Financial Statements

Méliuz S.A.

(Formerly Méliuz Veiculação
e Divulgação Virtual S.A.)

December 31, 2019, 2018 and 2017
with Independent Auditor's Report

Méliuz S.A.
(Formerly Méliuz Veiculação e Divulgação Virtual S.A.)

Financial statements

Years ended December 31, 2019, 2018 and 2017

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers
Méliuz S.A.
(formerly Méliuz Veiculação e Divulgação Virtual S.A.)
Belo Horizonte - MG

Opinion

We have audited the financial statements of Méliuz S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2019 and the statements of income, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a matter – Restatement of the financial statements

We draw attention to Note 2.7 to the financial statements, which have been amended and are being restated to reflect the presentation of the statement of income by nature, the inclusion of the statement of value added and of earnings (loss) per share, the improvement of certain disclosures in the notes to meet the requirements of the Brazilian Securities and Exchange Commission (CVM) as to the preparation and presentation of financial statements in accordance with International Financial Reporting Standards (IFRS), as well as to the correction of errors identified, as provided for in NBC TG 23 – Accounting Policies, Changes in Accounting Estimates and Errors. At June 30, 2020, we issued an unmodified auditor’s report on the Company’s financial statements that are now being restated. Our opinion is still unmodified, since the financial statements and the corresponding prior-period figures have been adjusted retrospectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for Cashback

As mentioned in Note 11 to the financial statements, as at December 31, 2019, the Company had a provision for cashback recorded liabilities amounting to R$6,397 thousand, which represents the future cash disbursement estimated by the Company to settle the obligations of its cashback program.

When Méliuz users purchase products and services offered by business partners, the Company gives them a cashback (refund), which follows certain conditions and is equivalent to a percentage on such purchases. In the year ended December 31, 2019, cashback expenses amounted to R$39,701 thousand and were recorded according to a measurement method prepared by the Company based on descriptive statistics on the users’ average redemption profile, considering historical data and the evolution of the Company’s participation in different business fronts.

This matter was considered a key audit matter due to the significance of the amounts involved and the complexity of the model used to estimate the cashback provision and expense, which takes into account historical data, reports containing a high volume of data extracted from the Company’s systems and statistical techniques, as well as management’s judgment about the estimated future cashback redemption by users.

How our audit addressed this matter

Our audit procedures included, among others: (a) process analysis and controls implemented by management for the cashback expense recognition process, including controls on the review by management of the significant assumptions underlying the determination of the estimate; (b) documentation tests, on a sampling basis, of changes in cashback accumulated and redeemed in the year; (c) assessment of assumptions relating to expected cashback with high redemption potential, used to determine provision for cashback, comparing them with historical redemption data; (d) involvement of more experienced audit professionals in defining the testing strategy, assessing audit support documentation and supervising audit procedures performed. We have further assessed the adequacy of the Company's disclosures on this matter.
Based on the results of the audit procedures performed, which are consistent with management’s assessment, we consider acceptable the estimates prepared by management, as well as their disclosures in Note 11, in the context of the financial statements as a whole.

Deferred taxes

As mentioned in Note 13b to the financial statements, as at December 31, 2019, the Company recorded in noncurrent assets R$8,760 thousand in deferred income and social contribution tax credits, which substantially comprised income and social contribution tax losses.

This matter was considered a key audit matter due to the significance of the amounts involved, the high degree of judgment used to determine the assumptions on the Company’s future performance, used in the study about the realization of such deferred tax credits, as well as for having been restated in the financial statements for the year ended December 31, 2019, as disclosed in Note 2.7.

How our audit addressed this matter

Our audit procedures included, among others: (a) understanding the main internal controls implemented by management for recognition, presentation and disclosure of deferred income taxes; (b) analyzing the methodology and assumptions used by management in the study about the realization of tax credits, including projections of future profit or loss; (c) verifying the mathematical accuracy of calculations and the consistency between the data used and the accounting balances, as well as the reasonableness of the assumptions used; (d) involving our tax specialists in order to assist us in reviewing income and social contribution tax calculations and calculation of deferred tax credits; (e) analyzing the sensitivity of such assumptions to evaluate the behavior of projections with their oscillations and the sufficiency of disclosures in the notes to financial statements. As a result of these procedures, we identified an audit adjustment indicating the need to recognize deferred tax credits, and such adjustment was recorded by management in view of its materiality to the financial statements as a whole, and was also restated in the financial statements for the year ended December 31, 2019.

The deficiencies in the design and execution of internal controls relating to the recognition, presentation and disclosure of deferred income taxes, which resulted in the identification of the above-mentioned audit adjustment, changed our assessment of the nature, timing and extent of our substantive procedures planned to obtain sufficient and adequate audit evidence referring to deferred income taxes. Taking that into account, and based on the results of the audit procedures performed on deferred tax credits, which is consistent with management's assessment, we consider that the criteria and assumptions used in the study about realization, including the projections of future profit or loss prepared by the Company management, as well as the respective disclosures in Notes 2.5 (j), 2.7 and 13b, are acceptable in the context of the financial statements as a whole.

Other matters

Statement of value added

The statements of value added (SVA) for year ended December 31, 2019, prepared under the responsibility of the Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the financial statements as a whole.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Belo Horizonte, August 31, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Rogério Xavier Magalhães
Accountant CRC- 1MG080613/O-1

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Méliuz S.A.

Statement of financial position
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais)

	Note	12/31/2019	12/31/2018	12/31/2017
Assets		**(restated)**	**(restated)**	
Current assets				
Cash and cash equivalents	3	**9,981**	11,127	18,494
Trade accounts receivable	4	**10,856**	4,572	564
Taxes recoverable	5	**377**	784	452
Other assets		**756**	124	101
Total current assets		**21,970**	16,607	19,611
Noncurrent assets				
Long-term receivables				
Receivables from related parties	9,1	**122**	79	-
Deferred taxes	13.b	**8,760**	-	-
Other receivables	10	**1,122**	1,122	1,118
Total noncurrent assets		**10,004**	1,201	1,118
Property and equipment	6	**2,347**	2,236	1,919
Lease - Right of use	8	**2,798**	-	-
Intangible assets	7	**693**	892	868
Total noncurrent assets		**15,842**	4,329	3,905
Total assets		**37,812**	20,936	23,516

	Note	12/31/2019	12/31/2018	12/31/2017
Liabilities and equity		**(restated)**		
Current liabilities				
Trade accounts payable		**300**	280	348
Labor and tax obligations	12	**4,489**	2,609	2,139
Income and social contribution taxes	13.a	**906**	4	4
Cashback	11	**4,990**	9,064	5,072
Lease payable	8	**1,449**	-	-
Other liabilities	-	**102**	299	75
Total current liabilities		**12,236**	12,256	7,638
Noncurrent liabilities				
Lease payable	8	**1,275**	-	-
Cashback	11	**1,407**	820	499
Total noncurrent liabilities		**2,682**	820	499
Equity	14			
Share capital		**10,000**	10,000	10,000
Capital reserve		**24,532**	24,532	24,532
Accumulated losses		**(11,638)**	(26,672)	(19,153)
Total equity		**22,894**	7,860	15,379
Total liabilities and equity		**37,812**	20,936	23,516

The Notes are an integral part of these Financial Statements.

Méliuz S.A.

Statement of income
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais, except for basic and diluted earnings per share)

	Note	12/31/2019	12/31/2018	12/31/2017
		(restated)	**(restated)**	**(restated)**
Net revenues	16	**81,504**	44,533	25,919
Operating expenses				
Cashback expenses		**(39,701)**	(22,479)	(17,579)
Personnel expenses		**(18,070)**	(14,307)	(16,582)
Selling and marketing expenses		**(2,469)**	(5,465)	(2,865)
Software expenses		**(4,430)**	(1,777)	(1,485)
General and administrative expenses		**(1,469)**	(3,052)	(1,730)
Third-party services		**(3,434)**	(2,766)	(1,939)
Depreciation and amortization		**(1,972)**	(500)	(407)
Other		**(1,349)**	(1,911)	(399)
		(72,894)	(52,257)	(42,986)
Operating income (expenses)		**8,610**	(7,724)	(17,067)
Share of loss of subsidiaries, net		**-**	-	(86)
Income (loss) before finance income (expenses) and taxes		**8,610**	(7,724)	(17,153)
Finance income (expenses)	17	**(300)**	205	868
Income (loss) before taxes		**8,310**	(7,519)	(16,285)
Current and deferred income and social contribution taxes	13	**6,724**	-	-
Income (loss) for the year		**15,034**	(7,519)	(16,285)
Basic and diluted earnings (loss) per share (in R$)	14.c	**2.85**	(1.42)	(3.08)

The Notes are an integral part of these Financial Statements..

Méliuz S.A.

Statement of comprehensive income
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais)

	12/31/2019 **(restated)**	**12/31/2018**	**12/31/2017**
Income (loss) for the year	**15,034**	(7,519)	(16,285)
Other comprehensive income (loss)	**-**	-	-
Total comprehensive income (loss) for the period	**15,034**	(7,519)	(16,285)

The Notes are an integral part of these Financial Statements.

