

PagSeguro Reports Second Quarter Results

2Q19 Net Income of R\$322.8 million, up 41.8% compared to 2Q18.
2Q19 Non-GAAP Net Income of R\$342.9 million.

São Paulo, August 15, 2019 – PagSeguro Digital Ltd. (“PagSeguro” or “we”) announced today its second quarter results for the period ended June 30, 2019. Our consolidated financial statements are presented in Reais (R\$) and prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Second Quarter 2019 Financial & Operational Highlights:

- 9.4 million unique active accounts³;
- 1.4 million active PagBank users⁴;
- R\$26.8 billion in total payment volume (“TPV”), up 58.7% compared with 2Q18;
- Active merchants of 4.7 million, growth of 1.2 million active merchants in the last twelve months;
- R\$322.8 million in Net Income, up 41.8% compared with 2Q18;
- R\$342.9 million in non-GAAP Net Income, up 41.6% compared with 2Q18;
- Net Revenue from Transaction Activities and Other Services and Financial Income of R\$1,296.1 million up 52.9% compared to 2Q18;
- Non-GAAP Net Margin of 24.7%, no relevant changes compared with 2Q18 despite marketing investments in the PagBank initiative.

Main Operational and Financial Indicators (R\$ millions, except otherwise indicated)	At and for the Three Months Ended June 30,		
	2019	2018	Var. %
TPV	26,750.6	16,851.2	58.7%
Active Merchants (last 12 months) - (millions)	4.7	3.5	34.8%
Total Net Revenue ¹	1,389.7	1,001.8	38.7%
Net Income	322.8	227.6	41.8%
Net Margin (%)	23.2%	22.7%	0.5 pp
Basic earnings per common share (EPS) ² - (R\$)	1.0071	0.7417	
Diluted earnings per common share (EPS) - (R\$)	0.9805	0.7386	

Non-GAAP Main Financial Indicators (R\$ millions, except otherwise indicated)	At and for the Three Months Ended June 30,		
	2019	2018	Var. %
Non-GAAP Total Net Revenue ¹	1,389.7	974.5	42.6%
Non-GAAP Net Income	342.9	242.1	41.6%
Non-GAAP Net Margin (%)	24.7%	24.8%	0.0 pp
Non-GAAP Basic earnings per common share (EPS) ² - (R\$)	1.0698	0.7906	
Non-GAAP Diluted earnings per common share (EPS) - (R\$)	1.0416	0.7872	

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.

¹ Total revenue and income.

² Weighted average number of common shares of 306.3 million at June 30, 2018 and 320.1 million at June 30, 2019.

³ Unique active accounts are active merchants, online buyers using PAGS digital wallet and active PagBank consumers with at least one transaction in the last twelve months.

⁴ Active PagBank users are active merchants using one additional digital account feature / service beyond acquiring and PagBank consumers with at least one transaction in the last twelve months.

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 and they depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the vesting of the equity awards. The related employer payroll taxes depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the exercises and the vesting date of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business.

Foreign exchange gain on follow-on proceeds: This consists of financial income related to the impact of exchange rate variation on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in our June 2018 follow-on offering. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is an unusual gain.

Tax related to remittance of follow-on 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 our June 2018 follow-on offering from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of

follow-on share proceeds from our non-GAAP measures primarily because it is an unusual expense.

Income tax and social contribution on non-GAAP adjustments: This represents the income tax effect related to the non-GAAP adjustments mentioned above, except the Foreign exchange gain on follow-on 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 amounted to R\$1,389.7 million in the three months ended June 30, 2019, an increase of **38.7%** from R\$1,001.8 million in the three months ended June 30, 2018, or an increase of **42.6%** after non-GAAP adjustments in the three months ended June 30, 2018.

Reconciliation of Total Revenue and Income to non-GAAP Total Revenue and Income (R\$ millions):	At and for the three months ended June 30, 2019	At and for the three months ended June 30, 2018	Var. %
Total Revenue and Income	1,389.7	1,001.8	38.7%
(-) Foreign exchange gain on follow-on proceeds [1]	-	(27.3)	100.0%
Non-GAAP Total Revenue and Income	1,389.7	974.5	42.6%

[1] Foreign exchange gain on follow-on proceeds: financial income of R\$27.3 million related to the impact of exchange rate variation on the conversion from U.S. dollars into Brazilian reais of the proceeds from our sale of new shares in our June 2018 follow-on offering. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is an unusual income.

