Dear Sirs,

We recorded in the 3Q18 an increase of 16.2% in revenue and 17.2% in adjusted EBITDA compared to the 3Q17, consolidating another quarter of increased results. In this quarter, EBITDA was impacted by the recognition of an allowance for losses in the Mobile division in the amount of R$9.9 million. It is the sixth consecutive quarter of EBITDA increase, despite of the allowance recognized. Excluding such amount, EBITDA would total R$91 million, with an EBITDA margin of 19% - again, the highest quarterly results of Valid's history.

Such increase resulted from the solid foundations and stability of the market where we operate, aligned with the endless search for efficiency.

In conjunction with the traditional business expansion and stability, we are still adapting to changes, as we have been doing over 60 years: listening to and understanding the customers' needs, seeking for solutions that best respond to such need.

Over the years, we have developed specific Biometry and Identification, System Security and Transaction Certificate, and Connectivity and Mobility technologies. Now the time has come to converge these three technologies. Each customer will need a unique combination of these solutions to perform its own digital transformation. We are working to help them in this transformation and we identified some "New Avenues" for Valid's expansion.

Out of the avenues that can already be commented, the first one is based on the customers' needs to have a safe traceability of the products and smart use of data to increase the productivity. Accordingly, we focused on some Company's business alternatives.

One of them is the traceability of water bottles in order to avoid the tax evasion (customer – states) and map the water origin for better security in the product quality (customer – final consumer). Such solution was created in 2016 and has already been adopted in all states in the Northeast region of Brazil, to be expanded to the other states. Another alternative is the agribusiness, initially focused on the coffee culture to increase the customers' productivity in the farms (Digital Farm), ensure the production tracking based on the RFID solutions, from the producer to the final seller (Smart Warehouse) and create a safe platform to sell such production (Marketplace) using the Blockchain technology.

The second avenue is structured on business models in which the customer needs such mobile connectivity in their solutions. An example is the application of our e-Sim solutions in the automotive industry in China, in partnership with local mobile network operators and Cubic Mobile. Due to such initiative, Valid is able to access other business models in the Chinese market, as the opportunities are not limited to the automobile market and more than half of the devices used in the integrated internet produced in the world are manufactured in Brazil, and the M2M market has potential to maintain the sales to Valid for several years.

The fight against forgery in institutions more exposed to fraudulent operations represents another business avenue to Valid. Our set of biometry solutions, Valid Bio, may be adopted to reduce the risks by using a group of services to authenticate persons according to their physical characteristics, such as fingerprint and face recognition. An outstanding case is the collection of biometrics for the issuance of digital certificates that demand these services. The biometry services bring confidence in the identification process in the business models developed focused on self-service, by expanding the digital services through the use of all market segments, from retail to financial segment.

We point out that such "Avenues" will not bring results in the short term; however, they are essential for the digital transformation currently faced by our customers, which will support us to maintain the relevant role in the "connected life age".

We would like to thank you once again for the confidence placed on our Executive Board and employees, who are still committed to achieving excellent results in 2018.

Individual and Consolidated Interim Financial Information

Valid Soluções S.A.

(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

At September 30, 2018
With Independent Auditor’s Review Report on Quarterly Information

Valid Soluções S.A.
(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Individual and consolidated interim financial information

At September 30, 2018

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A free translation from Portuguese into English of Independent Auditor's Review Report on individual and consolidated Quarterly Information prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on quarterly information

To the Shareholders, Board of Directors and Officers of
Valid Soluções S.A.
(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Valid Soluções S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2018, which comprises the statement of financial position as at September 30, 2018 and the related statements of profit or loss and of comprehensive income (loss) 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 explanatory notes to the interim financial information.

Management is responsible for the preparation of the individual interim financial information in accordance with the Brazilian Financial Accounting Standards Board (CPC), Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, and of the consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the 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 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 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 causes us to believe that the accompanying individual and consolidated interim financial information included in the Quarterly Information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of Company's management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as 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 causes us to believe that they were not prepared, in all material respects, consistently with the overall accompanying individual and consolidated interim financial information.

Rio de Janeiro, November 7, 2018.

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

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

A free translation from Portuguese into English of individual and consolidated Quarterly Information prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Valid Soluções S.A.

(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Statements of financial position
September 30, 2018 and December 31, 2017
(In thousands of reais)

		Company		Consolidated	
	Note	**09/30/2018**	**12/31/2017**	**09/30/2018**	**12/31/2017**
Assets					
Current assets					
Cash and cash equivalents	4	**223,394**	165,805	**347,563**	296,857
Marketable securities	4	**-**	-	**-**	16,715
Trade accounts receivable	5	**138,184**	121,325	**387,946**	335,165
Receivables from related parties	15	**2,443**	7,677	**-**	-
Taxes recoverable	6.a	**11,478**	11,845	**65,695**	51,491
Inventories	7	**55,673**	47,599	**153,148**	118,262
Other assets		**7,361**	4,694	**44,794**	40,237
		438,533	358,945	**999,146**	858,727
Assets available for sale		**791**	791	**791**	791
		439,324	359,736	**999,937**	859,518
Noncurrent assets					
Trade accounts receivable	5	**13,229**	13,035	**16,268**	18,101
Marketable securities	4	**1,492**	739	**1,492**	739
Judicial deposits	8	**33,019**	31,484	**39,360**	38,282
Taxes recoverable	6.a	**20,722**	21,835	**21,444**	22,513
Deferred income and social contribution taxes	6.b	**33,616**	34,694	**66,440**	61,275
Other accounts receivable		**541**	1,035	**44,275**	38,427
Investments	9	**828,221**	727,347	**42,321**	39,006
Property, plant and equipment	11	**176,405**	185,270	**367,778**	364,250
Intangible assets	10	**24,100**	24,348	**701,893**	617,654
		1,131,345	1,039,787	**1,301,271**	1,200,247
Total assets		**1,570,669**	1,399,523	**2,301,208**	2,059,765

