

# MESSAGE FROM MANAGEMENT

Dear all,

The 3Q17 shows another gradual step towards the consolidation of the resumption of volumes and margins. We intensified the effort to reduce costs focused on the efficiency gain in the traditional services and, with the same intensity, we are developing new business models aligned with our core business ("IoT", traceability and digital payment).

The positive result in the Identification Systems division, now called Identity, is arising from the gradual recovery of the Brazilian economic environment during 2017, indicating a separation from the political scenario, and the global recovery of the Telecom division, now Mobile, have consolidated the recovery of the sales volumes for the second consecutive quarter. Coupled with the gain of efficiency in actions implemented in the year, we report a growth in the Company's consolidated margins, from 14.0% in 1Q17 and 15.4% in 2Q17 to 16.8% in 3Q17. The cost reduction actions implemented at the supply chain (direct and indirect) and the manufacturing process standardization total R\$40MM, which give us security to reach the reduction cost of R\$80MM expected until the end of 2Q19.

Thus, EBITDA<sup>1</sup> in 3Q17 was higher than in 2Q17, up 14.8%, and down 8.1% compared to 3Q16, due to a 3.2% drop in sales (R\$426 million in 3Q16 vs. R\$412 million in 3Q17) in the comparison between periods, and, also, due to the impact of a new collection from SERPRO, totaling R\$6.7 million (R\$15 million in the year) in addition to the need to record a provision for loss on labor lawsuits in the amount of R\$2.6 million. As a result, EBITDA<sup>1</sup> in 3Q17 totaled R\$69.2 million against R\$75.3 million in 3Q16.

In the Identity division, the 3Q17 continues presenting good performance with the growth in volumes compared to the other quarters of 2017 and also compared to 3Q16. Moreover, the efforts to re-adjust the cost structure associated with the higher efficiency at the supply chain resulted in a growth by 2.9 p.p. in the EBITDA margin compared to 3Q16 and 6.6 p.p. compared to 2Q17, even after the beginning of SERPRO's collection.

In the USA Identity division, this quarter we performed with volumes slightly above the expected for the contract (1.7MM/year). With the operation in Washington already implemented and well evaluated by the customer, our strategy is to consolidate our position during 2018 as driver's license issuer and strengthen our relationship in other states to achieve a more competitive participation in future bids to seek a larger market share.

On the Mobile side, after the three first months of the year being influenced by one-off market issues, the 3Q17 presents, for the second consecutive quarter, a resumption in the volumes with a growth by 5.2% compared to 2Q17 and 4.4% compared to 3Q16. In addition to higher volumes than those presented at the beginning of this year, it is important to highlight the cost reduction works in the supply chain, which even in a market where the sales prices are subject to strong pressure, contributed to the division to post an increase in EBITDA margin of 2.1 p.p. compared to 2Q17 and 3.4 p.p. compared to 3Q16.

In relation to our strategy to participate more actively in the "era of a connected life" (IoT), we concluded the acquisition of 5.39% of Irish company Cubic for 10 million Euros. Besides being the main partner to provide the e-SIM and the customer personalization platform (Subscription Manager), we will participate more actively in the discussions involving new business models and services. Cubic is an Irish company focused on developing M2M connectivity management platform, which uses as main component the eUICC technology – or embedded SIM or eSIM – which is considered as the evolution of the SIM card.

In the Means of Payments division, now Payment, the market still continues to be challenging. The business principles continue to show expectation of resumption of volumes and recovery of margins based on the efficiency actions implemented, or under implementation process.

In the LATAM Payment division, we are still seeing volumes lower than expected and prices under pressure. Even in such a scenario, we positively highlight the growth by 3.6 p.p. in 3Q17 compared to 2Q17. Such increase is the result of efficiency gain actions focused on cost reduction implemented during this year.

<sup>1</sup> Adjusted EBITDA, for details see page 2.

In the USA, the Identify, Mobile and Data Solutions businesses advanced. However, in relation to card volumes, we had a decrease of 9.2% compared to 3Q16's figures, but a recovery of 8.4% compared to 2Q17's. The volume of chip cards in this quarter were more standardized (16 million units), representing a significant increase compared to 3Q16's (7.5 million units) and 2Q17's (9.3 million units), however, due to an unfavorable mix of Gift Cards, the significant improvement in chip card volumes was not noticed in the results of the division, and in 3Q17 the EBITDA margin decreased by 9.7 p.p when compared to 3Q16's and 7,3 p.p to 2Q17's, and within 3Q17's, EBITDA margin decreased by 9.7 p.p. compared to 3Q16's and 7.3 p.p to 2Q17's.

Capex in 3Q17 also showed a reduction of 55% compared to 3Q16. In the comparison between 9M17 and 9M16, the reduction was 68%, from R\$69MM in 2016 to R\$22MM in 2017. On the other hand, we invested approximately R\$37MM in acquisitions (Cubic). This shows the strategy of allocation of resources to opportunities that improve our position in the digital and "Internet of Things" era, but without losing the capacity of maintenance, production and quality of the traditional services.

After a negative cash generation in the 6M17 of R\$45 million, the Company's operating cash generation was positive again in this quarter, where approximately R\$39 million were generated between July and September this year. In the year, the cash generation continues to be negative by R\$5.7 million.

In February 2017, we introduced a stock buyback program that will extend until February 2018 involving a total of up to one million shares, which corresponds to 1.57% of the outstanding shares. We ended the quarter with 712,325 shares held in treasury, which corresponds to 1.00% of the Company's total Capital Stock at an average price of R\$18.35.

Regarding the dividend policy, we remain committed to distributing at least 50% of our adjusted net income, without jeopardizing our policy of growing through acquisitions and the development of new businesses. At the Annual Shareholders' Meeting held on April 28, 2017, the payment of dividends in the amount of R\$10.8 million was approved and paid on May 12, 2017. In the year, Valid has already paid R\$10.8 million in dividends and R\$13.2 million in interest on the shareholders' equity.

We are sure that the actions being implemented to gain efficiency in all divisions are helping Valid to become even more competitive for the challenges in the market where we operate as well as promoting a more favorable condition for us to evolve in the solutions of "Digital Era" and "Connected Life". We are also working in 2017 to update our position and our identity, which translate Valid's new phase as a global brand. Accordingly, in November we are launching a new brand that comprises our geographic and business diversity, which strengthens our portfolio of products, solutions and services for the physical and digital environments. Our divisions will be known as: Identity, Payment, Mobile and Digital Certification.

We would like to thank you once again for the confidence placed in our Executive Board and employees, who are committed to achieving these goals.

**Individual and Consolidated Interim  
Financial Information**

**Valid Soluções e Serviços de Segurança  
em Meios de Pagamento e Identificação  
S.A.**

At September 30, 2017  
with Independent Auditor's Review Report

# **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Individual and consolidated interim financial information

At September 30, 2017

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**A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with Accounting Pronouncement CPC 21(R1) and IAS 34 – Interim Financial Reporting**

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## **Independent auditor's review report on interim financial information**

The

Board of Directors, Shareholders and Officers

**Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Rio de Janeiro - RJ

### **Introduction**

We have reviewed the individual and consolidated interim financial information of Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A. (the Company) contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, which comprise the balance sheet as at September 30, 2017 and the related statements of profit or loss and comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including the accompanying notes.

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

### **Scope of review**

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



## **Conclusion on the individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that would make us to believe that the accompanying individual and consolidated interim financial information included in the quarterly financial information referred to above was not prepared, in all material aspects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Financial Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

## **Other matters**

### **Statements of value added**

We have also reviewed the individual and consolidated statements of value added (SVA), for the nine-month period ended September 30, 2017, prepared under the responsibility of the Company's management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures previously described and, based on our review, nothing has come to our attention that would make us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

### **Audit and review of prior-year/period corresponding figures**

The figures corresponding to the individual and consolidated balance sheet as at December 31, 2016 and the individual and consolidated statements of profit or loss, of comprehensive income, of changes in equity, of cash flows and of value added for the three- and nine-month periods ended September 30, 2016, presented for comparative purposes, were previously audited and reviewed, respectively, by another independent auditor who issued an audit report on March 10, 2017 and a review report on individual and consolidated interim financial information on November 9, 2016, both unmodified.

Rio de Janeiro, November 8, 2017

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

Marcelo Felipe L. de Sá  
Accountant CRC-1RJ094644/O-0

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Balance sheet

At September 30, 2017 and December 31, 2016

(In thousands of reais)

|   | Note | Company          |                  | Consolidated     |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 09/30/2017       | 12/31/2016       | 09/30/2017       | 12/31/2016       |
| <b>Assets</b>                                 |      |                  |                  |                  |                  |
| <b>Current assets</b>                         |      |                  |                  |                  |                  |
| Cash and cash equivalents                     | 4    | 133,091          | 252,491          | 308,365          | 394,777          |
| Marketable securities                         | 4    | -                | -                | -                | 5,842            |
| Trade accounts receivable                     | 5    | 145,928          | 111,272          | 347,216          | 298,500          |
| Receivables from related parties              | 15   | 114              | 403              | -                | -                |
| Taxes recoverable                             | 6.a  | 13,002           | 11,722           | 49,286           | 25,173           |
| Inventories                                   | 7    | 47,756           | 61,918           | 122,707          | 128,999          |
| Other assets                                  |      | 7,740            | 7,660            | 56,412           | 49,275           |
|   |      | <b>347,631</b>   | <b>445,466</b>   | <b>883,986</b>   | <b>902,566</b>   |
| <b>Assets available for sale</b>              |      |                  |                  |                  |                  |
|   | 11   | 791              | -                | 791              | -                |
|   |      | <b>348,422</b>   | <b>445,466</b>   | <b>884,777</b>   | <b>902,566</b>   |
| <b>Noncurrent assets</b>                      |      |                  |                  |                  |                  |
| Trade accounts receivable                     | 5    | 13,080           | 4,305            | 18,832           | 12,755           |
| Marketable securities                         | 4    | -                | 323              | -                | 323              |
| Judicial deposits                             | 8    | 31,095           | 31,358           | 37,606           | 37,254           |
| Taxes recoverable                             | 6.a  | 21,879           | 20,677           | 22,539           | 21,279           |
| Deferred income and social contribution taxes | 6.b  | 36,135           | 37,237           | 76,389           | 66,581           |
| Other accounts receivable                     |      | 1,837            | 1,471            | 15,302           | 5,501            |
| Receivables from related parties              | 15   | -                | -                | 22,437           | -                |
| Investments                                   | 9    | 736,064          | 729,357          | 5,807            | -                |
| Property, plant and equipment                 | 11   | 188,711          | 209,597          | 360,759          | 400,460          |
| Intangible assets                             | 10   | 25,144           | 28,006           | 631,464          | 627,978          |
|   |      | <b>1,053,945</b> | <b>1,062,331</b> | <b>1,191,135</b> | <b>1,172,131</b> |
| <b>Total assets</b>                           |      |                  |                  |                  |                  |
|   |      | <b>1,402,367</b> | <b>1,507,797</b> | <b>2,075,912</b> | <b>2,074,697</b> |

|  | Note | Company          |            | Consolidated     |            |
|--|------|------------------|------------|------------------|------------|
|  |      | 09/30/2017       | 12/31/2016 | 09/30/2017       | 12/31/2016 |
| Liabilities and equity                             |      |                  |            |                  |            |
| Current liabilities                                |      |                  |            |                  |            |
| Trade accounts payable                             |      | <b>24,652</b>    | 34,435     | <b>103,345</b>   | 106,027    |
| Payables to related parties                        | 15   | <b>425</b>       | 1,488      | -                | -          |
| Loans, financing, debentures and lease payable     | 12   | <b>138,551</b>   | 85,856     | <b>212,564</b>   | 326,049    |
| Payroll, provisions and social charges payable     |      | <b>43,817</b>    | 35,935     | <b>72,715</b>    | 68,002     |
| Taxes, charges and contributions payable           | 6.c  | <b>6,599</b>     | 5,827      | <b>14,212</b>    | 11,694     |
| Dividends and interest on equity payable           | 16.d | <b>8</b>         | 13,188     | <b>8</b>         | 13,188     |
| Advances from customers and other accounts payable |      | <b>2,518</b>     | 4,186      | <b>14,973</b>    | 19,123     |
|  |      | <b>216,570</b>   | 180,915    | <b>417,817</b>   | 544,083    |
| Noncurrent liabilities                             |      |                  |            |                  |            |
| Loans, financing, debentures and lease payable     | 12   | <b>199,613</b>   | 331,300    | <b>603,300</b>   | 475,421    |
| Provisions   | 14   | <b>13,298</b>    | 14,861     | <b>19,899</b>    | 19,789     |
| Deferred income and social contribution taxes      | 6.b  | -                | -          | <b>36,133</b>    | 32,980     |
| Other accounts payable                             |      | -                | -          | <b>14,587</b>    | 10,274     |
|  |      | <b>212,911</b>   | 346,161    | <b>673,919</b>   | 538,464    |
| Total liabilities                                  |      | <b>429,481</b>   | 527,076    | <b>1,091,736</b> | 1,082,547  |
| Equity   |      |                  |            |                  |            |
| Capital  | 16.a | <b>904,508</b>   | 740,820    | <b>904,508</b>   | 740,820    |
| Treasury shares                                    | 16.b | <b>(2,953)</b>   | 8,098      | <b>(2,953)</b>   | 8,098      |
| Income reserves                                    | 16.c | <b>134,500</b>   | 298,188    | <b>134,500</b>   | 298,188    |
| Cumulative translation adjustments                 | 16.e | <b>(89,792)</b>  | (77,227)   | <b>(89,792)</b>  | (77,227)   |
| Proposed additional dividend distribution          | 16.d | -                | 10,842     | -                | 10,842     |
| Retained earnings                                  |      | <b>26,623</b>    | -          | <b>26,623</b>    | -          |
| Equity attributable to controlling shareholders    |      | <b>972,886</b>   | 980,721    | <b>972,886</b>   | 980,721    |
| Noncontrolling interests                           | 16.f | -                | -          | <b>11,290</b>    | 11,429     |
| Total equity                                       |      | <b>972,886</b>   | 980,721    | <b>984,176</b>   | 992,150    |
| Total liabilities and equity                       |      | <b>1,402,367</b> | 1,507,797  | <b>2,075,912</b> | 2,074,697  |

See accompanying notes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of profit or loss  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais, unless otherwise stated)

|  | Note | Company          |            | Consolidated     |            |
|--|------|------------------|------------|------------------|------------|
|  |      | 09/30/2017       | 09/30/2016 | 09/30/2017       | 09/30/2016 |
| Net sales revenue                                      | 22   | <b>496,299</b>   | 501,789    | <b>1,162,561</b> | 1,306,851  |
| Costs of goods and/or services sold                    | 23   | <b>(401,861)</b> | (421,858)  | <b>(900,977)</b> | (972,088)  |
| Gross profit   |      | <b>94,438</b>    | 79,931     | <b>261,584</b>   | 334,763    |
| Selling expenses                                       | 23   | <b>(23,938)</b>  | (31,268)   | <b>(88,026)</b>  | (112,214)  |
| General and administrative expenses                    | 23   | <b>(29,133)</b>  | (32,877)   | <b>(64,673)</b>  | (79,854)   |
| Other operating income (expenses)                      | 25   | <b>(17,920)</b>  | (20,748)   | <b>(44,039)</b>  | (58,166)   |
| Equity pickup  | 9    | <b>16,954</b>    | 55,645     | <b>(311)</b>     | -          |
| Income before finance income (costs)                   |      | <b>40,401</b>    | 50,683     | <b>64,535</b>    | 84,529     |
| Finance income   | 24   | <b>22,325</b>    | 14,273     | <b>53,948</b>    | 39,525     |
| Finance costs  | 24   | <b>(33,793)</b>  | (41,662)   | <b>(77,947)</b>  | (79,800)   |
| Income before income taxes                             |      | <b>28,933</b>    | 23,294     | <b>40,536</b>    | 44,254     |
| Current income and social contribution taxes           | 6.d  | <b>(1,208)</b>   | -          | <b>(20,950)</b>  | (27,954)   |
| Deferred income and social contribution taxes          | 6.d  | <b>(1,102)</b>   | 15,295     | <b>7,199</b>     | 22,150     |
| Net income for the period from continuing operations   |      | <b>26,623</b>    | 38,589     | <b>26,785</b>    | 38,450     |
| Net income for the period from discontinued operations | 9    | -                | 21,766     | -                | 21,766     |
| Net income for the period                              |      | <b>26,623</b>    | 60,355     | <b>26,785</b>    | 60,216     |
| Income (loss) attributable to:                         |      |                  |            |                  |            |
| Controlling shareholders                               |      | <b>26,623</b>    | 60,355     | <b>26,623</b>    | 60,355     |
| Noncontrolling interests                               | 16.f | -                | -          | <b>162</b>       | (139)      |
| Basic and diluted earnings per share attributable to:  |      |                  |            |                  |            |
| Controlling shareholders (in reais)                    | 17   | <b>0.39365</b>   | 0.93325    | -                | -          |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of profit or loss (Continued)  
 Three-month periods ended September 30, 2017 and 2016  
 (In thousands of reais, unless otherwise stated)

|  | Note | Company                     |                             | Consolidated                |                             |
|--|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  |      | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 |
| Net sales revenue                                      | 22   | <b>166,814</b>              | 177,198                     | <b>412,111</b>              | 425,901                     |
| Costs of goods and/or services sold                    | 23   | <b>(126,960)</b>            | (141,377)                   | <b>(312,167)</b>            | (309,984)                   |
| Gross profit   |      | <b>39,854</b>               | 35,821                      | <b>99,944</b>               | 115,917                     |
| Selling expenses                                       | 23   | <b>(8,425)</b>              | (9,825)                     | <b>(31,916)</b>             | (37,604)                    |
| General and administrative expenses                    | 23   | <b>(9,643)</b>              | (10,820)                    | <b>(20,064)</b>             | (26,056)                    |
| Other operating income (expenses)                      | 25   | <b>(4,354)</b>              | (2,203)                     | <b>(14,164)</b>             | (9,353)                     |
| Equity pickup  | 9    | <b>8,853</b>                | 22,559                      | <b>(311)</b>                | -                           |
| Income before finance income (costs)                   |      | <b>26,285</b>               | 35,532                      | <b>33,489</b>               | 42,904                      |
| Finance income   | 24   | <b>3,029</b>                | 7,762                       | <b>18,680</b>               | 14,404                      |
| Finance costs  | 24   | <b>(8,884)</b>              | (16,700)                    | <b>(26,614)</b>             | (26,490)                    |
| Income before income taxes                             |      | <b>20,430</b>               | 26,594                      | <b>25,555</b>               | 30,818                      |
| Current income and social contribution taxes           | 6.d  | <b>(1,208)</b>              | -                           | <b>(6,645)</b>              | (4,695)                     |
| Deferred income and social contribution taxes          | 6.d  | <b>(3,404)</b>              | 3,511                       | <b>(3,547)</b>              | 4,116                       |
| Net income for the period from continuing operations   |      | <b>15,818</b>               | 30,105                      | <b>15,363</b>               | 30,239                      |
| Net income for the period from discontinued operations | 9    | -                           | 19,827                      | -                           | 19,827                      |
| Net income for the period                              |      | <b>15,818</b>               | 49,932                      | <b>15,363</b>               | 50,066                      |
| Income (loss) attributable to:                         |      |                             |                             |                             |                             |
| Controlling shareholders                               |      | <b>15,818</b>               | 49,932                      | <b>15,818</b>               | 49,932                      |
| Noncontrolling interests                               | 16.f | -                           | -                           | <b>(455)</b>                | 134                         |
| Basic and diluted earnings per share attributable to:  |      |                             |                             |                             |                             |
| Controlling shareholders (in reais)                    | 17   | <b>0.22427</b>              | 0.77200                     | -                           | -                           |

See accompanying notes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of comprehensive income  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

|   | Company    |            | Consolidated |            |
|---|------------|------------|--------------|------------|
|   | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Net income for the period   | 26,623     | 60,355     | 26,785       | 60,216     |
| Other comprehensive income  |            |            |              |            |
| Items that may be subsequently reclassified to the statement of profit or loss: |            |            |              |            |
| Exchange effects on the translation of investments abroad                       | (12,565)   | (100,607)  | (12,866)     | (102,999)  |
| Total comprehensive income (loss) for the period                                | 14,058     | (40,252)   | 13,919       | (42,783)   |
| Comprehensive income (loss) attributable to:                                    |            |            |              |            |
| Controlling shareholders  | 14,058     | (40,252)   | 14,058       | (40,252)   |
| Noncontrolling interests  | -          | -          | (139)        | (2,531)    |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of comprehensive income (Continued)  
 Three-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

|  | Company                     |                             | Consolidated                |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 |
| Net income for the period  | 15,818                      | 49,932                      | 15,363                      | 50,066                      |
| Other comprehensive income   |                             |                             |                             |                             |
| Items that may be subsequently reclassified<br>to the statement of profit or loss: |                             |                             |                             |                             |
| Exchange effects on the translation of investments abroad                          | (27,390)                    | 7,863                       | (27,976)                    | 7,939                       |
| Total comprehensive income (loss) for the period                                   | (11,572)                    | 57,795                      | (12,613)                    | 58,005                      |
| Comprehensive income (loss) attributable to:                                       |                             |                             |                             |                             |
| Controlling shareholders   | (11,572)                    | 57,795                      | (11,572)                    | 57,795                      |
| Noncontrolling interests   | -                           | -                           | (1,041)                     | 210                         |

See accompanying notes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of changes in equity (Company and Consolidated)  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

| Note   | Capital reserves |                         |                 | Income reserves                 |               |                    | Proposed additional dividend distribution | Cumulative translation adjustments | Retained earnings | Total attributable to controlling shareholders | Noncontrolling interests | Total equity  |                |
|--|------------------|-------------------------|-----------------|---------------------------------|---------------|--------------------|---|------------------------------------|-------------------|--|--------------------------|---------------|----------------|
|  | Capital          | Recognized grant option | Treasury shares | Gain on sale of treasury shares | Legal reserve | Investment reserve |   |                                    |                   |  |                          |               |                |
| Balances at December 31, 2016  | 740,820          | 6,111                   | (1,345)         | 3,332                           | 49,883        | 248,305            | 10,842                                    | (77,227)                           | -                 | 980,721  | 11,429                   | 992,150       |                |
| Payment of proposed additional dividends (gross amount of R\$0.168079 per share) | 16.d             | -                       | -               | -                               | -             | -                  | (10,842)                                  | -                                  | -                 | (10,842)                                       | -                        | (10,842)      |                |
| Recognized options granted   | 16.b             | -                       | 677             | -                               | -             | -                  | -   | -                                  | -                 | 677  | -                        | 677           |                |
| Treasury shares  | 16.b             | -                       | -               | (11,728)                        | -             | -                  | -   | -                                  | -                 | (11,728)                                       | -                        | (11,728)      |                |
| Capital increase through share bonuses   | 16.a             | 163,688                 | -               | -                               | -             | (163,688)          | -   | -                                  | -                 | -  | -                        | -             |                |
| Exchange differences on investment abroad  | 16.e             | -                       | -               | -                               | -             | -                  | -   | (12,565)                           | -                 | (12,565)                                       | (301)                    | (12,866)      |                |
| Net income for the period  | 16.c             | -                       | -               | -                               | -             | -                  | -   | -                                  | 26,623            | 26,623   | 162                      | 26,785        |                |
| Balances at September 30, 2017   |                  | <b>904,508</b>          | <b>6,788</b>    | <b>(13,073)</b>                 | <b>3,332</b>  | <b>49,883</b>      | <b>84,617</b>                             | <b>-</b>                           | <b>(89,792)</b>   | <b>26,623</b>                                  | <b>972,886</b>           | <b>11,290</b> | <b>984,176</b> |

| Note   | Capital reserves |                         |                 | Income reserves                 |               |                    | Proposed additional dividend distribution | Cumulative translation adjustments | Retained earnings | Total attributable to controlling shareholders | Noncontrolling interests | Total equity  |                  |
|--|------------------|-------------------------|-----------------|---------------------------------|---------------|--------------------|---|------------------------------------|-------------------|--|--------------------------|---------------|------------------|
|  | Capital          | Recognized grant option | Treasury shares | Gain on sale of treasury shares | Legal reserve | Investment reserve |   |                                    |                   |  |                          |               |                  |
| Balances at December 31, 2015  | 740,820          | 6,111                   | (1,718)         | 3,083                           | 45,469        | 220,948            | 16,094                                    | 34,949                             | -                 | 1,065,756                                      | 12,470                   | 1,078,226     |                  |
| Payment of proposed additional dividends (gross amount of R\$0.248908 per share) | 16.d             | -                       | -               | -                               | -             | -                  | (16,094)                                  | -                                  | -                 | (16,094)                                       | -                        | (16,094)      |                  |
| Noncontrolling interests arising from acquisition of the Uram Group              | 16.f             | -                       | -               | -                               | -             | -                  | -   | -                                  | -                 | -  | 971                      | 971           |                  |
| Noncontrolling interests arising from acquisition of the Inemator Group          | 16.f             | -                       | -               | -                               | -             | -                  | -   | -                                  | -                 | -  | 241                      | 241           |                  |
| Treasury shares  |                  | -                       | -               | 373                             | 249           | -                  | -   | -                                  | -                 | 622  | -                        | 622           |                  |
| Payment of interest on equity (R\$0.23529 per share)                             | 16.d             | -                       | -               | -                               | -             | -                  | -   | -                                  | (15,219)          | (15,219)                                       | -                        | (15,219)      |                  |
| Exchange differences on investment abroad  | 16.e             | -                       | -               | -                               | -             | -                  | -   | (100,607)                          | -                 | (100,607)                                      | (2,392)                  | (102,999)     |                  |
| Net income for the period  | 16.c             | -                       | -               | -                               | -             | -                  | -   | -                                  | 60,355            | 60,355   | (139)                    | 60,216        |                  |
| Balances at September 30, 2016   |                  | <b>740,820</b>          | <b>6,111</b>    | <b>(1,345)</b>                  | <b>3,332</b>  | <b>45,469</b>      | <b>220,948</b>                            | <b>-</b>                           | <b>(65,658)</b>   | <b>45,136</b>                                  | <b>994,813</b>           | <b>11,151</b> | <b>1,005,964</b> |