Méliuz S.A.

Statement of changes in equity
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais)

	Note	Share capital	Capital reserves	Future capital contribution	Accumulated losses	Total equity
Balances at December 31, 2016		1,500	-	9,200	(2,868)	7,832
Loss for the year		-	-		(16,285)	(16,285)
Recognition of capital reserve		-	700	(700)	-	-
Share issue premium		-	23,832		-	23,832
Capital increase		8,500	-	(8,500)	-	-
Balances at December 31, 2017		10,000	24,532	-	(19,153)	15,379
Loss for the year		-	-		(7,519)	(7,519)
Balances at December 31, 2018		10,000	24,532	-	(26,672)	7,860
Income for the year		**-**	**-**		**15,034**	**15,034**
Balances at December 31, 2019 – Restated		**10,000**	**24,532**	**-**	**(11,638)**	**22,894**

The Notes are an integral part of these Financial Statements.

Méliuz S.A.

Statement of cash flows
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais)

	12/31/2019 (restated)	12/31/2018 (restated)	12/31/2017
Operating activities			
Income (loss) for the year before income taxes	**8,310**	(7,519)	(16,285)
Adjustments:			
Depreciation and amortization	**1,972**	500	407
Write-off of net residual life of property and equipment and intangible assets	**1,107**	348	160
Interest expenses	**224**	-	-
Loss by equity method	**-**	-	86
Allowance for doubtful accounts	**15**	17	-
Adjusted income (loss)	**11,628**	(6,654)	(15,632)
Changes in assets and liabilities:			
Trade accounts receivable	**(6,299)**	(4,025)	(163)
Taxes recoverable	**407**	(332)	(256)
Other current assets	**(632)**	(27)	(1,135)
Trade accounts payable	**20**	(68)	(59)
Labor and tax obligations	**1,084**	470	1,232
Cashback	**(3,487)**	4,313	2,857
Other accounts payable	**(197)**	224	31
Income and social contribution taxes paid	**(434)**	-	-
Payment of interest on leases	**(128)**	-	-
Net cash from (used in) operating activities	**1,962**	(6,099)	(13,125)
Investing activities			
Additions to property and equipment	**(1,565)**	(848)	(1,785)
Additions to intangible assets	**(136)**	(341)	(156)
Net cash used in investing activities	**(1,701)**	(1,189)	(1,941)
Financing activities			
Payments of lease	**(1,364)**	-	-
Dividends received	**-**	-	119
Increase in capital reserves	**-**	-	23,832
Intercompany loans	**(43)**	(79)	(790)
Net cash (used in) from financing activities	**(1,407)**	(79)	23,161
Net changes in cash and cash equivalents	**(1,146)**	(7,367)	8,095
Cash and cash equivalents			
At beginning of year	**11,127**	18,494	10,399
At end of year	**9,981**	11,127	18,494
Net changes in cash and cash equivalents	**(1,146)**	(7,367)	8,095

The Notes are an integral part of these Financial Statements..

Méliuz S.A.

Statement of value added
Years ended December 31, 2019, 2018 and 2017
(In thousands of Brazilian reais)

	12/31/2019	12/31/2018	12/31/2017
Revenue			
Gross service revenue	**90,496**	49,312	28,764
Other revenues	**268**	51	46
Allowance for expected credit losses	**(15)**	(17)	-
	90,749	49,346	28,810
Materials acquired from third parties			
Cashback costs	**(43,549)**	(24,739)	(19,370)
Third-party services	**(4,708)**	(2,465)	(1,900)
Infrastructure expenses	**(4,700)**	(7,278)	(3,939)
Other	**(4,107)**	(3,563)	(2,303)
	(57,064)	(38,045)	(27,512)
Gross value added	**33,685**	11,301	1,298
Depreciation and amortization	**(1,972)**	(500)	(407)
Net value added	**31,713**	10,801	891
Value added received from transfers			
Finance income	**820**	965	1,400
Share of profit of a subsidiary	**-**	-	(86)
	820	965	1,314
Total value added to be distributed	**32,533**	11,766	2,205
Value added distributed			
Employee benefits expense	**15,765**	12,120	14,049
Salaries	**9,135**	8,759	10,378
Benefits	**5,877**	2,633	2,832
Unemployment Compensation Fund (FGTS)	**753**	728	839
Taxes and contributions	**248**	4,681	3,402
Federal taxes	**(1,198)**	4,003	3,188
State taxes	**1**	1	11
Local taxes	**1,445**	677	203
Remuneration of external capital	**1,486**	2,484	1,039
Interest	**1,163**	1,284	532
Rental	**323**	1,200	507
Remuneration of own capital	**15,034**	(7,519)	(16,285)
Profits withheld and loss for the year	**15,034**	(7,519)	(16,285)
Value added distributed	**32,533**	11,766	2,205

The Notes are an integral part of these Financial Statements.

1. Operating context

Méliuz S.A. ("Méliuz" or the "Company"), with head office at Avenida do Contorno, 6.594 - Savassi, Belo Horizonte, Minas Gerais State, was incorporated on August 11, 2011 and is engaged in operating a web portal for the advertising and promotion of brands, products, services and other advertising materials, including lease of virtual advertising space for the insertion of texts, drawings and other materials. The Company is also engaged in business intermediation activities, on a secondary and ad hoc basis, and in holding interest in other companies.

The company is controlled by a company based in the United States of America called CASH3 LLC, located at 3500 South Dupont Highway, Dover, Kent County, Delaware 19901 which, in turn, is controlled by Meliuz Holdings, Ltd., based in the Cayman Islands, at Floor 4, Willow House, Cricket KY1 9010, George Town.

As disclosed in Note 20, on July 20, 2020 the Company's name was changed to Méliuz S.A. (formerly Méliuz Veiculação e Divulgação Virtual S.A. and CASH3 S.A., respectively).

2. Accounting policies

2.1. Basis of preparation of financial statements

The financial statements for the year ended December 31, 2019 have been prepared in accordance with accounting practices adopted in Brazil, which comprise the standards, guidance and interpretations issued by Brazil's Financial Accounting Standards Board (CPC), and approved by Brazil's National Association of State Boards of Accountancy (CFC) and by the Brazilian Securities and Exchange Commission (CVM), which are in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value, and under the going concern assumption. All significant information included in the financial statements, and only such information, is evidenced and corresponds to the information used by management for managing the Company activities, pursuant to Guidance OCPC07.

2. Accounting policies (Continued)

2.1. Basis of preparation of financial statements (Continued)

Management has assessed the Company’s ability to continue as a going concern and is convinced that it has the resources to continue its business in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to its ability to continue as a going concern. Accordingly, these financial statements have been prepared under the going concern assumption.

The Company’s functional currency is the Brazilian real. All amounts presented in these financial statements are in thousands of Brazilian reais, unless otherwise stated.

The financial statements for the year ended December 31, 2019, which were originally approved for issue by the Board of Directors on April 22, 2020, were revised and adjusted, as mentioned in Note 2.7, and were approved by the Board of Directors on August 31, 2020, when they were authorized for issue.

2.2. New or revised pronouncements first-time adopted in 2018

The Company first-time adopted certain amendments to standards effective for annual periods beginning on or after January 1, 2018.

The nature and impact of each such new standards and amendments are described below:

<u>IFRS 15/CPC 47 – (Revenue from contracts with customers)</u>

IFRS 15 (CPC 47 - Revenue from contracts with customers) establishes a five-step model for accounting for revenues from contracts with customers. Under IFRS 15/CPC 47, revenue shall be recognized to the extent that a performance obligation is satisfied, at an amount expected to be received in exchange for the transferred goods or services, which shall be allocated to that performance obligation. An entity shall recognize revenue only when it is probable that it will receive consideration in exchange for the transferred goods or services, considering the customer’s ability and intention to comply with the payment obligation. This new standard replaces all current requirements for revenue recognition under CPC/IFRS. Additionally, IFRS 15/CPC 47 establishes more extensive presentation and disclosure requirements than those previously in force.

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.2. New or revised pronouncements first-time adopted in 2018 (Continued)

IFRS 15/CPC 47 – (Revenue from contracts with customers) (Continued)

After conducting analyses, the Company did not identify any significant impacts from the adoption of this standard on the financial statements, since revenue from contracts with customers are already recorded deducting commercial discounts, bonuses granted and other similar deductions. Additionally, no impacts resulting from a possible change in the timing of revenue recognition were identified, since control and all rights and rewards arising from the Company's services flow to the customer at the time of the transaction or at the time the benefit from the service is earned.