Net revenue from transaction activities and other services

Our Gross revenue from transaction activities and other services in the three months ended June 30, 2019 amounted to R\$914.1 million, an increase of R\$314.2 million, or **52.4%**, from R\$599.9 million in the three months ended June 30, 2018. This increase was principally due to a continued increase in our active merchant base, average spending per merchant and TPV.

Our Gross revenue from transaction activities and other services during the three months ended June 30, 2019 increased by a lesser percentage than our TPV, which increased to R\$26.8 billion from R\$16.9 billion in the three months ended June 30, 2018. This difference in the growth rate was driven by the mix of debit and credit card payments

processed containing a higher percentage of debit card payments and within the credit card payments processed, a lower percentage of credit card transactions made in installments in the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Our Deductions from gross revenue from transaction activities and other services, which consist principally of taxes, amounted to R\$**115.2** million in the three months ended June 30, 2019, or **12.6%** of our Gross revenue from transaction activities and other services for the quarter. In the three months ended June 30, 2018, Deductions from gross revenue from transaction activities and other services totaled R\$**84.7** million, or **14.1%** of our Gross revenue from transaction activities and other services for the quarter. The R\$**30.5** million, or **36.0%**, increase in these Deductions is directly related to the increase in the gross revenue.

As a result, our Net revenue from transaction activities and other services in the three months ended June 30, 2019 amounted to R\$**798.9** million, an increase of R\$**283.7** million, or **55.1%**, from R\$**515.2** million in the three months ended June 30, 2018.

Net revenue from sales

Our Gross revenue from sales in the three months ended June 30, 2019 amounted to R\$**92.1** million, a decrease of R\$**36.0** million, or **28.1%**, from R\$**128.1** million in the three months ended June 30, 2018. This decrease was principally due to a different POS devices sales mix and hardware price reductions in the three months ended June 30, 2019 when compared to the three months ended June 30, 2018.

Our Deductions from gross revenue from sales in the three months ended June 30, 2019 amounted to R\$**28.7** million, or **31.1%** of our Gross revenues from sales for the period. In the three months ended June 30, 2018, these Deductions totaled R\$**38.7** million, or **30.2%** of Gross revenues from sales for the period. The small increase 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 the three months ended June 30, 2019 amounted to R\$**63.4** million, a decrease of R\$**25.9** million, or **29.0%**, from R\$**89.4** million in the three months ended June 30, 2018.

Financial income

Our Financial income, which represents the discount fees we withhold from credit card transactions in installments for the early payment of accounts receivable, amounted to R\$**497.2** million in the three months ended June 30, 2019, an increase of R\$**164.6** million, or **49.5%** from R\$**332.6** million in the three months ended June 30,

2018. The growth in this activity compared to the three months ended June 30, 2018 was driven by growth in our TPV for credit card transactions in installments.

Other financial income

Our Other financial income amounted to R\$30.2 million in the three months ended June 30, 2019, a decrease of R\$34.3 million from R\$64.5 million in the three months ended June 30, 2018. This decrease was due to the unusual impact of exchange rates in the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in our June 2018 follow-on offering, which impact amounted to R\$27.3 million in the three months ended June 30, 2018.

Expenses

Our total expenses amounted to R\$928.6 million in the three months ended June 30, 2019, an increase of R\$239.5 million, or 34.8%, from R\$689.1 million in the three months ended June 30, 2018.

As a percentage of our Total revenue and income, our total expenses in the three months ended June 30, 2019 decreased by 2.0 percentage points, to 66.8% in the three months ended June 30, 2019 from 68.8% in the three months ended June 30, 2018.

Our non-GAAP total expenses amounted to R\$898.2 million in the three months ended June 30, 2019, an increase of R\$272.1 million, or 43.5%, from R\$626.1 million in the three months ended June 30, 2018.