See accompanying notes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of cash flows  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

|   | Note | Company         |            | Consolidated     |            |
|---|------|-----------------|------------|------------------|------------|
|   |      | 09/30/2017      | 09/30/2016 | 09/30/2017       | 09/30/2016 |
| Cash flow from operating activities   |      |                 |            |                  |            |
| Cash from operations  |      | <b>64,063</b>   | 42,318     | <b>157,997</b>   | 189,133    |
| Income before income taxes  |      | <b>28,933</b>   | 45,060     | <b>40,536</b>    | 86,274     |
| Reconciliation of income before income and social contribution taxes with cash provided by operating activities |      |                 |            |                  |            |
| Depreciation  | 11   | <b>27,758</b>   | 27,427     | <b>50,316</b>    | 51,497     |
| Write-off of property, plant and equipment  | 11   | <b>5,423</b>    | 1,398      | <b>5,766</b>     | 3,667      |
| Amortization  | 10   | <b>4,768</b>    | 3,774      | <b>33,734</b>    | 31,455     |
| Amortization - appreciation of inventories  |      | -               | -          | -                | 1,530      |
| Restatement of judicial deposits  | 8    | <b>(1,587)</b>  | -          | <b>(1,775)</b>   | -          |
| Provision for PPE obsolescence  | 11   | <b>(5,400)</b>  | 5,400      | <b>(6,135)</b>   | 5,400      |
| Recognized stock options  | 16   | <b>677</b>      | -          | <b>677</b>       | -          |
| Provision for inventory losses  |      | -               | -          | <b>904</b>       | -          |
| Provisions  | 14   | <b>(311)</b>    | 802        | <b>1,818</b>     | (1,938)    |
| Allowance for doubtful accounts   | 5    | <b>(1,903)</b>  | 159        | <b>(1,319)</b>   | 3,390      |
| Equity pickup   | 9    | <b>(16,954)</b> | (77,411)   | <b>311</b>       | (1,939)    |
| Derecognition of financial liabilities  | 12   | <b>(8,800)</b>  | -          | <b>(8,800)</b>   | -          |
| Gain on disposal of subsidiary  | 9    | -               | -          | -                | (40,081)   |
| Interest expenses on debentures, loans and financing  | 24   | <b>31,614</b>   | 32,065     | <b>46,929</b>    | 44,803     |
| Exchange differences on loans, advances and leases  | 24   | <b>209</b>      | 1,207      | <b>(17,552)</b>  | 1,280      |
| Interest and exchange differences on intercompany loans   | 24   | -               | 2,437      | -                | 3,795      |
| Other exchange differences  | 24   | <b>(364)</b>    | -          | <b>12,587</b>    | -          |
| Changes in assets and liabilities   |      | <b>(44,132)</b> | 13,521     | <b>(163,687)</b> | (59,428)   |
| Accounts receivable   | 5    | <b>(41,528)</b> | (13,277)   | <b>(53,755)</b>  | (23,808)   |
| Marketable securities   | 4    | -               | (400)      | -                | (220)      |
| Taxes recoverable   | 6    | <b>(3,690)</b>  | 222        | <b>(10,826)</b>  | (5,281)    |
| Inventories   | 7    | <b>14,162</b>   | 12,879     | <b>3,070</b>     | 14,362     |
| Judicial deposits   | 8    | <b>1,850</b>    | (21)       | <b>1,688</b>     | (3,376)    |
| Other accounts receivable   |      | <b>(80)</b>     | 4,430      | <b>(18,030)</b>  | (8,954)    |
| Receivables from related parties  | 15   | <b>289</b>      | -          | <b>(22,168)</b>  | -          |
| Trade accounts payable  |      | <b>(20,869)</b> | (874)      | <b>(32,913)</b>  | 5,768      |
| Payroll, provisions and social charges payable  |      | <b>7,882</b>    | 9,227      | <b>4,648</b>     | 12,779     |
| Taxes, charges and contributions payable  | 6    | <b>1,678</b>    | 2,003      | <b>(2,200)</b>   | (8,209)    |
| Advances from customers and other accounts payable  |      | <b>(1,668)</b>  | (668)      | <b>(15,278)</b>  | (13,588)   |
| Payment of labor, civil and tax contingencies   | 14   | <b>(1,252)</b>  | -          | <b>(1,650)</b>   | -          |
| Payment of income and social contribution taxes   |      | <b>(906)</b>    | -          | <b>(16,273)</b>  | (28,901)   |
| Cash provided by (used in) operating activities   |      | <b>19,931</b>   | 55,839     | <b>(5,690)</b>   | 129,705    |
| Cash flow from investing activities   |      |                 |            |                  |            |
| Acquisition of PPE  | 11   | <b>(7,376)</b>  | (17,663)   | <b>(9,699)</b>   | (49,741)   |
| Acquisition of intangible assets  | 10   | <b>(1,906)</b>  | (8,016)    | <b>(12,368)</b>  | (19,260)   |
| Amounts received from divestiture   | 9    | -               | -          | -                | 66,988     |
| Capital increase in subsidiaries  | 9    | <b>(1,399)</b>  | (2,082)    | -                | -          |
| Other investments valued at cost  |      | <b>(596)</b>    | -          | <b>(596)</b>     | -          |
| Marketable securities   | 4    | -               | -          | <b>5,842</b>     | -          |
| Dividends and interest on equity received   | 9    | -               | 42,000     | -                | -          |
| Acquisition of noncontrolling interests - CUBIC   | 9    | -               | -          | <b>(37,147)</b>  | -          |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of cash flows (Continued)  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

|  | Note | Company          |            | Consolidated     |            |
|--|------|------------------|------------|------------------|------------|
|  |      | 09/30/2017       | 09/30/2016 | 09/30/2017       | 09/30/2016 |
| Net cash provided by (used in) investing activities  |      | <b>(11,277)</b>  | 14,239     | <b>(53,968)</b>  | (2,013)    |
| Cash flow from financing activities  |      |                  |            |                  |            |
| Dividends paid   | 16.d | <b>(10,842)</b>  | (24,310)   | <b>(10,842)</b>  | (24,310)   |
| Interest on equity paid  | 16.d | <b>(13,181)</b>  | (20,014)   | <b>(13,181)</b>  | (20,014)   |
| Treasury shares  | 16.b | <b>(11,728)</b>  | -          | <b>(11,728)</b>  | -          |
| Lease payment  |      | <b>(4,586)</b>   | (6,682)    | <b>(6,791)</b>   | (7,784)    |
| Debentures raised  | 12   | -                | 199,613    | -                | 199,613    |
| Payment of debentures  | 12   | <b>(62,500)</b>  | (62,500)   | <b>(62,500)</b>  | (62,500)   |
| Payment of interest on debentures  | 12   | <b>(25,217)</b>  | (17,893)   | <b>(25,217)</b>  | (17,893)   |
| Payment of interest on financing   | 12   | -                | -          | <b>(532)</b>     | (894)      |
| Payment of financing   | 12   | -                | -          | <b>(5,080)</b>   | (5,013)    |
| Repayment of loans   | 12   | -                | -          | <b>(219,788)</b> | (38,334)   |
| Payment of interest on loans   | 12   | -                | -          | <b>(10,996)</b>  | (11,587)   |
| Loans raised   | 12   | -                | -          | <b>332,029</b>   | 57,495     |
| Cash generated by (used in) financing activities   |      | <b>(128,054)</b> | 68,214     | <b>(34,626)</b>  | 68,779     |
| Decrease in cash and cash equivalents  |      | <b>(119,400)</b> | 138,292    | <b>(94,284)</b>  | 196,471    |
| Cash and cash equivalents at beginning of period   | 4    | <b>252,491</b>   | 77,089     | <b>394,777</b>   | 241,283    |
| Effect of exchange rate differences on the balance of cash and cash equivalents held in foreign currency |      | -                | -          | <b>7,872</b>     | (14,726)   |
| Cash and cash equivalents at end of period   | 4    | <b>133,091</b>   | 215,381    | <b>308,365</b>   | 423,028    |
| Decrease in cash and cash equivalents  |      | <b>(119,400)</b> | 138,292    | <b>(94,284)</b>  | 196,471    |

See accompanying notes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Statements of value added  
 Nine-month periods ended September 30, 2017 and 2016  
 (In thousands of reais)

|  | Company          |            | Consolidated     |            |
|--|------------------|------------|------------------|------------|
|  | 09/30/2017       | 09/30/2016 | 09/30/2017       | 09/30/2016 |
| Revenue  | <b>572.675</b>   | 576,188    | <b>1.256.080</b> | 1.438,840  |
| Sales of goods and services, net of returns        | <b>570,005</b>   | 575,938    | <b>1,253,797</b> | 1,400,158  |
| Other revenue                                      | <b>767</b>       | 409        | <b>964</b>       | 42,072     |
| Allowance for doubtful accounts                    | <b>1,903</b>     | (159)      | <b>1,319</b>     | (3,390)    |
| Bought-in inputs                                   | <b>(216,750)</b> | (235,895)  | <b>(580,068)</b> | (667,567)  |
| Cost of sales and services                         | <b>(178,227)</b> | (192,037)  | <b>(498,304)</b> | (551,596)  |
| Bought-in materials, energy and services and other | <b>(38,523)</b>  | (43,858)   | <b>(81,764)</b>  | (115,971)  |
| Gross value added                                  | <b>355,925</b>   | 340,293    | <b>676,012</b>   | 771,273    |
| Depreciation and amortization                      | <b>(32,526)</b>  | (31,201)   | <b>(84,050)</b>  | (82,952)   |
| Net value added produced by the Company            | <b>323,399</b>   | 309,092    | <b>591,962</b>   | 688,321    |
| Value added received in transfer                   |                  |            |                  |            |
| Equity pickup                                      | <b>16,954</b>    | 77,411     | <b>(311)</b>     | 1,939      |
| Finance income                                     | <b>22,325</b>    | 14,273     | <b>53,948</b>    | 39,525     |
| Total value added payable                          | <b>362,678</b>   | 400,776    | <b>645,599</b>   | 729,785    |
| Personnel and charges (except INSS)                | <b>184,742</b>   | 189,007    | <b>361,764</b>   | 387,184    |
| Direct compensation                                | <b>125,607</b>   | 127,983    | <b>281,095</b>   | 302,272    |
| Benefits   | <b>45,804</b>    | 50,641     | <b>63,758</b>    | 70,500     |
| Unemployment Compensation Fund (FGTS)              | <b>13,331</b>    | 10,383     | <b>16,911</b>    | 14,412     |
| Taxes, charges and contributions                   | <b>100,772</b>   | 85,507     | <b>147,767</b>   | 166,334    |
| Federal  | <b>81,000</b>    | 63,113     | <b>121,802</b>   | 136,406    |
| State  | <b>4,402</b>     | 5,862      | <b>4,904</b>     | 7,787      |
| Local  | <b>15,370</b>    | 16,532     | <b>21,061</b>    | 22,141     |
| Debt remuneration                                  | <b>50,541</b>    | 65,907     | <b>109,283</b>   | 116,051    |
| Interest   | <b>33,793</b>    | 41,662     | <b>77,947</b>    | 79,800     |
| Rentals  | <b>16,748</b>    | 24,245     | <b>31,336</b>    | 36,251     |
| Equity remuneration                                | <b>26,623</b>    | 60,355     | <b>26,785</b>    | 60,216     |
| Interest on equity                                 | -                | 15,219     | -                | 15,219     |
| Retained profits                                   | <b>26,623</b>    | 45,136     | <b>26,623</b>    | 45,136     |
| Noncontrolling interest in retained profits        | -                | -          | <b>162</b>       | (139)      |
| Value added paid                                   | <b>362,678</b>   | 400,776    | <b>645,599</b>   | 729,785    |

See accompanying notes.

# **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information

September 30, 2017

(In thousands of reais, unless otherwise stated)

## **1. Operations**

Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A. ("Valid" or the "Company"), headquartered at Avenida Presidente Wilson, nº 231 - 16º andar - Rio de Janeiro, has been operating in Brazil since 1993, when American Banknote Corporation acquired the Brazilian subsidiary of Thomas de La Rue, a company engaged in providing security printing services, which operated in the Brazilian market for almost 50 years.

The Company is engaged mainly in the printing industry in general, including security prints, lottery tickets and systems in general, including electronic, plastic and magnetic cards, card encoding, and development, implementation and execution of electronic document management projects.

The Company serves customers in both the private and public sectors, offering anti-fraud products and services, as well as processes and technologies that hinder forgery. The Company's main customers are large financial institutions, telecommunications companies, as well as state governments and governmental agencies. The Company's products include credit and debit cards, driver's licenses, security prints, ID cards, as well as the processing and issue of documents with security prints and fraud prevention, document logistics, graphic product supply management services, smart cards, stamps, contactless cards, digital certificates, checks, bank statements and public utility bills.

The Company and its subsidiaries (hereinafter referred to as the "Company and its subsidiaries") are the companies domiciled in Brazil, the United States, Spain, Denmark, Republic of Mauritius, Singapore, Panama, South Africa, United Arab Emirates, India, Indonesia, Argentina, Mexico, Uruguay, Colombia, and Ireland, as detailed in Note 2.3.

## **2. Basis of preparation**

### **2.1. Statement of compliance**

The Company's Interim Financial Information ("ITR") comprises the individual interim financial information, identified as Company, and the consolidated interim financial information, identified as Consolidated, in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission ("CVM"), applicable to the preparation of ITR.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### **2. Basis of preparation (Continued)**

#### **2.1. Statement of compliance (Continued)**

The consolidated interim financial information includes the interim financial information of Valid and the companies in which the Company holds control, as described in Note 2.3, whose reporting periods and accounting practices are similar. In the Company's individual interim financial information, the interim financial information of subsidiaries and affiliates is recognized under the equity method and, in the Company's consolidated interim financial information, the financial information of subsidiaries is consolidated on a line-by-line basis. All intragroup transactions, balances, revenues and expenses are fully eliminated in consolidation.

The Company management understands that all significant information of the interim financial information, and only such information, is being disclosed and corresponds to the information used for management purposes.

The individual and consolidated interim financial information was approved and authorized for disclosure by the Company management on November 8, 2017.

#### **2.2. Basis of measurement**

The individual and consolidated interim financial information was prepared based on the historical cost, except for financial instruments measured at fair value through profit or loss (Note 20) and fair values allocated to business combinations (Note 9).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 2. Basis of preparation (Continued)

#### 2.3. Basis of consolidation

The consolidated interim financial information includes the Company's and its subsidiaries' financial information, in which the percentage interest at the statement of financial position dates held is as follows:

| Subsidiaries  | Name                         | Interest (%) |          |            |          |
|---|------------------------------|--------------|----------|------------|----------|
|   |                              | 09/30/2017   |          | 12/31/2016 |          |
|   |                              | Direct       | Indirect | Direct     | Indirect |
| 1. Trust Administração e Participações Ltda.  | Trust                        | (*)          | -        | (*)        | -        |
| 2. Valid Participações Ltda.  | Valid Par                    | 100          | -        | 100        | -        |
| 3. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.          | Valid Argentina              | 97.4         | 2.6      | 97.4       | 2.6      |
| 4. Interprint Ltda.   | Interprint                   | 100          | -        | 100        | -        |
| 4.1. Valid Certificadora Digital Ltda.  | Valid Certificadora          | -            | 100      | -          | 100      |
| 4.2. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.        | Valid Uruguay                | -            | 100      | -          | 100      |
| 4.3. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.de C.V. | Valid Mexico                 | -            | 100      | -          | 100      |
| 4.4. Grupo Uram S.R.L.  | Uram                         | -            | 51       | -          | 51       |
| 4.5. Inemator S.A.  | Inemator                     | -            | 51       | -          | 51       |
| 5. Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação               | Valid Sucursal               | 100          | -        | 100        | -        |
| 6. Valid Soluciones Tecnológicas  | Valid Spain                  | 100          | -        | 100        | -        |
| 6.1. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.S.      | Valid Colombia               | -            | 100      | -          | 100      |
| 6.2. Valid USA, Inc.  | Valid USA                    | -            | 100      | -          | 100      |
| 6.2.1. Valid Identity Solutions, LLC  | Screencheck                  | -            | 100      | -          | 100      |
| 6.2.2. Valid Secure Packaging, Inc  | VSP                          | -            | 100      | -          | 100      |
| 6.2.3. Marketing Software Company, LLC  | MSC                          | -            | 100      | -          | 100      |
| 6.3. Valid A/S (former "Fundamenture A/S)   | Valid A/S                    | -            | 100      | -          | 100      |
| 6.3.1. Valid Logistics Limited Mauritius.   | Valid Logistics              | -            | 100      | -          | 100      |
| 6.3.2. Logos Solvo Limited Mauritius  | Logos Solvo                  | -            | 100      | -          | 100      |
| 6.3.3. Valid Holding Denmark Aps  | Valid Holding                | -            | 100      | -          | 100      |
| 6.3.3.1. Logos Smart Card Denmark A/S   | Logos Denmark                | -            | 100      | -          | 100      |
| 6.3.3.2. Valid Panamá Inc.  | Valid Panama                 | -            | 100      | -          | 100      |
| 6.3.3.3. Valid Europe AS Denmark  | Valid Europe                 | -            | 100      | -          | 100      |
| 6.3.3.4. Valid Technologies Solutions Aps   | Valid Technologies Solutions | -            | 100      | -          | 100      |
| 6.3.3.5. Valid South Africa (Pty)Ltd  | Valid South Africa           | -            | 70       | -          | 70       |
| 6.3.3.6. Valid Africa Ltd   | Valid Africa                 | -            | 100      | -          | 100      |
| 6.3.3.7. Valid Middle East FZE U.A.E.   | Valid Middle East            | -            | 100      | -          | 100      |
| 6.3.3.8. Valid Technologies India Pvt. Ltd.   | Valid Technologies India     | -            | 99,9     | -          | 99,9     |
| 6.3.3.9. Valid Asia Pte Ltd Singapore   | Valid Singapore              | -            | 100      | -          | 100      |
| 6.3.3.10. PT Valid Technologies Indonesia   | Valid Indonesia              | -            | 99       | -          | 99       |
| 6.3.3.11. Valid Investment Pte Singapore  | Valid Investment             | -            | 100      | -          | 100      |
| 6.3.3.12. Valid Card Manufacturing Taiwan Ltd   | Valid Taiwan                 | -            | 51       | -          | 51       |
| 6.3.4. Logos Smart Card (Asia) Pte. Ltd Singapore   | Logos Singapore              | -            | 100      | -          | 100      |
| 6.3.5. Logos Smart Card (Mauritius) Ltd Mauritius   | Logos Mauritius              | -            | 100      | -          | 100      |

(\*) On December 9, 2016, the Special General Meeting approved the merger of subsidiary Trust into the Company.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
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### **2. Basis of preparation (Continued)**

#### **2.3. Basis of consolidation (Continued)**

1. Trust: company acquired in September 2006, headquartered in the state of Paraná, Brazil, primarily engaged in the manufacturing of instant lottery tickets and paper phone cards.
2. Valid Par: company organized in August 2007, headquartered in the state of Rio de Janeiro, Brazil, engaged in holding interests in other entities.
3. Valid Argentina: company acquired in August 2007, headquartered in the city of Buenos Aires, Argentina, and leading company in the sale of bank cards and smart card (Simcards) in the Argentine market, besides exporting its products to other Latin American countries, such as Nicaragua, Bolivia, Paraguay and Uruguay.
4. Interprint: company acquired in May 2008, headquartered in the state of São Paulo, Brazil, engaged in the offering of complete payment and identification solutions for the financial industry and the government. Its product portfolio includes, but is not limited to, driver's licenses, identity cards, biometric solutions (AFIS), and electronic printing. Its direct subsidiaries are Valid Certificadora, Valid Mexico, Uram, Inemator and Valid Uruguay, located in Brazil, Mexico, Argentina and Uruguay, respectively.
  - 4.1. Valid Certificadora: company established in June 2011, headquartered in the state of São Paulo, Brazil, and engaged mainly in the issue of digital certificates such as e-CPF, e-CNPJ and NF-e.
  - 4.2. Valid Uruguay: company established in September 2014, headquartered in the city of Montevideo, Uruguay, and engaged in the provision of magnetic chip card and smart card personalization services in general.
  - 4.3. Valid Mexico: company established in September 2014, headquartered in Mexico City (Federal District), Mexico, and engaged in the provision of smart card services in general.
  - 4.4. Uram: significant influence acquired on October 2, 2015 and control on January 25, 2016, headquartered in the city of Buenos Aires, Argentina, engaged in providing software solution services to the telecommunications and banking markets.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 2. Basis of preparation (Continued)

#### 2.3. Basis of consolidation (Continued)

4.5. Inemator: significant influence acquired on October 2, 2015 and control on January 25, 2016, headquartered in the city of Montevideo, Uruguay, engaged in providing software solution services to the telecommunications and banking markets.

5. Valid Sucursal: company established in December 2015, headquartered in the city of Bogota, Colombia, for the purpose of operating as a sales office.

6. Valid Spain: company acquired in February 2010, headquartered in Madrid, Spain, which produces, develops and sells smart cards (Simcards) to mobile services providers. Its direct subsidiaries are Valid Colombia, Valid USA and Valid A/S, and the affiliate CUBIC.

6.1. Valid Colombia: company established in April 2014, through subsidiary Valid Spain, headquartered in the city of Bogota, Colombia, for the purpose of operating as a sales office.

6.2. Valid USA: company acquired in April 2012, headquartered in Pennsylvania, USA, operating in the means of payment, mobile telecommunications and identification areas. Its direct subsidiaries are ScreenCheck, VSP and MSC.

| <b>Subsidiaries</b> | <b>Location</b>              | <b>Business activity</b>  |
|---------------------|------------------------------|---|
| Screencheck         | Indiana, USA                 | Solution provider for the US identification systems market, having a workflow according to the AAMV rules, adaptable to different projects involving the identification area. |
| VSP                 | Saint Paul, Minnesota, USA   | Provides secure fulfillment services (inventory management control) to the prepaid security, gift card and rechargeable card markets in general.                              |
| MSC                 | Los Angeles, California, USA | Provides highly effective database marketing solution services.   |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 2. Basis of preparation (Continued)

#### 2.3. Basis of consolidation (Continued)

- 6.3. Valid A/S (formerly “Fundamenture A/S”): company acquired in October 2015, located in Denmark, engaged globally in the production and sale of smart cards, development and implementation of operating systems for SIM cards and management of software and solutions for mobile operators. Valid A/S owns 5 direct subsidiaries and 12 indirect subsidiaries (together with Valid A/S, “Fundamenture Group”), as follows:

| Subsidiary                       | Direct/indirect | Location                     | Business activity   |
|----------------------------------|-----------------|------------------------------|---|
| Valid Logistics                  | Direct          | Denmark                      | Procurement head office (Supply Chain).   |
| Logos Solvo                      | Direct          | Mauritius                    | Application development service for the Group companies.  |
| Valid Holding Denmark            | Direct          | Denmark                      | Holding.  |
| Logos Denmark                    | Indirect        | Denmark                      | Sale and development of software solutions.   |
| Valid Panama                     | Indirect        | Panama                       | Sale of sim cards and software solutions.   |
| Valid Europe                     | Indirect        | Denmark                      | Holding.  |
| Valid Technologies Solutions     | Indirect        | Denmark                      | Sale and development of software solutions.   |
| Valid South Africa               | Indirect        | South Africa                 | Sale of sim cards and software solutions. Provision of management services to Bluefish Africa.              |
| Valid Africa                     | Indirect        | Mauritius                    | Sale of sim cards and software solutions.   |
| Valid Middle East                | Indirect        | United Arab Emirates (Dubai) | Sale of sim cards and software solutions.   |
| Valid Technologies India         | Indirect        | India                        | Sale of sim cards and software solutions.   |
| Valid Technologies Asia          | Indirect        | Singapore                    | Sale of sim cards and software solutions.   |
| Valid Technologies Indonesia     | Indirect        | Indonesia                    | Sale of sim cards.  |
| Valid Investment Private Limited | Indirect        | Singapore                    | Investment company.   |
| Valid Card Manufacturing Taiwan  | Indirect        | Taiwan                       | Sim card production hub.  |
| Logos Singapore                  | Direct          | Singapore                    | Sale of sim cards and software solutions. Provides logistics management services to Fundamenture Logistics. |
| Logos Mauritius                  | Direct          | Mauritius                    | Sale of software solutions to mobile network operators.   |

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### **2. Basis of preparation (Continued)**

#### **2.3. Basis of consolidation (Continued)**

The subsidiaries are fully consolidated as from the date on which the Company obtains control thereover, and continue to be consolidated through the date on which such control ceases to exist. The financial information of subsidiaries is prepared for the same reporting period as that of the Company. Profit or loss and each component of other comprehensive income are attributable to the Company's owners and noncontrolling interests, when applicable.

When necessary, the financial information of subsidiaries and affiliates is adjusted to conform their accounting policies to those established by the Company.

An affiliate is an entity over which the Company exercises significant influence without controlling it.

The investment in an affiliate is accounted for using the equity method from the date the investee becomes an affiliate. Upon acquisition of the investment in an affiliate, any excess amount of the investment cost on the Company's and its subsidiaries' share in the net fair value of the investee's identifiable assets and liabilities, proportionally to the interest acquired, is recognized as goodwill, which is included in the carrying amount of the investment.

The individual and consolidated statement of profit or loss reflects the share held by the Company in profit or loss of the affiliate, as equity pickup. When a change is recognized directly in the affiliate's equity, the Company recognizes its share in the changes occurred and discloses such event, where applicable, in the statement of changes in equity. Unrealized gains and losses arising from transactions between the Company and its affiliate are eliminated according to the ownership interest held therein.

Direct subsidiary Interprint had significant influence on affiliate Multidisplay and this investment was accounted for under the equity method until it was classified as held for sale.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
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### **2. Basis of preparation (Continued)**

#### **2.3. Basis of consolidation (Continued)**

On August 27, 2015, subsidiary Interprint entered into a share purchase and sale agreement with Cielo S.A. to sell 100% of its equity interest in Multidisplay. The completion of the transaction was contingent upon compliance with certain conditions precedent, which were fully met on June 27, 2016. On July 4, 2016, the 30% equity interest held by the subsidiary Interprint in Multidisplay was disposed of, as described in Note 9.i.

The direct subsidiary Valid Spain acquired 5.39% interest in Cubic Telecom Limited (“Cubic”) on August 21, 2017. Cubic is located in Ireland and is engaged in development of M2M connectivity platforms.

#### **2.4. Functional and reporting currency**

The individual and consolidated interim financial information is presented in Brazilian reais (R\$), which is the functional currency of the Company, having been rounded to the nearest thousand, unless otherwise stated. The Company and its subsidiaries determine their own functional currency, and for those entities whose functional currencies differ from the Brazilian real, the interim financial information is translated into the Brazilian real, assets and liabilities at the closing rate effective on the statement of financial position date, and profit or loss at the average rate for the period, in accordance with CPC 02 (R2) - The Effects of Changes in Foreign Exchange Rates and Conversion of Financial Statements, equivalent to IAS 21.

##### **a) Transactions and balances**

Foreign currency-denominated transactions are translated into the Company's functional currency at the exchange rates prevailing on the transaction dates and adjusted based on the exchange rates at the reporting date. Exchange gains and losses on such assets and liabilities using the exchange rate prevailing on the transaction date or beginning and end of the reporting periods are recognized as finance income or costs in profit or loss.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 2. Basis of preparation (Continued)

#### 2.4. Functional and reporting currency (Continued)

##### b) Entities of the Company and its subsidiaries

Functional currencies of the Company and its main subsidiaries:

| Subsidiaries                                      | Functional currency |
|---|---------------------|
| Valid   | Brazilian real      |
| Valid Participações                               | Brazilian real      |
| Valid Argentina                                   | Argentine peso      |
| Interprint  | Brazilian real      |
| Valid Certificadora                               | Brazilian real      |
| Valid Uruguay                                     | Uruguayan peso      |
| Valid Mexico                                      | Mexican peso        |
| Uram  | Argentine peso      |
| Inemator  | Uruguayan peso      |
| Valid Sucursal                                    | Colombian peso      |
| Valid Spain                                       | Euro                |
| Valid Colombia                                    | Colombian peso      |
| Valid USA   | US dollar           |
| Screencheck                                       | US dollar           |
| VSP   | US dollar           |
| MSC   | US dollar           |
| Valid A/S (formerly "Grupo Fundamenture A/S") (*) | US dollar           |

(\*) The functional currency of each Valid A/S subsidiary is determined based on its individual transactions. However, the US dollar functional currency is the most significant for Valid A/S and its subsidiaries.

