for the Company’s credit card issuers is 28 days, while the Company’s average payment term for merchants is 30 days (a float of approximately two days).

As mentioned in note 5, until obtaining authorization to operate as an accreditor, Cielo showed the amount to be transferred to merchants net of the balance receivable from issuers, reflecting the transfer model prevailing at that time.

- (b) Amounts payable to merchants - Represented by amounts due to merchants by the subsidiary Me-S to its merchants, relating to transactions captured and processed until the end of the reporting period. These amounts are paid 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 cover potential risks of complaints from card holders due to fraud in the transaction or bankruptcy of the merchant.

In addition to the services of payments of the amounts transacted in credit and debit cards to merchants, the Company also guarantees accredited merchants that they will receive the amounts from credit card transactions. Based on the immaterial amount of the Company’s history of losses due to default from card-issuing banks and the current credit risks of these 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.

13 Borrowings

	Interest rate per year	Parent Company		Consolidated	
		06/30/2017	12/31/2016	06/30/2017	12/31/2016
FINAME	9.02%	228,046	268,734	228,046	268,734
Long-term financing - "Ten-year bonds"	3.75%	1,555,027	1,531,251	2,888,535	2,844,289
Private debentures	100% to 111% of DI	3,468,158	3,502,012	3,468,158	3,502,012
Public debentures	105.8% of DI	1,565,165	3,152,500	1,565,165	3,152,500
R&D financing	4.0%	106,176	58,656	106,176	58,656
Borrowing in foreign currency - "operation 4,131"	1.78% to 1.88%	-	964,918	-	964,918
Total		<u>6,922,572</u>	<u>9,478,071</u>	<u>8,256,080</u>	<u>10,791,109</u>
Current		1,838,897	2,920,324	1,839,559	2,921,002
Noncurrent		<u>5,083,675</u>	<u>6,557,747</u>	<u>6,416,521</u>	<u>7,870,107</u>
Total		<u>6,922,572</u>	<u>9,478,071</u>	<u>8,256,080</u>	<u>10,791,109</u>

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

The indebtedness structure, as well as the information related to borrowings and their covenants, except for the settlement of the borrowing in foreign currency, has not changed in relation to the structure disclosed in note 13 – Borrowing in the Company's financial statements as at December 31, 2016.

As at June 30, 2017, the Company has financial instruments designated as hedging instrument to protect against possible fluctuations in exchange rates on foreign investments and interest rates of the balances of borrowings, as mentioned in note 27 (f) and (g).

Changes in borrowings for the six-month periods ended June 30, 2017 and 2016 are as follows:

	Parent Company	Consolidated
Balance at December 31, 2015	11,727,888	13,299,493
New borrowings	32,495	32,495
Payment of principal	(1,653,865)	(1,653,865)
Exchange differences (principal and interest)	(547,311)	(828,695)
Mark-to-market adjustment	5,775	5,775
Accrued interest and charges	584,282	613,192
Interest paid	<u>(628,127)</u>	<u>(654,736)</u>
Balance at June 30, 2016	<u>9,521,137</u>	<u>10,813,659</u>

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Balance at December 31, 2016	9,478,071	10,791,109
New borrowings	100,453	100,453
Payment of principal	(2,823,253)	(2,823,253)
Exchange differences (principal and interest)	14,748	10,424
Mark-to-market adjustment	4,532	4,532
Accrued interest and charges	406,638	431,432
Interest paid	(258,617)	(258,617)
	<u>6,922,572</u>	<u>8,256,080</u>
Balance at June 30, 2017	<u>6,922,572</u>	<u>8,256,080</u>

Breakdown of borrowings recorded in noncurrent liabilities

Borrowings classified as noncurrent as at June 30, 2017 by maturity date are broken down as follows:

Year of maturity	Parent Company	Consolidated
2018	52,100	52,100
2019	68,011	68,011
2020	17,949	17,949
2021	15,108	15,108
2022	1,570,078	2,909,899
2023	3,352,234	3,352,234
2024	14,092	14,092
Total borrowings	<u>5,089,572</u>	<u>6,429,393</u>
Debt issue costs	(5,897)	(12,872)
Total	<u><u>5,083,675</u></u>	<u><u>6,416,521</u></u>

14 Other payables

	<u>Parent Company</u>		<u>Consolidated</u>	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Current liabilities:				
Accrual for sundry expenses	86,839	117,981	247,818	266,396
Accrual for vacation and related charges	36,228	27,911	62,194	47,573
Profit-sharing	31,697	69,827	52,229	99,295
Other payables to suppliers (a)	-	-	<u>154,262</u>	<u>147,058</u>
Total	<u>154,764</u>	<u>215,719</u>	<u>516,503</u>	<u>560,322</u>
Noncurrent liabilities:				
Other payables	<u>35,919</u>	<u>33,112</u>	<u>37,195</u>	<u>34,445</u>
Total	<u><u>190,683</u></u>	<u><u>248,831</u></u>	<u><u>553,698</u></u>	<u><u>594,767</u></u>

- (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.

15 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 governmental bodies, arising in the normal course of business and involving tax, civil, labor 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 tax, civil and labor lawsuits, recognized a provision in an amount considered sufficient to cover probable future cash disbursements on pending lawsuits in the six-month periods ended June 30, 2017 and 2016, as follows:

Parent Company						
	12/31/2016	Additions (i)	(Write-offs)/ reversals	Inflation adjustment	Payments	06/30/2017
Tax	1,499,662	67,012	(509)	1,343	-	1,567,508
Civil	41,471	16,596	(1,050)	2,441	(6,954)	52,504
Labor	93,615	13,209	(8,472)	447	-	98,799
Total	1,634,748	96,817	(10,031)	4,231	(6,954)	1,718,811
	12/31/2015	Additions (i)	(Write-offs)/ reversals	Inflation adjustment	Payments	06/30/2016
Total	1,401,073	118,551	(2,542)	3,214	(5,925)	1,514,371
Consolidated						
	12/31/2016	Additions (i)	(Write-offs)/ reversals	Inflation adjustment	Payments	06/30/2017
Tax	1,499,662	67,012	(509)	1,343	-	1,567,508
Civil	42,552	16,596	(1,225)	2,441	(6,954)	53,410
Labor	117,205	14,781	(11,267)	483	-	121,202
Total	1,659,419	98,389	(13,001)	4,267	(6,954)	1,742,120
	12/31/2015	Additions (i)	(Write-offs)/ reversals	Inflation adjustment	Payments	06/30/2016
Total	1,420,270	127,887	(6,005)	3,255	(5,925)	1,539,482

(i) Refer mainly to the increase in the provision for tax risks for the six-month periods ended June 30, 2017 and 2016, 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 loss 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 differences in interpretation by tax authorities, and related escrow deposits:

	Provision for tax lawsuits (Consolidated)		Escrow deposits (Consolidated)	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Main tax lawsuits (ii)				
Noncumulative Cofins (a)	1,517,142	1,457,287	1,502,722	1,439,218
Amazon Investment Fund (FINAM) (b)	17,183	16,544	-	-
Social contribution (CSLL) 2002 (c)	10,895	10,895	10,895	10,895
Negative balance of IRPJ of the calendar year 2008 (d)	7,045	7,045	7,045	7,045
Others	15,243	7,893	37,445	23,004
Total	1,567,508	1,499,664	1,558,107	1,480,162

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- (a) **Cofins - Non-cumulative Regime** - In February 2004, the Company filed a writ of mandamus seeking to dismiss Cofins's liability under the Law at a rate of 7.6%, and made a escrow deposit of the amounts calculated monthly up to May 2017. As a consequence, the difference between the tax due calculated at the rate established by the cumulative and non-cumulative system was recorded as a provision for risks. Cielo's lawsuit is at the Federal Regional Federal Court of the 3rd Region / SP, in view of the recognition of the general repercussion of the matter by the Federal Supreme Court in Extraordinary Appeal, whose discussion has not yet been definitively resolved. As at June 30, 2017, the amount of this provision for risks is R\$1,517,142 and the balance of escrow deposit is R\$1,502,722 in parent company and in consolidated.
- (b) **Amazonas Investment Fund - FINAM** - In 2007, the Company received a tax assessment notice related to the calendar year 2002, fiscal year 2003. The Federal Revenue of Brazil alleges the non-filing of the Request for Revision of Order of Issuance of Tax Incentives - PERC within the required deadlines and, therefore, does not recognize the portion of Corporate Income Tax (IRPJ) for FINAM. The administrative proceeding is pending judgment of the Company's voluntary appeal by the Administrative Board of Tax Appeals - CARF. As at June 30, 2017, the amount of the provision for risks recorded is R\$17,183 in parent company and in consolidated.
- (c) **Social Contribution on Profit - CSLL 2002** - In 2007, a tax assessment notice was issued against the Company to require CSLL (adjustment quota) for calendar year 2002, plus a fine of 75% and interest on late payment, as well as a fine of 50% on the amounts of "estimates" of CSLL that would not have been paid. After the maintenance of the tax assessment notice at the administrative sphere, in July 2011, the Company opted for a judicial discussion. The full amount of the tax credit is deposited in court and is being contested in a writ of annulment, distributed in August 2011. In the first judicial instance, a judgment was rendered dismissing the annulment action. Currently, the process awaits judgment of the company's appeal. As at June 30, 2017, the amount of the provision for risks recorded is R\$10,895 in parent company and in consolidated, and the amount of the escrow deposit is R\$10,895 in parent company and in consolidated.
- (d) **Negative IRPJ Balance of Calendar Year 2008** - In 2009, the parent company offset the negative IRPJ balance of calendar year 2008 for tax debts owed in 2009 upon filing of the Offset Return (PER/DCOMP). When analyzing the aforementioned offset return in 2012, the Brazilian Federal Revenue Office did not approve the tax credit and, consequently, issued Decision Order No. 022405395. In January 2013, the parent company filed an Ordinary Tax Debt Annulment Action, at the Civil Court of the Judicial Branch of Osasco / SP, with the purpose of demonstrating and proving the credit of negative balance of calendar year 2008. The full amount of the tax credit is deposited in court. As at June 30, 2017, the amount of the provision for risks recorded is R\$7,045 and the amount of the escrow deposit is R\$7,045, in parent company and consolidated.

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 passed on to merchants in view of noncompliance with clauses of the accreditation contract, and compensation for losses caused by transactions not passed on at that time. As at June 30, 2017, the provision for probable losses on civil lawsuits totals R\$52,504 in parent company and R\$53,410 in consolidated (R\$41,471 in parent company and R\$42,552 in consolidated as at December 31, 2016), and the escrow deposit balance as at June 30, 2017 is R\$5,767 in parent company and R\$5,785 in consolidated (R\$5,517 in parent company and R\$5,535 in consolidated as at December 31, 2016).

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 June 30, 2017, the Company is a party to public civil lawsuits and civil inquiries, most of them filed by the Public Prosecution Office or associations, 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 June 30, 2017, included 432 claims against the Company and 69 against the subsidiaries, totaling 501 claims (351 claims against the Company and 72 against the subsidiaries, totaling 423 claims as at December 31, 2016). Of these claims, 168 were filed by former employees (150 as at December 31, 2016), and the other remaining 333 claims (273 as at December 31, 2016) 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 higher or lower 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.

As at June 30, 2017, the provision for probable losses on labor lawsuits is R\$98,799 in parent company and R\$121,202 in consolidated (R\$93,615 in parent company and R\$117,205 in consolidated as at December 31, 2016), and the balance of escrow deposits is R\$33,478 in parent company and R\$40,528 in consolidated (R\$31,808 in parent company and R\$36,914 in consolidated as at December 31, 2016).

Based on the opinion of its legal counsel, the Management of the Company and its subsidiaries estimates that the actual disbursement of 52.02% of the mentioned provision for labor risks will occur within 5 years, and 47.98% 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 June 30, 2017, 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	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Tax	121,702	89,069	126,125	93,407
Civil	132,595	124,543	133,482	124,543
Labor	107,716	94,896	133,453	117,445
Total	362,013	308,508	393,060	335,395

c. Escrow deposits

In the six-month periods ended June 30, 2017 and 2016, the Company and its subsidiaries have escrow deposits related to the provision for tax, labor and civil risks, broken down as follows:

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Parent Company				
	12/31/2016	Addition	(Write-off)	06/30/2017
Tax	1,477,064	77,943	(2)	1,555,005
Civil	5,517	250	-	5,767
Labor	31,808	1,670		33,478
Total	1,514,389	79,863	(2)	1,594,250
	12/31/2015	Addition	(Write-off)	06/30/2016
Total	1,296,203	110,631	(2,318)	1,404,516
Consolidated				
	12/31/2016	Addition	(Write-off)	06/30/2017
Tax	1,480,163	77,946	(2)	1,558,107
Civil	5,535	250	-	5,785
Labor	36,914	3,612	-	40,526
Total	1,522,612	81,808	(2)	1,604,418
	12/31/2015	Addition	(Write-off)	06/30/2016
Total	1,302,455	111,943	(2,461)	1,411,937

16 Equity

a. Issued capital

Capital as at June 30, 2017 is R\$4,700,000 represented by 2,716,815,061 common shares (R\$3,500,000 represented by 2,264,012,551 common shares as at December 31, 2016), all of them subscribed and paid in.

As mentioned in note 17, the number of shares outstanding as at June 30, 2017 is 2,712,679,297 (2,259,768,045 shares as at December 31, 2016).