Reconciliation of Expenses to non-GAAP Expenses (R\$ millions):	At and for the three months ended June 30, 2019	At and for the three months ended June 30, 2018	Var. %
Expenses	(928.6)	(689.1)	34.8%
(-) Share-based long-term incentive plan (LTIP) [1]	30.4	62.3	51.2%
(-) Tax related to remittance of follow-on proceeds (IOF tax) [2]	-	0.7	100.0%
Total non-GAAP expenses adjustments	30.4	63.0	51.7%
Non-GAAP Expenses	(898.2)	(626.1)	43.5%

[1] Share-based long-term incentive plan (LTIP): 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 and they depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the vesting of the equity awards. The related employer payroll taxes depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the exercises and the vesting date of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended June 30, 2019, the amount of R\$30.4 million is mainly composed of the recurrent quarterly provision. In the three months ended June 30, 2018 the amount of R\$30.7 million is mainly related to new shares issued to preexisting LTIP beneficiaries and to new employees participating in our LTIP. The amount of R\$31.6 million is related to the recurrent quarterly provision.

[2] Tax related to remittance of follow-on proceeds (IOF tax): R\$0.7 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 our June 2018 follow-on offering from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of follow-on proceeds from our non-GAAP measures primarily because it is an unusual expense.

Cost of sales and services

Our Cost of sales and services amounted to R\$**684.4** million in the three months ended June 30, 2019, an increase of R\$**201.6** million, or **41.8%**, from R\$**482.8** million in the three months ended June 30, 2018. As a percentage of the total of our Net revenue from transaction activities and other services and our Net revenue from sales and our Cost of sales and services posted a decrease of **0.4** percentage points, to **79.4%** in the three months ended June 30, 2019 from **79.8%** in the three months ended June 30, 2018.

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, decreased to **61.6%** in the three months ended June 30, 2019 from **65.9%** in the three months ended June 30, 2018, due to the mix of debit and credit card payments processed containing a higher percentage of debit card payments and lower debit interchange fee expenses than credit interchange fee expenses. Our Cost of sales, expressed as a percentage of our Net revenue from sales, increased to **364.1%** in the three months ended June 30, 2019 from **160.3%** in the three months ended June 30, 2018 due to hardware price reductions.

In the three months ended June 30, 2019, our non-GAAP Cost of sales and services amounted to R\$**682.0** million (reflecting the exclusion of the LTIP adjustment of R\$**2.4** million in the three months ended June 30, 2019), an increase of R\$**210.5** million, or **44.7%**, from R\$**471.5** million in the three months ended June 30, 2018 (reflecting the exclusion of the LTIP adjustment of R\$**11.3** million in the three months ended June 30, 2018). For a reconciliation of our non-GAAP Cost of sales and services to our Cost of sales and services, see the last page of this earnings release.

Selling expenses

Our Selling expenses amounted to R\$**131.7** million in the three months ended June 30, 2019, an increase of R\$**37.3** million, or **39.5%**, from R\$**94.4** million in the three months ended June 30, 2018. As a percentage of our Total revenue and income, our Selling expenses increased by **0.1** percentage points, to **9.5%** in the three months ended June 30, 2019 from **9.4%** in the three months ended June 30, 2018, as we continue to leverage our selling expenses.

Administrative expenses

Our Administrative expenses amounted to R\$**109.9** million in the three months ended June 30, 2019, an increase of R\$**0.7** million, or **0.6%**, from R\$**109.2** million in the three months ended June 30, 2018. As a percentage of our Total revenue and income, our Administrative expenses decreased by **3.0** percentage points, to **7.9%** in the three months ended June 30, 2019 from **10.9%** in the three months ended June 30, 2018.

For the three months ended June 30, 2019 our non-GAAP Administrative expenses amounted to R\$**81.9** million, an increase of R\$**23.7** million, or **40.6%**, from R\$**58.2** in the three months ended June 30, 2018, which figures exclude the LTIP adjustment of R\$**28.0** million in the three months ended June 30, 2019 and R\$**51.0** in the three months ended June 30, 2018. Our non-GAAP Administrative expenses represented **5.9%** of the total of our non-GAAP Net revenue and income in both the three months ended June 30, 2019 and the three months ended June 30, 2018. For a reconciliation of our non-GAAP Administrative expenses to our Administrative expenses, see the last page of this earnings release.

