

PagSeguro Reports First Quarter Results

Net Income reached R\$148.5 million, up 144.9% compared to 1Q17. 1Q18 Non-GAAP Net Income reached R\$223.9 million, up 255.5% compared to 1Q17.

São Paulo, May 29, 2018 – PagSeguro Digital Ltd. (“PagSeguro” or “we”) announced today its first quarter results for the period ended March 31, 2018. Our consolidated financial statements are presented in Reais (R\$) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

First Quarter 2018 Financial & Operational Highlights:

- R\$14.4 billion in total payment volume (TPV), up **138.7%** compared with 1Q17;
- Active merchants in the last 12 months at close of period of **3.1 million**, up **83.3%** compared with 1Q17, with growth of **1.4 million** net new merchants;
- R\$855.0 million in Non-GAAP total net revenue*, up **89.2%** compared with 1Q17; and R\$928.0 million in total net revenue*, up **106.9%** compared with 1Q17;
- R\$223.9 million in Non-GAAP net income, up **255.5%** compared with 1Q17; and R\$148.5 million in net income, up **144.9%** compared with 1Q17;
- Non-GAAP Net Margin of **26.2%**, up **12.3** percentage points compared with 1Q17; and Net Margin of **16.0%**, up **2.5** percentage points compared with 1Q17.

Main Operational and Financial Indicators (R\$ millions, except per share amounts)	At and for the three months ended March 31,		
	2018	2017	Var. %
TPV	14,378.1	6,022.7	138.7%
Active Merchants at close of period last 12 months	3.1	1.7	83.3%
Total Net Revenue*	928.0	448.5	106.9%
Net Income	148.5	60.6	144.9%
Net Margin (%)	16.0%	13.5%	2.5 pp
Basic earnings per common share (EPS)**	0.4988	0.2311	
Diluted earnings per common share (EPS)	0.4969	0.2311	
Non-GAAP Main Operational and Financial Indicators (R\$ millions, except per share amounts)	2018	2017	Var. %
Non-GAAP Total Net Revenue*	855.0	451.9	89.2%
Non-GAAP Net Income	223.9	63.0	255.5%
Non-GAAP Net Margin (%)	26.2%	13.9%	12.3 pp
Non-GAAP Basic earnings per common share (EPS)**	0.7525	0.2402	
Non-GAAP Diluted earnings per common share (EPS)	0.7497	0.2402	

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see the last page of this earnings release.

* Total revenue and income.

** Weighted average number of common shares of 262 million during 1Q17 and 297 million during 1Q18.

Financial Discussion:

I - Statement of Income

Non-GAAP disclosure

This press release includes certain non-GAAP measures. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of our core operating results and business outlook.

These measures may be different from non-GAAP financial measures used by other companies. The presentation of this non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered separately from, or as a substitute for, our financial information prepared and presented in accordance with IFRS as issued by the IASB. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with IFRS. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Our Non-GAAP results consist of our GAAP results as adjusted to exclude the following items:

Stock-based compensation expenses and related employer payroll taxes:

This consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses. The related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe it correlates to the operation of our business. The largest portion of this expense amount was recognized upon closing of our initial public offering ("IPO") with the issuance of 1.8 million shares under LTIP awards that vested on the IPO date.

Foreign exchange gain on IPO primary share proceeds: This consists of financial income related to the impact of exchange rate variations on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in the IPO. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is an unusual gain.

Tax related to remittance of IPO primary share proceeds (IOF tax): This relates to the impact of Brazilian IOF tax (currency remittance tax) payable when we remitted the proceeds from our sale of new shares in the IPO from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of IPO primary share proceeds from our non-GAAP measures primarily because it is an unusual expense.

Present value of note receivables: This relates to the effect of the recognition of note receivables in installments at present value. Prior to the IPO, one of the sources of cash was the early payment of note receivables with issuing banks at pre-agreed interest rates. After the IPO, we stopped the early payment of note receivables with issuing banks and started to use the IPO proceeds to fund the early payment of receivables feature for merchants. Since note receivables are no longer discounted with issuing banks, the amount of the present value adjustment will increase accordingly as a deduction of financial income. The amount of note receivables in installments at present value depends on the SELIC (*Sistema Especial de Liquidação e de Custódia*) rate, the Brazilian Central Bank's overnight rate, over which management has no control. As such, management does not believe it correlates to the operation of our business.

Income tax on non-GAAP adjustments: This represents the income tax effect related to the non-GAAP adjustments mentioned above, except the Foreign exchange gain on IPO primary share proceeds.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see "Reconciliation of Revenue and Income to Non-GAAP Revenue and Income," "Reconciliation of Expenses to Non-GAAP Expenses," "Reconciliation of Income Tax and Social Contribution to Non-GAAP Income Tax and Social Contribution," "Reconciliation of Net Income to Non-GAAP Net Income," "Reconciliation of Basic and diluted EPS to Non-GAAP Basic and diluted EPS," and "Reconciliation of GAAP Measures to Non-GAAP Measures."