The assets and liabilities of subsidiaries with functional currency different from the Brazilian real are translated into Brazilian reais at the exchange rate at the statement of financial position date, and the corresponding statements of profit or loss are translated at the average exchange rate in the transaction month. Foreign exchange differences resulting from such translation are separately recorded in equity. In case of sale of any of such subsidiaries, the accumulated deferred amount recognized in equity relating to such subsidiary is accounted for in the statement of profit or loss.

Goodwill and adjustments to fair value of identifiable assets acquired and liabilities assumed from the acquisition of a foreign investment are recognized as assets and liabilities from such investment and translated based on the exchange rate at the end of the reporting period.

Exchange rate differences are recognized in "Other comprehensive income" as translation adjustments.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
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### **2. Basis of preparation (Continued)**

#### **2.5. Use of estimates and judgments**

The preparation of individual and consolidated interim financial information in accordance with accounting practices adopted in Brazil and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the year in which estimates are revised and in any future years that may be impacted. The main areas involving estimates and assumptions are described below:

- (a) Impairment of nonfinancial assets - when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of the fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on information available on sales transactions of similar assets or market prices less additional costs for disposal of the asset. Value in use is calculated by using the discounted cash flow method. Cash flows arise from the budget for the next five years and do not include reorganization activities to which the Company and its subsidiaries have not yet committed or significant future investments that will improve the asset base of the cash-generating unit under test. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future cash receipts and growth rate used for extrapolation purposes.
- (b) Taxes, contributions and charges - there are uncertainties surrounding the interpretation of complex tax regulations and the amount and timing of future taxable profit. Given the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made, or future changes to such assumptions, could require future adjustments to tax income and expenses already recorded. Provisions are recognized based on reasonable estimates of potential effects of tax audits by tax authorities in the respective jurisdictions where the entities operate. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and the relevant tax authority. These interpretation differences can arise in relation to an extensive set of issues, depending on the conditions in place in the jurisdictions where the Company and its subsidiaries operate.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
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(In thousands of reais, unless otherwise stated)

### **2. Basis of preparation (Continued)**

#### **2.5. Use of estimates and judgments (Continued)**

- (c) Deferred income and social contribution taxes - recorded based on temporary differences between accounting and tax bases considering the prevailing tax legislation and the aspects mentioned in the preceding paragraph and the asset balances recognized to the extent that it is probable that there will be sufficient future taxable profit based on projections and estimates prepared by management. These projections and estimates include various circumstances relating to the Company's performance and factors that could differ from actual results. Under prevailing Brazilian tax laws, there is no period for using income tax losses. However, tax loss carryforwards can be offset only up to the limit of 30% of annual taxable profit in Brazil.
- (d) Provisions for tax, civil and labor contingencies - The Company and its subsidiaries recognize provision for tax, civil and labor contingencies when the likelihood of loss is assessed as probable and can be reliably estimated. Assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, recent court rulings and their relevance to the legal system, as well as the evaluation of outside legal advisors. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statutes of limitation, tax audit conclusions or additional exposures identified based on new court matters or rulings. Management believes that these provisions for tax, civil and labor contingencies are fairly measured and are stated in the interim financial information.
- (e) Allowance for doubtful accounts - recognized in an amount considered sufficient by management to cover any losses on the collection of receivables, taking into consideration historical losses and an individual assessment of uncollectible balances receivable.
- (f) Useful lives of property, plant and equipment and intangible assets - management reviews the estimated useful lives of property, plant and equipment and intangible assets on an annual basis, at the end of the reporting period.
- (g) Provision for profit sharing - measured on a monthly basis, based on financial performance and quality measurements, as well as the individual objectives of employees, established on an annual basis and recalculated at the end of the year, based on the best estimate of goals reached, as established in the annual budget.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
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### **2. Basis of preparation (Continued)**

#### **2.5. Use of estimates and judgments (Continued)**

- (h) Fair value of financial instruments - when the fair value of financial assets and liabilities cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method, which requires a certain level of judgment by management. Such judgment call includes analysis of the data used, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors could affect the fair value of financial instruments.
- (i) Provision for restructuring - recognized when the Company has a formal, detailed restructuring plan and has created a valid expectation to the parties that it will carry out the restructuring process by implementing such plan or disclosing its main characteristics to those affected by the restructuring. Measurement of the provision for restructuring includes only restructuring costs, which correspond to the amounts necessarily related to the restructuring and those not associated with the company's continuing activities.

#### **2.6. Seasonality**

The Company and its subsidiaries are not significantly affected by seasonality of their operations.

### **3. Significant accounting practices**

All the accounting practices adopted in preparing the individual and consolidated interim financial information are consistent with those used in preparing the individual and consolidated financial statements for the year ended December 31, 2016, published on the Official Gazette of the state of Rio de Janeiro and on the Valor Econômico Newspaper on March 17, 2017.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
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### **3. Significant accounting practices (Continued)**

#### **3.1. New and revised accounting standards and interpretations**

The new and revised standards applied as from January 1, 2017, whose effects on the amounts disclosed for the current and prior periods were non-existent or insignificant, are as follows:

- Amendments to IAS 7 - Requirement to include disclosure of changes in liabilities arising from financing activities
- Amendment to IAS 12 – Recognition of deferred tax assets for unrealized losses
- Amendments to IFRS 12 – Annual improvements - 2014-2016 cycle

New standards and interpretations already issued but not yet effective at June 30, 2017

The standards issued but not yet effective below have not been adopted by the Company:

- IFRS 9 – Financial instruments (a)
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- IFRS 15 – Revenue from contracts with customers (a)
- IFRS 16 – Leases (b)
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions (a)
- IFRIC 22 – Foreign currency transactions and advance considerations (a)
- Amendments to IAS 40 – Transfers of investment property (a)
- Amendments to IFRS 1 and IAS 28 – Annual improvements - 2014-2016 cycle (a)
- IFRS 17 – Insurance contracts (b)
- IFRIC 23 – Uncertainty over income tax treatments (b)

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 3. Significant accounting practices (Continued)

#### 3.1. New and revised accounting standards and interpretations (Continued)

Applicable for annual periods beginning on or after:

- (a) January 1, 2018
- (b) January 1, 2019

The Brazilian FASB (CPC) has not yet issued equivalent pronouncements for certain of the previously mentioned IFRS with effective adoption date for 2018 and 2019, but is expected to do so before the required date of their effectiveness. Early adoption of IFRS is subject to prior approval in ruling set by the CFC.

The Company did not adopt such changes in advance for its quarterly information as of June 30, 2017. The new standards, IFRS 15 and IFRS 9, are not expected to significantly modify the Company's financial statements at the time of their adoption.

### 4. Cash and cash equivalents and marketable securities

|                           | Company    |            | Consolidated |            |
|---------------------------|------------|------------|--------------|------------|
|                           | 09/30/2017 | 12/31/2016 | 09/30/2017   | 12/31/2016 |
| Cash and banks            | 1,098      | 21,522     | 96,569       | 128,237    |
| Cash equivalents          | 131,993    | 230,969    | 211,796      | 266,540    |
| Cash and cash equivalents | 133,091    | 252,491    | 308,365      | 394,777    |
| Marketable securities     | -          | 323        | -            | 6,165      |
|                           | 133,091    | 252,814    | 308,365      | 400,942    |
| Total current             |            |            |              |            |
| Cash and cash equivalents | 133,091    | 252,491    | 308,365      | 394,777    |
| Marketable securities     | -          | -          | -            | 5,842      |
| Total noncurrent          |            |            |              |            |
| Cash and cash equivalents | -          | 323        | -            | 323        |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 4. Cash and cash equivalents and marketable securities (Continued)

Cash equivalents refer to highly liquid short-term investments in various financial institutions, redeemable at any time and immediately convertible into a known cash amount with an insignificant risk of change in value. The cash equivalents of the Company and its subsidiaries consist mainly of floating Bank Deposit Certificates (CDB) and repurchase agreements backed by debentures, subject to repurchase, remunerated based on the Interbank Deposit Certificate (CDI) variation. The average yield of cash equivalents was 98.9% p.a. of CDI for the nine-month period ended September 30, 2017 (100.3% p.a. of CDI for the year ended December 31, 2016).

### 5. Trade accounts receivable

|                                 | Company    |            | Consolidated |            |
|---------------------------------|------------|------------|--------------|------------|
|                                 | 09/30/2017 | 12/31/2016 | 09/30/2017   | 12/31/2016 |
| Trade accounts receivable       | 161,211    | 119,683    | 388,586      | 337,099    |
| Allowance for doubtful accounts | (2,203)    | (4,106)    | (22,538)     | (25,844)   |
| Total                           | 159,008    | 115,577    | 366,048      | 311,255    |
| Total current                   | 145,928    | 111,272    | 347,216      | 298,500    |
| Total noncurrent                | 13,080     | 4,305      | 18,832       | 12,755     |

At September 30, 2017, the Company had trade accounts receivable classified as noncurrent assets, Company and Consolidated, which comprised an amount receivable from a specific customer, amounting to R\$5,930 (R\$4,305 at December 31, 2016), arising from renegotiations made, and R\$7,150 referring to a customer undergoing court-ordered reorganization. There is no allowance recognized for this amounts based on an analysis made by management, which concluded that the likelihood of such amount being received is probable after approval of the customer's court-ordered reorganization plan. In addition to these amounts, the Company recorded the amount of R\$5,752 in the consolidated financial statements related to balances receivable from the indirect subsidiary (Valid Certificadora), from accreditation agreements with registration authority, with maturity dates over a year, adjusted to present value based on IGP-M (R\$8,450 at December 31, 2016).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 5. Trade accounts receivable (Continued)

At September 30, 2017 and December 31, 2016, the aging list of accounts receivable is as follows:

|                      | Company        |            | Consolidated   |            |
|----------------------|----------------|------------|----------------|------------|
|                      | 09/30/2017     | 12/31/2016 | 09/30/2017     | 12/31/2016 |
| Falling due          | <b>110,185</b> | 70,310     | <b>225,499</b> | 194,152    |
| Overdue              |                |            |                |            |
| Within 30 days       | <b>21,473</b>  | 27,294     | <b>70,836</b>  | 71,324     |
| From 31 to 90 days   | <b>12,822</b>  | 5,171      | <b>33,579</b>  | 21,266     |
| From 91 to 120 days  | <b>826</b>     | 1,335      | <b>3,602</b>   | 4,155      |
| From 121 to 180 days | <b>177</b>     | 3,445      | <b>3,700</b>   | 11,686     |
| From 181 to 365 days | <b>486</b>     | 3,741      | <b>11,851</b>  | 11,686     |
| Over 365 days        | <b>15,242</b>  | 8,387      | <b>39,519</b>  | 22,830     |
| Total overdue        | <b>51,026</b>  | 49,373     | <b>163,087</b> | 142,947    |
| Total                | <b>161,211</b> | 119,683    | <b>388,586</b> | 337,099    |

At September 30, 2017, part of the overdue consolidated balance of R\$82,664 derives from foreign subsidiaries based in Spain, USA, Argentina, Denmark, Mexico, Colombia and Uruguay (R\$75,513 at December 31, 2016) and, therefore, subject to appreciation or depreciation of the Brazilian real against the functional currencies of such subsidiaries.

The Company analyzes the balances of overdue receivables individually and uses as assumption the history of receivables from such customers to protect against possible risks. Allowance for doubtful accounts is calculated based on the history of loss. Management of the Company and its subsidiaries deems that, at September 30, 2017 and December 31, 2016, the amounts accrued are sufficient to cover any losses.

At September 30, 2017, subsidiary Interprint recorded a balance of R\$13,500 outstanding for more than 90 days, for which an allowance for doubtful accounts of R\$4,357 was recognized.

At September 30, 2017, subsidiary Valid Spain recorded a balance of R\$20,386 outstanding for more than 90 days, for which an allowance for doubtful accounts of R\$11,937 was recognized.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
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### **5. Trade accounts receivable (Continued)**

At September 30, 2017, the Company recorded balances overdue for more than 90 days of R\$16,731 (Company) and R\$58,672 (Consolidated) (R\$16,908 and R\$50,357 at December 31, 2016, respectively) and, of such amounts, balances for which allowance for doubtful accounts was not recognized totaled R\$14,528 (Company) and R\$36,134 (Consolidated) (R\$12,802 and R\$24,513 at December 31, 2016, respectively). The main balances and management's justification for not recognizing the allowance are described below, by location:

#### Brazil

- At September 30, 2017, the Company recorded trade accounts receivable under noncurrent assets, Company and Consolidated, of R\$5,930 (R\$4,305 at December 31, 2016) relating to services provided and not paid through that date, due to retentions unilaterally made by a customer within the scope of the agreements entered into among the parties. Seeking to receive the frozen amounts, the Company filed two lawsuits and, in October 2016, a favorable decision was handed down at the lower court for one of the lawsuits filed against the customer. Given this scenario and based on the opinion of the outside legal advisors responsible for this lawsuit, the understanding is that these retentions are in fact illegal and, therefore, the Company expects to receive the retained amounts in the future. Accordingly, there is no need to recognize allowance for doubtful accounts on this date.
- At September 30, 2017, the Company recognized an overdue balance receivable of R\$16,935, of which R\$7,150 is outstanding for more than 90 days (R\$9,349, of which R\$7,057 was outstanding for more than 90 days at December 31, 2016), relating to a customer that is under court-ordered reorganization. Management understands that the outstanding balances are collectible, thus not requiring allowance for doubtful accounts, since the court-ordered reorganization plan presented to date includes the amounts that the Company has recorded in its accounts receivable. The Company is awaiting the collection of the amounts included in the customer's creditor list.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 5. Trade accounts receivable (Continued)

#### Spain

- At September 30, 2017, a customer of subsidiary Valid Spain, based in Venezuela, recorded the amount of R\$6,217 (R\$7,375 at December 31, 2016), which was outstanding for more than 90 days. The delay arises from problems faced in relation to the exchange closing in the home country of such customer. However, the history of payments of overdue amounts supports management's understanding that there is no need to recognize an allowance for doubtful accounts for such outstanding balances. The amount received from this customer in the nine-month period ended September 30, 2017 totals R\$910.

### 6. Taxes

#### a) Taxes recoverable

|  | Company       |               | Consolidated  |               |
|--|---------------|---------------|---------------|---------------|
|  | 09/30/2017    | 12/31/2016    | 09/30/2017    | 12/31/2016    |
| Income and social contribution taxes recoverable | 10,413        | 7,071         | 16,649        | 9,895         |
| State VAT (ICMS) recoverable                     | 622           | 724           | 29,888        | 10,732        |
| Federal VAT (IPI) recoverable                    | 21,879        | 20,996        | 22,461        | 21,509        |
| Federal taxes withheld by customers              | 1,479         | 2,890         | 2,243         | 3,501         |
| Other  | 488           | 718           | 584           | 815           |
| <b>Total</b>                                     | <b>34,881</b> | <b>32,399</b> | <b>71,825</b> | <b>46,452</b> |
| Total current                                    | 13,002        | 11,722        | 49,286        | 25,173        |
| Total noncurrent                                 | 21,879        | 20,677        | 22,539        | 21,279        |

IPI recoverable, classified as noncurrent assets, refers to credits that the Company expects to realize by offsetting the related amounts against other federal taxes or requesting refund from tax authorities. Through September 30, 2017, the Company filed refund requests for IPI credits amounting to R\$20,016 and is awaiting a position from the federal agency.

Income and social contribution taxes recoverable refer mainly to income tax on short-term investments and prepaid income and social contribution taxes.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 6. Taxes (Continued)

#### b) Deferred income and social contribution taxes

The main components of deferred income and social contribution taxes (assets and liabilities) and related changes are as follows:

|  | <b>Company</b>      |                |                   |
|--|---------------------|----------------|-------------------|
|  | <b>Deferred</b>     |                |                   |
|  | <b>income and</b>   |                |                   |
|  | <b>social</b>       |                |                   |
|  | <b>contribution</b> |                |                   |
|  | <b>taxes –</b>      |                |                   |
|  | <b>income</b>       |                |                   |
|  | <b>(expenses)</b>   |                |                   |
|  | <b>12/31/2016</b>   |                | <b>09/30/2017</b> |
| Deferred tax assets related to:                |                     |                |                   |
| Provision for contingencies                    | 5,053               | (532)          | 4,521             |
| Provision for PPE obsolescence                 | 2,745               | (1,836)        | 909               |
| Allowance for doubtful accounts                | 1,150               | (647)          | 503               |
| Provision for royalties                        | 208                 | 123            | 331               |
| Provision for attorney's fees                  | 614                 | (5)            | 609               |
| Provision for profit sharing                   | 2,359               | 588            | 2,947             |
| Recognized stock options                       | -                   | 231            | 231               |
| Provision for restructuring costs <sup>1</sup> | 528                 | (528)          | -                 |
| Other temporary additions                      | 1,790               | 844            | 2,634             |
| Income and social contribution tax losses      | 22,790              | 688            | 23,478            |
| Total deferred tax assets                      | <u>37,237</u>       | <u>(1,074)</u> | <u>36,163</u>     |
| Deferred tax liabilities related to:           |                     |                |                   |
| Lease  | -                   | (28)           | (28)              |
| Total deferred tax liabilities                 | <u>-</u>            | <u>(28)</u>    | <u>(28)</u>       |
| Total deferred taxes                           | <u>37,237</u>       | <u>(1,102)</u> | <u>36,135</u>     |

(<sup>1</sup>) Refers to recognition of deferred tax assets in the restructuring process of manufacturing plants in Brazil. See Note 25.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 6. Taxes (Continued)

#### b) Deferred income and social contribution taxes (Continued)

|  | Consolidated    |   |                     | 09/30/2017      |
|--|-----------------|---|---------------------|-----------------|
|  | 12/31/2016      | Deferred income and social contribution taxes – income (expenses) | Exchange difference |                 |
| Deferred tax assets related to:                  |                 |   |                     |                 |
| Provision for contingencies                      | 7,147           | (392)   | 76                  | 6,831           |
| Income and social contribution tax losses        | 42,765          | 14,694  | (536)               | 56,923          |
| Allowance for doubtful accounts                  | 5,738           | (814)   | 173                 | 5,097           |
| Provision for PPE obsolescence                   | 6,262           | (1,899)   | (103)               | 4,260           |
| Provision for royalties                          | 208             | 123   | -                   | 331             |
| Provision for attorney's fees                    | 614             | (5)   | -                   | 609             |
| Provision for restructuring costs <sup>(2)</sup> | 1,894           | (1,167)   | (81)                | 646             |
| Deferred rentals                                 | 1,046           | 178   | (30)                | 1,194           |
| Provision for profit sharing                     | 3,722           | (388)   | (29)                | 3,305           |
| Transaction cost in business acquisition         | 4,061           | (349)   | (113)               | 3,599           |
| Finance costs related to loans <sup>(1)</sup>    | 443             | 705   | (14)                | 1,134           |
| Commissions payable                              | 1,231           | 488   | -                   | 1,719           |
| Recognized stock options                         | -               | 231   | -                   | 231             |
| Other temporary additions                        | 4,661           | 727   | (53)                | 5,335           |
| <b>Total deferred tax assets</b>                 | <b>79,792</b>   | <b>12,132</b>   | <b>(710)</b>        | <b>91,214</b>   |
| Deferred tax liabilities related to:             |                 |   |                     |                 |
| Tax amortization of deductible goodwill          | (40,841)        | (5,198)   | 69                  | (45,970)        |
| Depreciation difference - CPC 27 <sup>(3)</sup>  | (5,350)         | 293   | 98                  | (4,959)         |
| Lease  | -               | (28)  | -                   | (28)            |
| <b>Total deferred tax liabilities</b>            | <b>(46,191)</b> | <b>(4,933)</b>  | <b>167</b>          | <b>(50,957)</b> |
| <b>Total deferred taxes</b>                      | <b>33,601</b>   | <b>7,199</b>  | <b>(543)</b>        | <b>40,257</b>   |

(1) Refers to recognition of deferred tax assets in subsidiary Valid USA on interest expenses on the debt due to the temporal non-deductibility determined by the thin capitalization rule prescribed by the American legislation. Such interest expenses may be used in the future.

(2) Refers to recognition of deferred tax assets in the restructuring process of manufacturing plants in Brazil and the United States. See Note 25.

(3) Refers to the difference arising from recognition of depreciation expenses due to the use capacity against the tax useful life.

Other temporary additions are comprised mainly of provisions relating to expenses incurred on third-party services.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 6. Taxes (Continued)

#### b) Deferred income and social contribution taxes (Continued)

Goodwill paid on the acquisition of Interprint and its subsidiaries, based on expected future profitability, has not been subject to amortization for accounting purposes since January 1, 2009. The Company recognized deferred income and social contribution tax liabilities for the temporary taxable difference, considering the expectation of realization of the investment.

At September 30, 2017 and December 31, 2016, for reporting purposes, the Company offset deferred tax assets and liabilities relating to the same legal entity as follows:

| Consolidated             | 09/30/2017    |                 |               |              |                 |                     |            | Total           |
|--------------------------|---------------|-----------------|---------------|--------------|-----------------|---------------------|------------|-----------------|
|                          | Valid         | Interprint      | Valid USA     | Valid Spain  | Valid Argentina | Valid Certificadora | Other      |                 |
| Deferred tax assets      | 36,163        | 3,052           | 34,766        | 2,927        | 507             | 3,250               | 63         | 80,728          |
| Deferred tax liabilities | (28)          | (39,185)        | -             | (1,194)      | -               | -                   | (65)       | (40,472)        |
| Total net                | <u>36,135</u> | <u>(36,133)</u> | <u>34,766</u> | <u>1,733</u> | <u>507</u>      | <u>3,250</u>        | <u>(2)</u> | <u>40,256</u>   |
| Total tax assets         | <u>36,135</u> | -               | <u>34,766</u> | <u>1,733</u> | <u>507</u>      | <u>3,250</u>        | <u>(2)</u> | <u>76,389</u>   |
| Total tax liabilities    | -             | <u>(36,133)</u> | -             | -            | -               | -                   | -          | <u>(36,133)</u> |

  

| Consolidated             | 12/31/2016    |                 |               |              |  | Total           |
|--------------------------|---------------|-----------------|---------------|--------------|--|-----------------|
|                          | Valid         | Interprint      | Valid USA     | Other        |  |                 |
| Deferred tax assets      | 37,237        | 2,797           | 34,535        | 5,223        |  | 79,792          |
| Deferred tax liabilities | -             | (35,777)        | (9,250)       | (1,164)      |  | (46,191)        |
| Total net                | <u>37,237</u> | <u>(32,980)</u> | <u>25,285</u> | <u>4,059</u> |  | <u>33,601</u>   |
| Total tax assets         | <u>37,237</u> | -               | <u>25,285</u> | <u>4,059</u> |  | <u>66,581</u>   |
| Total tax liabilities    | -             | <u>(32,980)</u> | -             | -            |  | <u>(32,980)</u> |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 6. Taxes (Continued)

#### b) Deferred income and social contribution taxes (Continued)

The table below shows the expected realization period of deferred tax assets, supported by the budgets approved by Company management:

|       | <u>Company</u> | <u>Consolidated</u> |
|-------|----------------|---------------------|
| 2017  | 14,567         | 27,093              |
| 2018  | 5,396          | 10,681              |
| 2019  | 4,696          | 11,014              |
| 2020  | 5,400          | 18,526              |
| 2021  | 6,104          | 23,900              |
| Total | <b>36,163</b>  | <b>91,214</b>       |

#### c) Taxes, charges and contributions payable

|                              | <u>Company</u>    |                   | <u>Consolidated</u> |                   |
|------------------------------|-------------------|-------------------|---------------------|-------------------|
|                              | <u>09/30/2017</u> | <u>12/31/2016</u> | <u>09/30/2017</u>   | <u>12/31/2016</u> |
| IR and CSLL payable          | -                 | -                 | 1,801               | 1,785             |
| ICMS payable                 | 528               | 119               | 1,765               | 639               |
| ISS payable                  | 2,429             | 2,101             | 5,601               | 4,472             |
| COFINS payable               | 2,083             | 2,003             | 2,955               | 2,829             |
| PIS payable                  | 449               | 438               | 638                 | 615               |
| INSS withheld from customers | 865               | -                 | 865                 | -                 |
| Other                        | 245               | 1,166             | 587                 | 1,354             |
| Total                        | <b>6,599</b>      | <b>5,827</b>      | <b>14,212</b>       | <b>11,694</b>     |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 6. Taxes (Continued)

#### d) Reconciliation of tax expenses and statutory tax rates

|   | Company        |            | Consolidated   |            |
|---|----------------|------------|----------------|------------|
|   | 09/30/2017     | 09/30/2016 | 09/30/2017     | 09/30/2016 |
| Income before income taxes  | <b>28,933</b>  | 23,294     | <b>40,536</b>  | 44,254     |
| Income before income taxes from discontinued operations                     | -              | 21,766     | -              | 42,020     |
|   | <b>28,933</b>  | 45,060     | <b>40,536</b>  | 86,274     |
| Combined tax rate   | <b>34%</b>     | 34%        | <b>34%</b>     | 34%        |
| Income and social contribution taxes at combined tax rate                   | <b>9,837</b>   | 15,320     | <b>13,782</b>  | 29,333     |
| Additions   |                |            |                |            |
| Income abroad   | <b>1,208</b>   | -          | <b>1,208</b>   | -          |
| Allowance for doubtful accounts   | -              | 54         | -              | 1,011      |
| Non-deductibility of depreciation expenses                                  | -              | 780        | -              | 780        |
| Nondeductible expenses and other expenses                                   | <b>110</b>     | -          | <b>143</b>     | -          |
| Exclusions  |                |            |                |            |
| Tax incentives  | -              | -          | -              | (233)      |
| Equity pickup   | <b>(5,764)</b> | (18,919)   | <b>106</b>     | (659)      |
| Equity pickup - discontinued operations                                     | -              | (7,401)    | -              | -          |
| Interest on equity  | -              | (5,174)    | -              | (5,174)    |
| Portion exempt from surtax  | -              | -          | <b>(43)</b>    | (54)       |
| Reversal of non-deductibility of lease interest expenses                    | <b>(3,109)</b> | -          | <b>(3,109)</b> | -          |
| Tax rate difference – profit computed as a percentage of gross revenue      | -              | -          | -              | 374        |
| Tax rate difference – companies abroad                                      | -              | -          | <b>1,161</b>   | 160        |
| Other additions (exclusions), net   | <b>28</b>      | 45         | <b>503</b>     | 520        |
| Income and social contribution taxes charged to profit or loss for the year | <b>2,310</b>   | (15,295)   | <b>13,751</b>  | 26,058     |
| Effective rate  | <b>7,98%</b>   | -33,94%    | <b>33,92%</b>  | 30,20%     |
| Current income and social contribution taxes - continuing operations        | <b>1,208</b>   | -          | <b>20,950</b>  | 27,954     |
| Deferred income and social contribution taxes - continuing operations       | <b>1,102</b>   | (15,295)   | <b>(7,199)</b> | (8,898)    |
| Current income and social contribution taxes - discontinued operations      | -              | -          | -              | 13,628     |
| Deferred income and social contribution taxes - discontinued operations     | -              | -          | -              | (6,626)    |
|   | <b>2,310</b>   | (15,295)   | <b>13,751</b>  | 26,058     |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 6. Taxes (Continued)