IFRS 9/CPC 48 – Financial instruments

IFRS 9/CPC 48 – Financial Instruments – establishes that all recognized financial assets that are within the scope of IAS 39 (equivalent to CPC 38) must be subsequently measured at amortized cost or fair value, reflecting the business model in which assets are managed as well as their cash flow characteristics, not affecting the recognition of the Company's financial assets and liabilities. IFRS 9/CPC 48 contains three main categories for classification of financial assets: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The standard eliminated the existing categories under IAS 39/CPC 38 and, therefore, the Company reclassified them according to the current standard, as follows:

	IAS 39/CPC 38	IFRS 9/CPC 48
Financial assets		
Cash equivalents - short-term investments (1)	Loans and receivables	Amortized cost
Leases (2)	N/A	Amortized cost
Trade accounts receivable	Loans and receivables	Amortized cost
Receivables from related parties	Loans and receivables	Amortized cost
Financial liabilities		
Loans, financing and debentures	Amortized cost	Amortized cost
Leases payable (2)	N/A	Amortized cost
Payables to related parties	Amortized cost	Amortized cost
Trade accounts payable	Amortized cost	Amortized cost
Cashback payable	Amortized cost	Amortized cost

(1) They were recognized at their nominal realizable value, similar to their fair values;

(2) Financial assets and liabilities classified after the adoption of IFRS 16.

2. Accounting policies (Continued)

2.2. New or revised pronouncements first-time adopted in 2018 (Continued)

IFRS 9/CPC 48 - Financial instruments (Continued)

Impairment of financial assets

IFRS 9/CPC 48 replaces the “incurred loss” model with a prospective “expected credit loss” model. This will require a significant judgment on how changes in economic factors affect expected credit losses, which will be determined on the basis of weighted probabilities. This model applies to financial assets measured at amortized cost or at fair value through other comprehensive income, except for investments in equity instruments. In accordance with IFRS 9/CPC 48, allowances for expected credit losses will be measured on one of the following bases: (i) 12-month expected credit losses, i.e. expected credit losses that result from default events that are possible within the 12 months after the reporting date; and (ii) lifetime expected credit losses, i.e. expected credit losses that result from all possible default events over the expected life of a financial instrument, if the credit risk has increased significantly since its initial recognition. The standard also proposed the application of a practical expedient for financial assets that do not have significant financing components, with a simplified approach whose expected loss will be realized through a matrix based on the aging list of accounts receivable. This amendment had no effect on the Company.

Derecognition (financial assets)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Accounting policies (Continued)

2.2. New or revised pronouncements first-time adopted in 2018 (Continued)

IFRS 9/CPC 48 - Financial instruments (Continued)

Derecognition (financial assets) (Continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset, an asset is recognized to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition (financial liabilities)

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

The Company adopted the new standard based on the prospective method, as of January 1, 2018, without any material financial impacts on its financial statements.

2.3. Adoption of new pronouncements as of January 1, 2019

The Company first-time adopted certain amendments to standards effective for annual periods beginning on or after January 1, 2019. The nature and impact of each such new standards and amendments are described below:

2. Accounting policies (Continued)

2.3. Adoption of new pronouncements as of January 1, 2019 (Continued)

IFRS 16/CPC 06 (R2) - Leases

This standard establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under CPC 06 (R1). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of lease liability as an adjustment to the right-of-use asset.

The Company analyzed the effects of the initial adoption of IFRS 16/CPC 06 (R2) on its financial statements as of January 1, 2019 and has adopted the exemptions provided for in the standard for short-term leases (i.e., leases with a lease term of 12 months or less) without purchase option and for low-value assets. From the approaches provided for in the standard, the Company chose the modified retrospective approach; therefore, in line with the requirements of IFRS 16/CPC 06 (R2), it will not restate information and balances on a comparative basis.

The Company conducted a detailed assessment of the impacts of the adoption of IFRS 16/CPC 06 (R2) based on the following affected contracts:

- Lease of buildings used as administrative headquarters and by the engineering and development center;

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.3. Adoption of new pronouncements as of January 1, 2019 (Continued)

IFRS 16/CPC 06 (R2) – Leases (Continued)

The Company considered the right-of-use asset at the same amount of the lease liability at the first-time adoption date, and the impacts of the adoption of IFRS 16/CPC 06 (R2) on January 1, 2019 are as follows:

	01/01/2019
Assets – right of use	4,088
Liabilities – obligations referring to operating leases	(4,088)

Effects of the adoption of the Guidance contained in Memorandum Circular/CVM/SNC/SEP/no. 01/2020.

With the issue of said Memorandum Circular and clarification of certain controversial matters relating to the adoption of the new standard, the Company revised its assumptions for calculating right-of-use assets and lease liabilities and now considers future gross payment flows of potential Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) credits, discounting them at an incremental nominal interest rate. This methodology is in accordance with CPC06 (R2) /IFRS16.

The Company assessed the effects of this change considering them prospectively as a remeasurement of changes in lease balances, and concluded that they are immaterial to its financial statements. (Note 8).

IFRIC 23/ICPC 22 – Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 (CPC 32) and does not apply to taxes or levies outside the IAS 12 scope, nor does it specifically include the requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

2. Accounting policies (Continued)

2.3. Adoption of new pronouncements as of January 1, 2019 (Continued)

IFRIC 23/ICPC 22 – Uncertainty over income tax treatments (Continued)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation came into effect for annual periods beginning on or after January 1, 2019. The Company adopted the interpretation as of that date and analyzed the tax treatments adopted that could generate uncertainties in calculating income taxes and that could potentially expose the Company to materially probable risks of loss. The conclusion of the analyses is that none of the significant positions adopted by the Company had changes regarding expected losses due to possible questionings by the taxation authorities and, therefore, no material impact was identified as a result of the adoption of this pronouncement.

Revised accounting pronouncements with effects as of January 1, 2019

Other accounting pronouncements have been revised, but they have no material impact on the Company's financial statements.

2.4. Standards issued but not yet effective

The main amendments to standards were reflected in the CPCs through CPC Revision 14/2019, which are described below:

CPC 26 (R1) and IAS 8: Align the definition of "material omission" and "material misstatement" and clarify some aspects of this definition. These amendments are not expected to have a significant impact on the Company's financial statements.

In addition to the amendments provided for in CPC Revision 14/2019, the IASB issued, in May 2017, IFRS 17 – Insurance contracts, a standard not yet issued in Brazil whose overall objective is to provide an accounting model for insurance contracts that is more useful and consistent for insurers and/or insurance issuers, thus not applicable to the Company.

2. Accounting policies (Continued)

2.5. Significant accounting practices

a) Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. The Company considers cash equivalents a short-term investment readily convertible to, and redeemable directly from the issuer at, a known amount of cash, and subject to an insignificant risk of changes in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, e.g. within ninety (90) days or less from the investment date.

b) Trade accounts receivable and allowance for expected credit losses

Trade accounts receivable are initially recorded at the amount of services provided and are measured at amortized cost. It includes the respective direct taxes in the Company's tax liabilities, less withholding taxes, which are considered taxes recoverable.

The allowance for expected credit losses is recorded based on management estimates. Thus the Company uses as a criterion the practical expedient provided for in the standard, and applied the simplified approach in measuring the expected loss for the duration of the contract, based on historical data and the segmentation of receivables into groups with the same pattern.

c) Financial instruments

The Company classifies its financial assets and liabilities upon initial recognition into the following categories: Amortized cost, Fair value through profit or loss, and Fair value through other comprehensive income. This classification depends on the purpose for which the financial instruments have been acquired.

For subsequent measurement purposes, financial assets are classified into four categories: (i) Financial assets at amortized cost; (ii) Financial assets at fair value through other comprehensive results with reclassification of accumulated gains and losses; (iii) Financial assets designated at fair value through other comprehensive results, without reclassification of accumulated gains and losses at the time of their derecognition; or (iv) Financial assets at fair value through profit or loss.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

c) Financial instruments (Continued)

Amortized cost

Instruments held to receive contractual cash flows on specific dates are classified at amortized cost, according to the Company's business model. This category includes cash and cash equivalents, trade accounts receivable and receivables from related parties, loans, payables to related parties, trade accounts payable, lease and cashback transactions.

Fair value through profit or loss

Financial instruments classified at fair value through profit or loss are those instruments that are not specifically held to receive contractual cash flows on specific dates or to sell those assets under the Company's business model.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are all other assets not classified in the categories above.

Financial assets and financial liabilities are presented net in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Trade accounts payable, loans and payables to related parties, and leases payable, classified by the Company as financial liabilities at amortized cost after initial recognition, including those subject to interest, are subsequently measured at amortized cost using the effective interest method.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

d) Property and equipment

Property and equipment are stated at acquisition or construction cost, less taxes to offset, where applicable, and accumulated depreciation.

Depreciation is calculated based on the balance of property and equipment items in operation using the straight line method, by applying the rates that reflect the estimated useful life of the assets. The main rates are shown in Note 6 to the financial statements.

Any gains and losses arising on derecognition of a property and equipment item (measured as the difference between the net disposal proceeds and the carrying amount of the asset) are recognized in the statement of income when the asset is derecognized.

e) Intangible assets

Intangible assets are represented by the amounts paid upon their acquisition, measured on initial recognition at cost and, subsequently, carried at cost less any accumulated amortization and impairment losses, where applicable.

Research activities costs are recognized as expenses in the period in which they are incurred. Internally generated intangibles resulting from development costs are recognized if, and only if, all the conditions provided for in CPC 04 (IAS 38) for intangible assets are evidenced.