Total revenue and income

Our Total revenue and income, which includes revenue from transaction activities and other services, revenue from sales, financial income and other financial income amounted to R\$928.0 million in 1Q18, an increase of 106.9% from R\$448.5 million in 1Q17.

Our Non-GAAP Total revenue and income, which includes revenue from transaction activities and other services, revenue from sales, financial income and other financial income amounted to R\$855.0 million in 1Q18, an increase of 89.2% from R\$451.9 million in 1Q17.

	At and for the three months ended March 31,	
	2017	2018
Reconciliation of Revenue and Income to Non-GAAP Revenue and Income:		
Revenue and Income	448.5	928.0
Foreign exchange gain on IPO primary share proceeds [1]	-	(89.8)
Present value of note receivables [2]	3.4	16.8
Total non-GAAP revenue and income adjustments	3.4	(73.0)
Non-GAAP Revenue and Income	451.9	855.0

[1] Foreign exchange gain on IPO primary share proceeds: financial income in the amount of R\$89.8 million related to the impact of exchange rates variation on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in the IPO. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is unusual income.

[2] Present value of note receivables: This relates to the effect of the recognition of note receivables in installments at present value in the amount of R\$16.8 million in 1Q18 and R\$3.4 million in 1Q17. Prior to the IPO, one of the sources of cash was the early payment of note receivables with issuing banks at pre-agreed interest rates. After the IPO, we stopped the early payment of note receivables with issuing banks and started to use the IPO proceeds to fund the early payment of receivables feature for merchants. Since note receivables are no longer discounted with issuing banks, the amount of the present value adjustment will increase accordingly as a deduction of financial income. The amount of note receivables in installments at present value depends on the SELIC rate, the Brazilian Central Bank's overnight rate, over which management has no control. As such, management does not believe it correlates to the operation of our business.

Net revenue from transaction activities and other services

Our Gross revenue from transaction activities and other services in 1Q18 amounted to R\$514.1 million, an increase of R\$296.8 million, or 136.6%, from R\$217.3 million in 1Q17. This increase was principally due to a continued increase in our active merchant base and TPV. Our Gross revenue from transaction activities and other services during 1Q18 increased by a lesser percentage than our TPV, which increased to R\$14.4 billion from R\$6.0 billion in 1Q17. This difference in the growth rate was due to the mix of debit and credit card payments processed.

Our Deductions from gross revenue from transaction activities and other services, which consist principally of sales taxes, amounted to R\$71.2 million in 1Q18, or 13.8% of our Gross revenue from transaction activities and other services for the quarter. In 1Q17, Deductions from gross revenue from transaction activities and other services totaled R\$26.8 million, or 12.3% of our Gross revenue from transaction activities and other services for the quarter. The increase in these Deductions as a percentage of our Gross revenues from transaction activities and other services is due to the repeal of the law that charges service tax (*Imposto sobre serviço*, or ISS) based on the municipality where the POS device is used. Since the repeal of this law is being contested, we are currently judicially depositing the full tax rate regarding sales made within the São Paulo municipality and recognizing a provision for the difference charged by other municipalities.

As a result, our Net revenue from transaction activities and other services in 1Q18 amounted to R\$442.8 million, an increase of R\$252.4 million, or 132.6%, from R\$190.4 million in 1Q17.

Net revenue from sales

Our Gross revenue from sales in 1Q18 amounted to R\$129.7 million, a decrease of R\$36.5 million, or 22.0%, from R\$166.2 million in 1Q17. This decrease was due to a different hardware sales mix in 1Q18 when compared to 1Q17, with the launch of the Minizinha at the end of 1Q17.

Our Deductions from gross revenue from sales in 1Q18 amounted to R\$**35.7** million, or **27.5%** of our Gross revenues from sales for the period. In 1Q17, these Deductions totaled R\$**47.8** million, or **28.8%** of Gross revenues from sales for the period. This small decrease in these Deductions as a percentage of our Gross revenues from sales is due to a change in the mix of Brazilian states in which we sold POS devices, since ICMS is levied by each state at a different rate.

As a result, our Net revenue from sales in 1Q18 amounted to R\$**94.0** million, a decrease of R\$**24.4** million, or **20.6%**, from R\$**118.4** million in 1Q17.

Financial income

Our Financial income, which represents the volume of the discount fees we withhold from TPV in the early payment of receivables feature that we offer merchants, amounted to R\$**274.8** million in 1Q18, an increase of R\$**136.0** million, or **98.0%** from R\$**138.8** million in 1Q17. The growth in this activity compared to 1Q17 was driven by growth in our TPV.

Our non-GAAP Financial income, which excludes the present value of note receivables, amounted to R\$**291.6** million in 1Q18, an increase of R\$**149.4** million, or **105.1%**, from R\$**142.2** million in 1Q17. The growth in this activity compared to 1Q17 was driven by our TPV growth.