	Note	Company		Consolidated	
		09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Liabilities					
Current liabilities					
Trade accounts payable		**31,282**	28,709	**115,287**	99,705
Payables to related parties	15	**1,062**	4,880	**-**	-
Loans, financing, debentures and lease payable	12	**7,919**	127,805	**194,462**	255,885
Payroll, accruals and social charges payable		**44,802**	37,035	**69,537**	63,915
Taxes, charges and contributions payable	6.c	**9,614**	6,572	**17,832**	11,252
Dividends and interest on equity payable	16.d	**16,575**	8	**16,575**	8
Advances from customers and other accounts payable		**3,830**	2,663	**31,570**	17,353
		115,084	207,672	**445,263**	448,118
Noncurrent liabilities					
Loans, financing, debentures and lease payable	12	**357,700**	199,613	**680,034**	549,599
Provisions	14	**11,623**	13,237	**13,873**	17,407
Deferred income and social contribution taxes	6.b	**-**	-	**37,096**	36,805
Other accounts payable		**-**	-	**24,224**	17,141
		369,323	212,850	**755,227**	620,952
Total liabilities		**484,407**	420,522	**1,200,490**	1,069,070
Equity					
Capital	16.a	**904,508**	904,508	**904,508**	904,508
Capital reserves	16.b	**(5,228)**	(2,274)	**(5,228)**	(2,274)
Income reserves	16.c	**136,355**	137,507	**136,355**	137,507
Cumulative translation adjustments	16.e	**10,213**	(71,317)	**10,213**	(71,317)
Proposed additional dividend distribution	16.d	**-**	10,577	**-**	10,577
Income for the period		**40,414**	-	**40,414**	-
		1,086,262	979,001	**1,086,262**	979,001
Noncontrolling interests	16.f	**-**	-	**14,456**	11,694
Total equity		**1,086,262**	979,001	**1,100,718**	990,695
Total liabilities and equity		**1,570,669**	1,399,523	**2,301,208**	2,059,765

See accompanying notes.

Valid Soluções S.A.

(former 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, 2018 and 2017
(In thousands of reais, unless otherwise stated)

		Company		Consolidated	
	Note	**09/30/2018**	**09/30/2017**	**09/30/2018**	**09/30/2017**
Net sales revenue	22	**513,650**	496,299	**1,287,033**	1,162,561
Costs of goods and/or services sold	23	**(387,288)**	(401,861)	**(963,729)**	(900,977)
Gross profit		**126,362**	94,438	**323,304**	261,584
Selling expenses	23	**(28,356)**	(23,938)	**(107,048)**	(88,026)
General and administrative expenses	23	**(24,586)**	(29,133)	**(62,709)**	(64,673)
Other operating income (expenses)	25	**(4,168)**	(17,920)	**(29,102)**	(44,039)
Equity pickup	9	**13,762**	16,954	**(2,045)**	(311)
Income before finance income (costs)		**83,014**	40,401	**122,400**	64,535
Finance income	24	**10,252**	22,325	**50,776**	53,948
Finance costs	24	**(22,146)**	(33,793)	**(82,635)**	(77,947)
Income before income taxes		**71,120**	28,933	**90,541**	40,536
Current income and social contribution taxes	6.d	**(13,062)**	(1,208)	**(32,514)**	(20,950)
Deferred income and social contribution taxes	6.d	**(1,078)**	(1,102)	**(27)**	7,199
Net income for the period		**56,980**	26,623	**58,000**	26,785
Income (loss) attributable to					
Controlling interests		**56,980**	26,623	**56,980**	26,623
Noncontrolling interests	16.f	**-**	-	**1,020**	162
Basic and diluted earnings per share attributable to:					
Controlling shareholders (in reais)	17	**0.80885**	0.39365	**0.80885**	0.39365

See accompanying notes.

Valid Soluções S.A.
(former 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, 2018 and 2017
(In thousands of reais, unless otherwise stated)

		Company		Consolidated	
	Note	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Net sales revenue	22	**174,957**	166,814	**478,851**	412,111
Costs of goods and/or services sold	23	**(132,240)**	(126,960)	**(359,242)**	(312,167)
Gross profit		**42,717**	39,854	**119,609**	99,944
Selling expenses	23	**(10,514)**	(8,425)	**(44,096)**	(31,916)
General and administrative expenses	23	**(7,965)**	(9,643)	**(21,238)**	(20,064)
Other operating income (expenses)	25	**(2,175)**	(4,354)	**(4,746)**	(14,164)
Equity pickup	9	**6,354**	8,853	**(791)**	(311)
Income before finance income (costs)		**28,417**	26,285	**48,738**	33,489
Finance income	24	**4,246**	3,029	**12,349**	18,680
Finance costs	24	**(8,195)**	(8,884)	**(25,625)**	(26,614)
Income before income taxes		**24,468**	20,430	**35,462**	25,555
Current income and social contribution taxes	6.d	**(4,355)**	(1,208)	**(11,535)**	(6,645)
Deferred income and social contribution taxes	6.d	**3,668**	(3,404)	**307**	(3,547)
Net income for the period		**23,781**	15,818	**24,234**	15,363
Income (loss) attributable to					
Controlling interests		**23,781**	15,818	**23,781**	15,818
Noncontrolling interests	16.f	**-**	-	**453**	(455)
Basic and diluted earnings per share attributable to:					
Controlling shareholders (in reais)	17	**0.33778**	0.22427	**0.33778**	0.22427

See accompanying notes.