The Company's capital can be increased by up to 2,400,000,000 additional common shares, regardless of any amendments to bylaws, at the discretion of the Board of Directors, which has the power to establish the share issue price, the terms and conditions for subscription and payment of shares up to the authorized capital limit.

b. Capital reserve

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

The capital reserve as at June 30, 2017 is R\$67,910 (R\$66,689 as at December 31, 2016).

c. Capital transactions between shareholders

In July 2016, the Company completed the additional acquisition of a 41.34% interest in subsidiary Multidisplay, increasing its interest to 91.44%, as follows:

Net assets acquired (a)	17,849
Amount paid on the closing date (b)	(92,309)
Amount 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 up to 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, 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, respectively, and for the eligible statutory and non-statutory directors according to the rules set out in the Plan, within 365 days from February 26, 2016 to February 25, 2017. 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 the authorized limits.

Changes in treasury shares are as follows:

	<u>Parent Company and Consolidated</u>		
	Shares	Amount	Average cost - R\$ per share
Balance at December 31, 2016	4,244,506	103,967	24.49
Sale in January 2017	(74,099)	(1,815)	24.49
Sale in February 2017	(344,221)	(8,432)	24.49
Sale in March 2017	(67,409)	(1,651)	24.49
Sale in April 2017	(145,747)	(3,570)	24.49
Balance of treasury shares before bonus	<u>3,613,030</u>	<u>88,499</u>	24.49
Increase in treasury shares as a result of the bonus (*)	722,605	-	
Sale in April 2017	(27,804)	(568)	20.41
Sale in May 2017	(53,412)	(1,090)	20.41
Sale in June 2017	(118,655)	(2,422)	20.41
Balance at June 30, 2017	<u>4,135,764</u>	<u>84,419</u>	20.41

(*) Bonus: new common shares were issued, attributed to shareholders, free of charge, as a bonus in the proportion of one new common share for each batch of five common shares held, generating a total effect of 722,605 new shares in treasury.

e. Comprehensive income

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

	Parent Company and Consolidated	
	06/30/2017	12/31/2016
Exchange differences on foreign investments	404,068	390,121
Gains (losses) on hedging instruments (“bonds”) on foreign operations, net of taxes	(383,718)	(368,487)
Gains (losses) on hedging instruments (“NDF”) on foreign operations, net of taxes	(10,645)	(10,645)
	9,705	10,989
Total	9,705	10,989

f. Earnings reserve - legal

Recognized at 5% of the profit for the year, pursuant to article 193 of Law 6,404/76, up to the limit of 20% of the capital. The legal reserve balance as at June 30, 2017 is R\$791,536 (R\$700,000 as at December 31, 2016).

g. Earnings reserve - capital budget

At the Board of Director’s meeting held on January 30, 2017, the financial statements for the year ended December 31, 2016 and the capital budget proposal for the current year were submitted for approval at the Annual General Meeting of Shareholders held on April 12, 2017. The capital budget consists of the equivalent to 67.5% of the profit for fiscal year 2016, less the legal reserve, and the remaining balance of the earnings reserve in the year ended 2015. The capital budget proposal was justified by the need to improve the working capital and assure greater robustness and financial stability to the Company, facilitating the financing of its operations, especially the acquisition of sale receivables (“ARV”), and provide funds for an eventual repurchase of the Company shares.

At the Extraordinary General Meeting held on April 12, 2017, a capital increase in the Company of R\$1,200,000 was approved, using the balance of the capital budget reserve

The capital budget reserve balance as at June 30, 2017 is R\$3,951,974 (R\$5,151,974 as at December 31, 2016).

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 Corporation 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.

The Board of Directors approved, subject to ratification by the Annual General Meeting held on April 12, 2017, the proposal for payment of interest on capital, totaling R\$247,800 (R\$210,630, net of withholding income tax) and payment of dividends totaling R\$376,930, on December 28, 2016 and on January 30, 2017, respectively, relating to the profit earned in the second half of 2016 and paid on March 31, 2017, which, together with the dividends and interest on capital of R\$612,365 (R\$ 576,655, net of withholding income tax) paid in September 2016, correspond to a distribution of 32.5% of the profit earned in 2016 after the recognition of the legal reserve.

As mentioned in note 2.4, from April 2017 the official financial statements for statutory purposes correspond to those presented in accordance with the accounting rules from the Central Bank, which were the basis for the calculation of the mandatory minimum dividends and the recognition of the legal reserve.

Interim dividends and interest on capital for the first half of 2017 were provisioned in the amounts of R\$1,002,052 (represented by the sum of the amounts of R\$260,377, recorded as mandatory minimum dividends payable as at June 30, 2017 and R\$741,675, amount exceeding the mandatory minimum dividend recorded in Equity as “additional dividends proposed”) and R\$ R\$325,300 (R\$276,505, net of withholding income tax), respectively, the payment of which on September 29, 2017 was approved in meetings of the Company's Board of Directors held on August 1, 2017 and June 23, 2017, respectively.

i. Regulatory capital

Central Bank Circular Letter No. 3,681/13 requires accredited Payment Institutions to maintain, permanently, equity adjusted by profit or loss accounts in an amount corresponding to at least 2% of the average monthly amount of the payment transactions processed by the institution in the last twelve months.

In accordance with the accounting rules defined in COSIF, as at June 30, 2017, the Company's equity is R\$9,159,419, higher than the 2% of the average monthly amount transacted in the last 12 months, which corresponds to R\$998,867.

17 Earnings per share

a. Change in the number of common shares

Shares issued	Common
Shares at December 31, 2016	2,259,768,045
Exercise of stock options:	
January 2017	74,099
February 2017	344,221
March 2017	67,409
April 2017	145,747
Effect of stock bonus (*)	452,079,905
Exercise of stock options:	
April 2017	27,804
May 2017	53,412
June 2017	118,655
	<u>2,712,679,297</u>
Total	<u>2,712,679,297</u>

b. 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.

Basic earnings per share

	Parent Company and Consolidated			
	Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Profit for the period available for common shares	994,254	989,167	1,996,018	1,984,556
Weighted average number of outstanding common shares (in thousands)	2,712,757	2,711,203	2,712,721	2,711,574
Earnings per share (in R\$) – basic	<u>0.36651</u>	<u>0.36484</u>	<u>0.73580</u>	<u>0.73188</u>

Diluted earnings per share

	Parent Company and Consolidated			
	Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Profit for the period available for common shares	994,254	989,167	1,996,018	1,984,556
Diluted denominator:				
Weighted average number of outstanding common shares (in thousands)	2,712,757	2,711,203	2,712,721	2,711,574
Potential increase in common shares as a result of the stock option plan	3,645	4,546	3,645	4,647
Total (in thousands)	2,716,402	2,715,749	2,711,366	2,716,221
Earnings per share (in R\$) – diluted	<u>0.36602</u>	<u>0.36423</u>	<u>0.73481</u>	<u>0.73063</u>

18 Net operating revenue

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Gross operating revenue	1,835,590	2,001,471	3,719,784	4,032,324	3,116,277	3,377,657	6,202,507	6,727,416
Taxes on services	(185,685)	(202,254)	(375,438)	(406,752)	(285,264)	(308,633)	(570,191)	(610,494)
Total	1,649,905	1,799,217	3,344,346	3,625,572	2,831,013	3,069,024	5,632,316	6,116,922

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 in data transmission to load fixed or mobile phone and other services.