Other financial income

Other financial income amounted to R\$**116.4** million in 1Q18, an increase of R\$**115.6** million from R\$**0.8** million in 1Q17. This increase was due to the unusual impact of changes in exchange rates on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in the IPO, which impact amounted to R\$**89.8** million in 1Q18.

Our non-GAAP Other financial income, which excludes this exchange variation, amounted to R\$**26.6** million in 1Q18, an increase of R\$**25.8** million from R\$**0.8** million in 1Q17. This increase was principally driven by financial income of R\$**25.4** million on short-term investments.

Expenses

Total expenses amounted to R\$**765.0** million in 1Q18, an increase of R\$**398.7** million, or **108.8%**, from R\$**366.3** million in 1Q17. As a percentage of our Total revenue and income, our total expenses in 1Q18 increased by **0.7** percentage points, to **82.4%** in 1Q18 from **81.7%** in 1Q17.

Non-GAAP disclosure

Non-GAAP Total expenses amounted to R\$541.3 million in 1Q18, an increase of R\$175.0 million, or 47.8%, from R\$366.3 million in 1Q17. As a percentage of our non-GAAP Total revenue and income, our non-GAAP total expenses in 1Q18 decreased 17.8 percentage points, to 63.3% in 1Q18 from 81.1% in 1Q17 as we continue to leverage our costs and expenses.

	At and for the three months ended March 31,	
	2017	2018
Reconciliation of Expenses to Non-GAAP Expenses:		
Expenses	(366.3)	(765.0)
Non-cash share-based long-term incentive plan (LTIP) [1]	-	130.3
Payroll taxes on share-based long-term incentive plan (LTIP) [2]	-	80.3
Tax related to remittance of IPO primary share proceeds (IOF tax) [3]	-	13.1
Total non-GAAP expenses adjustments	-	223.7
Non-GAAP Expenses	(366.3)	(541.3)

[1] and [2] Stock-based compensation expenses and related employer payroll taxes in the total amount of R\$210.6 million. This amount consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses. The related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe it correlates to the operation of our business. The largest portion of this expense amount was recognized upon closing our IPO with the issuance of 1.8 million shares under LTIP awards that vested on or before the IPO date.

[3] Tax related to remittance of IPO primary share proceeds (IOF tax): R\$13.1 million related to Brazilian IOF tax (currency remittance tax) payable when we remitted the proceeds from our sale of new shares in the IPO from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of IPO primary share proceeds from our non-GAAP measures primarily because it is an unusual expense.

Cost of sales and services

Cost of sales and services amounted to R\$444.8 million in 1Q18, an increase of R\$201.9 million, or 83.1%, from R\$242.9 million in 1Q17. As a percentage of the total of our Net revenue from transaction activities and other services and our Net revenue from sales, our Cost of sales and services posted an increase of 4.2 percentage points, to 82.8% in 1Q18 from 78.6% in 1Q17.

Within our Cost of sales and services line item, our Cost of services, expressed as a percentage of our Net revenue from transaction activities and other services, increased to 74.2% in 1Q18 from 65.7% in 1Q17, principally due to R\$38.2 million in share based long-term incentive plan (LTIP) expenses. Our Cost of sales, expressed as a percentage of our Net revenue from sales, increased to 123.4% in 1Q18 from 99.5% in 1Q17, due to the change in our device product mix, with the launch of the Minizinha at the end of 1Q17.

Our non-GAAP Cost of sales and services, which excludes the LTIP impact, posted a decrease of **2.9** percentage points to **75.7%** in 1Q18, from **78.6%** in 1Q17, as a percentage of the total of our Net revenue from transaction activities and other services and our Net revenue from sales as we continue to leverage our expenses with higher TPV in 1Q18 than in 1Q17.

Selling expenses

Our Selling expenses amounted to R\$**83.6** million in 1Q18, an increase of R\$**12.5** million, or **17.6%**, from R\$**71.1** million in 1Q17. As a percentage of our Total revenue and income, our Selling expenses decreased by **6.9** percentage points, to **9.0%** in 1Q18 from **15.9%** in 1Q17. This reduction in our Selling expenses as a percentage of our Total revenue and income reflected the increase in leverage of our selling expenses base as our TPV has increased.

Administrative expenses

Our Administrative expenses amounted to R\$**219.0** million in 1Q18, an increase of R\$**186.5** million, or **573.5%**, from R\$**32.5** million in 1Q17. This increase in 1Q18 was mainly due to the share based long-term incentive plan (LTIP) expense related to our IPO, which amounted to R\$**172.4** million. As a percentage of our Total revenue and income, our Administrative expenses increased by **16.3** percentage points, to **23.6%** in 1Q18 from **7.3%** in 1Q17.