The initially recognized amount of internally generated intangibles corresponds to the sum of costs incurred since such intangibles met the above-mentioned recognition criteria. When no internally generated intangibles can be recognized, development costs will be recognized in profit or loss for the year as incurred.

Amortization is recognized on a straight-line basis over the estimated useful life of each asset, in a manner that its cost less residual value after its useful life is fully derecognized. The estimated useful life, residual values and amortization methods are reviewed at the reporting date and the effect of any changes in estimates is recognized prospectively.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

f) Impairment

Management annually tests the net carrying amount of non-financial assets in order to assess any events or changes in economic, operational or technological circumstances that may indicate deterioration or impairment. When such evidence is found and the net carrying amount exceeds the recoverable amount, a provision for impairment is recorded to adjust the net carrying amount to the recoverable amount. In this case, the recoverable amount of an asset or a cash-generating unit is defined as the higher of value in use and fair value less costs to sell.

Management verified such indicators to identify the need to apply an impairment test and to recognize impairment of a fixed asset, such as: significant decrease in market price, significant change in the technological, market, economic or legal environment, changes in market rates reflected on the discount rate used to define fair value, low profitability, evidence of obsolescence, plans to discontinue or restructure an operating unit, maintenance costs higher than expected, among others. No evidence of impairment of its property and equipment items and intangible assets was identified.

g) Investments

In the financial statements, the financial information of investees is recognized using the equity method, based on the financial statements prepared by the respective investees at the same reporting dates and based on the same accounting criteria of the Company's statements of financial position.

In 2017, Mergulhei Publicidade Digital Ltda., which was then a Company's investee, had its operations discontinued. Consequently, the Company received accumulated dividends amounting to R$119, and recognized an equity pickup loss of R$86.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

h) Provisions for tax, civil and labor contingencies

The Company is a party to legal and administrative proceedings. Provisions are recognized for all contingencies relating to legal proceedings for which it is probable that an outflow of resources will be required to settle that contingency and a reasonable estimate of its amount can be made. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

In the cases in which provisions have a corresponding judicial deposit and the Company has the intention to settle the liability and realize the asset simultaneously, the amounts are offset.

i) Provision for cashback

This provision is recognized according to the measurement method that the Company has prepared based on descriptive statistics on the average redemption profile of users, considering historical data, and the evolution of the Company’s participation in different business fronts. The model considers the entire confirmed cashback history of users by grouping them into monthly cohorts and evaluating the percentage redeemed in subsequent months. Therefore, the Company understands that the best measurement has been met, and the amount comprises the amounts payable according to the Terms and Conditions of the program.

j) Other assets and liabilities

An asset is recognized in the statement of financial position when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of from a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The provisions are recorded based on the best estimate of the risk involved.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

k) Income and social contribution taxes

Current

Current tax assets and liabilities for the preceding and prior years are measured at the expected amount recoverable from or payable to taxation authorities.

The provision for income and social contribution taxes are calculated at a rate of 15% for income tax, plus 10% surtax on taxable profit exceeding R$60, and at a rate of 9% on taxable profit for Social Contribution Tax on Net Profit (CSLL); both take into consideration the offsetting of income and social contribution tax losses, limited to 30% of taxable profit computed for each year, and such offsetting is not time-barred by statutes of limitation.

Income and social contribution taxes related to items directly recognized in equity are also recognized in equity. From time to time, management reviews the tax position in situations in which interpretation of tax regulation is required, and records provisions as appropriate.

Prepaid or recoverable taxes are stated under current or noncurrent assets, based on their estimated realization up to the year-end, when the tax is duly calculated and offset against any prepayments made.

Deferred

Deferred tax liabilities are recognized for all temporary tax differences. Deferred asset taxes are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which temporary differences can be realized. These taxes are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the tax legislation in force at the reporting date.

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

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

k) Income and social contributions taxes (Continued)

Deferred (Continued)

Current and deferred taxes relating to items recognized directly in equity or in other comprehensive income are recognized in equity.

In accordance with ICPC 22/IFRIC 23, from time to time the Company reviews the tax position in situations in which interpretation of tax regulation is required, and records provisions and/or disclosures as appropriate.

l) Recognition of service revenue

In general, for the Company’s marketplace business, revenues are recognized when a performance obligation is satisfied, at the amount expected to be received in exchange for the transferred services, which must be allocated to that performance obligation. The Company recognizes revenue only when it is probable that it will receive consideration in exchange for the transferred goods or services, considering the customer’s ability and intention to comply with the payment obligation. Contracts with customers are indefinite, mostly do not have a termination penalty, but provide for a termination notice of thirty days on average.

Revenue comes from placements of advertising spaces on the portal and from compensation, i.e. commissions, which are measured through clicks on links of partners that are on the Company’s website and on its application for smartphones, which are converted into sales by such partners. Almost all commissions agreed upon have a variable nature in accordance with the campaigns. The Company understands that the performance obligation is satisfied at the time the customer confirms that the services provided are converted into sales.

After a careful quantification of the Company’s liabilities relating to rectification services and of the agreed-upon limitations regarding the possibility of customers requesting additional services, the Company identified its contracts and the respective transferred services, separated the obligations to be satisfied, determined and allocated transaction prices, recognizing revenue only when all of the above criteria are met.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

l) Recognition of service revenue (Continued)

The Company’s net revenue is calculated based on total commissions and space for placement of advertising materials received, less sales taxes, Service Tax (ISSQN), Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS).

m) Sales taxes

The expenses and noncurrent assets acquired are recognized net of sales taxes when these are recoverable from the taxation authorities.

n) Equity

Capital is represented by common shares. Incremental costs directly attributable to the issue of shares are presented as deduction from equity, as capital transactions, net of tax effects.

o) Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing income (loss) attributable to the holders of the Company’s common shares (the numerator) by the weighted average number of common shares held by shareholders (the denominator) during the year.

Diluted earnings (loss) per share are calculated by dividing net income (loss) attributable to the holders of the Company’s common shares by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

Equity instruments that should or could be settled with the Company’s shares are only included in the calculation when their settlement has a dilutive impact on earnings per share.

2. Accounting policies (Continued)

2.5. Significant accounting practices (Continued)

p) Statement of Value Added ("SVA")

The Statement of Value Added (DVA) is not required by the IFRS, and is presented herein as supplementary information in compliance with the Brazilian corporation law. Its purpose is to disclose the wealth created by the Company during the year, as well as its distribution among various stakeholders.

q) Operating segment

The Company has one single operating segment, which is used by the CEO and management for analysis and decision-making purposes.

2.6. Judgments and estimates

In applying the accounting practices described in Note 2.5, management makes judgments and prepares estimates regarding the carrying amounts of assets and liabilities, which are not easily obtained from other sources. The estimates and respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from those estimates.

The underlying estimates and assumptions are reviewed on an ongoing basis. The effects arising from revised accounting estimates are recognized in the period when the estimates are revised, if the revision affects only that period, or in subsequent periods, if the revision impacts both current and future periods. The most significant accounting estimates are the following:

- Note 4 – Adjustment of expected credit losses;
- Note 6 – Property and equipment and useful life of assets;
- Note 7 – Intangible assets and useful life of assets;
- Note 8 – Leases;
- Note 11 – Provision for cashback;
- Note 13b – Deferred income and social contribution taxes;
- Note 15 – Provision for tax, civil and labor contingencies;
- Note 18 – Measurement of financial instruments and measurement at fair value.

(In thousands of Brazilian reais, unless otherwise stated)

2. **Accounting policies** (Continued)

2.7. Restatement of the financial statements

The financial statements are being restated in connection with the application for registration as a publicly held company with the Brazilian Securities and Exchange Commission (CVM), in order to reflect the presentation of the statement of income by nature, the inclusion of the statement of value added and of earnings (loss) per share, to improve certain disclosures in the notes so as to meet the requirements of the Brazilian Securities and Exchange Commission (CVM) regarding the preparation and presentation of financial statements in accordance with the International Financial Reporting Standards (IFRS), mainly as regards leases, sensitivity analyses of financial assets and liabilities in the note on financial instruments, capital management and market risks.

Additionally, after the issue of the financial statements for the year ended December 31, 2019, management identified adjustments and reclassifications that affect the statements of financial position as at December 31, 2019 and 2018, as well as the statements of profit or loss and of cash flows for the years then ended. Consequently, the Company is restating the financial statements for those years in accordance with CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors.