#### d) Reconciliation of tax expenses and statutory tax rates (Continued)

|   | Company                  |                          | Consolidated             |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 |
| Income before income taxes  | 20,430                   | 26,594                   | 25,555                   | 30,818                   |
| Income before income taxes - discontinued operations                          | -                        | 19,827                   | -                        | 40,081                   |
|   | <b>20,430</b>            | <b>46,421</b>            | <b>25,555</b>            | <b>70,899</b>            |
| Combined tax rate   | 34%                      | 34%                      | 34%                      | 34%                      |
| Income and social contribution taxes at combined tax rate                     | 6,946                    | 15,783                   | 8,689                    | 24,106                   |
| Additions   |                          |                          |                          |                          |
| Income abroad   | 1,208                    | -                        | 1,208                    | -                        |
| Allowance for doubtful accounts   | -                        | 54                       | -                        | 960                      |
| Nondeductible expenses  | 47                       | -                        | 54                       | -                        |
| Non-deductibility of depreciation expenses                                    | -                        | 210                      | -                        | 210                      |
| Exclusions  |                          |                          |                          |                          |
| Equity pickup   | (3,010)                  | (7,670)                  | 106                      | (11)                     |
| Equity pickup - discontinued operations                                       | -                        | (6,741)                  | -                        | -                        |
| Loss on credit receipt  | -                        | 9                        | 3                        | 9                        |
| Portion exempt from surtax  | -                        | -                        | (19)                     | (30)                     |
| Reversal – non-deductibility of lease interest expenses                       | (607)                    | -                        | (607)                    | -                        |
| Tax incentives  | -                        | -                        | 182                      | (233)                    |
| Interest on equity  | -                        | (5,174)                  | -                        | (5,174)                  |
| Tax rate difference – profit computed as a percentage of gross revenue        | -                        | -                        | -                        | 74                       |
| Tax rate difference – companies abroad  | -                        | -                        | 66                       | 474                      |
| Other additions (exclusions), net   | 28                       | 18                       | 510                      | 448                      |
| Income and social contribution taxes charged to profit or loss for the period | 4,612                    | (3,511)                  | 10,192                   | 20,833                   |
| Effective rate  | 22,57%                   | -7,56%                   | 39,88%                   | 29,38%                   |
| Current income and social contribution taxes - continuing operations          | 1,208                    | -                        | 6,645                    | 4,695                    |
| Deferred income and social contribution taxes - continuing operations         | 3,404                    | (3,511)                  | 3,547                    | 9,136                    |
| Current income and social contribution taxes - discontinued operations        | -                        | -                        | -                        | 13,628                   |
| Deferred income and social contribution taxes - discontinued operations       | -                        | -                        | -                        | (6,626)                  |
|   | <b>4,612</b>             | <b>(3,511)</b>           | <b>10,192</b>            | <b>20,833</b>            |

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Notes to interim financial information (Continued)  
September 30, 2017  
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### 7. Inventories

|                                 | Company       |            | Consolidated   |            |
|---------------------------------|---------------|------------|----------------|------------|
|                                 | 09/30/2017    | 12/31/2016 | 09/30/2017     | 12/31/2016 |
| Raw material                    | 25,489        | 26,599     | 72,814         | 70,191     |
| Work-in-process                 | 17,135        | 23,937     | 39,580         | 40,598     |
| Replacement parts and materials | 4,257         | 4,772      | 5,626          | 5,925      |
| Goods for resale                | -             | -          | 7,731          | 7,285      |
| Provision for inventory losses  | -             | -          | (4,237)        | (3,445)    |
|                                 | <b>46,881</b> | 55,308     | <b>121,514</b> | 120,554    |
| Advances to suppliers           | 875           | 6,610      | 1,193          | 8,445      |
| Total                           | <b>47,756</b> | 61,918     | <b>122,707</b> | 128,999    |

### 8. Judicial deposits

|                             | Company       |            | Consolidated  |            |
|-----------------------------|---------------|------------|---------------|------------|
|                             | 09/30/2017    | 12/31/2016 | 09/30/2017    | 12/31/2016 |
| Labor                       | 5,614         | 7,055      | 7,354         | 8,524      |
| Tax                         | 14,373        | 13,788     | 19,040        | 18,115     |
| Civil, commercial and other | 11,108        | 10,515     | 11,212        | 10,615     |
| Total                       | <b>31,095</b> | 31,358     | <b>37,606</b> | 37,254     |

The most individually significant judicial deposits made by the Company are described below:

- On May 29, 2012, the Company made a judicial deposit of R\$7,009 related to a tax notice for differences identified in the EFD digital file (Sped Fiscal) in the period from January 2009 to December 2010. This lawsuit was assessed as possible loss (Note 14, item b). At September 30, 2017, the restated judicial deposit totals R\$10,147.
- On February 8, 2013, the Company made a judicial deposit of R\$6,646 related to a civil lawsuit classified as possible loss, filed against Brazil's National Telecommunications Agency (ANATEL), claiming the suspension of the penalty imposed by this Agency against the Company, under an administrative proceeding, for the alleged production of an inductive card with an expired certificate number (Note 14, item b). At September 30, 2017, the restated judicial deposit totals R\$10,042.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments

#### Financial information

At September 30, 2017, the significant financial information of the direct and indirect subsidiaries is as follows:

| Subsidiaries <sup>(1)</sup>    | Total assets | Total liabilities | Profit or loss for the period <sup>(2)</sup> | Equity  |
|--------------------------------|--------------|-------------------|--|---------|
| Valid Par                      | 1,163        | 1                 | 54   | 1,162   |
| Valid Argentina <sup>(3)</sup> | 39,050       | 13,141            | 1,988  | 25,909  |
| Interprint                     | 274,523      | 59,589            | 34,726                                       | 214,934 |
| Valid Certificadora            | 50,030       | 17,319            | 2,434  | 32,711  |
| Valid Uruguay                  | 1,164        | 7                 | 340  | 1,157   |
| Valid Mexico                   | 14,440       | 6,935             | 2,907  | 7,505   |
| Uram                           | 783          | 135               | (380)  | 648     |
| Inemator                       | 249          | 35                | (35)   | 214     |
| Valid Spain                    | 781,724      | 338,351           | (19,434)                                     | 443,373 |
| Valid Colombia                 | 45           | -                 | -  | 45      |
| Valid A/S                      | 206,223      | 49,648            | 5,009  | 156,575 |
| Valid USA <sup>(4)</sup>       | 464,229      | 198,984           | (16,516)                                     | 265,245 |
| Valid Sucursal                 | 2,134        | 450               | (327)  | 1,684   |

<sup>(1)</sup> Considers 100% of the subsidiaries' balances, regardless of the equity interest held by Valid in such entities.

<sup>(2)</sup> Comprises profit or loss recognized by subsidiaries and affiliates for the nine-month period ended September 30, 2017.

<sup>(3)</sup> Subsidiary Interprint holds a 2.4% interest in Valid Argentina.

<sup>(4)</sup> Comprises the assets, liabilities, and profit or loss of subsidiaries Screencheck, VSP and MSC.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments (Continued)

#### Changes in investments

Changes in the investment balances for the nine-month period ended September 30, 2017 are as follows:

| Investments     | Company                |                              |                     |               |            | Balances at 09/30/2017 |
|-----------------|------------------------|------------------------------|---------------------|---------------|------------|------------------------|
|                 | Balances at 12/31/2016 | Additions (capital increase) | Exchange difference | Equity pickup | Transfer   |                        |
| Subsidiaries    |                        |                              |                     |               |            |                        |
| Valid Par       | 1,108                  | -                            | -                   | 54            | -          | 1,162                  |
| Interprint      | 179,988                | -                            | 222                 | 34,724        | -          | 214,934                |
| Valid Spain     | 475,985                | -                            | (13,178)            | (19,434)      | -          | 443,373                |
| Valid Argentina | 26,317                 | -                            | (3,026)             | 1,937         | -          | 25,228                 |
| Valid Sucursal  | 601                    | 1,399                        | 11                  | (327)         | -          | 1,684                  |
| Other           | -                      | 596                          | -                   | -             | 323        | 919                    |
|                 | 683,999                | 1,995                        | (15,971)            | 16,954        | 323        | 687,300                |
| Goodwill        |                        |                              |                     |               |            |                        |
| Valid Spain     | 42,303                 | -                            | 3,748               | -             | -          | 46,051                 |
| Valid Argentina | 3,055                  | -                            | (342)               | -             | -          | 2,713                  |
|                 | 45,358                 | -                            | 3,406               | -             | -          | 48,764                 |
| <b>Total</b>    | <b>729,357</b>         | <b>1,995</b>                 | <b>(12,565)</b>     | <b>16,954</b> | <b>323</b> | <b>736,064</b>         |

| Investments  | Consolidated           |                              |               |            | Balances at 09/30/2017 |
|--------------|------------------------|------------------------------|---------------|------------|------------------------|
|              | Balances at 12/31/2016 | Additions (capital increase) | Equity pickup | Transfer   |                        |
| Investees    |                        |                              |               |            |                        |
| Cubic        | -                      | 5,199                        | (311)         | -          | 4,888                  |
| Other        | -                      | 596                          | -             | 323        | 919                    |
| <b>Total</b> | <b>-</b>               | <b>5,795</b>                 | <b>(311)</b>  | <b>323</b> | <b>5,807</b>           |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

The corporate events related to the Company's and subsidiaries' investments for the nine-month period ended September 30, 2017 are detailed below:

| Subsidiaries                | Events               | Type                        | Amount in original currency | Amount in R\$ thousand |
|-----------------------------|----------------------|-----------------------------|-----------------------------|------------------------|
| Valid Sucursal Colombia (a) | Capital increase     | Shareholders' Meeting       | US\$450 thousand            | 1,399                  |
| Valid USA (b)               | Capital increase     | Board of Directors' Meeting | US\$50 thousand             | 169,035                |
| Valid USA (b)               | Capital increase     | Board of Directors' Meeting | US\$20 thousand             | 65,676                 |
| Valid Spain (c)             | Acquisition of CUBIC | Board of Directors' Meeting | EUR10 thousand              | 37,147                 |

#### (a) Capital increase in Valid Sucursal Colombia

On February 1, 2017, the Company increased the capital in Valid Sucursal Colombia by US\$450 thousand (equivalent to R\$1,399 on the capitalization date).

#### (b) Capital increase in Valid USA

On May 18, 2017, Valid Spain increased the capital in Valid USA by US\$50,000 thousand (equivalent to R\$169,035 on the capitalization date).

On June 8, 2017, Valid Spain increased the capital in Valid USA by US\$20,000 thousand (equivalent to R\$65,676 on the capitalization date).

#### (c) Acquisition of CUBIC

At the meeting held on August 16, 2017, the Board of Directors approved acquisition of 5.39% of the capital of Cubic Telecom Limited ("Cubic"), through subsidiary Valid Spain, for EUR10,000 (equivalent to R\$37,147 on the acquisition date).

Cubic is an Irish company engaged in the development of M2M connectivity management platforms, using the eUICC technology component – or embedded SIM or eSIM – considered an evolution of the SIM card. Cubic's key customers operate in the automotive, technology and retail sectors. It was founded in 2009 by Barry Napier, the current CEO and controlling shareholder. Cubic is an innovative company, fully focused on the customer, capable of developing applications and services tailored to the IoT universe.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (c) Acquisition of CUBIC (Continued)

One of the sectors that has advanced the most in analysis of the benefits of IoT through eSIM is the Automotive industry. In this regard, Valid is strengthening its strategy in this market by further tightening its relationship with Cubic, whereby the Company is responsible for providing Cubic's eSIM and remote customization platform of its customers' subscriptions.

The Company's strategy is to be prepared for the transition from the traditional Simcard to eUICC Sim (embedded Sim), offering the product, the operational system and the customization platform (subscription manager).

The amount of EUR8,600 (equivalent to R\$31,948) was recognized as goodwill on said acquisition, based on future profitability. The fair value of assets and liabilities calculated on the transaction date is shown below:

|   | <b>Cubic</b><br><b>(08/21/2017)</b> |
|---|-------------------------------------|
| Assets                                  |                                     |
| Current assets                          | <u>123,376</u>                      |
| Cash and cash equivalents               | 112,267                             |
| Taxes recoverable                       | 10,956                              |
| Inventories                             | 153                                 |
| Noncurrent assets                       | <u>7,242</u>                        |
| Property, plant and equipment           | 5,783                               |
| Intangible assets                       | 1,459                               |
| Liabilities                             |                                     |
| Current liabilities                     | <u>(34,163)</u>                     |
| Trade accounts payable                  | (32,420)                            |
| Other accounts payable                  | (1,743)                             |
| Fair value of total net assets of CUBIC | <u>96,455</u>                       |
| 5.39% of CUBIC                          | 5,199                               |
| Amount effectively paid                 | 37,147                              |
| Goodwill on acquisition                 | 31,948                              |

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### 9. Investments (Continued)

#### Changes in investments (Continued)

In addition to the corporate event for the nine-month period ended September 30, 2017, described above, we highlight the following corporate events for the year ended December 31, 2016, which impacted the comparability of the information presented in this financial information:

| Subsidiaries                | Events  | Type                        | Amount in original currency | Amount in R\$ thousand |
|-----------------------------|---|-----------------------------|-----------------------------|------------------------|
| Interprint (a)              | Acquisition of equity interest in Uram                | Shareholders' Meeting       | US\$400 thousand            | 1,640                  |
| Interprint (b)              | Acquisition of equity interest in Inemator            | Shareholders' Meeting       | US\$100 thousand            | 410                    |
| Valid Spain (c)             | Capital increase                                      | Board of Directors' Meeting | US\$10,746 thousand         | 39,600                 |
| Valid Sucursal Colombia (d) | Capital increase                                      | Executive Board's Meeting   | US\$350 thousand            | 1,276                  |
| Interprint (e)              | Payment of dividends                                  | Shareholders' Meeting       | R\$42 million               | 42,000                 |
| Valid Certificadora (f)     | Payment of dividends                                  | Shareholders' Meeting       | R\$12 million               | 12,000                 |
| Valid Argentina (g)         | Capital increase                                      | Shareholders' Meeting       | US\$152 thousand            | 478                    |
| Valid Sucursal Colombia (h) | Capital increase                                      | Shareholders' Meeting       | US\$250 thousand            | 806                    |
| Interprint (i)              | Disposal of equity interest in affiliate Multidisplay | Board of Directors' Meeting | R\$67 million               | 66,988                 |
| Valid Argentina (j)         | Payment of dividends                                  | Shareholders' Meeting       | US\$2,042 million           | 6,784                  |
| Valid Argentina (j)         | Payment of dividends                                  | Shareholders' Meeting       | US\$61 thousand             | 198                    |
| Interprint (e)              | Payment of dividends                                  | Shareholders' Meeting       | R\$80 million               | 80,000                 |
| Valid Spain (c)             | Capital increase                                      | Board of Directors' Meeting | US\$10,000 thousand         | 33,476                 |
| Valid USA (k)               | Capital increase                                      | Board of Directors' Meeting | US\$10,000 thousand         | 33,476                 |
| Valid USA (k)               | Capital increase                                      | Board of Directors' Meeting | US\$7,566 thousand          | 25,191                 |
| Trust (l)                   | Merger  | Special General Meeting     | R\$9,496                    | 9,496                  |

#### (a) Acquisition of equity interest in Uram

On October 2, 2015, the Board of Directors approved the acquisition, through subsidiary Interprint, of 31.17% of the shares issued by Uram for US\$300 thousand (equivalent to R\$1,120 on the acquisition date, which was completed on October 8, 2015). This operation generated on that date goodwill of US\$255 thousand (equivalent to R\$952 on the acquisition date), when appreciation allocated to "Customer portfolio" was identified, in the amount of US\$46 thousand, of which Interprint holds US\$14 thousand (equivalent to R\$55).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (a) Acquisition of equity interest in Uram (Continued)

On January 25, 2016, a capital contribution of US\$400 thousand (equivalent to R\$1,640 on that date) was made in Uram, through which Interprint now holds control of such company, as from that date, with 51% interest.

Uram is headquartered in the City of Buenos Aires, Argentina, and is engaged in the provision of software solution services to the telecommunications and banking industries. The solutions offered to mobile telephone companies and financial institutions include: (i) FWT (Fixed Wired Telephony) solution; (ii) marketing channel solution using the SIM Card; (iii) mobile banking solution; (iv) network quality management solution; (v) M2M device management solution using the SIM card; and (vi) backup solution for the SIM card agenda.

On January 25, 2016, investment balances were derecognized and the total investment held after control was obtained was recalculated at fair value on the business combination date. The assets acquired net of the liabilities assumed on the business combination date (the date when control was obtained) are broken down below (in thousands of Brazilian reais):

|  | <b>Uram</b><br><b>(01/25/2016)</b> |
|--|------------------------------------|
| Assets                                 |                                    |
| Current assets                         | 2,217                              |
| Cash and cash equivalents              | 1,715                              |
| Accounts receivable                    | 456                                |
| Taxes recoverable                      | 46                                 |
| Noncurrent assets                      | 169                                |
| Property, plant and equipment          | 46                                 |
| Intangible assets                      | 94                                 |
| Other accounts receivable              | 29                                 |
| Liabilities                            |                                    |
| Current liabilities                    | (399)                              |
| Trade accounts payable                 | (98)                               |
| Tax liabilities                        | (272)                              |
| Social charges                         | (29)                               |
| Noncurrent liabilities                 | (6)                                |
| Other accounts payable                 | (6)                                |
| Fair value of total net assets of Uram | <u>1,981</u>                       |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (a) Acquisition of equity interest in Uram (Continued)

|  | <b>Uram</b><br><b>(01/25/2016)</b> |
|--|------------------------------------|
| Balance of the investment held by Interprint before capital contribution | 1,158                              |
| Capital contribution   | <u>1,640</u>                       |
| Consideration transferred  | 2,798                              |
| (+) Noncontrolling interests   | 971                                |
| (-) Fair value of identifiable net assets acquired                       | <u>(1,981)</u>                     |
| Goodwill on acquisition  | 1,788                              |
| Consideration transferred  | (2,798)                            |
| Investment previously held   | 1,158                              |
| Cash acquired  | <u>1,715</u>                       |
| Net cash arising from acquisition of control of Uram                     | <u><u>75</u></u>                   |

##### (b) Acquisition of equity interest in Inemator S.A.

On October 2, 2015, the Board of Directors approved the acquisition, through subsidiary Interprint, of 31.17% of the shares issued by Inemator for US\$75 thousand (equivalent to R\$280 on the acquisition date, which was completed on October 8, 2015). This operation generated on that date goodwill of US\$55 thousand (equivalent to R\$207 on the acquisition date), when appreciation allocated to "Customer portfolio" was identified, in the amount of US\$15 thousand, of which Interprint holds US\$5 thousand (equivalent to R\$18).

On January 25, 2016, a capital contribution of US\$100 thousand (equivalent to R\$410 on that date) was made in Inemator, through which Interprint now holds control of such company, as from that date, with 51% interest.

Inemator is headquartered in the City of Montevideo, Uruguay, and engaged in the provision of software solution services to the telecommunications and banking industries. The solutions offered to mobile telephone companies and financial institutions include: (i) FWT (Fixed Wired Telephony) solution; (ii) marketing channel solution using the SIM Card; (iii) mobile banking solution; (iv) network quality management solution; (v) M2M device management solution using the SIM card; and (vi) backup solution for the SIM card agenda.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (b) Acquisition of equity interest in Inemator S.A. (Continued)

On January 25, 2016, investment balances were derecognized and the total investment held after control was obtained was recalculated at fair value on the business combination date. The assets acquired net of the liabilities assumed on the business combination date (the date when control was obtained) are broken down below (in thousands of Brazilian reais):

|  | <b>Inemator<br/>(01/25/2016)</b> |
|--|----------------------------------|
| Assets   |                                  |
| Current assets   | 865                              |
| Cash and cash equivalents  | 734                              |
| Temporary investments  | 15                               |
| Accounts receivable  | 6                                |
| Taxes recoverable  | 20                               |
| Other receivables  | 90                               |
| Noncurrent assets  | 44                               |
| Property, plant and equipment  | 2                                |
| Intangible assets  | 42                               |
| Liabilities  |                                  |
| Current liabilities  | (417)                            |
| Trade accounts payable   | (364)                            |
| Tax liabilities  | (7)                              |
| Social charges   | (4)                              |
| Other accounts payable   | (42)                             |
| Fair value of total net assets of Inemator                           | <u>492</u>                       |
| Balance of investment held by Interprint before capital contribution | 255                              |
| Capital contribution   | 410                              |
| Consideration transferred  | 665                              |
| (+) Noncontrolling interests   | 241                              |
| (-) Fair value of identifiable net assets acquired                   | (492)                            |
| Goodwill on acquisition  | <u>414</u>                       |
| Consideration transferred  | (665)                            |
| Investment previously held   | 255                              |
| Cash acquired  | 734                              |
| Net cash arising from acquisition of control of Inemator             | <u>324</u>                       |

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
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### **9. Investments (Continued)**

#### Changes in investments (Continued)

##### (c) Capital increase in Valid Spain

On March 4, 2016, the Company capitalized the loan in subsidiary Valid Spain, of US\$10,746 thousand (equivalent to R\$39,600 on the capitalization date).

On November 18, 2016, the Company increased capital in cash in Valid Spain, by US\$10,000 thousand (equivalent to R\$33,476 on the acquisition date).

##### (d) Capital increase in Valid Sucursal Colombia

On March 14, 2016, the Company increased capital in Valid Sucursal Colombia in cash by US\$350 thousand (equivalent to R\$1,276 on the capitalization date).

##### (e) Payment of dividends in Interprint

On April 20, 2016, subsidiary Interprint paid dividends to the Company of R\$42,000, relating to profit recorded in the year ended December 31, 2015.

On December 20, 2016, subsidiary Interprint paid dividends to the Company of R\$80,000, relating to profit recorded in the eleven-month period ended November 30, 2016.

##### (f) Payment of dividends in Valid Certificadora

On April 20, 2016, Valid Certificadora paid dividends to its parent company Interprint of R\$12,000, relating to profit recorded in the year ended December 31, 2015.

##### (g) Capital increase in Valid Argentina

On August 1, 2016, the Company capitalized the intercompany loan in subsidiary Valid Argentina, in the amount of US\$152 thousand (equivalent to R\$478 on the capitalization date).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (h) Capital increase in Valid Sucursal Colombia

On August 10, 2016, the Company increased capital in Valid Sucursal Colombia in cash by US\$250 thousand (equivalent to R\$806 on the capitalization date).

##### (i) Disposal of equity interest in affiliate Multidisplay (discontinued operation)

On August 27, 2015, subsidiary Interprint entered into a share purchase and sale agreement with Cielo S.A. to sell 100% of its equity interest in Multidisplay, represented by 30% of the total shares, for R\$60,000. The completion of the transaction was contingent upon compliance with conditions precedent, including, but not limited to, obtaining the relevant authorizations from the Central Bank of Brazil (BACEN) and the Brazilian Antitrust Enforcement Agency (CADE). In November 2015, CADE issued Opinion No. 391, which was favorable to the operation and, on June 27, 2016, the Central Bank granted the last authorization required to complete the operation. On July 4, 2016, cash amounting to R\$66,988 was settled and generated a gross capital gain of R\$40,081.

The capital gain derived from disposal of equity interest is stated below, in thousands of Brazilian reais:

Capital gain, net:

|   |               |
|---|---------------|
| Sales value <sup>(1)</sup>                                | 66,988        |
| Investment balance on the disposal date                   | (12,952)      |
| Goodwill on acquisition on the disposal date              | (13,955)      |
| Gross capital gain recognized in July 2016 <sup>(2)</sup> | <u>40,081</u> |

(1) Gross sales amount without considering taxes levied on the operation.

(2) Gross P&L without considering taxes levied on the operation.

##### (j) Payment of dividends in Valid Argentina

On December 19, 2016, subsidiary Valid Argentina paid dividends to the Company of US\$2,042 thousand (equivalent to R\$6,784 on the acquisition date).

On December 19, 2016, subsidiary Valid Argentina paid dividends to its parent company Interprint of US\$61 thousand (equivalent to R\$198 on the acquisition date).

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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (k) Capital increase in Valid USA

On November 23, 2016, Valid Spain increased the capital in Valid USA by US\$10,000 thousand (equivalent to R\$33,476 on the capitalization date).

On December 10, 2016, Valid Spain capitalized the intercompany loan in subsidiary Valid USA, amounting to US\$7,566 thousand (equivalent to R\$25,191 on the capitalization date).

##### (l) Merger of Trust

On December 9, 2016, the Special General Meeting approved the merger of subsidiary Trust into the Company. The merger of subsidiary Trust into the Company aims to streamline and simplify the corporate structure of the entities, offering administrative, economic and financial, and tax benefits through reduction in expenses and taxes. The book balances on the merger date are shown below:

|  | <b>Trust</b><br><b>(12/09/2016)</b> |
|--|-------------------------------------|
| Assets   | 11,262                              |
| Current assets                                 | <u>6,394</u>                        |
| Cash and cash equivalents                      | 5,234                               |
| Trade accounts receivable                      | 422                                 |
| Taxes recoverable                              | 319                                 |
| Inventories                                    | 199                                 |
| Other accounts receivable                      | 220                                 |
| Noncurrent assets                              | <u>4,868</u>                        |
| Other accounts receivable                      | 77                                  |
| Judicial deposits                              | 858                                 |
| Property, plant and equipment                  | 3,933                               |
| Liabilities and equity                         | 11,262                              |
| Current liabilities                            | <u>1,022</u>                        |
| Trade accounts payable                         | 223                                 |
| Payroll, provisions and social charges payable | 686                                 |
| Taxes, charges and contributions payable       | 113                                 |
| Noncurrent liabilities                         | <u>744</u>                          |
| Provisions                                     | 744                                 |
| Equity   | <u>9,496</u>                        |
| Capital  | 7,525                               |
| Income reserves                                | 1,971                               |

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Notes to interim financial information (Continued)  
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### 9. Investments (Continued)

#### Changes in investments (Continued)

##### (I) Merger of Trust (Continued)

|  | <b>Trust</b><br><b>01/01/2016 to</b><br><b>12/09/2016</b> |
|--|---|
| Gross revenue from sales and services              | 11,634  |
| Taxes and returns                                  | (1,437)   |
| Net sales revenue                                  | 10,197  |
| Cost of sales and services                         | (9,783)   |
| Gross profit                                       | 414   |
| Selling expenses                                   | (349)   |
| Other operating income (expenses), net             | (154)   |
| Income (loss) before finance income (costs)        | (89)  |
| Finance income                                     | 321   |
| Finance costs                                      | (194)   |
| Income before income and social contribution taxes | 38  |
| Current income and social contribution taxes       | (445)   |
| Net income (loss) for the period                   | (407)   |

### 10. Intangible assets

Changes in intangible assets for the nine-month period ended September 30, 2017 are as follows:

|                                  | <b>Company</b>                         |                  |                     | <b>Balance at</b><br><b>09/30/2017</b> |
|----------------------------------|--|------------------|---------------------|--|
|                                  | <b>Balance at</b><br><b>12/31/2016</b> | <b>Additions</b> | <b>Amortization</b> |  |
| Finite useful life               |  |                  |                     |  |
| Software                         | 24,357                                 | 1,906            | (4,768)             | 21,495                                 |
| Indefinite useful life           |  |                  |                     |  |
| Goodwill of subsidiary Trust (*) | 3,649                                  | -                | -                   | 3,649                                  |
| Total                            | 28,006                                 | 1,906            | (4,768)             | 25,144                                 |

(\*) Transfer of goodwill from acquisition of subsidiary Trust, arising from the merger event, amounting to R\$3,649 (see Note 9.I).