19 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		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Personnel expenses	108,724	110,695	231,836	217,085	188,331	187,921	388,629	370,003
Depreciation and amortization	106,087	105,939	215,043	215,321	238,641	241,147	479,217	488,752
Professional services	116,323	105,414	206,545	208,260	127,380	120,722	225,365	241,135
Acquiring costs (a)	418,395	440,432	850,657	867,316	1,062,858	1,118,824	2,094,861	2,197,295
Sales and marketing (b)	42,613	82,333	77,716	140,625	45,596	85,596	83,650	146,644
Costs of mobile phone credits in subsidiaries (c)	-	-	-	-	113,267	190,217	225,247	332,907
Others	18,134	20,446	27,742	40,922	13,162	19,206	16,464	76,740
Total	810,276	865,259	1,609,539	1,689,529	1,789,235	1,963,633	3,513,433	3,853,476
Classified as:								
Cost of services provided	534,590	548,920	1,089,271	1,093,341	1,396,127	1,516,907	2,763,755	2,979,840
Personnel expenses	65,903	73,412	146,060	141,045	133,428	135,159	273,130	261,612
General and administrative expenses	109,255	98,505	196,481	200,190	150,103	141,331	271,773	287,844
Sales and marketing	42,613	82,332	77,716	140,625	45,596	85,596	83,650	146,644
Other operating expenses, net	57,915	62,090	100,011	114,328	63,981	84,640	121,125	177,536
Total	810,276	865,259	1,609,539	1,689,529	1,789,235	1,963,633	3,513,433	3,853,476

- (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, sales incentives to partners and issuing banks, and commercial actions for new accreditations of customers.
- (c) Refer to the cost of the product sold related to the credit minutes for cell phones sold by the direct subsidiary Multidisplay.

20 Other operating expenses, net

Represented by:

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Allowance for doubtful debts and fraud	(48,409)	(28,531)	(86,136)	(56,190)	(54,795)	(45,605)	(103,155)	(84,236)
Provision for risks, net	(12,997)	(8,325)	(20,689)	(17,206)	(10,932)	(12,800)	(19,481)	(23,531)
Write-off and provision for loss on property and equipment	607	(26,669)	3,084	(43,284)	516	(26,670)	2,933	(43,285)
Provision for loss on investments (a)	-	-	-	-	-	-	-	(23,997)
Others	2,884	1,435	3,730	2,352	1,230	435	(1,422)	(2,487)
Total	(57,915)	(62,090)	(100,011)	(114,328)	(63,981)	(84,640)	(121,125)	(177,536)

(a) In the six-month period ended June 30, 2017, the Company recognized a provision for impairment loss related to the investment and goodwill in associate.

21 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 June 30, future annual payments under lease agreements in effect are estimated as follows:

	Consolidated
Up to 1 year	15,367
1 year to 5 years	21,319
Total	36,686

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

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

As at June 30, 2017, based on prevailing contracts, the minimum commitments with suppliers of technology, telecommunications, logistics services, call center, back office and telesales are as follows:

	Consolidated
Up to 1 year	282,392
1 year to 5 years	385,407
Total	667,799

The call center contracts contain penalties for termination in the amount of R\$7,894. The

transaction capture and processing contracts, as well as the telecom and back office contracts, do not provide for penalty for termination

22 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 six-month period ended June 30, 2017 amounted to R\$4,731 (R\$4,323 during the six-month period ended June 30, 2016), recognized in line items “Cost of services provided” and “Personnel expenses”.

Post-employment benefit

The Company has an actuarial liability arising from post-employment benefits, referring to the expectations of expenses on healthcare assistance, whose amount provisioned as at June 30, 2017 is R\$5,107.

Others benefits

Besides the benefit of pension plan the Company and its subsidiaries offer their employees, health insurance, dental care, life and personal accident insurance and professional training, the amount of these expenses totaled R\$32,411 in the six-month period ended June 30, 2017 (R\$27,311 in the six-month period ended June 30, 2016).

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

23 Profit sharing

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

The shares of employees and managers in profit for the six-month periods ended June 30, 2017 and 2016 were recorded under "Personnel expenses" in the statement of profit or loss and are presented as follows:

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Employees	12,287	13,829	26,577	27,786	19,507	18,716	39,996	37,265
Statutory Directors	2,791	3,651	5,120	7,067	2,629	3,899	5,292	7,479
Total	15,078	17,480	31,697	34,853	22,136	22,615	45,288	44,744

24 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			Six-month period		
	06/30/2017			06/30/2017		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Statutory Directors	1,748	2,370	4,118	4,994	8,008	13,002
Board of Directors	543	-	543	1,118	-	1,118
Total	2,291	2,370	4,661	6,112	8,008	14,120

	Three-month period			Six-month period		
	06/30/2016			06/30/2016		
	Fixed	Variable (*)	Total	Fixed	Variable (*)	Total
Statutory Directors	2,706	2,728	5,434	4,510	5,774	10,284
Board of Directors	515	-	515	975	-	975
Total	3,221	2,728	5,949	5,485	5,774	11,259

(*) Not including the stock option plan (see note 24).

Management (Board of Executive Officers and Board of Directors) and the Supervisory Board overall compensation in 2017, set by the Annual General Meeting held on April 12, 2017, was R\$47,000, plus related taxes and contributions thereon, as prescribed by the prevailing laws.

For the Supervisory Board, the annual compensation approved for the years ended December 31, 2017 and 2016 was R\$515.

25 Stock option plan and restricted shares

As at June 30, 2017, the position of the stock option plan and stock option plans of restricted shares was as follows:

Grant date	Number of shares									Balance	Strike 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	(212,978)	(2,464,050)	239,266	269,520	811,283	54,397	25,785	13,588	48,876	6.28	2.51
July 2012	986,475	(183,624)	(2,139,841)	-	188,945	1,047,455	254,514	107,483	59,828	321,235	10.73	4.42
July 2013	1,049,141	(266,809)	(1,830,729)	-	-	989,734	370,317	263,000	122,584	697,238	12.52	5.83
July 2014	1,561,552	(304,472)	(844,943)	-	-	-	303,607	311,729	214,442	1,241,915	18.87	8.70
July 2015	557,354	(112,656)	(181,440)	-	-	-	-	105,050	86,862	455,170	-	28.83
March 2016	235,536	-	(174,803)	-	-	-	-	47,108	21,568	129,409	-	22.06
July 2016	650,947	(61,532)	(85,703)	-	-	-	-	-	101,984	605,696	-	27.43
March 2017 (*)	121,470	-	-	-	-	-	-	-	24,294	145,764	-	22.51
Total	6,474,540	(1,142,071)	(7,721,509)	239,266	458,465	2,848,472	982,835	860,155	645,150	3,645,303		

(*) At a meeting of the Board of Directors held on January 26, 2017 plans “Sócio Cielo” 2017 Restricted shares, granted in March of the same year, were approved.