The Company has made reclassifications and accounting adjustments as follows:

a) Period ended December 31, 2019

		12/31/2019		
	Item	Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of financial position				
Assets				
Current				
Taxes recoverable	(a)	**632**	**(255)**	**377**
Receivables from related parties	(b)	**122**	**(122)**	**-**
Other assets	(b)	**757**	**(1)**	**756**
Other current assets		**20,837**	**-**	**20,837**
Total current assets		**22,348**	**(378)**	**21,970**
Noncurrent assets				
Lease - Right of use	(b)	**2,797**	**1**	**2,798**
Receivables from related parties	(b)	**-**	**122**	**122**
Deferred taxes	(c)	**-**	**8,760**	**8,760**
Other noncurrent assets		**4,162**	**-**	**4,162**
Total noncurrent assets		**6,959**	**8,883**	**15,842**
Total assets		**29,307**	**8,505**	**37,812**

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.7. Restatement of the financial statements (Continued)

a) Period ended December 31, 2019 (Continued)

	Item	12/31/2019 Originally presented	 Correction of errors and reclassifications	 Restated amounts
Liabilities				
Current liabilities				
Labor and tax obligations	(a)	3,879	610	4,489
Income and social contribution taxes payable	(a)	208	698	906
Deferred taxes	(c)	23	(23)	-
Other liabilities	(b)	105	(3)	102
Other current liabilities		6,739	-	6,739
Total current liabilities		10,954	1,282	12,236
Noncurrent liabilities				
Total noncurrent liabilities		2,682	-	2,682
Total liabilities		13,636	1,282	14,918
Equity				
Share capital		10,000	-	10,000
Capital reserves		24,532	-	24,532
Accumulated losses	(c)	(18,861)	7,223	(11,638)
Total equity		15,671	7,223	22,894
Total liabilities and equity		29,307	8,505	37,812

	Item	12/31/2019 Originally presented	 Correction of errors and reclassifications	 Restated amounts
Statement of income				
Net revenues		81,504	-	81,504
Costs of services	(b)	(46,643)	46,643	-
Operating expenses	(b)	(25,352)	(47,542)	(72,894)
Income (loss) before finance income (expenses) and taxes		9,509	(899)	8,610
Finance income (expense)	(d)	(463)	163	(300)
Income (loss) before taxes		9,046	(736)	8,310
Current and deferred income and social contribution taxes	(c)	(1,235)	7,959	6,724
Income for the year		7,811	7,223	15,034

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.7. Restatement of the financial statements (Continued)

a) Period ended December 31, 2019 (Continued)

		12/31/2019		
	Item	Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of cash flows				
Operating activities				
Income for the year before income taxes (income for the year was originally presented)		7,811	499	8,310
Adjustments to reconcile net income:				
Finance income (expense)	(d)	128	96	224
Other adjustments	(e)	3,079	15	3,094
Changes in assets and liabilities:				
Trade accounts receivable	(e)	(6,284)	(15)	(6,299)
Taxes recoverable	(a)	152	255	407
Cashback payable	(b)	(3,485)	(2)	(3,487)
Labor and tax obligations	(a)	1,776	(692)	1,084
Other liabilities	(b)	(195)	(2)	(197)
Income and social contribution taxes paid	(a)	(280)	(154)	(434)
Payment of interest on leases	(b)	-	(128)	(128)
Other changes in assets and liabilities		(612)	-	(612)
Net cash from operating activities		2,090	(128)	1,962
Net cash used in investing activities		(1,701)	-	(1,701)
Payments of lease	(b)	(1,492)	128	(1,364)
Net cash used in financing activities		(1,535)	128	(1,407)
Net changes in cash and cash equivalents		(1,146)	-	(1,146)

b) Period ended December 31, 2018

		12/31/2018		
	Item	Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of financial position				
Assets				
Current assets				
Receivables from related parties	(b)	79	(79)	-
Other current assets		16,607	-	16,607
Total current assets		16,686	(79)	16,607
Noncurrent assets				
Receivables from related parties	(b)	-	79	79
Other noncurrent assets		4,250	-	4,250
Total noncurrent assets		4,250	79	4,329
Total assets		20,936	-	20,936
Liabilities				
Total liabilities and equity		20,936	-	20,936

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.7. Restatement of the financial statements (Continued)

b) Period ended December 31, 2018 (Continued)

	Item	12/31/2018 Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of income				
Net revenues		44,533	-	44,533
Costs of services	(b)	(26,745)	26,745	-
Operating expenses	(b)	(24,971)	(27,286)	(52,257)
Income (loss) before finance income (expenses) and taxes		(7,183)	(541)	(7,724)
Finance income (expense)	(d)	(336)	541	205
Income (loss) for the year		(7,519)	-	(7,519)

	Item	12/31/2018 Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of cash flows				
Operating activities				
Income (loss) for the year before income taxes		(7,519)	-	(7,519)
Adjustments to reconcile net income:				
Other adjustments	(e)	848	17	865
Changes in assets and liabilities:				
Trade accounts receivable	(e)	(4,008)	(17)	(4,025)
Other changes in assets and liabilities		4,580	-	4,580
Net cash used in operating activities		(6,099)	-	(6,099)
Net cash used in investing activities		(1,189)	-	(1,189)
Net cash used in financing activities		(79)	-	(79)
Net changes in cash and cash equivalents		(7,367)	-	(7,367)

c) Period ended December 31, 2017

	Item	12/31/2017 Originally presented	Correction of errors and reclassifications	Restated amounts
Statement of income for the year				
Net revenues		25,919	-	25,919
Costs of services	(b)	(20,587)	20,587	-
Operating expenses	(b)	(22,399)	(20,587)	(42,986)
Operating income (expenses)		(17,067)	-	(17,067)
Income (loss) for the year		(16,285)	-	(16,285)

(In thousands of Brazilian reais, unless otherwise stated)

2. Accounting policies (Continued)

2.7. Restatement of the financial statements (Continued)

(a) In 2019 the Company revised additions to and exclusions from the federal tax base, and recorded an amount of taxes payable, which reduced taxes to offset.

(b) These items have been reclassified solely for the purpose of better presenting the financial statements. The Statement of Income is now prepared by nature, and the Statements of Financial Position and of Cash Flows were changed to meet the best disclosure practices under the IFRS and Brazilian accounting standards.

(c) The Company has balances of income and social contribution tax losses relating to prior years, as well as deductible temporary differences, on which it had not recognized the respective deferred taxes. The Company reviewed its projection of future taxable profits considering the expected growth of its activities, and recognized deferred taxes on the balances of income and social contribution tax losses, as well as on deductible temporary differences, as shown in Note 13.d.

(d) Until mid-2019, the Company had an expense relating to an ISSQN discount due to failure to register a partner with the city administration. Those amounts had been recognized in finance income (expenses); however, the Company chose to recognize them in other operating expenses, due to their unusual nature. The registration was made, and the discounts ceased.

(e) Amounts referring to the reclassification of allowance for expected credit losses in the statement of cash flows.

Except for changes in net income for the year, the statements of comprehensive income and of changes in equity for the year ended December 31, 2019, as originally presented, did not change due to the adjustments made.

3. Cash and cash equivalents

	12/31/2019	12/31/2018	12/31/2017
Cash and bank accounts	**144**	243	431
Short-term investments	**9,837**	10,884	18,063
Total	**9,981**	11,127	18,494

The Company has cash equivalents relating to fixed income short-term investments indexed to the Interbank Deposit Certificate (CDI) at 90% to 98%, which may be redeemed at any time with the instrument issuer without any loss on the contractual income.

The Company’s exposure to interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18.

(In thousands of Brazilian reais, unless otherwise stated)

4. Trade accounts receivable

a) Breakdown of trade accounts receivable

	12/31/2019	12/31/2018	12/31/2017
Trade accounts receivable	**10,888**	4,589	564
Allowance for expected credit losses	**(32)**	(17)	-
Total	**10,856**	4,572	564

b) Aging list of trade accounts receivable net of allowance for expected credit losses

	12/31/2019	12/31/2018	12/31/2017
Falling due	**7,098**	4,483	439
Overdue			
From 1 to 60 days	**3,401**	69	104
From 61 to 90 days	**39**	4	2
From 91 to 120 days	**36**	-	7
From 121 to 180 days	**132**	14	7
Above 180 days	**182**	19	5
Total	**10,888**	4,589	564

c) Changes in allowance for expected credit losses

Balance at December 31, 2018	-
Recognition, net	17
Balance at December 31, 2018	17
Recognition, net	**15**
Balance at December 31, 2019	**32**

5. Taxes recoverable

	12/31/2019	12/31/2018	12/31/2017
Withholding income tax recoverable (a)	**294**	758	326
Income and social contribution taxes to offset (b)	**55**	-	120
Other taxes recoverable	**28**	26	6
Total	**377**	784	452

(a) It comprises Withholding Income Tax (IRRF) recoverable on revenue and short-term investments for the fiscal year.

(b) These refer to income and social contribution tax amounts overpaid. As the Company, which is subject to the taxable profit based on accounting records regime, chose the quarterly calculation regime, the balance of income and social contribution taxes recoverable can be offset against any tax administered by the Brazilian Internal Revenue Service.