Valid Soluções S.A.
(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Statements of comprehensive income (loss)
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Net income for the period	**56,980**	26,623	**58,000**	26,785
Other comprehensive income (loss)				
Items that may be subsequently reclassified to the statement of profit or loss				
Exchange effects on the translation of investments abroad	**93,818**	(12,565)	**95,560**	(12,866)
Hedge of net investment in operation abroad	**(12,288)**	-	**(12,288)**	-
Total comprehensive income (loss) for the period	**138,510**	14,058	**141,272**	13,919
Comprehensive income (loss) attributable to				
Controlling shareholders	**138,510**	14,058	**138,510**	14,058
Noncontrolling interests	**-**	-	**2,762**	(139)

See accompanying notes.

Valid Soluções S.A.
(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Statements of comprehensive income (loss) (Continued)
Three-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Consolidated	
	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017
Net income for the period	**23,781**	15,818	**24,234**	15,363
Other comprehensive income (loss)				
Items that may be subsequently reclassified to the statement of profit or loss				
Exchange effects on the translation of investments abroad	**16,565**	(27,390)	**16,609**	(27,976)
Hedge of net investment in operation abroad	**(2,783)**	-	**(2,783)**	-
Total comprehensive income (loss) for the period	**37,563**	(11,572)	**38,060**	(12,613)
Comprehensive income (loss) attributable to				
Controlling shareholders	**37,563**	(11,572)	**37,563**	(11,572)
Noncontrolling interests	**-**	-	**497**	(1,041)

See accompanying notes.

Valid Soluções S.A.

(former 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, 2018 and 2017
(In thousands of reais)

			Capital reserves			Income reserves							
	Note	Capital	Equity instruments granted	Treasury shares	Gain (loss) on the sale (transfer) of treasury shares	Legal reserve	Investment reserve	Proposed additional dividend distribution	Cumulative translation adjustments	Retained earnings	Total attributable to controlling shareholders	Noncontrolling interests	Total equity
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)
Recognition of restricted shares	16.d	-	677	-	-	-	-	-	-	-	677	-	677
Capital increase through share bonus	16.a	163,688	-	-	-	-	(163,688)	-	-	-	-	-	-
Treasury shares	16.d	-	-	(11,728)	-	-	-	-	-	-	(11,728)	-	(11,728)
Foreign exchange differences on investment abroad	16.e	-	-	-	-	-	-	-	(12,565)	-	(12,565)	(301)	(12,866)
Net income for the period		-	-	-	-	-	-	-	-	26,623	26,623	162	26,785
Balances at December 30, 2017		904,508	6,788	(13,073)	3,332	49,883	84,617	-	(89,792)	26,623	972,886	11,290	984,176
Balances at December 31, 2017		904,508	7,467	(13,073)	3,332	51,267	86,240	10,577	(71,317)	-	979,001	11,694	990,695
First-time adoption of IFRS 09 and 15	16.c	-	-	-	-	-	(10,331)	-	-	-	(10,331)	-	(10,331)
Balances at January 1, 2018		904,508	7,467	(13,073)	3,332	51,267	75,909	10,577	(71,317)	-	968,670	11,694	980,364
Payment of proposed additional dividends (gross amount of R$0.24890 per share)	16.d	-	-	-	-	-	-	**(10,577)**	-	-	**(10,577)**	-	**(10,577)**
Recognition of restricted shares	16.b	-	**2,096**	-	-	-	-	-	-	-	**2,096**	-	**2,096**
Treasury shares acquired	16.b	-	-	**(5,050)**	-	-	-	-	-	-	**(5,050)**	-	**(5,050)**
Distribution of restricted shares according to the share-based payment plan (175,752 shares at an average price of R$18.40)	16.b	-	-	**3,234**	**(3,234)**	-	-	-	-	-	-	-	-
Foreign exchange differences on investment abroad	16.e	-	-	-	-	-	-	-	**93,818**	-	**93,818**	**1,742**	**95,560**
Hedge of net investment in operation abroad	16.e	-	-	-	-	-	-	-	**(12,288)**	-	**(12,288)**	-	**(12,288)**
Adjustments due to inflation in subsidiary abroad	16.c	-	-	-	-	-	**9,179**	-	-	-	**9,179**	-	**9,179**
Net income for the period	16.c	-	-	-	-	-	-	-	-	**56,980**	**56,980**	**1,020**	**58,000**
Provision for payment of interest on equity (gross amount of R$ R$0.23529 per share)	16.d	-	-	-	-	-	-	-	-	**(16,566)**	**(16,566)**	-	**(16,566)**
Balances at September 30, 2018		**904,508**	**9,563**	**(14,889)**	**98**	**51,267**	**85,088**	-	**10,213**	**40,414**	**1,086,262**	**14,456**	**1,100,718**

See accompanying notes.