Our non-GAAP Administrative expenses, which excludes the LTIP impact, decreased by **1.7** percentage points to **5.5%** as a percentage of our non-GAAP Total revenue and income in 1Q18 compared with compared with **7.2%** in 1Q17.

Financial expenses

Our Financial expenses amounted to R\$**16.5** million in 1Q18, a decrease of R\$**2.7** million, or **14.0%**, from expenses of R\$**19.2** million in 1Q17. Expressed as a percentage of our Financial income, our Financial expenses represented **6.0%** in 1Q18 and **13.8%** in 1Q17.

The interest we paid on early payment of receivables that we obtained from issuing banks decreased R\$**13.4** million in 1Q18, when compared with 1Q17, due to our use of a portion of the proceeds from our IPO in late January 2018 to fund the early payment of receivables feature that we offer merchants, as well as our repayment of R\$**2.7** million in borrowings during 1Q17. These effects were partially offset by a R\$**13.1** million increase related to the impact of the IOF tax on the remittance of our sale of new shares in the IPO from the Cayman Islands to Brazil.

Our non-GAAP Financial expenses, which excludes the IOF tax, amounted to R\$**3.4** million in 1Q18, a decrease of R\$**15.8** million, or **82.4%**, compared to 1Q17. This decrease was driven by our use of a portion of the IPO proceeds to fund our early payment of installment receivables feature for merchants as well as the repayment of debt in 1Q17, as mentioned above.

Other expenses, net

Our Other expenses, net, recorded R\$1.1 million in 1Q18 and R\$0.6 million in 1Q17. These net amounts principally reflect expenses related to civil litigation proceedings during both periods.

Profit before income taxes

Our Profit before income taxes amounted to R\$163.0 million in 1Q18, an increase of R\$80.8 million, or 98.4%, from R\$82.2 million in 1Q17.

Our non-GAAP Profit before income taxes amounted to R\$313.7 million in 1Q18, an increase of R\$228.2 million, or 266.6%, from R\$85.5 million in 1Q17. This increase was due to significant growth in our Total revenue and income, driven by growth in active merchants and TPV.

Income tax and social contribution

Income tax and social contribution amounted to expenses of R\$14.5 million in 1Q18, a decrease of R\$7.1 million from expenses of R\$21.6 million in 1Q17. This total item consists of Current income tax and social contribution and Deferred income tax and social contribution, which relates to the tax benefit under the *Lei do Bem*, which applies to investments made in innovation and technology by PagSeguro Brazil. In addition, our Brazilian operating subsidiary had a tax benefit under the Companies Law of 1960 of the Cayman Islands (the "Companies Law") on the exchange variation from U.S. dollars to *reais* which generates income but has no tax impact on PagSeguro Digital.

Our Current income tax and social contribution expense in 1Q18 amounted to R\$20.9 million, an increase of R\$1.8 million from R\$19.1 million in 1Q17. This increase is mainly due to growth in in our Profit before income taxes partially offset by the tax benefits under the *Lei do Bem* and The Companies Law.

Our Deferred income tax and social contribution in 1Q18 amounted to a tax benefit of R\$6.4 million, an increase of R\$8.9 million compared with an expense of R\$2.5 million in 1Q17.

The amount of Deferred income tax and social contribution recorded in 1Q18 reflected the tax benefit on our significant new capital investments in software and technology during the period, less the depreciation and amortization expenses that we recorded against those assets during the period. This tax benefit was partially offset by the amounts we recorded during the period for provisions for employee corporate results-sharing, share based long-term incentive plan (LTIP) expenses and tax contingencies.

The amount of Deferred income tax and social contribution recorded in 1Q17 reflected the tax benefit on our capital investments in software and technology during the period, less the depreciation and amortization expenses that we recorded against those assets during the period. This tax benefit was partially offset by the amounts we recorded during the period for provisions for employee corporate results-sharing.

Our Non-GAAP Current income tax and social contribution expense in 1Q18 amounted to R\$75.2 million, an increase of R\$74.2 million from R\$1.0 million in 1Q17. This increase is mainly due to growth in in our Profit before income taxes, partly offset by the tax benefits of R\$ 6.8 million under the *Lei do Bem*.

	At and for the three months ended March 31,	
	2017	2018
Reconciliation of Income Tax and Social Contribution to Non-GAAP Income Tax and Social Contribution:		
Income tax and social contribution	(21.6)	(14.5)
Total non-GAAP income tax and social contribution adjustments [1]	(1.0)	(75.2)
Non-GAAP Income tax and social contribution	(22.6)	(89.8)

[1] Income tax on non-GAAP adjustments: the amount of R\$75.2 million relates to income tax on non-GAAP adjustments.

Net income for the period

Net income for the period in 1Q18 amounted to R\$148.5 million, an increase of R\$87.9 million, or **144.9%**, from R\$60.6 million in 1Q17. As a percentage of our Total revenue and income, our Net income for the year increased by **2.5** percentage points, to **16.0%** in 1Q18 compared with **13.5%** in 1Q17. This increase was driven by growth in active merchants and TPV, resulting in greater leverage of our operating expenses.