The fair value of the options, from 2011, was measured using the binomial pricing model, based on the following economic assumptions:

	Grant date			
	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%
Vesting period	6 years	6 years	6 years	6 years

In the six-month period ended June 30, 2017, a provision of R\$14,363 was recognized, net of charges (R\$16,325 as at June 30, 2016), with an offsetting entry to line item “Personnel expenses”. These amounts correspond to the portion of Statutory Directors in the amount of R\$7,027 net of charges (R\$9,949 as at June 30, 2016).

831,347 shares were exercised, in amount of R\$13,142 for the period ended June 30, 2017 (835,944 shares amounting to R\$18,647 for the six-month period ended June 30, 2016), and the total balance of stock options granted recorded in line item “Capital Reserve” in equity as at June 30, 2017 was R\$1,221 (R\$2,322 as at June 30, 2016).

26 Finance income (costs)

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Finance income:								
Interest on short-term investments	54,011	7,171	127,922	36,020	88,910	42,030	202,600	102,929
Pis and Cofins on finance income (b)	(2,522)	(386)	(6,054)	(1,749)	(4,145)	(2,014)	(9,536)	(4,866)
Other finance income	224	1070	2,268	1,535	278	1,234	2,542	1,947
Total	<u>51,713</u>	<u>7,855</u>	<u>124,136</u>	<u>35,806</u>	<u>85,043</u>	<u>41,250</u>	<u>195,606</u>	<u>100,010</u>
Finance costs:								
Late payment interest and fines	(21)	(28)	(51)	(54)	(25)	(31)	(64)	(78)
Fines and interest on provision for risks	(1,821)	(1,353)	(4,617)	(3,260)	(1,822)	(1,377)	(4,638)	(3,301)
Withholding income tax on remittance of interest abroad	(3,133)	(2,703)	(6,150)	(6,257)	(3,133)	(2,703)	(6,150)	(6,257)
Interest on borrowings	(202,969)	(309,661)	(484,887)	(652,439)	(215,524)	(323,363)	(509,681)	(681,350)
Other finance costs	(6,028)	(5,352)	(31,346)	(10,233)	(6,233)	(5,631)	(31,828)	(11,076)
Total	<u>(213,972)</u>	<u>(319,097)</u>	<u>(527,051)</u>	<u>(672,243)</u>	<u>(226,737)</u>	<u>(333,105)</u>	<u>(552,361)</u>	<u>(702,062)</u>
Purchase of receivables:								
Purchase of receivables (a)	601,405	678,986	1,249,331	1,364,523	601,940	678,252	1,250,579	1,363,145
Pis and Cofins on finance income (b)	(27,965)	(31,529)	(57,312)	(62,848)	(27,965)	(31,530)	(57,312)	(62,848)
Total	<u>573,440</u>	<u>647,457</u>	<u>1,192,019</u>	<u>1,301,675</u>	<u>573,975</u>	<u>646,722</u>	<u>1,193,267</u>	<u>1,300,297</u>
Exchange differences, net	2,893	(3,114)	2,774	(5,241)	2,849	(3,037)	2,587	(5,159)
Total	<u>414,074</u>	<u>333,101</u>	<u>791,878</u>	<u>659,997</u>	<u>435,130</u>	<u>351,830</u>	<u>839,099</u>	<u>693,086</u>

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- (a) Purchase of receivables net of pro rata temporis adjustment for the quarters and six-month periods ended June 30, 2017 and 2016, 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 8,426/15, 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 better presentation of the line items.

The breakdown of exchange variation in revenues and expenses is as follows:

	Parent Company				Consolidated			
	Three-month period		Six-month period		Three-month period		Six-month period	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Exchange differences, net:								
Income	51,446	45,221	74,849	88,950	51,448	45,313	74,838	89,051
Expenses	(48,553)	(48,335)	(72,075)	(94,191)	(48,599)	(48,350)	(72,251)	(94,210)
Total	<u>2,893</u>	<u>(3,114)</u>	<u>2,774</u>	<u>(5,241)</u>	<u>2,849</u>	<u>(3,037)</u>	<u>2,587</u>	<u>(5,159)</u>

27 Financial instruments

The estimated fair values of the Group’s financial assets and 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, 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, and at the same time maximize the return to all their stakeholders 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).

Cielo complies with a minimum equity, under the BACEN regulations, corresponding to 2% of the monthly average of the payment transactions (see note 16.i). From the granting of the authorization to operate as a Payment Institution by the BACEN, on April 27, 2017, the parent company Cielo is 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. There is no requirement of compliance with minimum equity for the other Group companies.

The indebtedness ratio at the end of the reporting period is as follows:

	Parent Company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Debt (i)	(6,922,572)	(9,478,071)	(8,256,080)	(10,791,109)
Derivative financial instruments (ii)	-	(37,665)	-	(37,665)
Cash and cash equivalents	886,139	933,048	2,755,711	2,658,956
Financial investments	-	75,481	-	75,481
Net debt	(6,036,433)	(8,507,207)	(5,500,369)	(8,094,337)
Equity (iii)	10,673,227	9,243,401	14,329,088	12,902,990
Net debt ratio	56.56%	92.04%	38.39%	62.73%

- (i) Debt is defined as short- and long-term borrowings, as mentioned 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 liabilities

The Group's financial assets and liabilities are cash and cash equivalents, trade receivables, receivables from related parties, derivative financial instruments (swap), investment fund in credit rights, escrow deposits, payables to merchants, payables to related parties, payables and borrowings.