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Notes to interim financial information (Continued)  
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### 10. Intangible assets (Continued)

|                               | Consolidated             |           |              |                        | Balance at<br>09/30/2017 |
|-------------------------------|--------------------------|-----------|--------------|------------------------|--------------------------|
|                               | Balance at<br>12/31/2016 | Additions | Amortization | Exchange<br>difference |                          |
| Finite useful life            |                          |           |              |                        |                          |
| Software                      | 139,552                  | 12,368    | (28,770)     | (1,041)                | 122,109                  |
| Customer portfolio            | 72,824                   | -         | (4,600)      | (2,040)                | 66,184                   |
| Trademarks and patents        | 14,500                   | -         | (356)        | (407)                  | 13,737                   |
| Digital certification license | 96                       | -         | (8)          | -                      | 88                       |
| Indefinite useful life        |                          |           |              |                        |                          |
| Digital certification license | 500                      | -         | -            | -                      | 500                      |
| Goodwill                      |                          |           |              |                        |                          |
| Interprint                    | 103,792                  | -         | -            | -                      | 103,792                  |
| Valid Spain                   | 42,303                   | -         | -            | 3,748                  | 46,051                   |
| Valid Argentina               | 3,215                    | -         | -            | (359)                  | 2,856                    |
| Trust                         | 3,649                    | -         | -            | -                      | 3,649                    |
| Valid USA                     | 639                      | -         | -            | (639)                  | -                        |
| Screencheck                   | 12,828                   | -         | -            | (358)                  | 12,470                   |
| MSC                           | 74,345                   | -         | -            | (2,078)                | 72,267                   |
| VSP                           | 3,267                    | -         | -            | (92)                   | 3,175                    |
| Inemator                      | 351                      | -         | -            | (11)                   | 340                      |
| Uram                          | 895                      | -         | -            | (100)                  | 795                      |
| Valid A/S                     | 155,222                  | -         | -            | (3,719)                | 151,503                  |
| Cubic                         | -                        | 31,948    | -            | -                      | 31,948                   |
| Total                         | 627,978                  | 44,316    | (33,734)     | (7,096)                | 631,464                  |

Intangible assets with finite useful lives are represented basically by the customer portfolio and software licenses, amortized on a straight-line basis at the average rates of 8.5% and 21.2% per year, respectively, based on the estimated useful lives or license terms (applicable to software licenses), while trademarks and patents are amortized at the average rate of 20% and 13.6% per year, respectively.

Intangible assets with indefinite useful lives refer mainly to goodwill arising from acquisition of subsidiaries.

#### Impairment loss

At least once a year, the Company tests the goodwill generated from expectation of future profitability for impairment, through determination of value in use, where the estimated future cash flows are discounted to their present values by means of the pretax discount rate, so that a current market assessment of the time value of money and the specific risks for the asset or cash-generating unit (CGU) are obtained.

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### 10. Intangible assets (Continued)

#### Impairment loss (Continued)

The goodwill determined is allocated to the CGU or the group of CGUs for which the benefit of combination synergies is expected. Such allocation reflects the lowest level where goodwill is monitored for internal purposes and is not higher than an operating segment determined in accordance with CPC 22, corresponding to IFRS 8.

At the end of 2016, the Company and its subsidiaries tested assets for impairment and did not identify adjustments to be recognized in relation to impairment of assets. The main assumptions used by the Company in goodwill impairment tests conducted as at December 31, 2016 are detailed in the financial statements for the year ended December 31, 2016, published in the Official Gazette on March 10, 2017. There were no new impairment indicators that might require the performance of new impairment tests for September 30, 2017.

### 11. Property, plant and equipment

|  | Company                   |           |            |               |                               | Balances at<br>09/30/2017 |
|--|---------------------------|-----------|------------|---------------|-------------------------------|---------------------------|
|  | Balances at<br>12/31/2016 | Additions | Write-offs | Transfers (2) | Provision for<br>obsolescence |                           |
| Cost                                     |                           |           |            |               |                               |                           |
| Land                                     | 3,886                     | -         | -          | -             | -                             | 3,886                     |
| Buildings                                | 68,947                    | 48        | (5,316)    | 10,184        | 5,400                         | 79,263                    |
| Machinery and equipment                  | 196,750                   | 278       | -          | 2,096         | -                             | 199,124                   |
| Lease <sup>1</sup>                       | 47,254                    | -         | (4,632)    | -             | -                             | 42,622                    |
| Furniture and fixtures                   | 14,391                    | 326       | -          | 90            | -                             | 14,807                    |
| Vehicles                                 | 3,059                     | 165       | (829)      | 159           | -                             | 2,554                     |
| Data processing equipment                | 72,905                    | 1,080     | (95)       | 537           | -                             | 74,427                    |
| Leasehold improvements                   | 5,218                     | -         | -          | -             | -                             | 5,218                     |
| Work in progress                         | 14,153                    | 2,709     | -          | (10,677)      | -                             | 6,185                     |
| Advances to suppliers                    | 417                       | 3,080     | -          | (3,180)       | -                             | 317                       |
| Subtotal - cost                          | 426,980                   | 7,686     | (10,872)   | (791)         | 5,400                         | 428,403                   |
| Depreciation                             |                           |           |            |               |                               |                           |
| Buildings                                | (21,333)                  | (4,216)   | 1,572      | -             | -                             | (23,977)                  |
| Machinery and equipment                  | (124,089)                 | (4,583)   | -          | -             | -                             | (128,672)                 |
| Lease <sup>1</sup>                       | (29,787)                  | (6,991)   | 3,184      | -             | -                             | (33,594)                  |
| Furniture and fixtures                   | (6,983)                   | (920)     | -          | -             | -                             | (7,903)                   |
| Vehicles                                 | (1,325)                   | (422)     | 610        | -             | -                             | (1,137)                   |
| Data processing equipment                | (32,397)                  | (9,843)   | 83         | -             | -                             | (42,157)                  |
| Leasehold improvements                   | (1,469)                   | (783)     | -          | -             | -                             | (2,252)                   |
| Subtotal depreciation                    | (217,383)                 | (27,758)  | 5,449      | -             | -                             | (239,692)                 |
| Total property, plant and equipment, net | 209,597                   | (20,072)  | (5,423)    | (791)         | 5,400                         | 188,711                   |

(1) Lease of data processing machinery and equipment.

(2) At September 30, 2017, after the merger of subsidiary Trust on December 9, 2016, the Company presented the property located in the state of Paraná as asset available for sale, and expects to sell it by June 2018. The asset in question amounts to R\$791.

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Notes to interim financial information (Continued)  
September 30, 2017  
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### 11. Property, plant and equipment (Continued)

|  | Consolidated           |           |            |                     |               |   | Balances at 09/30/2017 |
|--|------------------------|-----------|------------|---------------------|---------------|---|------------------------|
|  | Balances at 12/31/2016 | Additions | Write-offs | Exchange difference | Transfers (3) | Provision for obsolescence <sup>2</sup> |                        |
| Cost                                     |                        |           |            |                     |               |   |                        |
| Land                                     | 9,043                  | -         | -          | (136)               | -             | -                                       | 8,907                  |
| Buildings                                | 103,239                | 48        | (5,574)    | (227)               | 10,179        | 5,400                                   | 113,065                |
| Machinery and equipment                  | 400,505                | 528       | (436)      | (2,684)             | 5,110         | 735                                     | 403,758                |
| Lease <sup>1</sup>                       | 57,097                 | -         | (4,632)    | (271)               | -             | -                                       | 52,194                 |
| Furniture and fixtures                   | 21,832                 | 505       | (100)      | (36)                | 120           | -                                       | 22,321                 |
| Vehicles                                 | 4,124                  | 165       | (828)      | (49)                | 159           | -                                       | 3,571                  |
| Data processing equipment                | 129,855                | 3,762     | (2,299)    | (579)               | 725           | -                                       | 131,464                |
| Leasehold improvements                   | 43,133                 | 885       | -          | (743)               | 282           | -                                       | 43,557                 |
| Work in progress                         | 34,936                 | 6,184     | -          | (948)               | (13,419)      | -                                       | 26,753                 |
| Advances to suppliers                    | 417                    | 3,875     | -          | -                   | (3,947)       | -                                       | 345                    |
| Subtotal - cost                          | 804,181                | 15,952    | (13,869)   | (5,673)             | (791)         | 6,135                                   | 805,935                |
| Depreciation                             |                        |           |            |                     |               |   |                        |
| Buildings                                | (40,947)               | (5,055)   | 1,632      | 51                  | -             | -                                       | (44,319)               |
| Machinery and equipment                  | (235,855)              | (18,162)  | 416        | 340                 | -             | -                                       | (253,261)              |
| Lease <sup>1</sup>                       | (30,486)               | (8,053)   | 3,184      | 17                  | -             | -                                       | (35,338)               |
| Furniture and fixtures                   | (11,354)               | (1,482)   | 70         | 3                   | -             | -                                       | (12,763)               |
| Vehicles                                 | (1,891)                | (546)     | 611        | 21                  | -             | -                                       | (1,805)                |
| Data processing equipment                | (72,647)               | (14,287)  | 2,190      | 279                 | -             | -                                       | (84,465)               |
| Leasehold improvements                   | (10,541)               | (2,731)   | -          | 47                  | -             | -                                       | (13,225)               |
| Subtotal - depreciation                  | (403,721)              | (50,316)  | 8,103      | 758                 | -             | -                                       | (445,176)              |
| Total property, plant and equipment, net | 400,460                | (34,364)  | (5,766)    | (4,915)             | (791)         | 6,135                                   | 360,759                |

(1) Lease of data processing machinery and equipment.

(2) Provision for obsolescence relating to the plant that will be decommissioned (see Note 25).

(3) At September 30, 2017, after the merger of subsidiary Trust on December 9, 2016, the Company presented the property located in the state of Paraná as asset available for sale, and expects to sell it by June 2018. The asset in question amounts to R\$791.

|                           | Annual depreciation rate |
|---------------------------|--------------------------|
| Buildings                 | 4.8%                     |
| Machinery and equipment   | 12.1%                    |
| Lease                     | 15.4%                    |
| Furniture and fixtures    | 16.0%                    |
| Vehicles                  | 19.2%                    |
| Data processing equipment | 23.1%                    |
| Leasehold improvements    | 10.2%                    |

For a set of assets under the same classification, with a very long useful life range, the stated useful life reflects the weighted average useful life of these assets.

At September 30, 2017 and December 31, 2016, the Company owned certain machinery and equipment pledged as collateral for labor claims, amounting to approximately R\$3,895.

At September 30, 2017 and December 31, 2016, the Company analyzed and did not find any indication of impairment of its property, plant and equipment items.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable

The main information on loans, financing, debentures and lease payable by the Company and its subsidiaries is summarized as follows:

| Description            | Loans (a)                 | Loans (a)                   | Loans (a)               | Loans (a)                 |
|------------------------|---------------------------|-----------------------------|-------------------------|---------------------------|
| Borrower               | Valid USA                 | Valid USA                   | Valid USA               | Valid USA                 |
| Total amount           | US\$52,500 thousand       | US\$10,000 thousand         | US\$10,000 thousand     | US\$10,000 thousand       |
| Date of maturity       | November/18               | April/19                    | October/19              | January/20                |
| Remuneration           | 2.64% p.a.                | Libor + 2.70% p.a.          | Libor + 2.65% p.a.      | Libor + 2.70% p.a.        |
| Collateral             | Valid S.A.                | Valid S.A.                  | Valid S.A.              | Valid S.A.                |
| Repayment of principal | Half-yearly (from May/14) | Half-yearly (from April/16) | Quarterly (from Dec/15) | Half-yearly (from Jan/17) |
| Payment of interest    | Half-yearly (from May/13) | Half-yearly (from Oct/14)   | Quarterly (from Dec/14) | Half-yearly (from Jul/15) |

| Description            | Loans (a)                   | Loans (a)                   | Loans (a)               | Loans (a)                  |
|------------------------|-----------------------------|-----------------------------|-------------------------|----------------------------|
| Borrower               | Valid USA                   | Valid USA                   | Valid Spain             | Valid Spain                |
| Total amount           | US\$10,000 thousand         | US\$17,000 thousand         | US\$50,000 thousand     | US\$50,000 thousand        |
| Date of maturity       | March/20                    | Jun/19                      | May/22                  | May/22                     |
| Remuneration           | Libor 3 months + 2.65% p.a. | Libor 3 months + 2.65% p.a. | 5.55% p.a.              | Libor 6 months + 3.5% p.a. |
| Collateral             | Valid S.A.                  | Valid S.A.                  | Valid S.A.              | Valid S.A.                 |
| Repayment of principal | Quarterly from Sept/16      | Half-yearly from Dec/16     | Half-yearly from May/18 | Half-yearly from May/16    |
| Payment of interest    | Quarterly from Jun/15       | Quarterly from Sept/16      | Half-yearly from Nov/17 | Half-yearly from Nov/17    |

| Description            | Financing (b)                                   |
|------------------------|---|
| Borrower               | Valid Certificadora                             |
| Total amount           | R\$29,875                                       |
| Date of maturity       | September/18                                    |
| Remuneration           | TJLP+1.5% p.a.                                  |
| Collateral             | Bank guarantee                                  |
| Repayment of principal | Monthly (from Oct/14)                           |
| Payment of interest    | Quarterly until Sept/14 and monthly from Oct/14 |

| Description            | Lease (c)          | Lease (c)        | Lease (c)  |
|------------------------|--------------------|------------------|------------|
| Borrower               | Valid USA          | Valid USA        | Valid S.A. |
| Total amount           | US\$1,071 thousand | US\$151 thousand | R\$12,045  |
| Date of maturity       | May/20             | August/18        | May/18     |
| Remuneration           | 1.09% p.a.         | 6.16% p.a.       | IPC-Fipe   |
| Collateral             | Equipment          | Equipment        | Equipment  |
| Repayment of principal | Monthly            | Monthly          | Monthly    |
| Payment of interest    | Monthly            | Monthly          | Monthly    |

| Description            | Lease (c)          | Lease (c)        |
|------------------------|--------------------|------------------|
| Borrower               | Valid USA          | Valid USA        |
| Total amount           | US\$2,153 thousand | US\$854 thousand |
| Date of maturity       | May/22             | June/21          |
| Remuneration           | 5.42% p.a.         | 5.80% p.a.       |
| Collateral             | Equipment          | Equipment        |
| Repayment of principal | Monthly            | Monthly          |
| Payment of interest    | Monthly            | Monthly          |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

| Debentures (d)         | 4 <sup>th</sup> issue - 04/30/2013                  | 5 <sup>th</sup> issue - 06/24/2015             | 6 <sup>th</sup> issue - 06/24/2016 |              |
|------------------------|---|--|------------------------------------|--------------|
|                        |   |  | Company                            | Consolidated |
|                        |   |  | 09/30/2017                         | 12/31/2016   |
| Date of approval       | Board of Directors' Meeting held on 02/25/2013      | Board of Directors' Meeting held on 05/25/2015 |                                    |              |
| Number                 | 25,000 debentures not convertible into shares       | 6,250 debentures not convertible into shares   |                                    |              |
| Nominal unit value     | R\$10   | R\$10  |                                    |              |
| Total amount           | R\$250,000  | R\$62,500                                      |                                    |              |
| Type and series        | Single-series unsecured debentures                  | Single-series unsecured debentures             |                                    |              |
| Date of maturity       | April/18  | June/18  |                                    |              |
| Remuneration           | DI average rate + spread (of 0.71% p.a.)            | 109% of accumulated DI rate                    |                                    |              |
| Collateral             | No security interest                                | No security interest                           |                                    |              |
| Repayment of principal | 4 annual installments from the 2 <sup>nd</sup> year | Single installment on the maturity date        |                                    |              |
| Payment of interest    | Half-yearly from date of issue                      | Half-yearly from Dec/15                        |                                    |              |
| Rating by Moody's      | Aa3 br (Brazil's National Scale - NSR)              | Aa3 br (Brazil's National Scale - NSR)         |                                    |              |
|                        |   |  | 09/30/2017                         | 12/31/2016   |
| Debentures             |   |  | <b>334,595</b>                     | 390,698      |
| Lease                  |   |  | <b>3,569</b>                       | 26,458       |
| Financing              |   |  | -                                  | -            |
| Loans                  |   |  | -                                  | -            |
| Total                  |   |  | <b>338,164</b>                     | 417,156      |
|                        |   |  | 09/30/2017                         | 12/31/2016   |
| Current                |   |  | <b>138,551</b>                     | 85,856       |
| Noncurrent             |   |  | <b>199,613</b>                     | 331,300      |

Description of significant loans, financing and lease taken out and paid:

#### a) Loans

On November 26, 2012, Valid USA obtained a loan from Deutsche Bank S.A. of US\$52,500 thousand to acquire the assets of Vmark, a business located in the United States of America. The Company is the guarantor of the loan.

On April 29, 2014, Valid USA raised a loan from Itaú BBA International Plc. of US\$10,000 thousand to fund the Company's restructuring costs. The Company is the guarantor of the loan.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

#### a) Loans (Continued)

On October 31, 2014, Valid USA raised a credit facility from HSBC Bank USA of US\$20,000 thousand. Of this credit facility, US\$10,000 thousand were raised on October 31, 2014, with approximately US\$3,000 thousand to settle obligations arising from acquisition of property, plant and equipment and US\$7,000 thousand for working capital purposes and, on April 30, 2015, the remaining US\$10,000 thousand were raised. The Company is the guarantor of the loan.

On January 29, 2015, Valid USA obtained a loan from Itaú BBA International Plc. of US\$10,000 thousand to raise cash for acquisition of VSP assets. The Company is the guarantor of the loan.

On June 12, 2015, Valid USA obtained a loan from Banco Bradesco S.A. of US\$44,000 thousand to raise cash for acquisition of MSC. The Company is the guarantor of the loan. On June 12, 2017, subsidiary Valid USA repaid the loan in full.

On May 10, 2016, Valid USA raised a credit facility from Banco Citibank S.A. of US\$17,000 thousand. Of this credit facility, US\$10,000 thousand and US\$7,000 thousand were raised on May 10 and September 30, 2016, respectively, to restore cash for settlement of obligations in the short term.

On May 18, 2017 and June 2, 2017, Valid Spain raised two credit facilities, of US\$50,000 thousand from Itaú BBA and of US\$50,000 thousand from Santander, respectively, in order to settle obligations and restore cash for payment of debts.

These loans are subject to observance of quarterly covenants, and the Company complied with all such covenants at September 30, 2017 and December 31, 2016. The main covenants of the loans of subsidiaries Valid USA and Valid Spain are the following:

#### *Valid USA*

- Net debt/EBITDA lower than or equal to three;
- EBITDA/net finance costs higher than or equal to 1.75;
- After maturity of the debentures (6<sup>th</sup> issue – June 2019), maintenance of net debt/EBITDA lower than or equal to 2.5. Otherwise the distribution of dividends will be limited to the mandatory minimum dividends<sup>1</sup>.

(1) For Valid Spain only.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 12. Loans, financing, debentures and lease payable (Continued)

a) Loans (Continued)

*Valid USA* (Continued)

Valid USA and Valid Spain may not carry out the following:

- (I) Merger, consolidation or combination (unless approved by the lender);
- (II) Liquidation, wind-up or discontinuance or filing for corporate reorganization or restructuring;
- (III) In one or more transactions, whether related or not, sale, transfer, designation or disposal of all or substantially all assets or properties (except in the case of merger or consolidation with another company, provided that the borrower is the continuing/surviving entity or that such continuing/surviving entity assumes the obligations after the merger);
- (IV) Entering into a new agreement, either directly or indirectly, whereby any real or personal property, used in or useful to the business, either owned or to be acquired, is sold or transferred, and, thereafter, lease of the property or another property intended to be substantially used for the same purpose of the property sold/transferred.

In the nine-month period ended September 30, 2017, the amount of R\$230,784 (R\$49,921 in the same period of 2016) was paid, of which R\$10,996 (R\$11,587 in the same period of 2016) refers to interest on loans. At September 30, 2017, the loans recorded in the Company and its subsidiaries are summarized as follows:

| <u>Loans</u> | <u>Consolidated</u> |                   |
|--------------|---------------------|-------------------|
|              | <u>09/30/2017</u>   | <u>12/31/2016</u> |
| Principal    | <b>455,029</b>      | 357,404           |
| Interest     | <b>7,048</b>        | 3,994             |
| Total        | <b>462,077</b>      | 361,398           |
| Current      | <b>64,662</b>       | 230,686           |
| Noncurrent   | <b>397,415</b>      | 130,712           |

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### **12. Loans, financing, debentures and lease payable (Continued)**

#### b) Financing

On September 11, 2012, Valid Certificadora obtained financing from Banco Nacional do Desenvolvimento Econômico Social (BNDES, the Brazilian development bank) for the development of technology and operational infrastructure. The credit facility totals R\$29,875, of which R\$26,500 had been released up to the nine -month period ended September 30, 2017.

The financing provides for maintenance of certain covenants up to the end of the agreement, and subsidiary Valid Certificadora complied with the contractual clauses as at September 30, 2017 and December 31, 2016.

Below are the main financial and operating covenants of this financing:

- Reduction in the beneficiary's headcount without providing a training program aimed at job outplacement, after having submitted a document that specifies and attests the completion of negotiation with the respective representative(s) of the workers involved in the dismissal process to BNDES for analysis;
- Existence of final and unappealable decision by virtue of the performance of acts, by the beneficiary, resulting in child or slave labor or environmental crime;
- Inclusion, in the corporate agreement, bylaws or articles of incorporation of the beneficiary or of its controlling companies, of a provision requiring special quorum for resolution or approval of matters that limit or restrain the control of any of such companies in retrospective controllers, or inclusion in those documents of provisions that give rise to:
  - (I) Restrictions on the beneficiary's growth capacity or its technological development;
  - (II) Restrictions of the beneficiary's access to new markets; and
  - (III) Restrictions or damage to the capacity of payment of financial obligations arising from such operation.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

#### b) Financing (Continued)

- If the application of the funds differs from the purpose set forth in the agreement;
- On the date a professional of the beneficiary who exercises paid activity or who is among its owners, controlling shareholders or officers, or persons included in the prohibitions set forth in the Brazilian Constitution, takes office as Federal Representative or Senator.

In the nine-month period ended September 30, 2017, the amount of R\$5,080 (R\$5,013 in the same period of 2016) was paid, of which R\$532 (R\$894 in the same period of 2016) refers to interest.

At September 30, 2017 and December 31, 2016, financing recorded in the Company and its subsidiaries is summarized as follows:

| Financing  | Consolidated |            |
|------------|--------------|------------|
|            | 09/30/2017   | 12/31/2016 |
| Principal  | 6,801        | 11,802     |
| Interest   | 21           | 38         |
| Total      | 6,822        | 11,840     |
| Current    | 6,822        | 6,782      |
| Noncurrent | -            | 5,058      |

#### c) Lease payable

In April 2016, the Company executed an addendum to the finance lease agreement that provides for minimum payments of R\$12,045 in 27 months to acquire data processing equipment, whereby the leased assets will be handed over to the lessee without costs, at the end of the lease term. At September 30, 2017, the outstanding balance totals R\$3,569.

In April 2014, Valid USA entered into a finance lease agreement of US\$1,071 thousand, payable in 48 months, referring to data processing equipment. In the nine-month period ended September 30, 2017, payments totaled R\$637 (equivalent to US\$201 thousand).

In January 2016, Valid USA entered into a finance lease agreement of US\$151 thousand, payable in 36 months, referring to data processing equipment. In the nine-month period ended September 30, 2017, payments totaled R\$127 (equivalent to US\$40 thousand).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

#### c) Lease payable (Continued)

In May 2016, Valid USA entered into a finance lease agreement of US\$2,153 thousand, payable in 72 months, referring to data processing equipment. In the nine-month period ended September 30, 2017, payments totaled R\$945 (equivalent to US\$298 thousand).

In June 2016, Valid USA entered into a finance lease agreement of US\$854 thousand, payable in 48 months, referring to data processing equipment. In the nine-month period ended September 30, 2017, payments totaled R\$496 (equivalent to US\$156 thousand).

Future minimum payments relating to the finance leases of the Company and its subsidiaries at September 30, 2017 (not including future charges) are as follows:

|                             | Company      |              |              | Total |
|-----------------------------|--------------|--------------|--------------|-------|
|                             | Up to 1 year | 1 to 5 years | Over 5 years |       |
| Minimum lease payments      | 3,569        | -            | -            | 3,569 |
| Total minimum payments, net | 3,569        | -            | -            | 3,569 |

  

|                             | Consolidated |              |              | Total  |
|-----------------------------|--------------|--------------|--------------|--------|
|                             | Up to 1 year | 1 to 5 years | Over 5 years |        |
| Minimum lease payments      | 6,098        | 4,317        | 1,955        | 12,370 |
| Total minimum payments, net | 6,098        | 4,317        | 1,955        | 12,370 |

The Company had leased certain printing equipment used in manufacturing or rendering of services, classified as finance lease, with an average six-year term and option to purchase the items for the amount discounted from monthly payments made through the lease agreement term end. On February 16, 2017, the Company acquired some of the leased equipment for US\$3,125 (equivalent to R\$9,712) and, as from that date, terminated the related finance lease agreement. As the referred to agreement was terminated, the liability then recorded was measured in accordance with the agreed conditions, decreasing from R\$18,512 to R\$9,712, to be paid in four monthly equal installments. At September 30, 2017, there were no outstanding balances. Given the new measurement of the liability recorded by the Company, a gain was recognized in P&L for the period in the amount of R\$8,800.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

#### d) Debentures

At September 30, 2017, debentures payable, as well as related interest calculated based on the conditions set forth in the indenture, are as follows:

|            | <u>Company and Consolidated</u> |                   |
|------------|---------------------------------|-------------------|
|            | <u>09/30/2017</u>               | <u>12/31/2016</u> |
| Current    |                                 |                   |
| Principal  | <b>125,000</b>                  | 62,500            |
| Interest   | <b>9,982</b>                    | 3,585             |
|            | <b>134,982</b>                  | 66,085            |
| Noncurrent |                                 |                   |
| Principal  | <b>199,613</b>                  | 324,613           |
|            | <b>199,613</b>                  | 324,613           |
| Total      | <b>334,595</b>                  | 390,698           |

The debentures are subject to certain quarterly covenants with which the Company was in compliance at September 30, 2017 and December 31, 2016. The main debenture-related covenants the Company is required to meet are as follows:

- Net debt/EBITDA lower than or equal to three;
- EBITDA/net finance costs higher than or equal to 1.75.