(In thousands of Brazilian reais, unless otherwise stated)

6. Property and equipment

a) The Company's property and equipment are detailed in the tables below:

	Depreciation rates p.a.	12/31/2019	12/31/2018	12/31/2017
Computers and peripherals	20%	**1,108**	808	591
Furniture and fixtures	10%	**418**	638	513
Electronic equipment	20%	**443**	133	122
Leasehold improvements	4%	**892**	974	891
Facilities	10%	**145**	141	-
Machinery and equipment	10%	**-**	-	6
Total cost		**3,006**	2,694	2,123
Computers and peripherals	20%	**(436)**	(270)	(133)
Furniture and fixtures	10%	**(85)**	(101)	(40)
Electronic equipment	20%	**(103)**	(40)	(15)
Leasehold improvements	4%	**(18)**	(42)	(16)
Facilities	10%	**(17)**	(5)	-
Machinery and equipment	10%	**-**	-	-
Accumulated depreciation		**(659)**	(458)	(204)
Total property and equipment, net		**2,347**	2,236	1,919

b) Changes in the Company's property and equipment

	12/31/2018	Additions	Depreciation	Write-offs	12/31/2019
Computers and peripherals	538	**355**	**(202)**	**(20)**	**671**
Furniture and fixtures	538	**100**	**(41)**	**(264)**	**333**
Electronic equipment	93	**328**	**(70)**	**(12)**	**339**
Leasehold improvements	931	**757**	**(21)**	**(791)**	**876**
Facilities	136	**25**	**(13)**	**(20)**	**128**
Total	2,236	**1,565**	**(347)**	**(1,107)**	**2,347**

	12/31/2017	Additions	Depreciation	Write-offs	12/31/2018
Computers and peripherals	458	250	(137)	(33)	538
Furniture and fixtures	473	129	(60)	(4)	538
Electronic equipment	107	11	(25)	-	93
Machinery and equipment	6	-	-	(6)	-
Leasehold improvements	875	317	(27)	(234)	931
Facilities	-	141	(5)	-	136
Total	1,919	848	(254)	(277)	2,236

(In thousands of Brazilian reais, unless otherwise stated)

6. Property and equipment (Continued)

b) Changes in the Company's property and equipment (Continued)

	12/31/2016	Additions	Depreciation	Write-offs	12/31/2017
Computers and peripherals	286	302	(122)	(8)	458
Furniture and fixtures	67	472	-	(66)	473
Electronic equipment	10	114	(15)	(2)	107
Machinery and equipment	-	6	-	-	6
Leasehold improvements	80	891	(12)	(84)	875
Total	443	1,785	(149)	(160)	1,919

At each year-end, the Company assesses whether there is any indication of impairment of property and equipment. If such indication is identified, the recoverable amount of the asset is estimated in order to measure the loss amount. At December 31, 2019, the Company did not identify any evidence of impairment in its property and equipment items.

7. Intangible assets

a) The Company's intangible assets are detailed in the tables below:

	Amortization rates p.a.	12/31/2019	12/31/2018	12/31/2017
Development platform	20%	**1,282**	1,282	1,282
Software acquired	20%	**479**	344	74
Total cost		**1,761**	1,626	1,356
Development platform	20%	**(982)**	(734)	(488)
Software acquired	20%	**(86)**	-	-
Accumulated amortization		**(1,068)**	(734)	(488)
Total intangible assets, net		**693**	892	868

b) Changes in the Company's intangible assets

	12/31/2018	Additions	Amortization	Write-offs	12/31/2019
Development platform	548	**-**	**(248)**	**-**	**300**
Software acquired	344	**136**	**(87)**	**-**	**393**
Total	892	**136**	**(335)**	**-**	**693**

	12/31/2017	Additions	Amortization	Write-offs	12/31/2018
Development platform	794	-	(246)	-	548
Software acquired	74	341	-	(71)	344
Total	868	341	(246)	(71)	892

(In thousands of Brazilian reais, unless otherwise stated)

7. Intangible assets (Continued)

b) Changes in the Company's intangible assets (Continued)

	12/31/2016	Additions	Amortization	Write-offs	12/31/2017
Development platform	903	149	(258)	-	794
Software acquired	67	7	-	-	74
Total	970	156	(258)	-	868

Intangible assets are amortized using the straight-line method considering the consumption pattern of those rights. The Company did not identify any evidence of impairment in its intangible assets, which are finite lived. The Company has no intangible assets with indefinite useful lives.

8. Leases

As mentioned in Note 2.3, as of January 1, 2019, IFRS 16/CPC 06 (R2) - Leases came into force. The Company assessed its contracts and recognized a right of use and a lease liability for the following contracts containing a lease:

- Lease of buildings used as administrative headquarters and by the engineering and development center;

The Company chose to use the exemptions provided for in the standard for short-term leases (i.e., leases with a term of 12 months or less) without the option to purchase and for low-value items. Thus these leases are recognized as an expense in the statement of income under other operating expenses, using the straight-line method, over the lease term, and their effects on profit or loss for 2019 were immaterial. Discount rates were obtained by the Company with financial institutions with reference to financing quotes of assets with similar characteristics.

Assets

a) *Right of use*

The right-of-use asset was measured at cost, composed of the initial measurement value of lease liabilities and depreciated on a straight-line base (3% per month) until the end of the lease term, i.e. 36 months.

(In thousands of Brazilian reais, unless otherwise stated)

8. Leases (Continued)

Assets (Continued)

a) *Right of use*

	12/31/2019
Lease - right of use	4,088
Depreciation of lease	(1,290)
Total	**2,798**

b) *Changes in leases – right of use*

	Properties
Balance at December 31, 2018	-
First-time adoption on January 1, 2019	4,088
Additions	-
Depreciation of lease	(1,290)
Balance at December 31, 2019	**2,798**

Liabilities

a) *Lease payable*

Lease liabilities recognized were measured at the present value of minimum payments required under the contracts, discounted using the Company's incremental borrowing rate.

The Company's incremental borrowing rate applied to the lease liabilities recognized in the statement of financial position at the date of initial application ranged from 19.99% p.a. to 20.41% p.a., depending on the lease term.

Finance charges are recognized as finance costs and allocated based on the actual discount rate, according to the remaining term of the contracts.

	Properties
Balance at December 31, 2018	-
First-time adoption on January 1, 2019	**4,088**
Finance charges	**128**
Principal repaid	**(1,364)**
Finance charges paid	**(128)**
Balance at December 31, 2019	**2,724**
Current liabilities	**1,449**
Noncurrent liabilities	**1,275**

(In thousands of Brazilian reais, unless otherwise stated)

8. **Leases** (Continued)

Liabilities (Continued)

b) *Minimum future payments and potential right to PIS and COFINS*

Minimum future lease payments under the lease contracts, together with the fair value of minimum lease payments, are as follows:

With maturity	**Payments**	**Potential right to PIS/COFINS**
2020	1,885	(174)
2021	1,747	(162)
2022	241	(22)
Total minimum payments	3,873	(358)
Discount at present value of minimum payments	(1,149)	106
Present value of minimum payments	2,724	(252)

The potential right to PIS/COFINS refers to the amount to which the Company will be entitled to recover if the expected future lease payments materialize.

In the period ended December 31, 2019, expenses relating to short-term leases and leases of low-value assets totaled R$200, and refer to leases of printers, cars and the former head office (contract expired in March 2019). Due to their immateriality, the future commitment of minimum payments of leases of low-value assets and of short-term leases and the sensitivity analysis of variable lease expenses and the factors affecting their changes are not presented.

The Company does not give real estate properties as collateral for any transactions.

In accordance with IFRS 16/CPC 06 (R2), in measuring and remeasuring its lease liabilities and right of use, the Company used the discounted cash flow technique without considering future projected inflation in the undiscounted flows, according to the prohibition imposed by IFRS 16/CPC 06 (R2). Such prohibition could cause material misstatements in the information to be disclosed, given the current situation of long-term interest rates in the Brazilian economic environment. The Company assessed these effects and concluded that they are immaterial to its financial statements.

9. Transactions with related parties

9.1. Transactions

Transactions between related parties refer to checking accounts with related parties. The transactions were established based on conditions defined between the parties, subject to monetary restatement.

In the period ended December 31, 2019, Méliuz S.A. has a balance receivable from related parties that is not subject to interest, with CASH3 LLC, in the amount of R$122 (R$79 as at December 31, 2018).

9.2. Key management personnel compensation

Key management personnel includes the founding shareholders and statutory officers, whose compensation amounted to R$4,554 in 2019 (R$1,799 and R$1,575 in 2018 and 2017, respectively).

10. Other receivables

The Company has receivables relating to refund of amounts paid under unfulfilled contracts, already guaranteed with assets of the debtor that have been frozen by a preliminary injunction. The outstanding and guaranteed amount at December 31, 2019 is R$1,122 (R$1,122 at December 31, 2018 and R$1,118 at December 31, 2017).

11. Cashback

Cashback represents the amount that the Company expects to pay at point in time to customers who have made their purchases and had them completed using the services offered by Meliuz, in accordance with the terms and conditions of the cashback program.

Until 2018, the Company recorded as cashback the amounts that met all the requirements of its terms and conditions preceding the order of redemption by users, which is the amount payable before the redemption request.

In 2019, the Company modified the model used to measure this amount, which will be paid to users according to descriptive statistics and historical data. The high correlation of data is shown by a regression model, which is used to predict future redeemed cashback costs from the moment it is confirmed for a user. Accordingly, the provision for cashback is based on the best calculated probability of its redemption in the future over the lifetime of users in Méliuz.

(In thousands of Brazilian reais, unless otherwise stated)

11. Cashback (Continued)

Of the provision amount, the redemption amount requested by users, after fulfilling the terms and conditions of the cashback program, is paid through a bank transfer. The Company annually reviews the statistical model to adjust the historical behavior of cashback redemptions by users.