The estimated fair values of financial instruments as at June 30, 2017 are as follows:

		06/30/2017			
		Parent Company		Consolidated	
	Type	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Fair value through profit or loss	886,139	886,139	2,755,711	2,755,711
Trade receivables	Loans and receivables	51,204,664	51,204,664	60,637,048	60,637,048
Receivables from related parties	Loans and receivables	25,888	25,888	4,466	4,466
Investment fund in credit rights	Available-for-sale financial assets	8,590,645	8,590,645	-	-
Escrow deposits	Loans and receivables	1,594,250	1,594,250	1,604,418	1,604,418
Trade payables	Other financial liabilities	563,292	563,292	684,115	684,115
Payables to merchants	Other financial liabilities	53,025,716	53,025,716	53,531,647	53,531,647
Payables to related parties	Other financial liabilities	33,574	33,574	-	-
Derivative financial instruments (Swap)	Fair value through profit or loss	6,922,572	7,061,213	8,256,080	8,411,430

The fair value of financial assets and 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 June 30, 2017:

	Parent Company			Consolidated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Cash and cash equivalents	886,139	-	-	2,755,711	-	-
Investment fund in credit rights	-	8,590,645	-	-	-	-
Others (loans and receivables)	-	52,824,802	-	-	62,245,932	-
Liabilities:						
Borrowings	-	6,922,572	-	-	8,256,080	-
Derivative financial instruments (swap)	-	-	-	-	-	-
Others (other financial liabilities)	-	53,622,582	-	-	54,215,762	-

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 Cielo the amounts relating to transactions carried out by holders of the cards issued by them so that Cielo can make the payment of such amounts to accredited merchants. There is also a residual risk for the Company relating to the possible default of the card holders with the issuer in a situation of default. These primary and residual risks may or may not exist for Cielo, depending on the risk/guarantee model adopted by the card brand in its operation with the card issuers and accredited institutions 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 the card issuers and acquirers.

Each brand 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 institutions, the Company assesses and manages such risks according to the model of each brand, requiring or waiving the provision of guarantees. In accordance with BACEN Circular Letter No. 3,682, of November 2013, the brands (named “payment institutions” in the relevant regulation) submitted their respective regulations for the appreciation of the BACEN, which are under analysis. Therefore, the Company’s credit risk may change, depending on the brands’ regulations to be approved and disclosed.

There is also, for the Company, risk of losses on chargeback on operations of purchase of

receivables (ARV) with accredited merchants, especially those that make deferred sales (with future delivery of goods and/or services). To mitigate this risk, the Company adopts risk analysis and control procedures that prevent the merchant from advancing the full amount available in its financial schedule with the Company.

The Company has rights subject to credit risk with financial institutions recorded in line items cash and cash equivalents, financial investments, derivative financial instruments and receivables from card-issuing banks which total R\$52,090,803 in parent company and R\$63,392,759 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 arise 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 the risks to which it is exposed, without speculative purposes. The offsetting entry to a derivative transaction should be an unhedged asset or liability.

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

f. Hedge of net investments in foreign operations

The Company, after the funds raised on the issuance of bonds in November 2012 and based on the 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 tax legislation prevailing in Brazil) for purposes of analysis of the hedge accounting effectiveness.

The effects of the hedge of net investments 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 effectiveness.

The application of the effectiveness tests demonstrated the effectiveness of the financial instrument. Accordingly, for the six-month period ended June 30, 2017, there was no

ineffectiveness recognized in profit or loss from net investment hedges in Cielo USA and, consequently, the 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 a borrowing in US\$ dollars in the amount of US\$297,327, equivalent to R\$1,000,000 at the contracting date, to hedge against the risk of foreign currency fluctuations and exposure to interest rates.

The terms of the borrowing, as mentioned in note 13, 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 deriving from exchange differences and changes in interest rates contracted for the hedged item. Accordingly, until the end of the transaction, the Company remained exposed only to swap's short position, which had notional value in reais in the amount of R\$1,000,000 remunerated at 101.4% of the average daily interest rate of the DI - Interbank Deposits.

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

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 B3 – B3 Brasil, Bolsa, Balcão S.A.

On June 22, 2017, on the maturity of the transaction, the hedging instrument was settled, resulting in a payment of R\$32,800. As at December 31, 2016, the individual and consolidated position of the swap contracts reflected a fair value payable of R\$37,665. Until the completion of the transaction, the hedging relationships established by the Company were effective, according to prospective tests performed. Therefore, no reversal due to ineffectiveness of the hedge accounting was recognized.

h. Foreign exchange rate risk

The Group conducts a few transactions in foreign currency, mainly represented by transactions performed by foreigners holding credit card in merchants located in Brazil. Moreover, 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 conducted in the functional currency, the US dollar.

The exposures to foreign exchange rate risks are managed according to parameters established by normative instruments approved by using currency futures contracts.

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As at June 30, 2017, the exposure to foreign exchange rate risk, net of hedging instruments, in thousands of US dollars, is as follows:

	Parent Company	Consolidated
Assets:		
Cash and cash equivalents	564	135,661
Trade receivables	1,444	120,679
Other assets	-	6,873
Investments in foreign currency	299,299	-
Property and equipment	-	7,881
Intangible assets, including goodwill	-	674,689
Total	<u>301,307</u>	<u>945,783</u>
Liabilities:		
Payables to merchants	-	(152,933)
Other liabilities	-	(21,661)
Repayment of foreign borrowings – principal, interest and charges	(472,204)	(875,294)
Deferred income tax	-	(66,792)
Tax effect on hedging instruments - bonds designated as hedge of the net foreign investment	159,800	159,800
Total	<u>(312,404)</u>	<u>(956,880)</u>
Long (short) position - US dollar	<u>(11,097)</u>	<u>(11,097)</u>

The Company enters into forward exchange transactions for US dollars to hedge against fluctuations in exchange rates, which reduces significantly potential currency risks.

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollar fluctuations.

Sensitivity analysis includes only monetary items outstanding and denominated in foreign currency and adjusts 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 March 31, 2017, 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 10%	Possible scenario 25%	Remote scenario 50%
Profit or loss (i)	(664)	(1,660)	(3,321)
Equity (i)	2,942	7,355	14,710

(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 results of operations are subject to significant fluctuations resulting from financial investments with floating interest rates. Pursuant to its financial policies, the Company invests its funds in prime banks. The Company operates with financial instruments within the limits of approval 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 continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

k. Interest rate sensitivity analysis - Financial investments and borrowings

Income from financial assets and interest arising from the Company's borrowings are mainly affected by variations in DI rate (source: Cetip). As at June 30, 2017, the balances exposed to variations in DI rate are R\$872,684 in parent company and R\$2,274,945 in consolidated for financial investments and R\$5,033,323 in parent company and consolidated for borrowings. Estimating an increase or a decrease of 10%, 25% or 50% in interest rates would increase or decrease revenues or expenses as follows:

	Parent Company			Consolidated		
	Probable Scenario 10%	Possible Scenario 25%	Remote Scenario 50%	Probable Scenario 10%	Possible Scenario 25%	Remote Scenario 50%
	Financial investments	12,792	31,981	63,961	20,260	50,650
Borrowings	40,284	100,711	201,422	42,764	106,910	213,820

28 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 from card-issuing banks (related to operations of purchase of receivables), which are part of financial groups in which the controlling shareholders, Banco Bradesco S.A. and Banco do Brasil S.A., hold interests, as well as expenses and income from services provided by Servinet, Orizon, Multidisplay, M4Produtos, Cateno, Braspag, Aliança, Stelo and FIDC.