Valid Soluções S.A.

(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Statements of cash flows
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

		Company		Consolidated	
	Note	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Cash flow from operating activities					
Cash from operations		**110,143**	64,063	**231,098**	157,997
Income before income taxes		**71,120**	28,933	**90,541**	40,536
Reconciliation of income before income and social contribution taxes to cash from operating activities					
Depreciation	11	**27,674**	27,758	**53,095**	50,316
Write-off of property, plant and equipment	11	**426**	5,423	**1,352**	5,766
Amortization	10	**4,336**	4,768	**35,020**	33,734
Restatement of judicial deposits	8	**(2,357)**	(1,587)	**(2,509)**	(1,775)
Provision for property, plant and equipment obsolescence	11	**-**	(5,400)	**(217)**	(6,135)
Recognized stock options	16	**2,096**	677	**2,096**	677
Provision for inventory losses		**-**	-	**1,322**	904
Provisions	14	**138**	(311)	**(908)**	1,818
Allowance for doubtful accounts	5	**(343)**	(1,903)	**10,160**	(1,319)
Equity pickup	9	**(13,762)**	(16,954)	**2,045**	311
Derecognition of financial liabilities	12	**-**	(8,800)	**-**	(8,800)
Interest expenses on debentures, loans and financing	24	**20,556**	31,614	**40,530**	46,929
Foreign exchange differences on loans, advances and leases	24	**-**	209	**(1,201)**	(17,552)
Interest and foreign exchange differences on intercompany loans	24	**-**	-	**(2,236)**	-
Other foreign exchange differences	24	**259**	(364)	**2,008**	12,587
Changes in assets and liabilities		**(29,118)**	(44,132)	**(85,172)**	(163,687)
Accounts receivable	5	**(14,817)**	(41,528)	**(46,480)**	(53,755)
Taxes recoverable	6	**1,480**	(3,690)	**(8,069)**	(10,826)
Inventories	7	**(8,074)**	14,162	**(24,421)**	3,070
Judicial deposits	8	**822**	1,850	**2,027**	1,688
Other accounts receivable		**(2,432)**	(80)	**5,240**	(18,030)
Receivables from related parties	15	**-**	289	**-**	(22,168)
Trade accounts payable		**(2,421)**	(20,869)	**2,083**	(32,913)
Payroll, accruals and social charges payable		**6,929**	7,882	**1,942**	4,648
Taxes, charges and contributions payable	6	**(1,071)**	1,678	**(1,904)**	(2,200)
Advances from customers and other accounts payable		**1,167**	(1,668)	**12,044**	(15,278)
Payment of labor, civil and tax contingencies	14	**(1,752)**	(1,252)	**(2,517)**	(1,650)
Payment of income and social contribution taxes		**(8,949)**	(906)	**(25,117)**	(16,273)
Cash from (used in) operating activities		**81,025**	19,931	**145,926**	(5,690)
Cash flow from investing activities					
Acquisition of property, plant and equipment	11	**(18,059)**	(7,376)	**(25,932)**	(9,699)
Acquisition of intangible assets	10	**(4,088)**	(1,906)	**(22,656)**	(12,368)
Marketable securities	4	**(753)**	-	**18,359**	5,842
Capital increase in subsidiaries	9	**(3,393)**	(1,399)	**-**	-
Other investments valued at cost		**-**	(596)	**-**	(596)
Acquisition of minority interest in CUBIC	9	**-**	-	**-**	(37,147)
Acquisition of Tress, net of cash acquired	9	**-**	-	**(790)**	-

Valid Soluções S.A.
(former 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, 2018 and 2017
(In thousands of reais)

	Note	Company		Consolidated	
		09/30/2018	09/30/2017	09/30/2018	09/30/2017
Cash used in investing activities		**(26,293)**	(11,277)	**(31,019)**	(53,968)
Cash flow from financing activities					
Dividends paid	16.d	**(10,576)**	(10,842)	**(10,576)**	(10,842)
Interest on equity paid	16.d	**-**	(13,181)	**-**	(13,181)
Treasury shares	16.b	**(4,212)**	(11,728)	**(4,212)**	(11,728)
Lease payment	12	**(1,785)**	(4,586)	**(4,469)**	(6,791)
Payment of interest on financing	12	**-**	-	**(157)**	(532)
Repayment of financing	12	**-**	-	**(5,125)**	(5,080)
Repayment of loans	12	**-**	-	**(76,447)**	(219,788)
Payment of interest on loans	12	**-**	-	**(14,200)**	(10,996)
Loans raised	12	**-**	-	**11,136**	332,029
Funds raised through debentures	12	**357,072**	-	**357,072**	-
Payment of debentures	12	**(324,613)**	(62,500)	**(324,613)**	(62,500)
Payment of interest on debentures	12	**(13,029)**	(25,217)	**(13,029)**	(25,217)
Cash used in financing activities		**2,857**	(128,054)	**(84,620)**	(34,626)
Increase (decrease) in cash and cash equivalents		**57,589**	(119,400)	**30,287**	(94,284)
Cash and cash equivalents at beginning of period	4	**165,805**	252,491	**296,857**	394,777
Effect of exchange rate differences on the balance of cash and cash equivalents held in foreign currency		**-**	-	**20,419**	7,872
Cash and cash equivalents at end of period	4	**223,394**	133,091	**347,563**	308,365
Increase (decrease) in cash and cash equivalents		**57,589**	(119,400)	**30,287**	(94,284)

See accompanying notes.