As a result of the change in the model used to measure provision for cashback, this provision decreased, causing a net impact of approximately R$5.1 million on profit or loss for 2019.

12. Labor and tax obligations

	12/31/2019	12/31/2018	12/31/2017
Labor obligations			
Salaries	**477**	462	505
Provisions for labor obligations	**869**	850	693
Obligations and charges	**835**	810	795
Other labor obligations (a)	**23**	20	76
Total labor obligations	**2,204**	2,142	2,069
Tax obligations			
PIS/COFINS	**1,625**	270	32
Withholding taxes	**420**	3	23
Service Tax (ISSQN)	**215**	163	15
Other taxes	**25**	31	-
Total tax obligations	**2,285**	467	70
Total labor and tax obligations	**4,489**	2,609	2,139

(a) This amount includes severance pay and union dues, net of loans to employees deductible from payroll.

13. Income and social contribution taxes

a) Income and social contribution taxes

The balances of income and social contribution taxes recorded in current liabilities refer to taxes payable by the Company, which is subject to the taxable profit based on accounting records regime, under the quarterly calculation regime.

	2019	2018	2017
Income tax	**581**	-	-
Social contribution tax	**325**	4	4
Total	**906**	4	4

(In thousands of Brazilian reais, unless otherwise stated)

13. Income and social contributions taxes (Continued)

b) Deferred income and social contribution taxes
c)

The Company has income and social contribution tax credits on balances of income and social contribution tax losses and temporary differences, at the rates of 25% and 9%, respectively, as follows:

	12/31/2019
Temporary differences of Corporate Income Tax (IRPJ)/Social Contribution Tax on Net Profit (CSLL)	
Deferred tax assets	
Income and social contribution tax losses	**8,121**
Present value adjustment of leases	**44**
Depreciation of leases	**439**
Temporary difference relating to cashback	**662**
	9,266
Deferred tax liabilities	
Lease considerations	**(506)**
	(506)
Total net assets presented in the statement of financial position	**8,760**

Deferred income and social contribution tax liability balances were offset with the corresponding asset balances.

Until 2018, the Company accumulated income and social contribution tax losses, and deferred taxes on such amounts were not recognized as the Company did not expect to realize them at the time. In the year ended December 31, 2019, the Company reviewed the projections, based on the expected growth of its activities. Based on these assumptions, the Company identified expected future taxable profit bases that allow the realization of existing deferred tax assets as at December 31, 2019.

According to the Company's estimates, the realization of existing deferred tax assets as at December 31, 2019 is as follows:

	12/31/2019	12/31/2019 – Present value
2020	**2,651**	**2,611**
2021	**2,943**	**2,811**
2022	**3,166**	**2,922**
	8,760	**8,345**

(In thousands of Brazilian reais, unless otherwise stated)

13. Income and social contributions taxes (Continued)

c) Reconciliation of income and social contribution tax expenses

	12/31/2019	12/31/2018	12/31/2017
Profit or loss before IRPJ and CSLL	**8,310**	(7,519)	(16,285)
Statutory rate	**34%**	34%	34%
IRPJ and CSLL credit (expense) at statutory rate	**(2,825)**	2,556	5,537
Adjustments to tax base to determine the effective rate			
Nondeductible expenses	**(191)**	(260)	(83)
Tax incentives (a)	**1,166**	-	-
Deferred tax assets recognized	**8,574**		
Current income and social contribution taxes	**(2,036)**	-	-
Deferred income and social contribution taxes	**8,760**	-	-
Effective rate of IRPJ and CSLL	**(81%)**	-	-

(a) In 2019, the Company applied to the technology incentive program ("*Lei do Bem*") of Law No. 11196/05.

14. Equity

a) Share Capital

At December 31, 2019, the Company's fully subscribed and paid-in capital amounts to R$10,000, represented by 5,283,012 registered common shares with no par value.

b) Capital reserve – premium on issue of shares

The Company's capital reserve as at December 31, 2019, amounting to R$24,532, is intended for future investments. The Company's capital reserve arises from premium on issue of shares.

c) Earnings (loss) per share

Earnings (loss) per share were calculated based on the weighted average number of common shares outstanding in each of the referred to years, as follows:

	2019	2018	2017
Number of shares	**5,283,012**	5,283,012	5,283,012
Income (loss) for the year	**15,034**	(7,519)	(16,285)
Basic and diluted earnings (loss) per common share (in R$)	**2.85**	(1.42)	(3.08)

The Company does not have dilutive instruments, which is why diluted earnings (loss) per common share equal basic earnings (loss) per common share.

(In thousands of Brazilian reais, unless otherwise stated)

15. Provisions for tax, civil and labor contingencies

Méliuz S.A. is a defendant in labor, civil and tax lawsuits. Therefore, it conducted analyses, evaluations and quantifications of such lawsuits with its legal advisors. The Company is a defendant in certain consumer and labor claims classified by its lawyers as possible losses, totaling R$92 in 2019, R$0 in 2018 and R$1,115 in 2017. However, it has not recorded lawsuits with probable likelihood of loss.

16. Net operating revenue

	12/31/2019	12/31/2018	12/31/2017
Revenue			
Revenue from services	**90,496**	49,312	28,764
ISSQN on services	**(1,433)**	(546)	(143)
PIS on services	**(1,348)**	(754)	(480)
COFINS on services	**(6,211)**	(3,479)	(2,222)
Total net revenue	**81,504**	44,533	25,919

The Company has 3 customers operating in the e-commerce segment whose net revenues represent, individually, more than 10% of its total net revenue at December 31, 2019, in the amounts of R$13,538, R$9,153 and R$8,680.

At December 31, 2018 and 2017, the Company had no customers whose net revenues represented more than 10% of total net revenue.

17. Finance income (expenses)

	12/31/2019	12/31/2018	12/31/2017
Finance income			
Monetary gains	**5**	7	3
Short-term investment income	**635**	881	1,262
Interest received	**60**	5	113
Other finance income	**5**	44	22
Monetary restatement	**84**	28	-
	789	965	1,400
Finance expenses			
Late payment charges paid	**(448)**	(77)	(22)
Bank charges	**(381)**	(596)	(367)
Finance charges – leases	**(128)**	-	-
Other finance costs	**(132)**	(87)	(143)
	(1,089)	(760)	(532)
Finance income (expenses)	**(300)**	205	868

The Company presents solely net finance income (expenses) in its statement of income for the year.

(In thousands of Brazilian reais, unless otherwise stated)

18. Risk management and financial instruments

a) General considerations and policies

The Company enters into transactions involving financial instruments, where applicable, which are all recorded in the statement of financial position, in order to meet its operating and financial needs.

These financial instruments are managed by means of policies, definition of strategies and establishment of control systems, which are monitored by the Company management.

Treasury procedures set by the policy in effect include monthly projection routines and assessment of the Company's currency exposure, based on which management makes its decisions.

Short-term investments

According to the short-term investment policy established by Company, management elects the financial institutions with which agreements may be entered into based on the credit rating of the counterparty in question, the maximum exposure percentage by institution based on the rating, and the maximum percentage of the bank's equity.

	12/31/2019	12/31/2018	12/31/2017
Short-term investments	**9,837**	10,884	18,063

b) Classification of financial instruments

At December 31, 2019, December 31, 2018 and December 31, 2017, financial instruments were summarized and classified as follows:

At December 31, 2019	Amortized cost	Fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	**9,981**	**-**	**9,981**
Trade accounts receivable	**10,856**	**-**	**10,856**
Receivables from related parties	**122**	**-**	**122**
	20,959	**-**	**20,959**
Financial liabilities			
Trade accounts payable	**300**	**-**	**300**
Leases	**2,724**	**-**	**2,724**
Cashback	**6,397**	**-**	**6,397**
	9,421	**-**	**9,421**

(In thousands of Brazilian reais, unless otherwise stated)

18. Risk management and financial instruments (Continued)

b) Classification of financial instruments (Continued)

At December 31, 2018	Amortized cost	Fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	11,127	-	11,127
Trade accounts receivable	4,572	-	4,572
Receivables from related parties	79	-	79
	15,778	-	15,778
Financial liabilities			
Trade accounts payable	280	-	280
Cashback	9,884	-	9,884
	10,164	-	10,164

At December 31, 2017	Amortized cost	Fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	18,494	-	18,494
Trade accounts receivable	564	-	564
	19,058	-	19,058
Financial liabilities			
Trade accounts payable	348	-	348
Cashback	5,571	-	5,571
	5,919	-	5,919

c) Financial risk management

Financial risk factors

The Company's activities expose it to various financial risks, such as market risk (including currency and interest rate risk), credit risk and liquidity risk. The Company's risk management focuses on the unpredictability of financial markets, and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Company's Treasury department, and the policies are mandatorily approved by management. The Treasury department identifies, assesses and enters into financial instruments in order to hedge the Company against any financial risks, mainly those arising from interest and exchange rates.

c.1) *Market risk*

The Company is exposed to market risks arising from its business activities. These market risks mainly involve the possibility of changes in interest rates.