On July 6, 2016, the amount of R\$199,613 relating to the 6<sup>th</sup> issue of debentures was raised to restore cash for settlement of obligations in the long term. In the nine-month period ended September 30, 2017, interest on debentures of R\$25,217 (R\$47,372 in the year ended December 31, 2016) was paid.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 12. Loans, financing, debentures and lease payable (Continued)

#### d) Debentures (Continued)

The table below shows the maturities of outstanding loans, financing, debentures and lease payable at September 30, 2017 and December 31, 2016 (not including future charges):

|      | Company        |            | Consolidated   |            |
|------|----------------|------------|----------------|------------|
|      | 09/30/2017     | 12/31/2016 | 09/30/2017     | 12/31/2016 |
| 2017 | <b>138,551</b> | 85,856     | <b>212,564</b> | 326,049    |
| 2018 | -              | 131,687    | <b>67,076</b>  | 254,315    |
| 2019 | <b>199,613</b> | 199,613    | <b>324,873</b> | 215,150    |
| 2020 | -              | -          | <b>88,489</b>  | 3,929      |
| 2021 | -              | -          | <b>81,982</b>  | 1,534      |
| 2022 | -              | -          | <b>40,880</b>  | 493        |
|      | <b>338,164</b> | 417,156    | <b>815,864</b> | 801,470    |

### 13. Commitments

#### Operating lease

The main machinery and equipment and property lease agreements classified as operating lease range from three to ten years. Agreements effective for more than five years contain covenants for adjustment of the lease market value every five years. The Company and its subsidiaries are not eligible to acquire leased assets after the expiry of the lease term. The main operating lease agreements of the Company and its subsidiaries not subject to cancellation are as follows.

|                        | Company       |            | Consolidated  |            |
|------------------------|---------------|------------|---------------|------------|
|                        | 09/30/2017    | 09/30/2016 | 09/30/2017    | 09/30/2016 |
| Within one year        | <b>2,889</b>  | 3,822      | <b>6,092</b>  | 3,915      |
| From one to five years | <b>15,126</b> | 30,786     | <b>56,446</b> | 48,148     |
| Over 5 years           | -             | 1,002      | <b>54,807</b> | 66,487     |

The Company and its subsidiaries do not recognize liabilities for operating lease agreements as they understand that these are not onerous agreements. The balances recognized in profit or loss are disclosed in Note 23.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 14. Provisions

The Company and its subsidiaries are plaintiffs and defendants to tax, civil and labor legal and administrative proceedings, arising in the ordinary course of business, and make judicial deposits as necessary. Provisions for possible disbursements arising out of such proceedings are estimated and restated by the Company management, supported by the opinion of its outside legal advisors.

At September 30, 2017, and December 31, 2016, breakdown and changes in provisions recorded for proceedings whose likelihood of loss was considered probable are as follows:

|                             | Company                |              |                |                |                        |
|-----------------------------|------------------------|--------------|----------------|----------------|------------------------|
|                             | Balances at 12/31/2016 | Additions    | Write-offs     | Payments       | Balances at 09/30/2017 |
| Labor                       | 13,540                 | 3,815        | (4,889)        | (1,252)        | 11,214                 |
| Tax                         | 1,127                  | 832          | -              | -              | 1,959                  |
| Civil, commercial and other | 194                    | 11           | (80)           | -              | 125                    |
| <b>Total</b>                | <b>14,861</b>          | <b>4,658</b> | <b>(4,969)</b> | <b>(1,252)</b> | <b>13,298</b>          |

  

|                             | Consolidated           |              |                |                |                     |                        |
|-----------------------------|------------------------|--------------|----------------|----------------|---------------------|------------------------|
|                             | Balances at 12/31/2016 | Additions    | Write-offs     | Payments       | Exchange difference | Balances at 09/30/2017 |
| Labor                       | 18,351                 | 7,292        | (7,037)        | (1,650)        | (52)                | 16,904                 |
| Tax                         | 1,234                  | 1,566        | -              | -              | -                   | 2,800                  |
| Civil, commercial and other | 204                    | 77           | (80)           | -              | (6)                 | 195                    |
| <b>Total</b>                | <b>19,789</b>          | <b>8,935</b> | <b>(7,117)</b> | <b>(1,650)</b> | <b>(58)</b>         | <b>19,899</b>          |

#### a) Provisions

The main suits classified as probable loss for which provisions were recorded are summarized below:

- Labor: refers to various labor claims, the most significant of which individually relate to overtime, acknowledgment of employment relationship, health/hazardous duty pay, equal pay for equal work, among other labor rights, in the amount of R\$4,942 at September 30, 2017 (R\$5,831 at December 31, 2016) (Company and Consolidated).

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Notes to interim financial information (Continued)  
September 30, 2017  
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### 14. Provisions (Continued)

#### a) Provisions (Continued)

- Tax: the provision recorded refers to the following proceedings:

- (a) Debt annulment action, representing a contingency of R\$1,143 at September 30, 2017 (R\$1,127 at December 31, 2016), claiming acknowledgment that part of the debt required under tax enforcement No. 2005.51.01.511329-9, deriving from deduction of short-term investments frozen by the Collor Plan from the taxable profit, was offset with credit in favor of the Company.
- (b) Five tax proceedings for which the debts were included in the Special Tax Settlement Program (PERT), established by Provisional Executive Order No. 783/2017, representing a total contingency of R\$1,544 at September 30, 2017 (R\$0 at December 31, 2016), as follows: (i) Claim of tax credits based on Tax Debt Notices No. 35.815.873-7 and No. 35.815.874-5; (ii) E-Request for Federal Tax Recovery, Refund or Offset (PER/DCOMP) No. 10926.97696.310504.1.3.04-2128 – offset of IRPJ debt of R\$178 (April/2004) with IRPJ credit computed in February 2004, which, after restatement based on SELIC, equaled the same amount of the debt; (iii) PER/DCOMP No. 01093.68895.310504.1.3.04-1267 – offset of IRPJ debt of R\$283 (April/2004) with IRPJ credit recorded in March 2004, arising from payment of R\$911; (iv) PER/DCOMP No. 20501.40423.310504.1.3.04-0472 - offset of CSLL debt of R\$79 (April/2004) with CSLL credit recorded in February 2004, which, after restatement based on SELIC, equaled the same amount of the debt. (v) PER/DCOMP No. 00830.82558.310504.1.3.04-3856 - offset of CSLL debt of R\$88 (April/2004) with CSLL credit recorded in March 2004, arising from payment of R\$328.

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Notes to interim financial information (Continued)  
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### 14. Provisions (Continued)

#### b) Contingent liabilities - possible loss

No provision was recognized for legal and administrative proceedings whose likelihood of loss is considered possible by management, based on the opinion of outside legal advisors. These proceedings are as follows:

|                             | <b>Company</b>    |                   |
|-----------------------------|-------------------|-------------------|
|                             | <b>09/30/2017</b> | <b>12/31/2016</b> |
| Labor                       | <b>25,904</b>     | 24,663            |
| Tax                         | <b>193,379</b>    | 182,493           |
| Civil, commercial and other | <b>57,378</b>     | 50,812            |
| Total                       | <b>276,661</b>    | 257,968           |

  

|                             | <b>Consolidated</b> |                   |
|-----------------------------|---------------------|-------------------|
|                             | <b>09/30/2017</b>   | <b>12/31/2016</b> |
| Labor                       | <b>28,192</b>       | 31,092            |
| Tax                         | <b>237,448</b>      | 224,468           |
| Civil, commercial and other | <b>87,911</b>       | 80,279            |
| Total                       | <b>353,551</b>      | 335,839           |

Significant contingencies classified as possible losses are as follows:

#### *Tax*

- (i) Federal Value-Added Tax (IPI): the Company was served tax notices, from 2010 to 2013, by federal tax authorities under the allegation that the tax classification of the Company's customized prints should have been different from the one adopted. Pursuant to the tax code informed by the Brazilian IRS, the materials produced by the Company should be subject to IPI and, therefore, the Company should be considered an IPI debtor to the Federal Government.

Under the same tax notice, the tax authorities used IPI credits (as mentioned in Note 8) that were accumulated due to acquisition of inputs used in the production of said prints, to reduce the calculated debts subject to the tax notices. As a result of amortization of IPI credits against debts, tax authorities disallowed the offset returns in which those credits were used. Given a change in financial guidance on the issue, the Company no longer offsets accumulated tax credits against other federal taxes, but requires refund in cash of the corresponding amounts.

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Notes to interim financial information (Continued)  
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### 14. Provisions (Continued)

#### b) Contingent liabilities - possible loss (Continued)

##### Tax (Continued)

Based on assessment of its legal advisors, the Company considers the likelihood of an unfavorable outcome as possible and, therefore, no longer sets up the provision. At September 30, 2017, the restated amount of these proceedings is R\$40,153 (R\$38,771 at December 31, 2016).

- (ii) Tax notice - Electronic tax files: in 2012, the Company was served a tax notice by the São Paulo State Department of Finance, of R\$12,596 (R\$11,622 at December 31, 2016), referring to fines for alleged errors in the preparation of electronic tax files – ICMS information and computation form (GIA) and Digital tax bookkeeping system (EFD). The Company filed a lawsuit to annul the debt. It is currently at the lower court and is pending judgment.
- (iii) ICMS tax enforcement – São Paulo: in 2014, the São Paulo State Department of Finance filed a tax enforcement suit against subsidiary Interprint, considering restatements and lawyer's fees, amounting to R\$6,005 at September 30, 2017 (R\$5,646 at December 31, 2016). This refers to collection of an alleged ICMS debt relating to differences in the tax base for sale of inductive cards. This suit is currently pending judgment at the lower court.
- (iv) INSS: the Brazilian Institute of Social Security (INSS) has been claiming, since 2007, payment of the restated amount of R\$1,695 at September 30, 2017 (R\$1,664 at December 31, 2016). In a decision supported by a Supreme Court case law ruling, the judge ruled out part of the debt as it was time-barred by the statutes of limitation. Currently, the appeals filed by the parties are awaiting judgment.
- (v) IRPJ and CSLL: in 2013, subsidiary Interprint was served a tax notice by the Brazilian IRS, in the restated amount of R\$28,668 at September 30, 2017 (R\$27,293 at December 31, 2016), referring to an alleged irregularity in amortization of goodwill recorded in accounting. Interprint's challenge was dismissed, and it filed a voluntary appeal. Currently, this appeal is awaiting judgment.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 14. Provisions (Continued)

#### b) Contingent liabilities - possible loss (Continued)

##### *Tax (Continued)*

- (vi) The Company was served a tax noticed by the São Paulo State Department of Finance requiring payment of alleged ICMS amounts from January 2012 to December 2013, as the tax authorities understand that ICMS payment is required on (i) transfers between facilities owned by the same entity and (ii) shipments to other facilities taxed as services rendered. At September 30, 2017, the restated amount of the referred to proceeding is R\$96,878 (R\$88,204 at December 31, 2016). On April 19, 2017, a decision partially favorable to the Company was awarded. Currently, the State Finance Department is expected to file an appeal and the Company is expected to be formally summoned.
- (vii) The Brazilian IRS issued a tax notice requiring payment of alleged differences in Import duty (II), IPI, PIS and COFINS, due to discrepancy in tax classification of inputs imported as “integrated circuit”, which were identified as “smart cards”. On February 11, 2016, the Company acknowledged the unfavorable decision awarded on its challenge. At September 30, 2017, the restated amount totaled R\$16,785 (R\$16,375 at December 31, 2016). The discussion is currently at the administrative appeal level before the Brazilian Administrative Board of Tax Appeals (CARF).

##### *Civil, commercial and other proceedings*

- (i) Civil proceeding filed against the Company on February 3, 2004 by a former salesperson, claiming severance pay and commissions. The proceeding is currently pending judgment at the appellate court. At September 30, 2017, the restated amount of the proceeding is R\$29,598 (R\$27,084 at December 31, 2016).
- (ii) Civil proceeding filed by the Company on July 9, 2007, claiming annulment or, if not understood in this manner, reduction of the fine imposed by ANATEL. The proceeding is currently pending judgment at the appellate court. At September 30, 2017, the restated amount of the proceeding, considering a refund of amounts received, is R\$12,885 (R\$12,355 at December 31, 2016).
- (iii) Civil proceeding filed against subsidiary Interprint, claiming investigation and refund of an agreement executed with a customer in the identification segment. The proceeding is currently pending judgment at the lower court. At September 30, 2017, the restated amount of the proceeding, considering a refund of amounts received, is R\$28,006 (R\$26,787 at December 31, 2016).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 14. Provisions (Continued)

#### b) Contingent liabilities - possible loss (Continued)

##### *Labor*

The Company is party to various labor proceedings, claiming mostly overtime, overtime, acknowledgment of employment relationship, health/hazardous duty pay, equal pay for equal work, and FGTS and INSS-related benefits, among other labor rights. The most significant claims relating to the matters described above amount to R\$6,075 at September 30, 2017.

The Company and its subsidiaries have bank surety letters given in guarantee in legal proceedings. The restated amount of the guarantees taken out at September 30, 2017 corresponds to R\$8,005 and R\$15,232, Company and consolidated, respectively (R\$0 and R\$14,130 at December 31, 2016, respectively). Commission charges of these agreements bear interest ranging from 2.5% to 3.0% p.a. recognized in the statement of profit or loss.

### 15. Related-party transactions

|                           | <u>Company</u>    |                   |
|---------------------------|-------------------|-------------------|
|                           | <u>09/30/2017</u> | <u>12/31/2016</u> |
| Current assets (a)        |                   |                   |
| Accounts receivable       |                   |                   |
| Interprint                | -                 | 1                 |
| Valid Sucursal Colombia   | 19                | 299               |
| Valid USA                 | -                 | 103               |
| Valid Certificadora       | 13                | -                 |
| Fundamenture              | 82                | -                 |
| Total current assets      | <u>114</u>        | 403               |
| Current liabilities (a)   |                   |                   |
| Trade accounts payable    |                   |                   |
| Valid Spain               | (404)             | (1,410)           |
| Fundamenture              | (9)               | (78)              |
| Valid Certificadora       | (4)               | -                 |
| Valid Sucursal            | (8)               | -                 |
| Total current liabilities | <u>(425)</u>      | <u>(1,488)</u>    |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 15. Related-party transactions (Continued)

|                                | <b>Company</b>    |                   |
|--------------------------------|-------------------|-------------------|
|                                | <b>09/30/2017</b> | <b>09/30/2016</b> |
| Statement of profit or loss    |                   |                   |
| Net revenue (a)                | <b>1,382</b>      | 6,444             |
| Interprint                     | <b>368</b>        | 209               |
| Valid Argentina                | <b>660</b>        | 2,795             |
| Valid Colombia                 | -                 | 3,240             |
| Valid Sucursal Colombia        | <b>269</b>        | -                 |
| Valid USA                      | -                 | 125               |
| Valid Certificadora            | <b>11</b>         | -                 |
| Valid Mexico                   | -                 | 75                |
| Fundamenture                   | <b>74</b>         | -                 |
| Cost of sales and services (a) | <b>(11,625)</b>   | (7,806)           |
| Trust                          | -                 | (243)             |
| Valid Spain                    | <b>(5,660)</b>    | (7,069)           |
| Fundamenture                   | <b>(5,777)</b>    | -                 |
| Valid Certificadora            | <b>(49)</b>       | (3)               |
| Interprint                     | <b>(95)</b>       | (26)              |
| Valid Argentina                | <b>(2)</b>        | (449)             |
| Uram                           | <b>(29)</b>       | -                 |
| Valid USA                      | -                 | (16)              |
| Valid Sucursal                 | <b>(13)</b>       | -                 |
| Finance income                 | -                 | 2,192             |
| Valid Argentina                | -                 | 382               |
| Valid Spain                    | -                 | 1,810             |
| Finance costs                  | -                 | (4,629)           |
| Valid Argentina                | -                 | (783)             |
| Valid Spain                    | -                 | (3,846)           |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 15. Related-party transactions (Continued)

|                                | <b>Company</b>                          |   |
|--------------------------------|---|---|
|                                | <b>07/01/2017<br/>to<br/>09/30/2017</b> | <b>07/01/2016<br/>to<br/>09/30/2016</b> |
| Statement of profit or loss    |   |   |
| Net revenue (a)                | <b>96</b>                               | 505                                     |
| Interprint                     | <b>22</b>                               | 42                                      |
| Valid Argentina                | -                                       | 463                                     |
| Fundamenture                   | <b>74</b>                               | -                                       |
| Cost of sales and services (a) | <b>(6,000)</b>                          | (5,628)                                 |
| Trust                          | -                                       | (60)                                    |
| Valid Spain                    | <b>(1,662)</b>                          | (5,565)                                 |
| Fundamenture                   | <b>(4,310)</b>                          | -                                       |
| Valid Certificadora            | <b>(11)</b>                             | (1)                                     |
| Interprint                     | -                                       | (2)                                     |
| Uram                           | <b>(4)</b>                              | -                                       |
| Valid Sucursal Colombia        | <b>(13)</b>                             | -                                       |

(a) Refers to purchase of input for production according to the parties' needs, and there is no agreement entered into for minimum production. The average term of payment/receipt for the parties is 35 days and all transactions are in accordance with market practices.

Asset and liability transactions with related parties not affecting the Company:

- At September 30, 2017, Valid Spain recorded accounts receivable of R\$591 from Valid Argentina, R\$3,029 from Valid USA and R\$4,763 from Fundamenture, relating to sale of inputs (R\$3.568 from Fundamenture, R\$715 from Valid Argentina, and R\$2,214 from Valid USA at December 31, 2016).
- At September 30, 2017, the Fundamenture Group recorded accounts receivable of R\$1,938 from Valid Spain and R\$7,251 from Valid USA, relating to sale of inputs (R\$1,439 from Valid Spain, R\$4,005 from Valid USA, and R\$67 from Valid Argentina at December 31, 2016).
- On June 19, 2017, subsidiary Valid Spain records an intercompany loan agreement with BCC, located in Taiwan, China, in the amount of US\$7,000 (equivalent to R\$23,082 at the transaction date) at a rate of 4% p.a. At September 30, 2017, the amount referring to this transaction is R\$22,437.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 15. Related-party transactions (Continued)

#### *Compensation paid to the Executive Board, Board of Directors and Supervisory Board*

For the nine-month periods ended September 30, 2017 and 2016, compensation paid to the board of directors, executive board, supervisory board, and other management members, recorded in the statement of profit or loss, including social charges and other benefits, is as follows:

| <b>Consolidated</b>           | <b>Board of Directors</b> | <b>Supervisory Board</b> | <b>Statutory Board</b> | <b>Other management members</b> | <b>09/30/2017</b> |
|-------------------------------|---------------------------|--------------------------|------------------------|---------------------------------|-------------------|
| Annual fixed compensation     | <b>1,280</b>              | <b>312</b>               | <b>4,616</b>           | <b>1,389</b>                    | <b>7,597</b>      |
| Salaries                      | <b>1,280</b>              | <b>312</b>               | <b>4,255</b>           | <b>1,260</b>                    | <b>7,107</b>      |
| Benefits                      | -                         | -                        | <b>361</b>             | <b>129</b>                      | <b>490</b>        |
| Variable compensation         | <b>271</b>                | -                        | <b>701</b>             | <b>68</b>                       | <b>1,040</b>      |
| Charges borne by the employer | -                         | -                        | <b>1,605</b>           | <b>481</b>                      | <b>2,086</b>      |
| Total compensation (*)        | <b>1,551</b>              | <b>312</b>               | <b>6,922</b>           | <b>1,938</b>                    | <b>10,723</b>     |

(\*) Management compensation, approved at the Annual General Meeting held on April 28, 2017, corresponds to R\$ 21,808.

| <b>Company and Consolidated</b> | <b>Board of Directors</b> | <b>Supervisory Board</b> | <b>Statutory Board</b> | <b>Other management members</b> | <b>09/30/2016</b> |
|---------------------------------|---------------------------|--------------------------|------------------------|---------------------------------|-------------------|
| Annual fixed compensation       | 1,730                     | 323                      | 4,165                  | 1,273                           | 7,491             |
| Salaries                        | 1,040                     | 323                      | 3,833                  | 1,154                           | 6,350             |
| Private pension plan            | 690                       | -                        | 332                    | 119                             | 1,141             |
| Variable compensation           | -                         | -                        | 3,126                  | 765                             | 3,891             |
| Total compensation (*)          | 1,730                     | 323                      | 7,291                  | 2,038                           | 11,382            |

(\*) Management compensation, approved at the Annual General Meeting held on April 29, 2016, corresponds to R\$ 13,500.

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Notes to interim financial information (Continued)  
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### 15. Related-party transactions (Continued)

*Compensation paid to the Executive Board, Board of Directors and Supervisory Board*  
(Continued)

For the nine-month periods ended September 30, 2017 and 2016, compensation paid to the board of directors, executive board, supervisory board, and other management members, recorded in the statement of profit or loss, including social charges and other benefits, is as follows:

| <b>Consolidated</b>           | <b>Board of Directors</b> | <b>Supervisory Board</b> | <b>Statutory Board</b> | <b>Other management members</b> | <b>07/01/2017 to 09/30/2017</b> |
|-------------------------------|---------------------------|--------------------------|------------------------|---------------------------------|---------------------------------|
| Annual fixed compensation     | 483                       | 106                      | 1,394                  | 603                             | 2,586                           |
| Salaries                      | 483                       | 106                      | 1,277                  | 560                             | 2,426                           |
| Benefits                      | -                         | -                        | 117                    | 43                              | 160                             |
| Variable compensation         | 271                       | -                        | 461                    | (83)                            | 649                             |
| Charges borne by the employer | -                         | -                        | 462                    | 156                             | 618                             |
| Total compensation (*)        | <b>754</b>                | <b>106</b>               | <b>2,317</b>           | <b>676</b>                      | <b>3,853</b>                    |

| <b>Company and Consolidated</b> | <b>Board of Directors</b> | <b>Supervisory Board<sup>1</sup></b> | <b>Statutory Board</b> | <b>Other management members</b> | <b>07/01/2016 to 09/30/2016</b> |
|---------------------------------|---------------------------|--------------------------------------|------------------------|---------------------------------|---------------------------------|
| Annual fixed compensation       | 692                       | 109                                  | 1,369                  | 420                             | 2,590                           |
| Salaries                        | 358                       | 109                                  | 1,251                  | 379                             | 2,097                           |
| Private pension plan            | 334                       | -                                    | 118                    | 41                              | 493                             |
| Variable compensation           | -                         | -                                    | 952                    | 265                             | 1,217                           |
| Total compensation              | <b>692</b>                | <b>109</b>                           | <b>2,321</b>           | <b>685</b>                      | <b>3,807</b>                    |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
September 30, 2017  
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### 16. Equity

#### a) Capital

The Special General Meeting held on May 15, 2017 approved the capital increase of R\$163,688, through capitalization of part of the investment reserve, with bonus, issue and distribution to shareholders, in proportion to the interest held, of 6,475,000 common shares, with no par value, corresponding to one (1) share for each lot of ten (10) shares held by the shareholders, in accordance with the provisions of article 169 of Law 6404/76. The shares that cannot be fully attributed had their fractions grouped and sold on the São Paulo Stock, Commodities and Futures Exchange (BM&FBOVESPA), and the proceeds from the sale were proportionally divided among the holders of the fractions. The capitalized reserve amount corresponds to R\$25.28 per share. Accordingly, capital increased from R\$756,000, represented by 64,750,000 shares, to R\$919,688, represented by 71,225,000 common registered book-entry shares, with no par value.

The Company is authorized to increase capital up to the limit of 100,000,000 common shares, including common shares already issued.

#### b) Capital reserve and treasury shares

##### *Recognized stock options*

As the stock option program was terminated in 2012, the Company records a capital reserve for stock options granted of R\$6,111 at December 31, 2016.

At the Company's Annual General Meeting held on April 28, 2017, the Company's Long-Term Incentive Plan was approved, which contains the general terms and conditions for the granting of common shares issued by the Company to the Plan participants elected by the Board of Directors. The option to receive share-based premiums was offered to certain Company officers and is based on the standards described in CPC 10 (IFRS 02) - Share-based Payment. The Company recognizes the P&L from compensation of granted to the executive officers proportionally, based on the length of service with the Company and the fair value of the equity instrument granted computed on the date of measurement. Determination of the fair value of shares requires judgment, which includes estimates of the risk-free interest rate, expected volatility, duration of the option, dividend and expected losses. Should these assumptions vary significantly from the current information, the share-based payment may be impacted.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 16. Equity (Continued)

#### b) Capital reserve and treasury shares (Continued)

##### *Recognized stock options* (Continued)

The number of options available is fixed and predetermined when granted. The options maximum exercise term is three years. Their strike price is adjusted by the CDI rate plus an annual rate of 6%.

The average fair value of the options granted is determined based on the Monte Carlo valuation model.

The base price of the Company shares ("Base Price") was set at R\$15.24 (fifteen reais and twenty-four cents); the base price was calculated based on the average closing price of the Company shares on the BM&FBOVESPA in the period of 30 (thirty) days prior to the date of approval of the Program by the Board of Directors, i.e. in the period between May 31, 2017 and June 29, 2017.

Transfer of shares is subject to achievement of the Company's annual performance goals, calculated by comparing the base price of R\$15.24 and the check price to be determined by the Board of Directors based on the average closing price of the Company shares between May 31, 2018 and June 29, 2018.

The table below presents the expected recognition of option plans in P&L for the year, by year:

| <u>Year</u> | <u>Amount</u>       |
|-------------|---------------------|
| 2017        | 1,357               |
| 2018        | <u>1,357</u>        |
| Total       | <u><u>2,714</u></u> |

The Company recognizes the pro-rata amount in capital reserve on a monthly basis. The stock options granted are charged against P&L, in the amount of R\$677 in the nine-month period ended September 30, 2017.

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Notes to interim financial information (Continued)  
September 30, 2017  
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### 16. Equity (Continued)

#### b) Capital reserve and treasury shares (Continued)

##### *Recognized stock options* (Continued)

Stock option grants are summarized below:

|  |         |
|--|---------|
| Minimum number of shares approved in the plan <sup>(*)</sup> | 178,063 |
| Base price per share:  | 15,24   |
| Grant cost:  | 2,714   |

(\*) There were no shares with expired rights or that were exercised in the nine-month period ended September 30, 2017.

##### *Treasury shares*

Since January 2008, the Company has approved, through its Board of Directors, programs to buy back common shares issued by the Company in order to keep them in treasury and, subsequently, disposing of and/or using them to meet obligations stemming from the key management compensation programs. Considering that the number of shares will always be below the maximum limit, the Board of Directors may review, at any time, the number of authorized shares, and supplement the legal limit of 10% of total outstanding shares. These shares are acquired with the funds from the Company's cash.