Valid Soluções S.A.

(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Statements of value added
Nine-month periods ended September 30, 2018 and 2017
(In thousands of reais)

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Revenues	**589,306**	572,675	**1,372,762**	1,256,080
Sales of goods and services, net of returns	**588,292**	570,005	**1,381,140**	1,253,797
Other revenues	**671**	767	**1,782**	964
Allowance for doubtful accounts	**343**	1,903	**(10,160)**	1,319
Bought-in inputs	**(195,934)**	(216,750)	**(627,079)**	(580,068)
Cost of sales and services	**(176,835)**	(178,227)	**(549,693)**	(498,304)
Materials, energy, third-party services and other	**(19,099)**	(38,523)	**(77,386)**	(81,764)
Gross value added	**393,372**	355,925	**745,683**	676,012
Depreciation and amortization	**(32,010)**	(32,526)	**(88,115)**	(84,050)
Net value added produced by the Company	**361,362**	323,399	**657,568**	591,962
Value added received in transfer				
Equity pickup	**13,762**	16,954	**(2,045)**	(311)
Finance income	**10,252**	22,325	**50,776**	53,948
Total value added payable	**385,376**	362,678	**706,299**	645,599
Personnel and charges (except Social Security Tax – INSS)	**179,178**	184,742	**366,608**	361,764
Direct compensation	**127,095**	125,607	**291,037**	281,095
Benefits	**41,323**	45,804	**61,098**	63,758
Unemployment Compensation Fund (FGTS)	**10,760**	13,331	**14,473**	16,911
Taxes, charges and contributions	**112,447**	100,772	**168,912**	147,767
Federal	**91,403**	81,000	**140,363**	121,802
State	**3,879**	4,402	**4,626**	4,904
Local	**17,165**	15,370	**23,923**	21,061
Debt remuneration	**36,771**	50,541	**112,779**	109,283
Interest	**22,146**	33,793	**82,635**	77,947
Rentals	**14,625**	16,748	**30,144**	31,336
Equity remuneration	**56,980**	26,623	**58,000**	26,785
Retained profits	**56,980**	26,623	**56,980**	26,623
Noncontrolling interest in retained profits	**-**	-	**1,020**	162
Value added paid	**385,376**	362,678	**706,299**	645,599

See accompanying notes.

1. Operations

Valid Soluções S.A. ("Valid", "Parent Company" or "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.

On June 8, 2018, the Company had its business name changed from ""Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A." to "Valid Soluções S.A."

The Company is primarily engaged 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 private and public sectors, offering anti-fraud products and services, as well as processes and technologies that hinder forgery. The Company's major 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, China and Ireland, as detailed in Note 2.3.

The Company has its shares traded on B3 under the code "VLID3" and has been listed since June 12, 2006 in the new governance listing segment called *Novo Mercado* (New Market).

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 rules issued by the Brazilian Securities and Exchange Commission ("CVM"), applicable to the preparation of ITR.

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 Company management on November 7, 2018.

2.2. Basis of measurement

The individual and consolidated interim financial information was prepared considering the historical cost as the value base, except for financial instruments measured at fair value through profit or loss and fair values allocated in business combinations.

The interim financial information of Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A. ("Valid Argentina") was prepared under the requirements of "IAS 29 - Financial Reporting in Hyperinflationary Economies".

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation

The consolidated interim financial information includes the accounting information of the Company, which is headquartered in Brazil, where it trades its shares on B3, and of its subsidiaries, whose equity interest percentage at the statement of financial position dates is as follows:

		% - Equity interest			
		09/30/2018		12/31/2017	
Subsidiaries	Denomination	Direct	Indirect	Direct	Indirect
1. Valid Participações Ltda.	Valid Par	**100**	**-**	100	-
2. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.	Valid Argentina	**97.6**	**2.4**	97.4	2.6
3. Interprint Ltda.	Interprint	**100**	**-**	100	-
3.1. Valid Certificadora Digital Ltda.	Valid Certificadora	**-**	**100**	-	100
3.2. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.	Valid Uruguay	**-**	**100**	-	100
3.3. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.de C.V.	Valid Mexico	**-**	**100**	-	100
3.4. Grupo Uram S.R.L.	Uram	**-**	**51**	-	51
3.5. Inemator S.A.	Inemator	**-**	**51**	-	51
3.6. Tress impressos de segurança Ltda.	Tress	**100**	**-**	-	-
4. Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação	Valid Sucursal	**100**	**-**	100	-
5. Valid Soluciones Tecnológicas	Valid Spain	**100**	**-**	100	-
5.1. Valid Soluciones y Servicios de Seguridad en Medios de Pago e Identificación S.A.S.	Valid Colombia	**-**	**(*)**	-	100
5.2. Valid USA, Inc.	Valid USA	**-**	**100**	-	100
5.2.1. Valid Identity Solutions, LLC	Screencheck	**-**	**100**	-	100
5.2.2. Valid Secure Packaging, Inc	VSP	**-**	**100**	-	100
5.2.3. Marketing Software Company, LLC	MSC	**-**	**100**	-	100
5.3. Valid A/S (former Fundamenture A/S)	Valid A/S	**-**	**100**	-	100
5.3.1. Valid Logistics Limited Mauritius.	Valid Logistics	**-**	**100**	-	100
5.3.2. Logos Solvo Limited Mauritius	Logos Solvo	**-**	**100**	-	100
5.3.3. Valid Holding Denmark Aps	Valid Holding	**-**	**100**	-	100
5.3.3.1. Logos Smart Card Denmark A/S	Logos Denmark	**-**	**100**	-	100
5.3.3.2. Valid Panamá Inc.	Valid Panama	**-**	**100**	-	100
5.3.3.3. Valid Europe AS Denmark	Valid Europe	**-**	**100**	-	100
5.3.3.4. Valid Technologies Solutions Aps	Valid Technologies Solutions	**-**	**100**	-	100
5.3.3.5. Valid South Africa (Pty) Ltd	Valid South Africa	**-**	**70**	-	70
5.3.3.6. Valid Africa Ltd	Valid Africa	**-**	**100**	-	100
5.3.3.7. Valid Middle East FZE U.A.E.	Valid Middle East	**-**	**100**	-	100
5.3.3.8. Valid Technologies India Pvt. Ltd.	Valid Technologies India	**-**	**99.9**	-	99.9
5.3.3.9. Valid Asia Pte Ltd Singapore	Valid Singapore	**-**	**100**	-	100
5.3.3.10. PT Valid Technologies Indonesia	Valid Indonesia	**-**	**99**	-	99
5.3.3.11. Valid Investment Pte Singapore	Valid Investment	**-**	**100**	-	100
5.3.3.12. Valid Card Manufacturing Taiwan Ltd	Valid Taiwan	**-**	**51**	-	51
5.3.4. Logos Smart Card (Asia) Pte. Ltd Singapore	Logos Singapore	**-**	**100**	-	100
5.3.5. Logos Smart Card (Mauritius) Ltd Mauritius	Logos Mauritius	**-**	**100**	-	100
5.4. Valid Beijing	Valid China	**-**	**100**	-	-
5.5. Valid Nigeria	Valid Nigeria	**-**	**100**	-	-

(*) In December 2017, Valid Colombia was discontinued and its operations are now carried out by Valid Sucursal.

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

1. Valid Par: company organized in August 2007, headquartered in the state of Rio de Janeiro, Brazil, engaged in holding interests in other entities.

2. Valid Argentina: company acquired in August 2007, headquartered in the city of Buenos Aires, Argentina, and leading company in the sale of bank cards, transit cards and smart cards (Sim cards) in the Argentine market, besides exporting its products to other Latin American countries, such as Panama, El Salvador, Bolivia, Paraguay and Uruguay.

3. 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.

   3.1. Valid Certificadora: company established in June 2011, headquartered in the state of São Paulo, Brazil, primarily engaged in the issue of digital certificates such as e-CPF, e-CNPJ and NF-e.

   3.2. Valid Uruguay: company established in September 2014, headquartered in the city of Montevideo, Uruguay, engaged in the provision of magnetic chip card and smart card personalization services in general.

   3.3. Valid Mexico: company established in September 2014, headquartered in Mexico City (Federal District), Mexico, engaged in the provision of smart card services in general.

   3.4. 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.

   3.5. 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.

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

3.6. Tress: acquired in July 2018, headquartered in the state of São Paulo, Brazil, the company operates in the security printing segment, mainly producing official public documents, diplomas, driver's licenses, official stamps, identification documents (RGs), among others.

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

5. Valid Spain: company acquired in February 2010, headquartered in Madrid, Spain, which produces, develops and sells smart cards (SIM cards) to mobile service providers. Its direct subsidiaries are Valid Colombia, Valid USA, Valid Beijing, Valid Nigeria and Valid A/S, and it also has an affiliate called CUBIC.

5.1. 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. In December 2017, this company was discontinued and its operations were transferred to Valid Sucursal.

5.2. 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.

Subsidiaries	Location	Business activity
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.

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

5.3. 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 6 direct subsidiaries and 10 indirect subsidiaries (together with Valid A/S, "Fundamenture Group"), as follows:

Subsidiary	Direct/ indirect	Location	Business activity
Valid Logistics Ltd.	Direct	Mauritius	Procurement head office (Supply Chain)
Logos Solvo Ltd.	Direct	Mauritius	Solutions & services
Valid Holding Denmark Aps	Direct	Denmark	Holding
Logos Smart Card A/S	Direct	Denmark	Sale and development of software solutions and sale of modules to card manufacturers
Valid Panama Inc.	Indirect	Panama	Sale of SIM cards, other related products and software solutions
Valid Europe A/S	Indirect	Denmark	Sale of SIM cards and software solutions
Valid Technologies Solutions Aps	Indirect	Denmark	Sale and development of software solutions
Valid South Africa (Pty) Ltd.	Indirect	South Africa	Sale of SIM cards, bank cards, software solutions, other related products and provision of management services
Valid Africa Ltd.	Indirect	Mauritius	Sale of SIM cards, bank cards, other related products and software solutions
Valid Middle East FZE	Indirect	United Arab Emirates (Dubai)	Sale of SIM cards, other related products and software solutions.
Valid Technologies India Private Limited	Indirect	India	Sale of SIM cards, other related products and software solutions.
Valid Asia Private Limited	Indirect	Singapore	Sale of SIM cards, bank cards, other related products and software solutions, including the provision of services to Valid Logistics Ltd.
PT Valid Technologies Indonesia	Indirect	Indonesia	Sale of SIM cards and other related products
Valid Card Manufacturing Taiwan Limited	Indirect	Taiwan	Sale of SIM cards.
Logos Smart Card (Asia) Pte. Ltd.	Direct	Singapore	Sale of SIM cards, other related products and software solution.
Logos Smart Card (Mauritius) Ltd.	Direct	Mauritius	Support services for the development of applications

5.4. Valid Beijing: company established in March 2018, through subsidiary Valid Spain, headquartered in the city of Beijing, China, for the purpose of operating as a sales office.