18. Risk management and financial instruments (Continued)

c) Financial risk management (Continued)

Financial risk factors (Continued)

c.1) *Market risk* (Continued)

i) Currency risk

Currency risk refers to changes in the US dollar exchange rates that may cause the Company to incur unexpected losses, leading to a decrease in assets.

The Company has a low volume of transactions in foreign currency, representing approximately 10% of annual revenue, but receivable in the short term. At December 31, 2019, only 0.4% of the receivables balance was in foreign currency.

ii) Interest rate risk

The Company's interest rate risk arises from short-term investments and short and long-term loans and financing. The Company management adopts the policy of maintaining the indices of its exposure to interest rate income and expenses linked to floating rates. Short-term investments and loans and financing are restated based on floating CDI rates, pursuant to agreements entered into with financial institutions.

c.2) *Credit risk*

Credit risk is low due to the hundreds of the Company's end customers, with which the Company has a direct relationship, and for which it may promote campaigns through its network of associates (Advertising Distribution Agencies). The result of such credit management is reflected in Allowance for expected credit losses, as shown in Note 4, and in the customers with the highest percentage of Net Revenue, as shown in Note 16.

The Company is subject to credit risks relating to financial instruments taken out for the management of its business. The risk of not settling transactions with financial institutions is considered low, as these are considered by the market as top-tier institutions.

(In thousands of Brazilian reais, unless otherwise stated)

18. Risk management and financial instruments (Continued)

c) Financial risk management (Continued)

Financial risk factors (Continued)

c.3) *Liquidity risk*

Management monitors the forecasts for the liquidity requirements of the Company and its subsidiary on an ongoing basis, in order to ensure they have sufficient cash to meet their operating needs, investment plans and financial obligations.

The Company invests any excess cash in financial assets with floating interest rates and daily liquidity (Bank Deposit Certificates (CDB) of financial institutions that meet the investment policy approved by management).

The table below shows the aging list of the Company's consolidated financial liabilities:

At December 31, 2019	Within 1 year	1 to 3 years	Total
Trade accounts payable	300	-	300
Cashback payable	4,990	1,407	6,397
Leases	1,885	1,988	3,873
Total	**7,175**	**3,395**	**10,570**

d) Capital management

The Company's business suggests maintenance of a high cash and cash equivalents amount in order to promote outflows of resources to meet short-term obligations, especially those relating to cashback.

The main objectives of capital management are to: (i) ensure the Company's ability to continue as a going concern; (ii) ensure the maximization of income from short-term investments; (iii) maximize return to shareholders; and (iv) ensure the Company's competitive advantage in raising funds.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. As at December 31, 2017, 2018 and 2019, the Company did not have any financial debt.

(In thousands of Brazilian reais, unless otherwise stated)

18. Risk management and financial instruments (Continued)

e) Sensitivity analysis

The sensitivity analysis of financial instruments was prepared in accordance with CVM Ruling No. 475/08, with the purpose of estimating the impact on the fair value of financial instruments taken out by the Company, considering three scenarios for the risk variable considered: the most probable scenario, in the Company's opinion; deterioration of 25% (possible adverse scenario) in the risk variable; deterioration of 50% (remote adverse scenario).

Since the estimates presented are based on statistical simplifications, they do not necessarily reflect the amounts to be recorded in the next financial statements. The use of different methodologies may have a material impact on the estimates presented.

Additionally, the Company must present in its financial instrument sensitivity analysis the risks that could cause direct or indirect material losses considering the following elements, as determined by CVM Ruling No. 475/08:

- The probable scenario is defined as the scenario expected by the Company management with reference to an independent external source;
- The possible adverse scenario considers a 25% deterioration in the main risk variable that determines the fair value of financial instruments; and
- The remote adverse scenario considers a 50% deterioration in the main risk variable that determines the fair value of financial instruments.

The probable scenario adopted by the Company is the maintenance of market levels.

Based on the Company's analysis, financial instruments exposed to the risk of changes in interest rate correspond to investments in CDBs and fixed income investment funds, classified as cash equivalents and short-term investments.

	Short-term investments
Amounts exposed to the risk of changes in the CDI rate - probable scenario - (4.40% p.a.)	9,837
Possible adverse scenario (-25%)	(108)
Remote adverse scenario (-50%)	(216)

19. Insurance coverage

The insurance adopted by the Company refers to insurance for trainees, amounting to R$10 per trainee, for cases of accidental death/total or partial permanent disability, and fire/lightning/explosion insurance, as well as loss of rent insurance, with total coverage of R$8,000 for the branch and of R$1,040 for the head office.

20. Subsequent events

Change in the Company's name

On June 18, 2020, at an Special General Meeting, the shareholders approved the change in Company's name to CASH3 S.A.

On July 20, 2020, at an Special General Meeting, the shareholders approved the change in Company's name to Méliuz S.A.

Impacts of the Covid-19 pandemic

The Company continues to closely monitor the possible impacts of Covid-19 on its business and market. From the marketplace business perspective, the categories Travel and Tourism were strongly impacted, with decreases in commission volumes by more than 90%. In addition, certain partnerships with physical stores have also been suspended due to the pandemic and the restrictions imposed during the quarantine.

On the other hand, with the new online consumption habits driven by the quarantine, we identified an acceleration in the migration from offline consumption to online consumption, thus contributing to the growth of the user base and to the increase in their spending in several marketplace segments.

This combined scenario resulted in a growth of 41% in the second quarter of 2020 compared to the same period of 2019.

In the different scenarios that were tested, we identified no indication of financial difficulties to continue facing the adversities imposed by the pandemic. Few partners have requested an extension of payment deadlines so far, mainly partners that operate exclusively with physical stores, which represent less than 5% of revenue.

There has been no changes or abnormal increase in the default rate or in late payments that could materially impact the Company's cash flow and cash position.

(In thousands of Brazilian reais, unless otherwise stated)

20. Subsequent events (Continued)

Impacts of the Covid-19 pandemic (Continued)

It should be noted that a significant part of Méliuz's business model focuses on compensation based on performance for stores that sell online. At this time, we have become even more important for our current partners and new stores that need to migrate to and boost their sales on digital channels. In this context, stores have been reaching Méliuz for campaigns, which include promotion in our channels, increased commissions and cashback for users.

From the cost perspective, with 100% of our team working from home, it was possible to reduce certain costs, such as rent, transportation and travels that are no longer made.

In the Financial Services vertical, which includes Méliuz Credit Card, we have continued to grow the number of cards issued. The approval and credit risk of this operation are under the responsibility of one of our partners, i.e. the bank responsible for issuing the card (Banco PAN).

Leases

On June 30, 2020, the Company terminated the lease contract referring to its head office located in Belo Horizonte. The reason for the contract termination was the allocation of all employees to telecommuting, for the protection of their health, due to the health crisis caused by Covid-19.

The practical effects identified at June 30, 2020 regarding the contract cancellation were as follows:

Effect on assets

Balance at December 31, 2019	Property
Lease - right of use	2,037
Depreciation of lease	(470)
Write-off due to the head office lease contract cancellation	(1,567)
Total	-

Effect on liabilities

Balance at December 31, 2019	Property
Leases	2,018
Finance charges	112
Principal repaid	(487)
Finance charges paid	(112)
Write-off due to the head office lease contract cancellation	(1,531)
Total	-

20. Subsequent events (Continued)

Loan agreements

The Company took out two loans in 2020 for working capital purposes, due to the more attractive rates triggered by the crisis caused by Covid-19. The details on the agreements are presented below:

(a) In May 2020, the Company raised R$5,000 from Banco Itaú Unibanco S/A, investing R$2,700 in CDB-DI as a guarantee, which will be frozen for 12 months, including any income therefrom. After that period, the amount invested will be unfrozen proportionally to the repayment of principal of the loan installments. The loan has a daily capitalized interest rate of 0.78% p.m. and will be repaid in 24 months.

(b) On July 2, 2020, the Company borrowed R$8,000 from Banco Santander (Brasil) S.A., with repayment in 24 months. The first two months correspond to the grace period, and capitalization will be monthly at the rate of 0.38% p.m. The Company invested R$4,000 in certificate accounts with lottery prizes as collateral for this loan agreement.

Investments

In July 2020, the Company acquired 51% of Gana S/A for R$2,551. The purpose of this acquisition is to expand its business relating to advertising of financial products. Until the date of preparation of the financial statements, the initial recording of the investee was incomplete and the acquisition registration process was under analysis at the relevant bodies. Of the amount contributed, R$2,000 will be Cash and cash equivalents, of which R$100 have already been transferred to the investee’s bank account, and R$551 refer to intangible assets acquired and recognized from January 1, 2020 to July 31, 2020.

Management

ISRAEL FERNANDES SALMEN
EXECUTIVE OFFICER

LEANDRO DE BARROS ALVES
EXECUTIVE OFFICER

LUCAS MARQUES PELOSO FIGUEIREDO
EXECUTIVE OFFICER

OFLI CAMPOS GUIMARÃES
EXECUTIVE OFFICER

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