Financial expenses

Our Financial expenses amounted to R\$**2.2** million in the three months ended June 30, 2019, a decrease of R\$**0.6** million, or **21.4%**, from expenses of R\$**2.8** million in the three months ended June 30, 2018. Expressed as a percentage of our Financial income, our Financial expenses represented **0.4%** in the three months ended June 30, 2019 and **0.8%** in the three months ended June 30, 2018. This decrease was mainly driven by the impact of R\$**0.7** million related to the impact of the IOF tax on the remittance of our sale of shares in our follow-on proceeds from the Cayman Islands to Brazil in the three months ended June 30, 2018.

Our non-GAAP Financial expenses, which exclude the IOF tax amount of R\$**0.7** million, amounted to R\$**2.1** million in the three months ended June 30, 2018. For a reconciliation of our non-GAAP Financial expenses to our Financial expenses, see the last page of this earnings release.

Other (expenses) income, net

Our Other (expenses) income, net recorded an expense of R\$**0.5** million in the three months ended June 30, 2019 and an income of R\$**0.1** million in the three months ended June 30, 2018. In the three months ended June 30, 2019, this net amount mainly related to civil and labor litigation proceedings expenses.

Profit before income taxes

Our Profit before income taxes amounted to R\$**461.1** million in the three months ended June 30, 2019, an increase of R\$**148.4** million, or **47.4%**, from R\$**312.7** million in the three months ended June 30, 2018.

Our non-GAAP Profit before income taxes amounted to R\$**491.5** million in the three months ended June 30, 2019, an increase of R\$**143.1** million, or **41.1%** from R\$**348.4** million in the three months ended June 30, 2018. For a reconciliation of our non-GAAP Profit before income taxes to our Profit before income taxes, see the last page of this earnings release.

Income tax and social contribution

Income tax and social contribution amounted to an expense of R\$**138.4** million in the three months ended June 30, 2019, an increase of R\$**53.2** million from R\$**85.1** million in

the three months ended June 30, 2018. This item consists of current income tax and social contribution and deferred income tax and social contribution.

Our effective tax rate increased by **2.8** percentage points to **30.0%** in the three months ended June 30, 2019 from **27.2%** in the three months ended June 30, 2018. In the three months ended June 30, 2018 we had a benefit of the exchange variation from U.S. dollars to *reais* which is not taxable under the Companies Law of 1960 of the Cayman Islands. In the three months ended June 30, 2019, the difference between the effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was mainly related to the Technological Innovation Law (*Lei do Bem*), which reduces income tax charges based on investments made in innovation and technology, such as those made by PagSeguro Brazil, our Brazilian operating subsidiary.

Our non-GAAP income tax and social contribution expense for the three months ended June 30, 2019 amounted to R\$**10.3** million, a decrease of R\$**10.9** million, or **51.1%**, compared to R\$**21.2** in the three months ended June 30, 2018.

Our non-GAAP effective tax rate decreased by **0.2** percentage points to **30.3%** in the three months ended June 30, 2019, from **30.5%** in the three months ended June 30, 2018.

Reconciliation of Income Tax and Social Contribution to Non-GAAP Income Tax and Social Contribution (R\$ millions):	At and for the three months ended June 30, 2019	At and for the three months ended June 30, 2018	Var. %
Income tax and social contribution	(138.4)	(85.1)	62.5%
(-) Income tax and social contribution on Non-GAAP adjustments [1]	(10.3)	(21.2)	51.1%
Non-GAAP Income tax and social contribution	(148.7)	(106.3)	39.9%

[1] Income tax and social contribution on non-GAAP adjustments: the amount of R\$**10.3** million consists of income tax at the rate of 34% calculated on the non-GAAP adjustments. The amount of R\$**21.2** million consists of income tax at the rate of 34% calculated on the non-GAAP adjustments, other than the foreign exchange gain on follow-on proceeds of R\$**27.3** million, which is not taxable, and the tax benefits related to other non-GAAP adjustments.

Net income for the period

Our Net income for the period in the three months ended June 30, 2019 amounted to R\$**322.8** million, an increase of R\$**95.2** million, or **41.8%** from R\$**227.6** million in the three months ended June 30, 2018.

As a percentage of our Total revenue and income, our Net income for the period increased by **0.5** percentage points, to **23.2%** in the three months ended June 30, 2019 compared with **22.7%** in the three months ended June 30, 2018.