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

5.5. Valid Nigeria: company established in May 2018, through subsidiary Valid Spain, headquartered in the city of Lagos, Nigeria, for the purpose of operating as a sales office.

The subsidiaries are fully consolidated 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 interim 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 (loss) are attributable to the Company's owners and noncontrolling interests, where applicable.

When necessary, the interim 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 equity interest acquired, is recognized as goodwill, which is included in the carrying amount of the investment.

The individual and consolidated statements of profit or loss reflect the share held by the Company in the 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 equity interest held therein.

2. Basis of preparation (Continued)

2.4. Functional and reporting currencies

The individual and consolidated interim financial information is presented in Brazilian reais (R$), which is the functional currency of the Company, and has 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 are translated at the closing exchange 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) - Effects of Changes in Foreign Exchange Rates and Translation 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 restated based on the exchange rates at the interim financial information 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.

b) Entities of the Company and their 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
Tress	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 (former "Grupo Fundamenture A/S") (*)	US dollar
Valid Beijing	US dollar
Valid Nigeria	US dollar

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

2. Basis of preparation (Continued)

2.4. Functional and reporting currencies (Continued)

b) Entities of the Company and their subsidiaries (Continued)

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian real are translated into Brazilian reais at the exchange rate prevailing at the statement of financial position date, and the corresponding statements of profit or loss are translated at the average exchange rate of the transaction month. Any exchange difference arising from such translation are recorded separately 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 (loss) under “Cumulative translation adjustments - CTA”.

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.

2. Basis of preparation (Continued)

2.5. Use of estimates and judgments (Continued)

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

a) Impairment of nonfinancial assets

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of 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.

2. Basis of preparation (Continued)

2.5. Use of estimates and judgments (Continued)

c) Differed income and social contribution taxes

Deferred income and social contribution taxes are 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 not a fixed 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 provisions 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 an analysis of available evidence, hierarchy of laws, available case law, recent court rulings and their relevance to the legal system, as well an assessment by outside legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as the applicable statute of limitations, outcomes of tax inspections, or additional exposures identified based on new matters or court decisions. Management understands that these provisions for tax, civil and labor contingencies are fairly measured and stated in the individual and consolidated interim financial information.

e) Allowance for doubtful accounts

This is set up at an amount deemed sufficient by management to cover losses, if any, in the realization of accounts receivable. Management uses the credit rating, on a prospective basis, and taking into consideration the history of losses and an additional individual assessment of the risk exposure of its customers, to measure their exposure and obtain the most adequate risk assessment and, consequently, record the allowance.

2. Basis of preparation (Continued)

2.5. Use of estimates and judgments (Continued)

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 year-end.

g) Provision for profit sharing

The provision for profit sharing is measured monthly, based on quality and financial performance metrics, as well as the individual objectives of employees, annually established and recalculated at year-end, based on the best estimate of goals achieved, as established in the annual budget.

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 an 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

Provision for restructuring is 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.

3. Significant accounting practices

Except for the accounting impacts caused by the adoption of IAS 29 – Financial Reporting in Hyperinflationary Economies, of IFRS 15 - Revenues from contracts with customers and of IFRS 9 - Financial Instruments, all the accounting practices adopted in preparing the individual and consolidated interim financial information are consistent with those used in the preparation of the individual and consolidated financial statements for the year ended December 31, 2017, published on the Official Gazette of the state of Rio de Janeiro and on the Valor Econômico Newspaper on March 13, 2018.

Significant changes brought by the adoption of new standards are described below:

3.1. IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014, amended in April 2016 and establishes a five-step model for accounting of revenues from contracts with customers. Pursuant to IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for assets or services transferred to a customer. The standard issued clarifies that, for its adoption, the Company should adopt one of the following methods:

- Retrospective, for each prior period, presented in accordance with IAS 8 (CPC 23); or
- Retrospective, with cumulative effect of the first-time adoption of this pronouncement, recognized on the first-time adoption date in the opening balance of retained earnings or other equity component, as appropriate.

The Company conducted an internal survey, assessing its revenue flows and the most representative contracts in all its segments and regions where it has the largest market share for adoption of the new standard as of January 1, 2018. The impact identified by the Company is on the Digital Certification segment, which recognizes revenue from the environment preparation service for certification authorities and maintenance services for these environments. The impact amounting to R$5,460 was recorded in the Company's equity, reducing the investment reserves due to adoption of IFRS 15 (CPC 47).

3. Significant accounting practices (Continued)

3.2. IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted the new standard on the required effective date and did not restate comparative information, as provided for in IFRS 9.

Management evaluated in detail the impact of the three aspects of IFRS 9, and significant impacts due to the adoption of the new standard are as follows:

Classification and measurement

The Company had a significant impact on its statement of financial position or equity in applying the classification and measurement requirements of IFRS 9. According to the new investment policy, the Company expects to continue measuring at fair value all financial assets currently held at fair value.