Changes in the buyback programs are as follows:

| <u>Date of approval</u> | <u>Maximum number to be acquired</u> | <u>% of outstanding shares</u> | <u>End date</u> |
|-------------------------|--------------------------------------|--------------------------------|-----------------|
| 01/04/2008              | 2,000,000 shares                     | 6.04%                          | 01/02/2009      |
| 12/30/2008              | 1,537,900 shares                     | 4.50%                          | 12/29/2009      |
| 05/19/2010              | 1,000,000 shares                     | 1.94%                          | 05/19/2011      |
| 06/02/2011              | 1,133,000 shares                     | 2.00%                          | 06/01/2012      |
| 08/20/2013              | 2,000,000 shares                     | 3.60%                          | 08/19/2014      |
| 02/04/2016              | 1,000,000 shares                     | 1.50%                          | 02/01/2017      |
| 02/01/2017              | 1,000,000 shares                     | 1.57%                          | 02/02/2018      |

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Notes to interim financial information (Continued)  
September 30, 2017  
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### 16. Equity (Continued)

#### b) Capital reserve and treasury shares (Continued)

##### *Treasury shares* (Continued)

At September 30, 2017, the Company holds 712,325 common shares in treasury (70,932 shares at December 31, 2016), of which 607,000 shares were acquired in the nine-month period ended September 30, 2017, with weighted average cost of acquisition, and minimum and maximum costs as follows:

| Type         | Cost of acquisition (in reais) |         |                  |
|--------------|--------------------------------|---------|------------------|
|              | Minimum                        | Maximum | Weighted average |
| Common share | 14.75                          | 25.39   | 18.35            |

Based on the last market quote available at September 30, 2017, treasury shares total R\$14,503, with weighted average price, and minimum and maximum price at September 30, 2017 as follows:

| Type          | Number     |                          |        |            | Price (in reais) |         |                  |
|---------------|------------|--------------------------|--------|------------|------------------|---------|------------------|
|               | 12/31/2016 | Acquisition s/write-offs | Bonus  | 09/30/2017 | Minimum          | Maximum | Weighted average |
| Common shares | 70,932     | 607,000                  | 34,393 | 712,325    | 14.75            | 26.25   | 20.29            |

In the nine-month period of 2017, the Company acquired 607,000 shares for R\$11,728 referring to the buyback plan.

#### c) Income reserves

##### *Legal reserve*

The legal reserve is recognized upon allocation, at year end, of 5% of net income for the year, in compliance with article 193 of the Brazilian Corporation Law. At September 30, 2017, the legal reserve totaled R\$49,883 (R\$49,883 at December 31, 2016).

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 16. Equity (Continued)

#### c) Income reserves (Continued)

##### *Investment reserve*

This is intended to be used in investments considered in the capital budget, in conformity with article 196 of the Brazilian Corporation Law.

As resolved at the Special General Meeting of May 15, 2017, the Company capitalized R\$163,688, and the investment reserve balance currently amounts to R\$84,617 (R\$248,305 at December 31, 2016).

#### d) Dividend and interest on equity

| <u>Dividends and interest on equity (IOE) payable</u>                 | <u>Amount per share</u> | <u>Date</u>       | <u>Company and Consolidated</u> |
|---|-------------------------|-------------------|---------------------------------|
| Balance at December 31, 2015  |                         |                   | 13,021                          |
| Prepayment of dividends referring to 2015                             | R\$0.12711              | 01/18/2016        | (8,218)                         |
| Payment of IOE referring to 2015 (gross amount of R\$5,544)           | R\$0.08576              | 01/18/2016        | (4,797)                         |
| Additional dividends reported referring to 2015                       | R\$0.24891              | 04/29/2016        | 16,094                          |
| Payment of additional dividends referring to 2015                     | R\$0.24891              | 05/31/2016        | (16,092)                        |
| Payment of IOE declared referring to 2015 (gross amount of R\$15,219) | R\$0.23529              | 09/14/2016        | 13,083                          |
| Payment of IOE referring to 2015 (gross amount of R\$15,219)          | R\$0.23529              | 09/29/2016        | (13,081)                        |
| Payment of IOE declared referring to 2015 (gross amount of R\$30,437) | R\$0.23529              | 12/12/2016        | 13,175                          |
| Payment of IOE referring to 2016 (gross amount of R\$30,437)          | R\$0.23529              | 12/28/2016        | (13,175)                        |
| Payment of IOE declared referring to 2016 (gross amount of R\$30,437) | R\$0.23529              | 12/12/2016        | 13,178                          |
| Balance at December 31, 2016  |                         |                   | <u>13,188</u>                   |
| Payment of IOE referring to 2016 (gross amount of R\$30,437)          | <b>R\$0.23529</b>       | <b>01/27/2017</b> | <b>(13,180)</b>                 |
| Balance at September 30, 2017   |                         |                   | <u><u>8</u></u>                 |

Management proposed, as part of the closing of the financial statements for the year ended December 31, 2016, allocation of part of P&L for the referred to year as additional dividends, totaling R\$10,842, as determined in the Company's articles of incorporation. The allocation for additional dividends relating to 2016 was approved on April 28, 2017 at the Special General Meeting and settled on May 12, 2017.

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Notes to interim financial information (Continued)  
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### 16. Equity (Continued)

#### d) Dividends and interest on equity (Continued)

Interest on equity is calculated based on the long-term interest rate (“TJLP”) variation, under the terms of Law No. 9249/95, and is accounted for as finance costs, as required by tax legislation. For financial statements presentation purposes, interest on equity is reversed from finance costs, and stated as retained earnings reduction in equity.

Interest on equity is subject to withholding income tax at the rate of 15%, except for immune or exempt shareholders, as determined in Law No. 9249/95.

The Company’s Articles of Incorporation establish mandatory minimum dividend of 25%, calculated on annual net income, adjusted in accordance with article 202 of Law No. 6404/76.

Pursuant to Accounting Interpretation ICPC 08 – Accounting for Proposed Dividend Payment (“ICPC 08”), mandatory minimum dividends are recognized as a liability in the period to which they relate, irrespectively of when they are reported, and exceeding dividends not yet reported are allocated to a special line in the statement of changes in equity.

#### e) Other comprehensive income – cumulative translation adjustments

In conformity with CVM Rule No. 640, of October 7, 2010, which approved Accounting Pronouncement CPC 02 (R2) – Effects of Changes in Exchange Rates and Translation of Financial Statements (“CPC 02”), equivalent to IAS 21, which determined that foreign exchange adjustments of investments abroad should be recognized in the Company’s equity, the Company set up a cumulative translation adjustment account, arising from translation of the financial statements of its subsidiaries abroad, and the translation of the respective goodwill resulting from the related acquisitions. At September 30, 2017, debt balance in this account totaled R\$89,792 (debt balance of R\$77,227 at December 31, 2016). This difference is mainly due to changes in the main functional currencies of direct and indirect subsidiaries other than the real (dollar and euro).

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### 16. Equity (Continued)

#### f) Noncontrolling interests

|  | <u>09/30/2017</u> | <u>12/31/2016</u> |
|--|-------------------|-------------------|
| Balance at beginning of period   | <b>11,429</b>     | 12,470            |
| Noncontrolling interests arising from acquisition of Uram (see Note 9)     | -                 | 971               |
| Noncontrolling interests arising from acquisition of Inemator (see Note 9) | -                 | 241               |
| Share in profit or loss for the period                                     | <b>162</b>        | 126               |
| Cumulative translation adjustments   | <b>(301)</b>      | (2,379)           |
| Balance at end of period   | <b>11,290</b>     | 11,429            |

### 17. Earnings per share

Profit or loss and share information used to calculate basic and diluted earnings per share for the nine-month periods ended September 30, 2017 and 2016 is as follows:

|   | <u>09/30/2017</u>           | <u>09/30/2016</u>           |
|---|-----------------------------|-----------------------------|
| Net income attributable to the Company's common shareholders  | <b>26,623</b>               | 60,355                      |
| Weighted average number of common shares used to calculate earnings per share (per thousand shares) | <b>68.083</b>               | 64,672                      |
| Basic and diluted earnings per share – in reais   | <b>0,39365</b>              | 0.93325                     |
|   | <u><b>07/01/2017 to</b></u> | <u><b>07/01/2016 to</b></u> |
|   | <u><b>09/30/2017</b></u>    | <u><b>09/30/2016</b></u>    |
| Earnings/(loss) attributable to the Company's common shareholders                                   | <b>15,818</b>               | 49,932                      |
| Weighted average number of common shares used to calculate earnings per share (per thousand shares) | <b>70,513</b>               | 64,679                      |
| Basic and diluted earnings per share – in reais   | <b>0.22427</b>              | 0.77200                     |

Basic earnings per share are calculated by dividing net income for the year, attributed to the Company's common shareholders, by the weighted average number of common shares outstanding in the period. For the periods presented, basic and diluted earnings per share are equivalent, considering that the Company and its subsidiaries do not have instruments with dilutive potential. The weighted average of the number of common shares used in the calculation corresponds to the average number of outstanding shares in the periods presented.

## **Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.**

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### **18. Segment reporting**

For management purposes, the Company is divided into business units, based on products and services, with four operating segments subject to disclosure of information:

a) Means of payment

The means of payment segment primarily consists of cards that are used on a daily basis for a variety of purposes, such as payments, identification, customization and data storage, retrieval and safe transmission of data and gift cards. They are used in industries ranging from health care to online public services, and have been most widely used in the financial services industry. This segment also includes security documents, and the key products include checkbooks, vouchers, tickets and admission tickets.

b) Identification

The identification segment provides physical and electronic solutions, such as data collection, storage and management, security prints, recognition and digital printing that meet this demand. All these technologies make a cross-reference between the database and the data contained in the document or portable media, such as paper, plastic or even electronic communication means, to check authenticity or status. The main identification systems are identity cards, drivers' licenses and notary stamps.

c) Telecom

The telecommunications segment offers from simple solutions, such as instant lottery tickets (scratch cards), extensively used in prepaid cell phones, to smart cards with state-of-the-art technology. It mainly comprises GSM smart cards used in mobile telephony and mobile payment solutions, such as public transportation tickets and micropayments.

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Notes to interim financial information (Continued)  
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### 18. Segment reporting (Continued)

#### d) Digital certification

The digital certification segment offers products, services, consulting and technology for the issue, application and use of global, private and Brazilian government-certified digital certificates, such as e-CPF, e-CNPJ, NF-e, CT-e, SSL, credentials essential to the professional activities of individuals and entities in electronic transactions, ensuring the necessary authenticity, integrity, privacy, and legal validity. We have supplemented our portfolio with accreditation and operation services of Certification and Registration Authorities, as well as technology for digital signature, cryptography, timestamp, attribute certificate, and communication services with digital evidence storage and control.

Company management separately monitors operating income (losses) of business units in order to make decisions on fund allocation and evaluate performance. Segment performance is mainly evaluated based on the profit allocated by segment, which comprises net revenue less costs, selling and administrative expenses; accordingly, other operating income and expenses, net, equity pickup, finance income (costs) and income and social contribution tax expenses are not considered.

Main information on profit, assets and liabilities per business segment is as follows:

| 09/30/2017   | Means of<br>payment | Identification | Telecom   | Digital<br>certification | Adjustments<br>and<br>eliminations | Balance not<br>allocated to<br>segments | Consolidated  |
|--|---------------------|----------------|-----------|--------------------------|------------------------------------|---|---------------|
| Revenue  |                     |                |           |                          |                                    |   |               |
| Trade accounts receivable                              | 465,927             | 376,001        | 259,152   | 61,481                   | -                                  | -                                       | 1,162,561     |
| Intersegment   | 24,229              | 84             | 63,604    | 49                       | (87,966)                           | -                                       | -             |
| Total revenue  | 490,156             | 376,085        | 322,756   | 61,530                   | (87,966)                           | -                                       | 1,162,561     |
| Costs  | (437,376)           | (237,786)      | (172,788) | (53,027)                 | -                                  | -                                       | (900,977)     |
| Selling expenses                                       | (29,458)            | (12,313)       | (39,989)  | (6,266)                  | -                                  | -                                       | (88,026)      |
| Administrative expenses                                | (23,487)            | (24,520)       | (14,029)  | (2,637)                  | -                                  | -                                       | (64,673)      |
| Intersegment   | (24,229)            | (84)           | (63,604)  | (49)                     | 87,966                             | -                                       | -             |
| Other operating expenses, net                          | -                   | -              | -         | -                        | -                                  | (44,039)                                | (44,039)      |
| Equity pickup  | -                   | -              | (311)     | -                        | -                                  | -                                       | (311)         |
| Finance income (costs), net                            | -                   | -              | -         | -                        | -                                  | (23,999)                                | (23,999)      |
| Income and social contribution taxes (IR/CS) on profit | -                   | -              | -         | -                        | -                                  | (13,751)                                | (13,751)      |
| Net income (loss) for the period                       |                     |                |           |                          |                                    |   | <u>26,785</u> |

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

Notes to interim financial information (Continued)  
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### 18. Segment reporting (Continued)

#### d) Digital certification (Continued)

| 09/30/2017   | Means of<br>payment | Identification | Telecom   | Digital<br>certification | Adjustments<br>and<br>eliminations | Balance not<br>allocated to<br>segments | Consolidated |
|--|---------------------|----------------|-----------|--------------------------|------------------------------------|---|--------------|
| Operating assets                                       | 432,215             | 233,482        | 181,259   | 20,771                   | (18,213)                           | -                                       | 849,514      |
| Trade accounts receivable                              | 110,938             | 127,539        | 134,192   | 11,592                   | (18,213)                           | -                                       | 366,048      |
| Inventories  | 84,877              | 11,073         | 24,388    | 2,369                    | -                                  | -                                       | 122,707      |
| Property, plant and equipment                          | 236,400             | 94,870         | 22,679    | 6,810                    | -                                  | -                                       | 360,759      |
| Operating liabilities                                  | 56,226              | 5,842          | 57,883    | 1,607                    | (18,213)                           | -                                       | 103,345      |
| Trade accounts payable                                 | 56,226              | 5,842          | 57,883    | 1,607                    | (18,213)                           | -                                       | 103,345      |
|  |                     |                |           |                          |                                    |   |              |
| 09/30/2016   | Means of<br>payment | Identification | Telecom   | Digital<br>certification | Adjustments<br>and<br>eliminations | Balance not<br>allocated to<br>segments | Consolidated |
| Revenue  |                     |                |           |                          |                                    |   |              |
| Trade accounts receivable                              | 576,736             | 345,816        | 335,053   | 49,246                   | -                                  | -                                       | 1,306,851    |
| Intersegment   | 7,403               | 210            | 97,670    | 2                        | (105,285)                          | -                                       | -            |
| Total revenue  | 584,139             | 346,026        | 432,723   | 49,248                   | (105,285)                          | -                                       | 1,306,851    |
| Costs  | (513,374)           | (213,260)      | (223,157) | (22,297)                 | -                                  | -                                       | (972,088)    |
| Selling expenses                                       | (29,395)            | (17,772)       | (47,706)  | (17,341)                 | -                                  | -                                       | (112,214)    |
| Administrative expenses                                | (28,374)            | (29,812)       | (19,239)  | (2,429)                  | -                                  | -                                       | (79,854)     |
| Intersegment   | (7,403)             | (210)          | (97,670)  | (2)                      | 105,285                            | -                                       | -            |
| Other operating expenses, net                          | -                   | -              | -         | -                        | -                                  | (58,166)                                | (58,166)     |
| Equity pickup  | -                   | -              | -         | -                        | -                                  | -                                       | -            |
| Finance income (costs), net                            | -                   | -              | -         | -                        | -                                  | (40,275)                                | (40,275)     |
| Income and social contribution taxes (IR/CS) on profit | -                   | -              | -         | -                        | -                                  | (5,804)                                 | (5,804)      |
| Net income for the period from continuing operations   | -                   | -              | -         | -                        | -                                  | -                                       | 38,450       |
| Net income for the period from discontinued operations | -                   | -              | 21,766    | -                        | -                                  | -                                       | 21,766       |
| Net income (loss) for the period                       | -                   | -              | -         | -                        | -                                  | -                                       | 60,216       |
|  |                     |                |           |                          |                                    |   |              |
| 12/31/2016   | Means of<br>payment | Identification | Telecom   | Digital<br>certification | Adjustments<br>and<br>eliminations | Balance not<br>allocated to<br>segments | Consolidated |
| Operating assets                                       | 451,591             | 186,104        | 204,147   | 27,958                   | (29,086)                           | -                                       | 840,714      |
| Trade accounts receivable                              | 101,546             | 69,907         | 154,394   | 14,494                   | (29,086)                           | -                                       | 311,255      |
| Inventories  | 86,608              | 13,615         | 26,228    | 2,548                    | -                                  | -                                       | 128,999      |
| Property, plant and equipment                          | 263,437             | 102,582        | 23,525    | 10,916                   | -                                  | -                                       | 400,460      |
| Operating liabilities                                  | 56,101              | 12,530         | 64,022    | 2,460                    | (29,086)                           | -                                       | 106,027      |
| Trade accounts payable                                 | 56,101              | 12,530         | 64,022    | 2,460                    | (29,086)                           | -                                       | 106,027      |

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### 18. Segment reporting (Continued)

#### d) Digital certification (Continued)

| <u>07/01/2017 to 09/30/2017</u>                        | <u>Means of payment</u> | <u>Identification</u> | <u>Telecom</u> | <u>Digital certification</u> | <u>Adjustments and eliminations</u> | <u>Balance not allocated to segments</u> | <u>Consolidated</u> |
|--|-------------------------|-----------------------|----------------|------------------------------|-------------------------------------|--|---------------------|
| Revenue  |                         |                       |                |                              |                                     |  |                     |
| Trade accounts receivable                              | 167,025                 | 130,819               | 93,087         | 21,180                       | -                                   | -  | 412,111             |
| Intersegment   | 9,892                   | 23                    | 24,072         | 10                           | (33,997)                            | -  | -                   |
| Total revenue  | 176,917                 | 130,842               | 117,159        | 21,190                       | (33,997)                            | -  | 412,111             |
| Costs  | (153,816)               | (79,629)              | (58,616)       | (20,106)                     | -                                   | -  | (312,167)           |
| Selling expenses                                       | (9,938)                 | (4,810)               | (14,646)       | (2,522)                      | -                                   | -  | (31,916)            |
| Administrative expenses                                | (7,008)                 | (8,155)               | (4,028)        | (873)                        | -                                   | -  | (20,064)            |
| Intersegment   | (9,892)                 | (23)                  | (24,072)       | (10)                         | 33,997                              | -  | -                   |
| Other operating expenses, net                          | -                       | -                     | -              | -                            | -                                   | (14,164)                                 | (14,164)            |
| Equity pickup  | -                       | -                     | (311)          | -                            | -                                   | -  | (311)               |
| Finance income (costs), net                            | -                       | -                     | -              | -                            | -                                   | (7,934)                                  | (7,934)             |
| Income and social contribution taxes (IR/CS) on profit | -                       | -                     | -              | -                            | -                                   | (10,192)                                 | (10,192)            |
| Net income (loss) for the period                       |                         |                       |                |                              |                                     |  | 15,363              |
| <u>07/01/2016 to 09/30/2016</u>                        | <u>Means of payment</u> | <u>Identification</u> | <u>Telecom</u> | <u>Digital certification</u> | <u>Adjustments and eliminations</u> | <u>Balance not allocated to segments</u> | <u>Consolidated</u> |
| Revenue  |                         |                       |                |                              |                                     |  |                     |
| Trade accounts receivable                              | 182,177                 | 122,092               | 105,523        | 16,109                       | -                                   | -  | 425,901             |
| Intersegment   | 638                     | 43                    | 25,704         | 2                            | (26,387)                            | -  | -                   |
| Total revenue  | 182,815                 | 122,135               | 131,227        | 16,111                       | (26,387)                            | -  | 425,901             |
| Costs  | (160,468)               | (71,455)              | (70,722)       | (7,339)                      | -                                   | -  | (309,984)           |
| Selling expenses                                       | (9,281)                 | (7,570)               | (14,370)       | (6,383)                      | -                                   | -  | (37,604)            |
| Administrative expenses                                | (9,043)                 | (9,709)               | (6,628)        | (676)                        | -                                   | -  | (26,056)            |
| Intersegment   | (638)                   | (43)                  | (25,704)       | (2)                          | -                                   | -  | -                   |
| Other operating expenses, net                          | -                       | -                     | -              | -                            | -                                   | (9,353)                                  | (9,353)             |
| Equity pickup  | -                       | -                     | -              | -                            | -                                   | -  | -                   |
| Finance income (costs), net                            | -                       | -                     | -              | -                            | -                                   | (12,086)                                 | (12,086)            |
| Income and social contribution taxes (IR/CS) on profit | -                       | -                     | -              | -                            | -                                   | (579)                                    | (579)               |
| Net income for the period from continuing operations   | -                       | -                     | -              | -                            | -                                   | -  | 30,239              |
| Net income for the period from discontinued operations | -                       | -                     | 19,827         | -                            | -                                   | -  | 19,827              |
| Net income (loss) for the period                       | -                       | -                     | -              | -                            | -                                   | -  | 50,066              |

Other operating expenses, net, Finance income (costs), net, and Income and social contribution taxes are presented in the table above on a non-segmented basis, as the Company understands that these items are not directly related to any operating segment.

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### 18. Segment reporting (Continued)

#### d) Digital certification (Continued)

##### *Geographic information*

The Company and its subsidiaries operate in the following geographic areas: Brazil (home country), Spain, Argentina, USA, Colombia, Uruguay, Mexico, Denmark, Republic of Mauritius, Singapore, Panama, South Africa, United Arab Emirates, India, Indonesia and Ireland.

Because they are individually immaterial, revenues and noncurrent assets from operations in foreign countries, except for USA, Spain, Argentina and Denmark, have been disclosed in the aggregate, as follows:

| Geographic information                | Revenue    |            | Noncurrent assets (*) |            |
|---------------------------------------|------------|------------|-----------------------|------------|
|                                       | 09/30/2017 | 09/30/2016 | 09/30/2017            | 12/31/2016 |
| In the entity's home country – Brazil | 653,265    | 656,114    | 113,272               | 288,643    |
| In the USA                            | 261,885    | 319,908    | 295,032               | 319,324    |
| In Spain                              | 57,276     | 39,265     | 618,895               | 395,801    |
| In Denmark (**)                       | 122,635    | 206,234    | 77,836                | 90,914     |
| In Argentina                          | 49,233     | 76,869     | 8,237                 | 9,546      |
| In other foreign countries            | 18,267     | 8,461      | 1,474                 | 1,322      |
| Total                                 | 1,162,561  | 1,306,851  | 1,114,746             | 1,105,550  |

| Geographic information                | Revenue                  |                          |
|---------------------------------------|--------------------------|--------------------------|
|                                       | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 |
| In the entity's home country - Brazil | 222,254                  | 228,096                  |
| In the USA                            | 99,753                   | 89,432                   |
| In Spain                              | 21,597                   | 15,311                   |
| In Denmark (**)                       | 42,562                   | 66,608                   |
| In Argentina                          | 19,683                   | 24,919                   |
| In other foreign countries            | 6,262                    | 1,535                    |
| Total                                 | 412,111                  | 425,901                  |

(\*) Does not include deferred taxes.

(\*\*) The following countries are considered in this line: Denmark, Republic of Mauritius, Singapore, Panama, South Africa, United Arab Emirates, India and Indonesia.

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### 18. Segment reporting (Continued)

#### d) Digital certification (Continued)

##### *Information on key customers*

Under CPC 22 - Segment Reporting (CPC 22), equivalent to IFRS 8, the Company management informs that there is no transaction with one single foreign customer that accounts for 10% or more of the total revenues of the Company and its subsidiaries.

### 19. Retirement benefit plans

The Company offers defined contribution pension plans to employees located in Brazil based on the groups defined in the internal pension plan policy. The plan assets are maintained separately from those of the Company and its subsidiaries, in funds controlled by trustees.

The Company contributes a specific percentage rate of the wage costs to the pension plan, and its only obligation in relation to the pension plan is to make such contributions.

For the nine-month periods ended September 30, 2017 and 2016, the Company and its subsidiaries recognized the following benefit-related amounts as "Cost of goods sold and operating expenses" in the statement profit or loss:

| Benefits             | Company    |            | Consolidated |            |
|----------------------|------------|------------|--------------|------------|
|                      | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Private pension plan | 2,153      | 2,821      | 2,153        | 2,821      |
| Total                | 2,153      | 2,821      | 2,153        | 2,821      |

| Benefits             | Company                  |                          | Consolidated             |                          |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                      | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 |
| Private pension plan | 555                      | 1,122                    | 555                      | 1,122                    |
| Total                | 555                      | 1,122                    | 555                      | 1,122                    |

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Notes to interim financial information (Continued)  
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### **20. Financial instruments and risk management**

The Company and its subsidiaries measured the market value of financial assets and liabilities based on available market information and appropriate valuation methodologies. However, market data interpretation and the selection of valuation methods require considerable judgment and estimates to best determine the realizable value. Accordingly, estimates presented do not necessarily reflect the current market values. Use of different market hypotheses and/or methodologies can have a significant impact on estimated realizable value.

Significant financial liabilities of the Company and its subsidiaries refer to debentures, loans and financing and trade accounts payable. The main purpose of the debentures issued and borrowings was to raise funds to finance the operations of the Company and its subsidiaries and business combinations, whereas trade and other accounts payable arise directly from their operations. Significant financial assets of the Company and its subsidiaries include cash and cash equivalents, marketable securities, and trade accounts receivable, which result directly from their operations.

#### Fair value measurement

The fair value of financial assets and liabilities is included in the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced sale or settlement.

The fair values of trade accounts receivable/payable and related parties approximate their carrying amount mostly due to their short-term maturity.

The financial liability represented by debentures, loans and financing of the Company are classified as other liabilities, and are measured at amortized cost.

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### 20. Financial instruments and risk management (Continued)

#### Fair value measurement (Continued)

The carrying amounts and fair values of the Company's financial instruments at September 30, 2017 are as follows:

| Classification                           | Company                             |            | Consolidated    |            |         |
|--|-------------------------------------|------------|-----------------|------------|---------|
|  | Carrying amount                     | Fair value | Carrying amount | Fair value |         |
| Cash and banks                           |                                     |            |                 |            |         |
| Cash equivalents                         | Loans and receivables               | 1,098      | 1,098           | 96,569     | 96,569  |
| Marketable securities                    | Fair value through profit or loss   | 131,993    | 131,993         | 183,426    | 183,426 |
| Accounts receivable                      | Fair value through profit or loss   | -          | -               | 28,370     | 28,370  |
| Receivables from related parties         | Loans and receivables               | 161,211    | 161,211         | 388,586    | 388,586 |
| Other accounts receivable                | Loans and receivables               | 114        | 114             | -          | -       |
| Judicial deposits                        | Loans and receivables               | 9,577      | 9,577           | 94,153     | 94,153  |
| Trade accounts payable                   | Loans and receivables               | 31,095     | 31,095          | 37,606     | 37,606  |
| Loans, financing and debentures          | Other liabilities at amortized cost | 24,652     | 24,652          | 103,345    | 103,345 |
| Dividends and interest on equity payable | Other liabilities at amortized cost | 334,595    | 334,546         | 803,494    | 825,691 |
|  |                                     | 8          | 8               | 8          | 8       |

The carrying amounts and fair values of the Company's financial instruments at December 31, 2016 are as follows:

| Classification                           | Company                             |            | Consolidated    |            |         |
|--|-------------------------------------|------------|-----------------|------------|---------|
|  | Carrying amount                     | Fair value | Carrying amount | Fair value |         |
| Cash and banks                           |                                     |            |                 |            |         |
| Cash equivalents                         | Loans and receivables               | 21,522     | 21,522          | 128,237    | 128,237 |
| Marketable securities                    | Fair value through profit or loss   | 230,969    | 230,969         | 266,540    | 266,540 |
| Accounts receivable                      | Fair value through profit or loss   | 323        | 323             | 6,165      | 6,165   |
| Receivables from related parties         | Loans and receivables               | 119,683    | 119,683         | 337,099    | 337,099 |
| Other accounts receivable                | Loans and receivables               | 403        | 403             | -          | -       |
| Judicial deposits                        | Loans and receivables               | 9,131      | 9,131           | 54,776     | 54,776  |
| Trade accounts payable                   | Loans and receivables               | 31,358     | 31,358          | 37,254     | 37,254  |
| Loans, financing and debentures          | Other liabilities at amortized cost | 34,435     | 34,435          | 106,027    | 106,027 |
| Dividends and interest on equity payable | Other liabilities at amortized cost | 390,698    | 405,189         | 763,936    | 776,212 |
|  |                                     | 13,188     | 13,188          | 13,188     | 13,188  |

#### Fair value hierarchy

Under CPC 46/IFRS/IFRS 13, the Company measures its cash and cash equivalents and marketable securities at fair value. Cash and cash equivalents and marketable securities are classified as Level 2.