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

The tables below include the balances as at June 30, 2017 and December 31, 2016, by type of agreement, shareholders and subsidiaries, of transactions with related parties conducted by the Company, its subsidiaries and associate, as well as the movements, related to the six-month periods ended June 30, 2017 and 2016:

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		Parent Company										12/31/2016
		06/30/2017										
Shareholders		Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Braspag	Cateno	FIDC - Cielo	Aliança	Total	Total
Assets (Liabilities):												
Cash and cash equivalents (a)	172	287,869	-	-	-	-	-	-	-	-	288,041	340,038
Trade receivables	3,417	2,428	-	-	-	-	-	-	-	-	5,845	5,599
Borrowings (f)	-	(3,468,158)	-	-	-	-	-	-	-	-	(3,468,158)	(3,502,012)
Receivables from related parties	-	-	39	4,466	20,494	790	12	38	50	-	25,889	1,661
Payables to related parties	-	-	(17,118)	-	-	(8,749)	(7,267)	-	-	(440)	(33,574)	(21,472)
Consolidated												
		06/30/2017										12/31/2016
Shareholders		Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Braspag	Cateno	FIDC - Cielo	Aliança	Total	Total
Assets (Liabilities):												
Cash and cash equivalents (a)	5,409	891,883	-	-	-	-	-	-	-	-	897,292	674,602
Trade receivables	3,417	2,428	-	-	-	-	-	-	-	-	5,845	5,599
Borrowings (f)	-	(3,468,158)	-	-	-	-	-	-	-	-	(3,468,158)	(3,502,012)
Receivables from related parties	-	-	-	4,466	-	-	-	-	-	-	4,466	-

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		Parent Company							06/30/2016					
		Subsidiaries, joint ventures and associate												
	Shareholders	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Paggo	Braspag	Cateno	FIDC - Cielo	Aliança	Total	Total
Income:														
Income from financial investments (a)		327	26,827	-	-	-	-	-	-	-	-	-	27,154	14,706
Income from other services (b)		19,881	9,448	-	-	2,963	-	-	104	-	-	-	32,396	40,787
Income from rental of POS equipment		-	-	-	-	-	-	-	-	-	-	-	-	28
Expenses:														
Other operating expenses - affiliation commission		(873)	(677)	-	-	-	-	-	-	-	-	-	(1,550)	(3,477)
Other operating expenses (c)		(21,939)	(1,380)	-	-	-	-	-	-	-	-	-	(23,319)	(27,503)
Service agreement with Servinet and Aliança (d)		-	-	(79,238)	-	-	-	-	-	-	-	(2,833)	(82,071)	(85,297)
Data processing services (e)		-	-	-	-	-	-	-	-	-	-	-	-	(1,795)
Finance costs (f)		-	(208,295)	-	-	-	-	-	-	-	-	-	(208,295)	(246,805)
Consolidated														
		Subsidiaries, joint ventures and associate							06/30/2016					
		Subsidiaries, joint ventures and associate												
	Shareholders	Banco Bradesco	Banco do Brasil	Servinet	Orizon	Multidisplay	M4Produtos	Paggo	Braspag	Cateno	FIDC - Cielo	Aliança	Total	Total
Income:														
Income from financial investments (a)		327	98,031	-	-	-	-	-	-	-	-	-	98,358	79,247
Income from other services (b)		19,881	9,448	-	-	-	-	-	-	-	-	-	29,329	31,730
Income from rental of POS equipment		-	-	-	-	-	-	-	-	-	-	-	-	28
Expenses:														
Other operating expenses - affiliation commission		(873)	(677)	-	-	-	-	-	-	-	-	-	(1,550)	(3,477)
Other operating expenses (c)		(21,939)	(1,380)	-	-	-	-	-	-	-	-	-	(23,319)	(16,087)
Finance costs (f)		-	(208,295)	-	-	-	-	-	-	-	-	-	(208,295)	(246,805)
Payment management service provision (g)		-	(11,615)	-	-	-	-	-	-	-	-	-	(11,615)	(11,579)

(a) Balances corresponding to amounts held in checking account and financial investments whose terms, charges and interest rates were established 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 collection and settlement services for FIDC. These related-party transactions are carried out under prices and conditions similar to those applied with other issuing banks.

- (c) Services contracted with shareholder banks, relating to: (i) corporate collective life insurance; (ii) hospital and dental insurance; and (iii) private pension agreement. Development of mobile capture solution services for the company M4Produtos and transaction 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 applied with third parties.
- (d) Provision of services by the subsidiaries Servinet and Aliança related to accreditation and maintenance of contacts 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 the costs incurred by Servinet and Aliança upon the provision of such services, 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 Private Debenture issuance held by BB Elo Cartões, a company of the Banco do Brasil group.
- (g) Provision of services by Banco do Brasil to Cateno to operate as Payment Institution in the management of post-paid accounts and purchase functions through debt under the Ourocard Payment Arrangement while Cateno's Granted Rights are not exercised by it.

Main related-party transactions

Balances of card-issuing banks

Receivables from card-issuing banks refer to amounts payable by the issuers to the Company for transactions carried out with credit and debit cards, which will be subsequently paid by the Company to the accredited merchants. The Company has contracts for advance of amounts receivable from the shareholder issuing bank for transactions carried out by the bank's customers holders of credit cards.

These transactions are carried out at prices and under conditions similar to the transactions carried out with other issuers of credit or debit cards. These advance transactions are carried out for generation of short-term working capital and the amounts deposited in a checking account are net of the advance fees, pro rata temporis, calculated at market rates that do not differ significantly from those used by issuer banks that are not Company's shareholders.

Domicile bank incentives

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

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, fraud prevention, issuance of statements and financial control over the electronic transactions resulting from these transactions. The fees and tariffs charged for these related-party transactions are at prices and under conditions similar to the transactions carried out with other third party partners.

VAN services

The Company entered into a nonexclusive service agreement for the capture of transactions of cards issued by Amex Brand (VAN), with Banco Bradesco Cartões S.A. (which merged Bankpar S.A. ("Banco Bradesco Cartões"), a Bradesco Group's company which holds the rights over the American Express ("Amex") brand in Brazil. The partnership with the Amex brand has high potential for generating value to the Company since it complements its brand portfolio. The signing of such agreement was approved by the Board of Directors, with abstention from those legally impeded by conflict of interest. The prices charged for the provision of the 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 locking of the bank accounts of the accredited 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.

Share bookkeeping services

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

Operating services - Stock option program

Service agreement consisting of rendering 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 to operate as Payment Institution in managing post-paid accounts and purchase functions through debit under the Ourocard Payment Arrangement while Cateno's Granted Rights are not exercised by it. The agreement has a clause for remuneration of 0.01% on the total financial volume of transactions carried out under the Contracting Party's management.

Securities bookkeeping services

Agreement entered into with Banco Bradesco S.A. for the provision of debenture bookkeeping and custodian agent services.

Securities management services

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

Public and private securities operating management services

The agreement entered into with Banco do Brasil S.A. is aimed at regulating the provision of services relating to movement, custody and financial settlement of transactions carried out with public securities registered with SELIC and with private securities registered with CETIP.