Non-GAAP Net income in 1Q18 amounted to R\$223.9 million, an increase of R\$160.9 million, or **255.4%**, from R\$63.0 million in 1Q17. This increase was driven by growth in active merchants and TPV, resulting in greater leverage of our operating expenses.

	At and for the three months ended March 31,	
	2017	2018
Reconciliation of Net Income to Non-GAAP Net Income:		
Net Income	60.6	148.5
Non-cash share-based long-term incentive plan (LTIP) [1]	-	130.3
Payroll taxes on share-based long-term incentive plan (LTIP) [2]	-	80.3
Foreign exchange gain on IPO primary share proceeds [3]	-	(89.8)
Tax related to remittance of IPO primary share proceeds (IOF tax) [4]	-	13.1
Present value of note receivables [5]	3.4	16.8
Income tax on non-GAAP adjustments [6]	(1.0)	(75.2)
Total non-GAAP net income adjustments	2.4	75.5
Non-GAAP Net Income	63.0	223.9

[1] and [2] Stock-based compensation expenses and related employer payroll taxes in the total amount of R\$210.6 million. This consists of expenses for equity awards under our long-term incentive plan (LTIP). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses. The related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of equity awards, over which management has limited to no control, and as such management does not believe it correlates to the operation of our business. The largest portion of this expense amount was recognized upon closing of our IPO with the issuance of R\$1.8 million shares for the LTIP grants that were already vested at the IPO date.

[3] Foreign exchange gain on IPO primary proceeds: financial income in the amount of R\$89.8 million related to the impact of exchange rates variation on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in the IPO. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is unusual income.

[4] Tax related to remittance of IPO primary share proceeds (IOF tax): R\$13.1 million related to the impact of Brazilian IOF tax (currency remittance tax) payable when we remitted the proceeds from our sale of new shares in the IPO from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of IPO primary share proceeds from our non-GAAP measures primarily because it is an unusual expense.

[5] Present value of note receivables: This relates to the effect of the recognition of note receivables in installments at present value in the amount of R\$16.8 million in 1Q18 and R\$3.4 million in 1Q17. Prior to the IPO, one of the sources of cash was the early payment of note receivables with issuing banks at pre-agreed interest rates. After the IPO, we stopped the early payment of note receivables with issuing banks and started to use the IPO proceeds to fund the early payment of receivables feature for merchants. Since note receivables are no longer discounted with issuing banks, the amount of the present value adjustment will increase accordingly as a deduction of financial income. The amount of note receivables in installments at present value depends on the SELIC rate, the Brazilian Central Bank's overnight rate, over which management has no control. As such, management does not believe it correlates to the operation of our business.

[6] Income tax on non-GAAP adjustments: the amount of R\$75.2 million relates to income tax on non-GAAP adjustments.

II - Cash Flow

Our cash and cash equivalents at the beginning of 1Q18 amounted to R\$66.8 million.

Our Profit before income taxes in 1Q18, as discussed above, was R\$163.0 million.

Revenue, income and expenses recorded in our statement of income in 1Q18 that did not affect our cash flows totaled the positive amount of R\$162.0 million, reflecting R\$130.3 million in share-based long-term incentive plan (LTIP) expenses, R\$14.4 million in Chargebacks and R\$18.0 million in Depreciation and amortization.

Our operating assets and liabilities in 1Q18 amounted to negative cash flows of R\$1,378.1 million:

- Our Note receivables item, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the note receivables owed to us by card issuers, consists of the difference between the opening and closing balances of the Note receivables item of Current Assets on our balance sheet (R\$4,883.3 million at March 31, 2018 versus R\$3,522.3 million at year-end 2017) excluding interest income received in cash and chargebacks, which are presented separately in the statement of cash flows. Note receivables represented a negative cash flow of R\$1,449.2 million in 1Q18. From the R\$1,449.2 million of negative cash flow, R\$1,137.2 million was receivables discounted with issuing banks as of 12/31/17 and repaid during 1Q2018 with the IPO primary proceeds. The remaining R\$312.0 million negative cash flow was due to the TPV growth in 1Q18.
- Our Payables to third parties item, which is presented net of revenue from transaction activities and financial income we receive when merchants elect to receive early payments, consists of the difference between the opening and closing balances of the Payables to third parties item of Current Liabilities on our balance sheet (R\$2,975.3 million at March 31, 2018 versus R\$3,080.6 million at year-end 2017). Payables to third parties represented negative cash flow of R\$105.3 million in 1Q18.