Our non-GAAP Net income for the three months ended June 30, 2019 amounted to R\$**342.9** million, an increase of R\$**100.7** million, or **41.6%**, from R\$**242.1** in the three months ended June 30, 2018, reflecting the sum of the non-GAAP adjustments described below.

Reconciliation of Net Income to Non-GAAP Net Income (R\$ millions):	At and for the three months ended June 30, 2019	At and for the three months ended June 30, 2018	Var. %
Net Income	322.8	227.6	41.8%
Foreign exchange gain on follow-on proceeds [1]	-	(27.3)	100.0%
Share-based long-term incentive plan (LTIP) [2]	30.4	62.3	51.2%
Tax related to remittance of follow-on proceeds (IOF tax) [3]	-	0.7	100.0%
Income tax on non-GAAP adjustments [4]	(10.3)	(21.2)	61.7%
Total non-GAAP net income adjustments	20.1	14.5	53.4%
Non-GAAP Net Income	342.9	242.1	41.6%

[1] Foreign exchange gain on follow-on proceeds: financial income of R\$27.3 million related to the impact of exchange rate variation on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares in our June 2018 follow-on offering. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is an unusual gain.

[2] Share-based long-term incentive plan (LTIP): 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 and they depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the vesting of the equity awards. The related employer payroll taxes depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the exercises and the vesting date of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. In the three months ended June 30, 2019, the amount of R\$30.4 million is mainly composed of the recurrent quarterly provision. In the three months ended June 30, 2018 the total amount of R\$30.7 million is mainly related to new shares issued to preexisting LTIP beneficiaries and to new employees participating in our LTIP. The amount of R\$31.6 million is related to the recurrent quarterly provision.

[3] Tax related to remittance of follow-on proceeds (IOF tax): R\$0.7 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 our June 2018 follow-on offering from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of follow-on proceeds from our non-GAAP measures primarily because it is an unusual expense.

[4] Income tax and social contribution on Non-GAAP adjustments: the amount of R\$10.3 million consists of income tax at the rate of 34% calculated on the non-GAAP adjustments. The amount of R\$21.2 million consists of income tax at the rate of 34% calculated on the non-GAAP adjustments, other than the foreign exchange gain on follow-on proceeds of R\$27.3 million, which is not taxable, and the tax benefits related to other non-GAAP adjustments.

II - Cash Flow

Our cash and cash equivalents at the beginning of the six months ended June 30, 2019 amounted to R\$**2,763.0** million.

Our Profit before income taxes in the six months ended June 30, 2019 was R\$**910.5** million.

The adjustments for revenue, income and expenses recorded in our statement of income in the six months ended June 30, 2019 but which did not affect our cash flows totaled the positive amount of R\$**188.9** million, mainly due to R\$**27.8** million of Share-based long-term incentive plan (LTIP) expenses, R\$**74.5** million in Chargebacks, R\$**48.1** million of Depreciation and amortization recorded in our statement of income and R\$**30.8** million of other financial cost (net), mainly due to R\$**28.3** million related to interest income received from financial investments. LTIP expenses relate to equity awards under our LTIP. Chargebacks relate to amounts that we initially recorded as revenues but for which we did not receive the related cash payment due primarily to fraud.

The adjustments for changes in our operating assets and liabilities in the six months ended June 30, 2019 amounted to a negative cash flow of R\$**1,633.8** million:

- Our Accounts receivable item, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the accounts receivable owed to us by card issuers, consists of the difference between the opening and closing balances of the Accounts receivable item of Current Assets and Non-current assets on our balance sheet (R\$**9,871.5** million at June 30, 2019 compared to R\$**8,104.7** million at year-end 2018) excluding interest income received in cash and chargebacks, which are presented separately in the statement of cash flows. Accounts receivable represented a negative cash flow of R\$**1,979.9** million in the six months ended June 30, 2019.
- 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\$**4,581.5** million at June 30, 2019 compared to R\$**4,324.2** million at year-end 2018). Payables to third parties represented positive cash flow of R\$**257.3** million in the six months ended June 30, 2019.
- Our Receivables from (payables to) related parties item consists of 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\$**34.9** million at June 30, 2019 compared to R\$**30.8** million at year-end 2018). Receivables from (payables to) related parties represented positive cash flow of R\$**4.1** million in the six months ended June 30, 2019.
- 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\$3.1 million in the six months ended June 30, 2019.