Representation services with CIP

Agreement entered into with Banco do Brasil S.A. for the bank's representation with CIP (Interbank Payment Clearing House) aiming at the provision of services relating to settlement of transactions carried out with credit and/or debit cards and provision of STR (Reserve Transfer System) issuance services.

Other widespread agreements

In addition to the balances recorded, 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.

29 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 relating basically to managing payment accounts within the scope of the Ourocard Payment Arrangement, which differs essentially from the aforementioned segment, the Group now holds two types of business: (i) service provision related to capture and processing of transactions with credit and debit cards, 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, providing support to the management and control of transaction security, payments of fees to the brands and payment arrangements, and other services related to managing payment accounts.

Therefore, Management started monitoring separately the operating profit or loss of the business units in order to make decisions on the allocation of resources and performance evaluation. The performance of segments is assessed based on several 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 from the consolidated interim financial information. Additionally, the financial information presented in the performance of each segment does not correspond individually to the profit or loss of any Group's company.

A business segment is an identifiable component of the Group intended to provide an individual product or service or a group of related products or services and subject to risks and rewards that are differentiated from the other business segments.

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

Cielo S.A.
*Individual and consolidated interim financial information
for the quarter ended June 30, 2017 and Report on
Review of Interim Financial Information – ITR (IFRS)*

	Three-month period – June 30, 2017			Three-month period – June 30, 2016		
	Capture and processing of transactions	Management of payment accounts	Consolidated	Capture and processing of transactions	Management of payment accounts	Consolidated
Domestic market	1,795,217	617,706	2,412,923	2,017,585	609,447	2,627,032
Foreign market	418,090	-	418,090	441,992	-	441,992
Net operating revenue	2,213,307	617,706	2,831,013	2,459,577	609,447	3,069,024
Cost of services provided	(875,504)	(299,976)	(1,175,480)	(976,318)	(317,764)	(1,294,082)
Depreciation and amortization	(124,213)	(96,434)	(220,647)	(126,363)	(96,462)	(222,825)
Gross profit	1,213,590	221,296	1,434,886	1,356,896	195,221	1,552,117
Operating expenses	(353,022)	(22,938)	(375,960)	(394,648)	(31,260)	(425,908)
Depreciation and amortization	(17,927)	(66)	(17,993)	(18,322)	-	(18,322)
Operating profit	842,641	198,292	1,040,933	943,926	163,961	1,107,887
Finance income (costs)	547,154	(112,024)	435,130	563,868	(212,038)	351,830
Profit (loss) before taxes	1,389,795	86,268	1,476,063	1,507,794	(48,077)	1,459,717
Income tax and social contribution	(406,171)	(29,400)	(435,571)	(446,381)	16,368	(430,013)
Profit (loss) for the period	983,624	56,868	1,040,492	1,061,413	(31,709)	1,029,704
Attributable to:						
Owners of the Company	982,926	11,329	994,254	1,059,726	(70,559)	989,167
Noncontrolling interests	698	45,539	46,238	1,687	38,850	40,537

	Three-month period – June 30, 2017			Three-month period – June 30, 2016		
	Capture and processing of transactions	Management of payment accounts	Consolidated	Capture and processing of transactions	Management of payment accounts	Consolidated
Domestic market	3,619,033	1,216,176	4,835,209	4,013,477	1,202,473	5,215,950
Foreign market	797,107	-	797,107	900,972	-	900,972
Net operating revenue	4,416,140	1,216,176	5,632,316	4,914,449	1,202,473	6,116,922
Cost of services provided	(1,729,152)	(590,749)	(2,319,901)	(1,900,885)	(627,081)	(2,527,966)
Depreciation and amortization	(250,987)	(192,867)	(443,854)	(258,976)	(192,898)	(451,874)
Gross profit	2,436,001	432,560	2,868,561	2,754,588	382,494	3,137,082
Operating expenses	(660,572)	(50,139)	(710,711)	(777,629)	(54,650)	(832,279)
Depreciation and amortization	(35,233)	(129)	(35,362)	(36,876)	(1)	(36,877)
Operating profit	1,740,196	382,292	2,122,488	1,940,083	327,843	2,267,926
Finance income (costs)	1,132,402	(293,303)	839,099	1,163,628	(470,542)	693,086
Profit (loss) before taxes	2,872,598	88,989	2,961,587	3,103,711	(142,699)	2,961,012
Income tax and social contribution	(844,942)	(30,319)	(875,261)	(941,582)	48,529	(893,053)
Profit (loss) for the period	2,027,656	58,670	2,086,326	2,162,129	(94,170)	2,067,959
Attributable to:						
Owners of the Company	2,026,452	(30,433)	1,996,018	2,155,818	(171,262)	1,984,556
Noncontrolling interests	1,204	89,103	90,308	6,311	77,092	83,403

In order to start operating in the “Management of Payment Accounts” business segment in 2015, the Ourocard’s Payment Arrangement operation rights were granted to the subsidiary Cateno, in the amount of R\$11,572 million (see note 10).

The balances by segment as at June 30, 2017 and December 31, 2016, are as follows:

	06/30/2017		
	Capture and processing of transactions	Management of payment accounts	Consolidated
Total assets	67,534,282	12,468,928	80,003,209
Purchases of property and equipment and intangible assets	156,790	125	156,915
Investments in subsidiaries and associate	108,207	-	108,207

	12/31/2016		
	Capture and processing of transactions	Management of payment accounts	Consolidated
Total assets	18,093,578	12,450,492	30,544,070
Purchases of property and equipment and intangible assets	525,280	1,170	526,450
Investments in subsidiaries and associate	104,355	-	104,355

30 Noncash transactions

	Parent Company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Exchange differences on net foreign investment	13,947	218,290	13,947	218,290
Exchange differences on borrowings	23,077	326,650	18,752	608,034
Minimum dividends and interest on capital proposed	536,882	612,366	536,882	612,366
Minimum dividends and interest on capital receivable from direct subsidiary	24,582	117	-	-

31 Insurance

As at June 30, 2017, the Company has the following insurance coverage:

Type	Insured amount
Civil liability of Directors and Officers	270,000
Named perils (fire, windstorm and smoke, electrical damages, electronic equipment, theft and flood)	265,938
Loss of profits	19,895
Vehicles	-
POS equipment warehousing	388,561
POS equipment transportation	2,097,091
POS equipment FINAME	687,657

32 Other matters

After amendments to Complementary Law No. 157/2016 in May 2017, the Tax on Services of Any Nature (“ISS”) became due by credit or debit card companies in the municipality where the merchants, takers of the services related to means of payment, are domiciled. The Company is assessing, together with the industry associations and other taxpayers covered by the new provision, the impacts and the means to carry out the proper application of the new law.

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 August 1, 2017.