- Our Receivables from (payables to) related parties item consists of the difference between the opening and closing balances of the Receivables from related parties item (i.e., UOL) of Current Assets on our balance sheet (R\$**0.9** million at March 31, 2018 versus R\$**124.7** million at year-end 2017) offset by the difference between the opening and closing balances of the Payables to related parties item (i.e., UOL) of Current Liabilities on our balance sheet (R\$**45.0** million at March 31, 2018 versus R\$**39.1** million at year-end 2017), representing movements in our treasury cash position with UOL during the period. This item represented positive cash flow of R\$**129.6** million in 1Q18.
- Our Inventories item represents changes in the carrying value of the Inventories item of Current Assets on our balance sheet. This item represented positive cash flow of R\$**1.7** million in 1Q18.
- Our Salaries and social charges item represents amounts that were recorded on our statement of income, but which remained unpaid at the end of the period, principally because they related to the final month of the period. This item represented negative cash flow of R\$**8.1** million in 1Q18.
- Our Taxes and contributions item represents sales taxes (ISS, ICMS, PIS and COFINS). This item represented positive cash flow of R\$**19.4** million in 1Q18.

Since our statement of cash flows begins with our Profit before income taxes, it also adjusts for cash amounts paid in respect of our income tax and social contribution, which totaled R\$**34.8** million during the period. Our statement of cash flows also adjusts for interest income received in cash, which represented a positive cash flow of R\$**73.8** million in 1Q18.

As a result, our Net Cash used in operating activities in 1Q18 totaled R\$**1,014.1** million. Excluding the repayment of note receivables discounted with issuing banks as of 12/31/17 in the amount of R\$**1,137.2** million in 1Q18, the non-GAAP Net Cash provided by operating activities would have been the positive amount of R\$**123.1** million in 1Q18.

Our Cash flows provided by investing activities in 1Q18 totaled R\$**180.4** million. This amount consisted of R\$**211.1** million in redemptions of financial investments, representing cash withdrew during the period. We also invested R\$**29.7** million in purchases and development of intangible assets, which represent purchases of third party software and the salaries and other amounts that we paid to develop internally our software and technology, which we capitalize as intangible assets.

Our Cash flows provided by financing activities in 1Q18 totaled R\$**3,312.3** million, consisting of R\$**3,444.9** million representing our capital reserve, less R\$**148.0** million representing transactional costs, both of which related to our IPO.

Products launched in 1Q18

At the end of February, we launched a new functionality for Moderninha Pro and Wifi devices, enabling several merchants to share a single point-of-sale device (each terminal can serve up to six digital accounts, handling sales transactions for each account separately). The campaign launch was broadcast nationally, with a new commercial starring Alessandra Negrini, a recognized Brazilian actress.



At the close of the first quarter in March, we launched the Minizinha Chip, a handy and affordable POS that comes with chip-recognition and wi-fi connection. This release was headlined by Wesley Safadão, a popular Brazilian singer.



Earnings webcast

PagSeguro (NYSE: PAGS) will host a conference call and earnings webcast on Wednesday, May 30, at 10:00 am ET. The conference dial-in in the US and International is 1-800-492-3904 or +1 646 828-8246. The dial-in for connections in Brazil is +55 11 3193-1001 or +55 11 2820-4001. The Conference ID is PagSeguro.

To listen to a live webcast, please visit PagSeguro's IR website at investors.pagseguro.com. A replay will be available on the same website following the call.

About PagSeguro:

PagSeguro Digital is a disruptive provider of financial technology solutions focused primarily on micro-merchants, small companies and medium-sized companies in Brazil. PagSeguro Digital's business model covers all of the following five pillars:

- Multiple digital paymentsolutions;
- In-person payments via point of sale (POS) devices that PagSeguro Digital sell to merchants;
- Free digital accounts;
- Issuer of prepaid cards to clients for spending or withdrawing account balances; and
- Operating as an ~~acquirer~~

PagSeguro Digital is an UOL Group Company that provides an easy, safe and hassle-free way of accepting payments, where its clients can transact and manage their cash, without the need to open a bank account. PagSeguro Digital's end-to-end digital ecosystem enables its customers to accept a wide range of online and in-person payment methods, including credit cards, debit cards, meal voucher cards, boletos, bank transfers, bank debits and cash deposits.

PagSeguro Digital's mission is to disrupt and democratize financial services in Brazil, a concentrated, underpenetrated and high interest rate market, by providing an end-to-end digital ecosystem that is safe, affordable, simple and mobile-first for both merchants and consumers. For more information visit <http://investors.pagseguro.com>

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UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

	Three months ended March 31, 2018	Three months ended March 31, 2017	%
	(In R\$ thousands)		
Net revenue from transaction activities and other services	442,848	190,425	132.6%
Net revenue from sales	93,986	118,438	-20.6%
Financial income	274,838	138,808	98.0%
Other financial income	116,360	836	13,818.7%
Total revenue and income	928,032	448,508	106.9%
Cost of sales and services	(444,762)	(242,893)	83.1%
Selling expenses	(83,614)	(71,106)	17.6%
Administrative expenses	(219,024)	(32,520)	573.5%
Financial expenses	(16,524)	(19,218)	-14.0%
Other expenses, net	(1,109)	(594)	86.7%
PROFIT BEFORE INCOME TAXES	163,000	82,177	98.4%
Current income tax and social contribution	(20,935)	(19,085)	9.7%
Deferred income tax and social contribution	6,391	(2,468)	-359.0%
INCOME TAX AND SOCIAL CONTRIBUTION	(14,544)	(21,553)	-32.5%
NET INCOME FOR THE PERIOD	148,456	60,624	144.9%