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Notes to interim financial information (Continued)  
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### 20. Financial instruments and risk management (Continued)

#### Fair value hierarchy (Continued)

A summary of financial instruments recorded at fair value at September 30, 2017 and at December 31, 2016 is as follows:

| Description           | Company    |   |  |  |
|-----------------------|------------|---|--|--|
|                       | 09/30/2017 | Market value for identical assets (Level 1) | Other significant observable impacts (Level 2) | Other significant non-observable impacts (Level 3) |
| Assets                |            |   |  |  |
| Cash equivalents      | -          | -   | 131,993  | -  |
| Marketable securities | -          | -   | -  | -  |
| Total assets          | -          | -   | 131,993  | -  |

| Description           | Company    |   |  |  |
|-----------------------|------------|---|--|--|
|                       | 12/31/2016 | Market value for identical assets (Level 1) | Other significant observable impacts (Level 2) | Other significant non-observable impacts (Level 3) |
| Assets                |            |   |  |  |
| Cash equivalents      | -          | -   | 230,969  | -  |
| Marketable securities | -          | -   | 323  | -  |
| Total assets          | -          | -   | 231,292  | -  |

| Description           | Consolidated |   |  |  |
|-----------------------|--------------|---|--|--|
|                       | 09/30/2017   | Market value for identical assets (Level 1) | Other significant observable impacts (Level 2) | Other significant non-observable impacts (Level 3) |
| Assets                |              |   |  |  |
| Cash equivalents      | -            | -   | 211,796  | -  |
| Marketable securities | -            | -   | -  | -  |
| Total assets          | -            | -   | 211,796  | -  |

| Description           | Consolidated |   |  |  |
|-----------------------|--------------|---|--|--|
|                       | 12/31/2016   | Market value for identical assets (Level 1) | Other significant observable impacts (Level 2) | Other significant non-observable impacts (Level 3) |
| Assets                |              |   |  |  |
| Cash equivalents      | -            | -   | 266,540  | -  |
| Marketable securities | -            | -   | 6,165  | -  |
| Total assets          | -            | -   | 272,705  | -  |

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### 20. Financial instruments and risk management (Continued)

#### Market risk

Market risk is the risk that the fair value of future cash flows from a financial instrument will float due to market price variations. Market prices include two types of risk: (i) interest rate risk, and (ii) currency risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may vary due to fluctuations in market interest rates. Profit or loss of the Company and its subsidiaries is subject to variation in interest rates on short-term investments and debentures, which are pegged to the CDI rate. For the Company's most significant loans, the index is pegged to the Libor rate.

#### *Currency risk*

This is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to exchange rate differences. Exposure of the Company and its subsidiaries to exchange rate differences mainly refers to their operating activities (when revenues or expenses are stated in a currency other than the functional currency) and to the Company's net investments in subsidiaries abroad.

The table below shows the sensitivity of the Company and its subsidiaries to an estimated appreciation of the Brazilian real by 25% and 50% in relation to subsidiaries with functional currencies other than the Brazilian real, as described in Note 2.6 (b). The sensitivity analysis considers the equity of subsidiaries translated into reais at the end of the reporting period, considering depreciation of 25% and 50% in exchange rates. Appreciation of the real would result in equity reduction at the following amounts:

| Currency       | 09/30/2017 |         |
|----------------|------------|---------|
|                | 25%        | 50%     |
| Argentine peso | 6,639      | 13,279  |
| Colombian peso | 432        | 865     |
| Mexican peso   | 1,876      | 3,753   |
| Uruguayan peso | 343        | 686     |
| Euro           | 110,843    | 221,686 |
| US dollar      | 105,455    | 210,910 |

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### **20. Financial instruments and risk management (Continued)**

#### Market risk (Continued)

##### *Currency risk* (Continued)

The Company records trade accounts payable for equipment and raw material denominated in foreign currency. Therefore, profit or loss is subject to the US dollar and Euro exchange rate differences. The Company estimates that possible depreciation of the Real in relation to the US dollar and Euro by 25% and 50% would result, respectively, at September 30, 2017, in finance costs of R\$997 and R\$1,994 related to these balances.

#### Credit risk

This is the risk that a business counterparty will not meet an obligation included in a financial instrument or contract with a customer, resulting in financial loss.

The Company and its subsidiaries are exposed to credit risk from operating activities (mainly in relation to accounts receivable) and from financing activities, including deposits in banks and financial institutions, exchange transactions and other financial instruments.

##### *Accounts receivable*

Trade accounts receivable are substantially concentrated in major financial institutions, telecommunication companies and State Government agencies. Given the reputation and financial soundness of such customers, the Company management does not expect to incur any loss on collection of receivables (Note 5).

##### *Deposits in banks and financial institutions*

All transactions of the Company and its direct and indirect subsidiaries are carried out with banks with acknowledged liquidity, which, according to management's understanding, minimizes the risks thereof.

#### Liquidity risk

Liquidity risk is defined as the possibility of the Company and its subsidiaries lacking sufficient funds to honor their commitments given the different currencies and the settlement terms of their rights and obligations.

## Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.

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### 20. Financial instruments and risk management (Continued)

#### Liquidity risk (Continued)

The liquidity and cash flow control of the Company and its subsidiaries is monitored on a daily basis by management, in order to ensure that cash flow from operations and the prior funding, when necessary, are sufficient to meet their commitment schedule, not generating liquidity risks.

The maturities outstanding financial liabilities at September 30, 2017, pursuant to paragraph 39 of CPC 40 (R1), are as follows:

|                                 | Company       |                    |                         |                   |              | Total          |
|---------------------------------|---------------|--------------------|-------------------------|-------------------|--------------|----------------|
|                                 | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years |                |
| Trade accounts payable          | 24,652        | -                  | -                       | -                 | -            | 24,652         |
| Loans, financing and debentures | 1,555         | 8,427              | 125,000                 | 199,613           | -            | 334,595        |
| <b>Total</b>                    | <b>26,207</b> | <b>8,427</b>       | <b>125,000</b>          | <b>199,613</b>    | <b>-</b>     | <b>359,247</b> |

  

|                                 | Consolidated   |                    |                         |                   |              | Total          |
|---------------------------------|----------------|--------------------|-------------------------|-------------------|--------------|----------------|
|                                 | Up to 1 month  | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years |                |
| Trade accounts payable          | 103,345        | -                  | -                       | -                 | -            | 103,345        |
| Loans, financing and debentures | 6,092          | 21,322             | 179,052                 | 597,028           | -            | 803,494        |
| <b>Total</b>                    | <b>109,437</b> | <b>21,322</b>      | <b>179,052</b>          | <b>597,028</b>    | <b>-</b>     | <b>906,839</b> |

#### Sensitivity analysis

CVM Rule No. 475, of December 17, 2008, determines that publicly-held companies should disclose qualitative and quantitative financial instrument information in a specific note to financial statements, as well as disclosure of a sensitivity analysis table.

In general, the main risks related to the financial instruments used by the Company are pegged to: (i) Interbank Deposit Certificate (CDI) variation, mainly with respect to obligations on debentures issued and short-term investments, (ii) TJLP variation, with respect to financing raised by Valid Certificadora, and (iii) Libor rate on loans raised by the Company and its subsidiaries through subsidiary Valid USA and the direct subsidiary Valid Spain.

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### 20. Financial instruments and risk management (Continued)

#### Sensitivity analysis (Continued)

The finance charges on the debentures issued by the Company consist of the average DI (interbank deposit) rate, plus annual interest, whereas short-term investments yield interest based on the CDI variation. Finance charges on loans and financing are pegged to Libor plus a fixed contractual rate, and the financing raised by Valid Certificadora is subject to TJLP variation.

Additionally, the Company has trade accounts payable indexed to the US dollar and the euro. However, taking into consideration that these payables mature within 30 days, a sensitivity analysis is not presented as the Company understands that it would not generate any benefits. Three different scenarios were defined to analyze the sensitivity of the index used on the short-term investments held by the Company as at September 30, 2017. Based on projections disclosed by BM&F Bovespa, dated October 15, 2017, CDI was projected for the next 12 months at 7.12%, which is defined as a probable scenario. Based on this scenario, the 25% and 50% index fluctuations were calculated and represent the conditions for different scenarios.

For each scenario, gross finance income from short-term investments was calculated, not considering taxes on investment yields. The base date used for short-term investments was the balance outstanding at September 30, 2017, with a one-year projection and analysis of the CDI sensitivity in each scenario.

| <b>Company</b>                            |                                  |             |                              |                    |                     |
|---|----------------------------------|-------------|------------------------------|--------------------|---------------------|
| <b>Transaction</b>                        | <b>Balance at<br/>09/30/2017</b> | <b>Risk</b> | <b>Probable<br/>scenario</b> | <b>Scenario II</b> | <b>Scenario III</b> |
| Short-term investments (cash equivalents) | <b>131,993</b>                   | CDI         | 7.12%                        | 5.34%              | 3.56%               |
| Gross finance income                      | -                                | -           | 9,398                        | 7,048              | 4,699               |
| <b>Consolidated</b>                       |                                  |             |                              |                    |                     |
| <b>Transaction</b>                        | <b>Balance at<br/>09/30/2017</b> | <b>Risk</b> | <b>Probable<br/>scenario</b> | <b>Scenario II</b> | <b>Scenario III</b> |
| Short-term investments (cash equivalents) | <b>183,426</b>                   | CDI         | 7.12%                        | 5.34%              | 3.56%               |
| Gross finance income                      | -                                | -           | 13,060                       | 9,795              | 6,530               |

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Notes to interim financial information (Continued)  
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### 20. Financial instruments and risk management (Continued)

#### Sensitivity analysis (Continued)

The same analysis was conducted for the balance corresponding to the Company's debentures at September 30, 2017. Interest of 0.71% p.a. was added to the projected CDI for the next 12 months, reaching 9.16% for the fourth issue, 109% for the fifth issue, and 114.8% for the sixth issue of the projected CDI, reaching 7.76% and 8.17%, and this scenario was considered probable. Based on this scenario, the 25% and 50% index fluctuations were calculated and represent the conditions for different scenarios.

Gross finance costs of obligations were calculated for each scenario, without taking into consideration the flow of maturity of installments falling due within the next 12 months. The base date used for debentures was the balance outstanding at September 30, 2017, with a one-year projection and analysis of the CDI sensitivity in each scenario.

| Transaction                        | Balances at 09/30/2017 | Risk       | Probable scenario | Scenario II | Scenario III |
|------------------------------------|------------------------|------------|-------------------|-------------|--------------|
| Debentures (4 <sup>th</sup> issue) | 65,195                 | CDI +0.71% | 7.83%             | 9.61%       | 11.39%       |
| Gross finance costs                | -                      | -          | 5,105             | 6,265       | 7,426        |

| Transaction                        | Balances at 09/30/2017 | Risk     | Probable scenario | Scenario II | Scenario III |
|------------------------------------|------------------------|----------|-------------------|-------------|--------------|
| Debentures (5 <sup>th</sup> issue) | 64,148                 | 109% CDI | 7.76%             | 9.70%       | 11.64%       |
| Gross finance costs                | -                      | -        | 4,978             | 6,222       | 7,467        |

| Transaction                        | Balances at 09/30/2017 | Risk       | Probable scenario | Scenario II | Scenario III |
|------------------------------------|------------------------|------------|-------------------|-------------|--------------|
| Debentures (6 <sup>th</sup> issue) | 205,252                | 114.8% CDI | 8.17%             | 10,21%      | 12,26%       |
| Gross finance costs                | -                      | -          | 16,769            | 20,956      | 25,164       |

The same analysis was conducted for the balance corresponding to indirect subsidiary Certificadora's obligations on financing as at September 30, 2017. A projected TJLP rate of 7.0% considered and disclosed by BNDES in October 2017 and, based on this probable scenario, 25% and 50% index variances were calculated, representing the conditions for different scenarios.

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### 20. Financial instruments and risk management (Continued)

#### Sensitivity analysis (Continued)

| Transaction         | Balances<br>at<br>09/30/2017 | Risk | Probable<br>scenario | Scenario II | Scenario III |
|---------------------|------------------------------|------|----------------------|-------------|--------------|
| Financing - BNDES   | 6,822                        | TJLP | 7.0%                 | 8.75%       | 10.50%       |
| Gross finance costs | -                            | -    | 478                  | 597         | 716          |

The same analysis was conducted for the balance corresponding to obligations of Valid USA and Valid Spain on loans at September 30, 2017. A projected Libor rate of 1.80% was considered and disclosed by Bloomberg Terminal on October 4, 2017 and, based on this probable scenario, 25% and 50% index variances were calculated, representing the conditions for different scenarios.

| Transaction         | Balances<br>at<br>09/30/2017 | Risk  | Probable<br>scenario | Scenario II | Scenario III |
|---------------------|------------------------------|-------|----------------------|-------------|--------------|
| Loans - Valid USA   | 118,912                      | Libor | 1.80%                | 2.25%       | 2.70%        |
| Gross finance costs |                              |       | 2,140                | 2,676       | 3,211        |

| Transaction         | Balances<br>at<br>09/30/2017 | Risk  | Probable<br>scenario | Scenario II | Scenario III |
|---------------------|------------------------------|-------|----------------------|-------------|--------------|
| Loans - Valid Spain | 161,151                      | Libor | 1.80 %               | 2.25%       | 2.70%        |
| Gross finance costs |                              |       | 2,901                | 3,626       | 4,351        |

### 21. Insurance

The Company takes out insurance coverage at amounts to cover any claims in its plants, considering the nature of its activity and the risks involved in operations. At September 30, 2017, the Company has the following major insurance policies contracted from third parties:

| Type  | Insured amount |
|---|----------------|
| Civil liability                                   | 65,089         |
| Operational risks                                 | 507,176        |
| Miscellaneous risks                               | 164,930        |
| Vehicles  | 1,542          |
| D&O - civil liability                             | 50,344         |
| Errors & Omissions (E&O) – professional liability | 330,880        |
| Loyalty and Crime                                 | 11,336         |
| Product transportation – import/export            | US\$15,500     |

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### 22. Net sales revenue

|                                 | Company    |            | Consolidated |            |
|---------------------------------|------------|------------|--------------|------------|
|                                 | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Gross sales revenue             | 36,896     | 51,047     | 429,420      | 582,481    |
| Gross sales and service revenue | 537,418    | 530,188    | 830,503      | 829,545    |
| Total gross revenue             | 574,314    | 581,235    | 1,259,923    | 1,412,026  |
| Sales taxes                     | (73,706)   | (74,149)   | (91,236)     | (93,307)   |
| Sales returns                   | (4,309)    | (5,297)    | (6,126)      | (11,868)   |
| Net sales revenue               | 496,299    | 501,789    | 1,162,561    | 1,306,851  |

|                                 | Company                  |                          | Consolidated             |                          |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                 | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 |
| Gross sales revenue             | 14,916                   | 15,785                   | 161,512                  | 176,459                  |
| Gross sales and service revenue | 180,096                  | 187,921                  | 285,530                  | 283,165                  |
| Total gross revenue             | 195,012                  | 203,706                  | 447,042                  | 459,624                  |
| Sales taxes                     | (25,223)                 | (25,872)                 | (31,777)                 | (32,127)                 |
| Sales returns                   | (2,975)                  | (636)                    | (3,154)                  | (1,596)                  |
| Net sales revenue               | 166,814                  | 177,198                  | 412,111                  | 425,901                  |

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### 23. Costs and expenses by nature

The Company elected to present the statement of profit or loss by nature. Breakdown of costs and expenses by nature is as follows:

| Expenses by nature                  | Company        |                | Consolidated     |                  |
|-------------------------------------|----------------|----------------|------------------|------------------|
|                                     | 09/30/2017     | 09/30/2016     | 09/30/2017       | 09/30/2016       |
| Labor                               | 125,607        | 127,983        | 281,095          | 302,272          |
| Employee benefits                   | 45,804         | 50,641         | 63,758           | 70,500           |
| Taxes and charges                   | 38,087         | 37,036         | 59,693           | 61,381           |
| Operating lease                     | 16,748         | 24,245         | 31,336           | 36,251           |
| Depreciation and amortization       | 32,525         | 31,201         | 73,522           | 70,665           |
| Consumables/raw material            | 89,898         | 120,442        | 333,258          | 373,248          |
| Third-party services                | 29,633         | 19,100         | 83,490           | 88,538           |
| Maintenance                         | 9,417          | 8,994          | 18,008           | 19,294           |
| Utilities and services              | 28,379         | 30,923         | 57,493           | 65,304           |
| Sales commissions                   | 5,750          | 6,433          | 11,997           | 26,755           |
| Freight on sales                    | 8,180          | 8,133          | 14,893           | 18,741           |
| General and other expenses          | 24,904         | 20,872         | 25,133           | 31,207           |
|                                     | <b>454,932</b> | <b>486,003</b> | <b>1,053,676</b> | <b>1,164,156</b> |
| Classified as:                      |                |                |                  |                  |
| Cost of sales and services          | 401,861        | 421,858        | 900,977          | 972,088          |
| Selling expenses                    | 23,938         | 31,268         | 88,026           | 112,214          |
| General and administrative expenses | 29,133         | 32,877         | 64,673           | 79,854           |
|                                     | <b>454,932</b> | <b>486,003</b> | <b>1,053,676</b> | <b>1,164,156</b> |

| Expenses by nature                  | Company                     |                             | Consolidated                |                             |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                     | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | 07/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 |
| Labor                               | 42,358                      | 42,618                      | 99,732                      | 95,867                      |
| Employee benefits                   | 15,030                      | 17,052                      | 20,761                      | 23,396                      |
| Taxes and charges                   | 10,569                      | 11,610                      | 16,844                      | 18,605                      |
| Operating lease                     | 5,248                       | 8,015                       | 10,073                      | 11,508                      |
| Depreciation and amortization       | 8,330                       | 10,987                      | 22,414                      | 23,445                      |
| Consumables/raw material            | 29,351                      | 39,843                      | 119,720                     | 117,679                     |
| Third-party services                | 10,520                      | 5,920                       | 31,082                      | 25,649                      |
| Maintenance                         | 3,218                       | 3,156                       | 6,534                       | 6,627                       |
| Utilities and services              | 9,761                       | 10,123                      | 19,706                      | 22,070                      |
| Sales commissions                   | 1,717                       | 2,071                       | 4,000                       | 8,998                       |
| Freight on sales                    | 2,665                       | 2,736                       | 4,923                       | 6,156                       |
| General and other expenses          | 6,261                       | 7,891                       | 8,358                       | 13,644                      |
|                                     | <b>145,028</b>              | <b>162,022</b>              | <b>364,147</b>              | <b>373,644</b>              |
| Classified as:                      |                             |                             |                             |                             |
| Cost of sales and services          | 126,960                     | 141,377                     | 312,167                     | 309,984                     |
| Selling expenses                    | 8,425                       | 9,825                       | 31,916                      | 37,604                      |
| General and administrative expenses | 9,643                       | 10,820                      | 20,064                      | 26,056                      |
|                                     | <b>145,028</b>              | <b>162,022</b>              | <b>364,147</b>              | <b>373,644</b>              |

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### 24. Finance income and costs

|  | Company         |                 | Consolidated    |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 09/30/2017      | 09/30/2016      | 09/30/2017      | 09/30/2016      |
| Finance income   |                 |                 |                 |                 |
| Short-term investment yield                                    | 12,596          | 10,377          | 16,374          | 18,437          |
| Derecognition of financial liabilities <sup>1</sup>            | 8,800           | -               | 8,800           | -               |
| Foreign exchange difference and interest on intercompany loans | -               | 2,192           | -               | 3,957           |
| Foreign exchange difference on loans                           | -               | -               | 18,517          | -               |
| Other exchange differences                                     | 726             | 1,590           | 9,358           | 16,861          |
| Other finance income   | 203             | 114             | 899             | 270             |
|  | <b>22,325</b>   | <b>14,273</b>   | <b>53,948</b>   | <b>39,525</b>   |
| Finance costs  |                 |                 |                 |                 |
| Interest on debentures, loans and financing                    | (31,614)        | (32,065)        | (46,929)        | (44,803)        |
| Foreign exchange difference and interest on intercompany loans | -               | (4,629)         | -               | (7,752)         |
| Other exchange differences                                     | (362)           | (2,356)         | (21,945)        | (20,432)        |
| Interest and foreign exchange difference on lease              | (209)           | (1,207)         | (450)           | (1,280)         |
| Foreign exchange difference on loans                           | -               | -               | (515)           | -               |
| Bank charges   | (894)           | (1,045)         | (6,120)         | (3,896)         |
| Other finance costs  | (714)           | (360)           | (1,988)         | (1,637)         |
|  | <b>(33,793)</b> | <b>(41,662)</b> | <b>(77,947)</b> | <b>(79,800)</b> |
| Total, net   | <b>(11,468)</b> | <b>(27,389)</b> | <b>(23,999)</b> | <b>(40,275)</b> |

(<sup>1</sup>) Refers to the derecognition of financial liabilities related to purchase of equipment, amounting to R\$9,712 (Note 12)

|  | Company                  |                          | Consolidated             |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 | 07/01/2017 to 09/30/2017 | 07/01/2016 to 09/30/2016 |
| Finance income   |                          |                          |                          |                          |
| Short-term investment yield                                    | 2,424                    | 7,524                    | 3,380                    | 9,893                    |
| Foreign exchange difference and interest on intercompany loans | -                        | 7                        | -                        | 119                      |
| Foreign exchange difference on loans                           | -                        | -                        | 11,401                   | -                        |
| Other exchange differences                                     | 592                      | 181                      | 3,899                    | 4,390                    |
| Other finance income   | 13                       | 50                       | -                        | 2                        |
|  | <b>3,029</b>             | <b>7,762</b>             | <b>18,680</b>            | <b>14,404</b>            |
| Finance costs  |                          |                          |                          |                          |
| Interest on debentures, loans and financing                    | (8,298)                  | (15,642)                 | (14,235)                 | (19,668)                 |
| Interest and foreign exchange difference                       | (362)                    | (549)                    | (8,673)                  | (4,884)                  |
| Foreign exchange difference and interest on intercompany loans | -                        | (15)                     | -                        | (230)                    |
| Interest and foreign exchange difference on lease              | -                        | (197)                    | (80)                     | (261)                    |
| Foreign exchange difference on loans                           | -                        | -                        | (515)                    | -                        |
| Bank charges   | (219)                    | (297)                    | (1,964)                  | (1,354)                  |
| Other finance costs  | (5)                      | -                        | (1,147)                  | (93)                     |
|  | <b>(8,884)</b>           | <b>(16,700)</b>          | <b>(26,614)</b>          | <b>(26,490)</b>          |
| Total, net   | <b>(5,855)</b>           | <b>(8,938)</b>           | <b>(7,934)</b>           | <b>(12,086)</b>          |

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Notes to interim financial information (Continued)  
September 30, 2017  
(In thousands of reais, unless otherwise stated)

### 24. Finance income and costs (Continued)

Foreign exchange rate differences and interest on intercompany loans, consolidated, for the nine-month period ended September 30, 2016 refer to gains and losses from fluctuations in the currencies of the existing intercompany loans, when these are indexed in a currency other than the entities' functional currency.

The exchange difference in the Consolidated report for the nine-month period ended September 30, 2017 is mainly impacted by the restatement of accounts receivable and payable linked to transactions in currencies other than the functional currency of the entity.

The account "Monetary difference of loans" includes gains and losses from loans raised in US dollars by Valid Spain.

### 25. Other operating income (expenses)

Main information on amounts recognized as "Other operating expenses" for the years ended September 30, 2017 and 2016 is as follows:

|  | Company    |            | Consolidated |            |
|--|------------|------------|--------------|------------|
|  | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Restructuring costs                    | (16,516)   | (16,000)   | (28,649)     | (34,866)   |
| Other operating income (expenses), net | (1,404)    | (4,748)    | (15,390)     | (23,300)   |
| Total other operating expenses         | (17,920)   | (20,748)   | (44,039)     | (58,166)   |

  

|  | Company    |            | Consolidated |            |
|--|------------|------------|--------------|------------|
|  | 07/01/2017 | 07/01/2016 | 07/01/2017   | 07/01/2016 |
|  | to         | to         | to           | to         |
|  | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Provision for restructuring costs      | (2,791)    | -          | (8,306)      | -          |
| Other operating income (expenses), net | (1,563)    | (2,203)    | (5,858)      | (9,353)    |
| Total other operating expenses         | (4,354)    | (2,203)    | (14,164)     | (9,353)    |

The Company and its subsidiaries elected to consolidate the plants located in Brazil and in the United States of America, both in May 2016, through a detailed plan approved by management. The Company and its subsidiaries recognized a provision for restructuring costs in order to optimize their funds and enhance operational performance and competitiveness. The provision includes the following: labor, provision for decommissioning and other sundry expenses.

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### 25. Other operating income (expenses) (Continued)

Funds involving such consolidation processes are expected to be disbursed until the end of 2017. Due to temporary tax differences in this operation, a provision for deferred income and social contribution taxes was recognized, Company and Consolidated, as stated in Note 6.

### 26. Additional statement of cash flows information

#### Non-cash transactions

|   | Company    |            | Consolidated |            |
|---|------------|------------|--------------|------------|
|   | 09/30/2017 | 09/30/2016 | 09/30/2017   | 09/30/2016 |
| Property, plant and equipment and intangible assets acquired and not paid | 310        | 2,522      | 6,253        | 2,661      |
| Finance lease   | -          | 12,045     | -            | 22,232     |
| Capitalization of loan - Spain  | -          | 39,600     | -            | -          |
| Capitalization of loan - Argentina  | -          | 478        | -            | 478        |
| Divestiture costs   | -          | -          | -            | 26,907     |

### 27. Events after the reporting period

- Payment of dividends totaling R\$14,102, corresponding to R\$0.2000 (in reais) per share, was approved at the Board of Directors' meeting held on November 8, 2017. The payment will occur on November 24, 2017.