- Our Salaries and social charges item represent 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 positive cash flow of R\$35.0 million in the six months ended June 30, 2019.
- Our Trade payables item consists of the difference between the opening and closing balances of the trade payables (R\$239.5 million at June 30, 2019 compared to R\$165.2 million at year-end 2018). Trade payables represented positive cash flow of R\$73.7 million in the six months ended June 30, 2019.
- Our Taxes and contributions item represents sales taxes (ISS, ICMS, PIS and COFINS). This item represented positive cash flow of R\$6.1 million in the six months ended June 30, 2019.

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\$52.1 million in the six months ended June 30, 2019. Our statement of cash flows also adjusts for interest income received in cash, which represented a positive cash flow of R\$138.7 million in the six months ended June 30, 2019.

As a result of the above, our Net Cash used in operating activities in the six months ended June 30, 2019 totaled R\$447.8 million.

Our Cash flows used in investing activities in the six months ended June 30, 2019 totaled R\$2,044.7 million. This amount consisted of R\$148.5 million in purchases and development of intangible assets, which represent purchases of third-party software and salaries and other amounts that we paid to develop internally software and technology, which we capitalize as intangible assets, and R\$1,790.1 million related to our conversion of cash and cash equivalents to investments in Brazil's government treasury bonds ("LFTs").

Our Cash flows used in financing activities in the six months ended June 30, 2019 totaled R\$15.7 million, principally related to our acquisition of the remaining 49% of R2Tech Informática S.A. in February 2019.

After accounting for the total decrease in Cash and cash equivalents of R\$2,508.3 million discussed above, our Cash and cash equivalents at June 30, 2019 amounted to R\$254.8 million.

Earnings webcast

PagSeguro (NYSE: PAGS) will host a conference call and earnings webcast on August 15, 2019 at 5:30 pm ET.

Event Details

Dial-in (Brazil): +55 11 3181-8565.

Dial-in (US and other countries): +1 (412) 717-9627 or +1 (844) 204-8942

Password: PagSeguro

Webcast: <http://choruscall.com.br/pagseguro/2q19.htm>

About PagSeguro:

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

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

PagSeguro 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'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'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.

Contacts:

Investor Relations:

PagSeguro Digital Ltd.

+55 (11) 3914-9524

ir@pagseguro.com

investors.pagseguro.com

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

	Three months ended June 30, 2019	Three months ended June 30, 2018	%
	<i>(Amounts expressed in R\$ millions)</i>		
Net revenue from transaction activities and other services	798.9	515.2	55.1%
Net revenue from sales			
Financial income	63.5	89.4	(29.0)%
Other financial income	497.2	332.6	49.5%
	30.2	64.5	(53.2)%
Total revenue and income	1,389.7	1,001.8	38.7%
Cost of sales and services	(684.4)	(482.8)	41.8%
Selling expenses	(131.7)	(94.4)	39.5%
Administrative expenses	(109.9)	(109.2)	0.6%
Financial expenses	(2.2)	(2.8)	(21.4)%
Other expenses, net	(0.5)	0.1	(601.0)%
PROFIT BEFORE INCOME TAXES	461.1	312.7	47.4%
Current income tax and social contribution	(1.3)	(99.3)	(98.6)%
Deferred income tax and social contribution result	(137.0)	14.1	(1070.6)%
INCOME TAX AND SOCIAL CONTRIBUTION	(138.3)	(85.1)	62.5%
NET INCOME FOR THE PERIOD	322.8	227.6	41.8%

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

	Three months ended June 30, 2019	Three months ended June 30, 2018
	<i>(Amounts expressed in R\$ thousands, except share quantities and amounts per share)</i>	
Net income attributable to:		
Owners of the Company	322,400	227,168
Non-controlling interests	357	439
Weighted average number of outstanding common shares	320,114,060	306,278,562
Weighted average number of common shares diluted	328,803,051	307,583,600
Basic earnings per common share - R\$	1.0071	0.7417
Diluted earnings per common share - R\$	0.9805	0.7386
Non-GAAP Net income	342,468	242,130
Weighted average number of outstanding common shares	320,114,060	306,278,562
Weighted average number of common shares diluted	328,803,051	307,583,600
Non-GAAP Basic earnings per common share - R\$	1.0698	0.7906
Non-GAAP Diluted earnings per common share - R\$	1.0416	0.7872