Reconciliation of Basic and diluted EPS to Non-GAAP Basic and diluted EPS

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(In R\$ thousands, except per share amounts)	
Net income attributable to:		
Owners of the Company	148,378	60,625
Non-controlling interests	78	(1)
Weighted average number of outstanding common shares	297,454,853	262,288,607
Weighted average number of common shares diluted	298,584,130	262,288,607
Basic earnings per common share - R\$	0.4988	0.2311
Diluted earnings per common share - R\$	0.4969	0.2311
Net income Non-GAAP	223,923	62,991
Weighted average number of outstanding common shares	297,454,853	262,288,607
Weighted average number of common shares diluted	298,584,130	262,288,607
Non-GAAP Basic earnings per common share - R\$	0.7525	0.2402
Non-GAAP Diluted earnings per common share - R\$	0.7497	0.2402

UNAUDITED CONDENSED CONSOLIDATED INTERIM OF CASH FLOWS

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(In thousands – R\$)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	163,000	82,177
Expenses (revenues) not affecting cash:		
Depreciation and amortization	18,007	10,762
Chargebacks	14,438	17,434
Accrual of provision for contingencies	725	272
Share based long term incentive plan (LTIP)	130,303	-
Provision of obsolescence loss	(1,686)	-
Other financial cost, net	274	3,446
Changes in operating assets and liabilities		
Note receivables	(1,449,214)	(229,126)
Changes in receivables subject to early payment	(1,137,210)	150,113
Changes in receivables not subject to early payment	(312,004)	(379,239)
Inventories	1,693	(13,365)
Taxes recoverable	(2,700)	(15,942)
Other receivables	3,948	(351)
Other payables	7,193	3,015
Payables to third parties	(105,272)	138,716
Trade payables	25,633	31,011
Receivables from (payables to) related parties	129,643	(47,440)
Salaries and social charges	(8,077)	(3,710)
Taxes and contributions	19,350	23,982
Provision for contingencies	(331)	(1)
	(1,053,073)	880
Income tax and social contribution paid	(34,806)	(156)
Interest income received	73,804	56,111
Interest paid	-	(9,174)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,014,075)	47,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(976)	(52)
Purchases and development of intangible assets	(29,695)	(21,266)
Redemption of financial investments	211,116	113,742
NET CASH PROVIDED BY INVESTING ACTIVITIES	180,445	92,424
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	-	(199,480)
Payment of derivative financial instruments	-	(5,831)
Proceeds from offering of shares	3,444,875	-
Transactional costs	(147,972)	-
Transaction with non-controlling interest	(4,650)	-
Capital increase by non-controlling shareholders	20,000	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,312,253	(205,311)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,478,622	(65,225)
Cash and cash equivalents at the beginning of the period	66,767	79,969
Cash and cash equivalents at the end of the period	2,545,389	14,744

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	March 31, 2018	December 31, 2017
	(In thousands – R\$)	
Cash and cash equivalents	2,545,389	66,767
Financial investments	-	210,103
Note receivables	4,883,321	3,522,349
Receivables from related parties	909	124,723
Inventories	61,602	61,609
Taxes recoverable	18,008	14,446
Other receivables	18,834	27,956
Total current assets	7,528,063	4,027,953
Judicial deposits	1,198	872
Prepaid expenses	506	160
Deferred income tax and social contribution	63,822	37,015
Property and equipment	11,065	10,889
Intangible assets	190,638	158,868
Total non-current assets	267,229	207,804
TOTAL ASSETS	7,795,292	4,235,757
Payables to third parties	2,975,297	3,080,569
Trade payables	119,155	92,444
Payables to related parties	44,973	39,101
Salaries and social charges	26,192	34,269
Taxes and contributions	57,862	52,064
Provision for contingencies	5,213	4,648
Other payables	23,028	15,872
Total current liabilities	3,251,720	3,318,967
Deferred income tax and social contribution	63,226	42,809
Other payables	3,624	3,590
Total non-current liabilities	66,850	46,399
Share capital	25	524,577
Legal reserve	-	30,216
Capital reserve	4,311,782	-
Equity valuation adjustments	(6,701)	55
Profit retention reserve	148,378	312,047
	4,453,484	866,895
Non-controlling interests	23,238	3,496
Total equity	4,476,722	870,391
TOTAL LIABILITIES AND EQUITY	7,795,292	4,235,757

RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

Reconciliation of GAAP Net Revenues to Non-GAAP Revenues	1Q17	Non-GAAP Adjustment	1Q17 Non-GAAP	2Q17	Non-GAAP Adjustment	2Q17 Non-GAAP	3Q17	Non-GAAP Adjustment	3Q17 Non-GAAP	4Q17	Non-GAAP Adjustment	4Q17 Non-GAAP	2017	Non-GAAP Adjustment	2017 Non-GAAP	1Q18	Non-GAAP Adjustment	1Q18 Non-GAAP
Net revenue from transaction activities and other services	190.4		190.4	256.4		256.4	344.4		344.4	433.0		433.0	1,224.3		1,224.3	442.8		442.8
Net revenue from sales	118.4		118.4	125.6		125.6	117.4		117.4	110.4		110.4	471.9		471.9	94.0		94.0
Financial income	138.8	3.4	142.2	172.6	6.8	179.4	224.2	1.9	226.1	283.0	(14.8)	268.1	818.6	(2.8)	815.8	274.8	16.8	291.6
Other financial income	0.8		0.8	2.5		2.5	0.6		0.6	4.6		4.6	8.6		8.6	116.4	(89.8)	26.6
Total revenue and income	448.5	3.4	451.9	557.2	6.8	564.0	686.6	1.9	688.5	831.0	(14.8)	816.2	2,523.4	(2.8)	2,520.6	928.0	(73.0)	855.0
Reconciliation of GAAP Total Costs and Expenses to Non-GAAP Total Costs and Expenses	1Q17	Non-GAAP Adjustment	1Q17 Non-GAAP	2Q17	Non-GAAP Adjustment	2Q17 Non-GAAP	3Q17	Non-GAAP Adjustment	3Q17 Non-GAAP	4Q17	Non-GAAP Adjustment	4Q17 Non-GAAP	2017	Non-GAAP Adjustment	2017 Non-GAAP	1Q18	Non-GAAP Adjustment	1Q18 Non-GAAP
Cost of sales and services	(242.9)		(242.9)	(327.0)		(327.0)	(348.5)		(348.5)	(406.0)		(406.0)	(1,324.4)		(1,324.4)	(444.8)	38.2	(406.5)
Selling expenses	(71.1)		(71.1)	(54.6)		(54.6)	(58.4)		(58.4)	(61.7)		(61.7)	(245.8)		(245.8)	(83.6)		(83.6)
Administrative expenses	(32.5)		(32.5)	(33.5)		(33.5)	(41.7)		(41.7)	(45.4)		(45.4)	(153.2)		(153.2)	(219.0)	172.4	(46.7)
Financial expenses	(19.2)		(19.2)	(23.5)		(23.5)	(21.0)		(21.0)	(40.8)		(40.8)	(104.5)		(104.5)	(16.5)	13.1	(3.4)
Other (expenses) income, net	(0.6)		(0.6)	(2.1)		(2.1)	(2.3)		(2.3)	(7.0)		(7.0)	(12.0)		(12.0)	(1.1)		(1.1)
Total Cost and Expenses	(366.3)		(366.3)	(440.8)		(440.8)	(472.0)		(472.0)	(560.8)		(560.8)	(1,839.9)		(1,839.9)	(765.0)	223.7	(541.4)
Reconciliation of GAAP Net Income to Non-GAAP Net Income	1Q17	Non-GAAP Adjustment	1Q17 Non-GAAP	2Q17	Non-GAAP Adjustment	2Q17 Non-GAAP	3Q17	Non-GAAP Adjustment	3Q17 Non-GAAP	4Q17	Non-GAAP Adjustment	4Q17 Non-GAAP	2017	Non-GAAP Adjustment	2017 Non-GAAP	1Q18	Non-GAAP Adjustment	1Q18 Non-GAAP
Profit before Income Tax	82.2	3.4	85.5	116.4	6.8	123.2	214.7	1.9	216.6	270.2	(14.8)	255.4	683.5	(2.8)	680.7	163.0	150.7	313.7
Current income tax and social contribution	(19.1)		(19.1)	(38.8)		(38.8)	(66.2)		(66.2)	(90.9)		(90.9)	(215.0)		(215.0)	(20.9)		(20.9)
Deferred income tax and social contribution	(2.5)	(1.0)	(3.5)	4.6	(2.0)	2.6	(1.1)	(1.0)	(2.1)	9.2	5.0	14.2	10.3	1.0	11.3	6.4	(75.2)	(68.8)
Income Tax and Social Contribution	(21.6)	(1.0)	(22.6)	(34.2)	(2.0)	(36.2)	(67.3)	(1.0)	(68.3)	(81.7)	5.0	(76.7)	(204.7)	1.0	(203.7)	(14.5)	(75.2)	(89.8)
Net Income	60.6	2.4	63.0	82.2	4.8	87.0	147.4	0.9	148.3	188.6	(9.8)	178.7	478.8	(1.8)	477.0	148.5	75.5	223.9