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	As of June 30, 2019	As of December 31, 2018
	<i>(Amounts expressed in R\$ thousands)</i>	
Cash and cash equivalents	254,767	2,763,050
Financial investments	1,761,745	-
Accounts receivable	9,859,199	8,104,679
Inventories	78,494	88,551
Taxes recoverable	100,161	65,653
Other receivables	41,709	20,148
Total current assets	12,096,074	11,042,081
Judicial deposits	2,907	1,511
Accounts receivable	12,260	-
Prepaid expenses	5,001	968
Investment	1,500	-
Property and equipment	146,739	67,104
Intangible assets	425,941	305,614
Total non-current assets	594,348	375,197
TOTAL ASSETS	12,690,423	11,417,278
Payables to third parties	4,581,475	4,324,198
Trade payables	239,508	165,246
Payables to related parties	34,858	30,797
Salaries and social charges	108,984	73,936
Taxes and contributions	109,130	80,093
Provision for contingencies	8,264	7,004
Other payables	16,267	29,501
Total current liabilities	5,098,486	4,710,775
Deferred income tax and social contribution	358,625	132,125
Other payables	15,800	-
Total non-current liabilities	374,425	132,125
Share capital	26	26
Capital reserve	5,715,888	5,688,134
Equity valuation adjustments	(22,785)	(7,325)
Profit retention reserve	1,540,979	909,267
Treasury shares	(39,532)	(39,532)
	7,194,576	6,550,570
Non-controlling interests	22,936	23,806
Total equity	7,217,512	6,574,376
TOTAL LIABILITIES AND EQUITY	12,690,423	11,417,278

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	Six months ended June 30, 2019	Six months ended June 30, 2018
	<i>(Amounts expressed in R\$ thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income taxes	910,500	475,748
Expenses (revenues) not affecting cash:		
Depreciation and amortization	48,135	38,548
Chargebacks	74,483	28,146
Accrual of provision for contingencies	848	1,135
Share based long term incentive plan (LTIP)	27,754	162,410
Inventory provisions	6,918	2,745
Other financial cost, net	30,783	(1,195)
Changes in operating assets and liabilities		
Accounts receivable	(1,979,920)	(2,838,067)
Inventories	3,139	4,508
Taxes recoverable	(13,999)	265
Other receivables	(22,944)	3,958
Other payables	3,791	2,404
Payables to third parties	257,277	4,218
Trade payables	73,668	64,091
Receivables from (payables to) related parties	4,061	119,130
Salaries and social charges	35,048	1,356
Taxes and contributions	6,073	22,291
Provision for contingencies	-	(795)
	(534,385)	(1,909,104)
Income tax and social contribution paid	(52,122)	(110,844)
Interest income received	138,658	160,164
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(447,849)	(1,859,784)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amount paid on acquisitions, net of cash acquired	(15,753)	-
Purchases of property and equipment	(90,348)	(11,749)
Purchases and development of intangible assets	(148,528)	(66,363)
Acquisition of financial investments	(1,790,118)	-
Redemption of financial investments	-	211,116
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,044,747)	133,004
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from offering of shares	-	4,744,900
Transactional costs	-	(186,349)
Transaction with non-controlling interest	(15,992)	(5,390)
Capital increase by non-controlling shareholders	305	20,334
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(15,687)	4,573,495
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,508,283)	2,846,715
Cash and cash equivalents at the beginning of the year	2,763,050	66,767
Cash and cash equivalents at the end of the year	254,767	2,913,482

RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	<i>(Amounts expressed in R\$ millions, except amounts per share)</i>	<i>(Amounts expressed in R\$ millions, except amounts per share)</i>
Total revenue and income	1,389.7	1,001.8
Less: Foreign exchange gain on follow-on proceeds	-	(27.3)
Non-GAAP total revenue and income (1)	1,389.7	974.5
Total expenses	(928.6)	(689.1)
Less: Share-based long-term incentive plan (LTIP)	30.4	62.3
Less: Tax related to remittance of follow-on proceeds (IOF tax)	-	0.7
Non-GAAP total expenses (2)	(898.2)	(626.1)
Profit before taxes	461.1	312.7
Plus: Total non-GAAP adjustments	30.4	35.7
Non-GAAP profit before taxes (3)	491.5	348.4
Income tax and social contribution	(138.4)	(85.1)
Less: Income tax and social contribution on non-GAAP adjustments	(10.3)	(21.1)
Non-GAAP deferred income tax (4)	(148.7)	(106.3)
Net income	322.8	227.6
Plus: Total non-GAAP adjustments	20.1	14.5
Non-GAAP net income (5)	342.9	242.1
Basic earnings per common share - R\$	1.0071	0.7417
Diluted earnings per common share - R\$	0.9805	0.7386
Non-GAAP basic earnings per common share - R\$ (6)	1.0698	0.7906
Non-GAAP diluted earnings per common share - R\$ (6)	1.0416	0.7872

- (1) Non-GAAP total revenue and income excludes a foreign exchange gain on our follow-on proceeds in the amount of R\$27.3 million in the three months ended June 30, 2018, which relates to the impact of exchange rate variation on the conversion from U.S. dollars into Brazilian *reais* of the proceeds from our sale of new shares follow-on offering. We exclude this foreign exchange variation from our non-GAAP measures primarily because it is unusual income. The foreign exchange gain on our follow-on proceeds is included within Other financial income. Other financial income in the amount of R\$64.5 million is therefore adjusted by excluding the foreign exchange gain on our follow-on proceeds, resulting in non-GAAP Other financial income in the amount of R\$37.2 million.
- (2) Non-GAAP total expenses excludes:
- Stock-based compensation expenses in the total amount of R\$30.4 million (R\$62.3 million in the three months ended June 30, 2018), consisting of expenses for equity awards under our LTIP. 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 and they depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the vesting of the equity awards. The related employer payroll taxes depend on our stock price and the exchange rate from U.S. dollars into Brazilian *reais* at the time of the exercises and the vesting date of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. The total of stock-based compensation expenses is allocated between Cost of sales and services and Administrative expenses. Excluding the stock-based compensation expenses, Cost of sales and services in the amount of R\$684.4 million (R\$482.8 million in the three months ended June 30, 2018) is adjusted by R\$2.4 million (R\$11.3 million in the three months ended June 30, 2018) resulting in non-GAAP Cost of sales and services of R\$682.0 million (R\$471.5 million in the three months ended June 30, 2018); and Administrative Expenses in the amount of R\$109.9 million (R\$109.2 million in the three months ended June 30, 2018) is adjusted by R\$28.0 million (R\$51.0 million in the three months ended June 30, 2018) resulting in non-GAAP Administrative expenses of R\$81.9 million (R\$58.2 million in the three months ended June 30, 2018).
 - Tax related to remittance of follow-on share proceeds (IOF tax) in the amount of R\$0.7 million in the three months ended June 30, 2018, which represents the impact of Brazilian IOF tax (currency remittance tax) payable when we remitted the proceeds from our sale of new shares in our June 2018 follow-on offering from the Cayman Islands to Brazil. We exclude this IOF tax on the remittance of follow-on share proceeds from our non-GAAP measures primarily because it is an unusual expense. The IOF tax is fully allocated to Financial expenses in the amount of R\$2.8 million is therefore adjusted by excluding the IOF tax, resulting in non-GAAP Financial expenses in the amount of R\$2.1 million.
- (3) Non-GAAP profit before taxes is equal to the sum of the adjustments described in footnotes (1) and (2) above.
- (4) Non-GAAP income tax and social contribution consists of income tax at the rate of 34% calculated on the non-GAAP adjustments described in footnotes (1) and (2) above, other than the foreign exchange gain on follow-on proceeds of R\$27.3 million in the three months ended June 30, 2018, which is not taxable, and the tax benefits related to other non-GAAP adjustments.
- (5) Non-GAAP net income is equal to the sum of the adjustments described in footnotes (1), (2) and (4) above.
- (6) Non-GAAP basic earnings per common share and non-GAAP diluted earnings per common share reflect the adjustments to non-GAAP net income, which is allocated in full to Owners of the Company.