Loans and trade accounts receivable are held to raise contractual cash flows and are expected to generate cash flows representing principal and interest payments only. The Company analyzed the contractual cash flow characteristics of these instruments and concluded that they meet the amortized cost measurement criteria under IFRS 9. Therefore, reclassification of these instruments is not required.

Impairment

IFRS 9 requires the Company to record the expected credit losses on all of its financial assets measured at amortized cost and at fair value through other comprehensive income (loss), based on estimates of expected loss for the next 12 months or throughout the life of the operation. Based on the best estimates, the Company detected an impact on the increase in the allowance for doubtful accounts, net of taxes, amounting to R$4,871, recorded in the Company's equity, under the Investment reserve.

3. Significant accounting practices (Continued)

3.2. IFRS 9 – Financial Instruments (Continued)

<u>Hedge accounting</u>

On January 1, 2018, the Company had no hedging transactions; therefore, the application of IFRS 9 hedge requirements had no impact on the Company's financial statements.

In addition to the adjustments described above, in adopting IFRS 9, other items in the primary financial statements will be adjusted as required, such as deferred taxes.

3.3. IAS 29 - Financial Reporting in Hyperinflationary Economies

In July 2018, cumulative inflation in Argentina over the last three years exceeded 100%. During the last quarter, the Argentine peso depreciated sharply against other currencies and interest rates exceeded 40%. The International Accounting Standards Board (IASB) does not establish when an economy is hyperinflationary, however, IAS 29 - Financial Reporting in Hyperinflationary Economies establishes certain quantitative and qualitative parameters that help determine if an economy is hyperinflationary.

The Company carried out an evaluation of Argentina's current economic scenario, including the evaluation of Argentina's future projections. In this sense, the Company identified that the situation of the indicators presented above is not expected to be reversed in the short term. For this reason, considering standard clarifications on maintaining the currency's purchasing power, the Company has treated the Argentine peso as a hyperinflationary currency and recorded the transactions of subsidiary Valid Argentina under the requirements of IAS 29 as of the third quarter of 2018.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost approach or the current cost approach, shall be stated in terms of the measurement unit current at the statement of financial position date and converted into Brazilian reais at the exchange rate in force at the end of the reporting period.

3. Significant accounting practices (Continued)

3.3. IAS 29 - Financial Reporting in Hyperinflationary Economies (Continued)

As a result of the foregoing, the Company applied highly-inflationary accounting for its Argentine subsidiaries in these individual and consolidated interim financial statements applying the rules of IAS 29 as follows:

- The accounting and disclosure standard for hyperinflationary economies was applied from January 1, 2018 (as per paragraph 4 of IAS 29, the standard should be applied to the financial statements of any entity from the beginning of the period in which the existence of hyperinflation is detected);
- Non-monetary assets and liabilities recorded at historical cost and equity of subsidiaries in Argentina were restated using an inflation index. The impacts of hyperinflation resulting from changes in general purchasing power up to December 31, 2017 were reported in equity and the impacts of changes in general purchasing power as of January 1, 2018 were reported in the statement of profit or loss in an account specific for hyperinflation adjustment, in finance income (costs). In accordance with paragraph 3 of IAS 29, there is no defined general price index; however, this standard allows for use of judgment in cases in which restatement of the financial statements is required.
- The statement of profit or loss is adjusted at the end of each reporting period by reference to the general price index and is then translated at the exchange rate in force at the end of each reporting period, thus reflecting the inflation and currency rates on the accumulated result for the year.
- The Company's financial statements for December 31, 2017 and the financial statements for the first and second quarters have not been restated. Regarding this matter, IAS 21 - The Effects of Changes in Foreign Exchange Rates, paragraph 42 (b), states that when the amounts are converted into the non-hyperinflationary currency, the comparative amounts should be those that would be presented as amounts of the current year in the prior-year financial statements.

Monetary restatement of the equity of subsidiary Valid Argentina generated an impact of R$6,834 in the Company's assets, R$9,179 in liabilities and R$404 in P&L.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents and marketable securities

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Cash and banks	**9,620**	3,217	**69,960**	88,343
Cash equivalents	**213,774**	162,588	**277,603**	208,514
Cash and cash equivalents	**223,394**	165,805	**347,563**	296,857
Marketable securities	**1,492**	739	**1,492**	17,454
	224,886	166,544	**349,055**	314,311
Classified in current assets				
Cash and cash equivalents	**223,394**	165,805	**347,563**	296,857
Marketable securities	**-**	-	**-**	16,715
Classified in noncurrent assets	**-**	-		-
Marketable securities	**1,492**	739	**1,492**	739

Cash equivalents refer to highly-liquid short-term investments held in first-tier financial institutions, redeemable at any time and immediately convertible into a known cash amount with insignificant risk of change in value, except for marketable securities amounting to R$1,492 (R$17,454 at December 31, 2017) that can be redeemed only on their maturity date. Cash equivalents and marketable securities of the Company and its subsidiaries consist mainly of floating-income Bank Deposit Certificates (CDB) and repurchase agreements backed by debentures and with yield based on the Interbank Deposit Certificate (CDI) rates. The average yield of cash equivalents and marketable securities was 97.8% p.a. of the CDI for the nine-month period ended September 30, 2018 (97.8% p.a. of the CDI for the year ended December 31, 2017).

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Trade accounts receivable	**157,290**	137,239	**445,646**	376,519
Allowance for doubtful accounts	**(5,877)**	(2,879)	**(41,432)**	(23,253)
Total	**151,413**	134,360	**404,214**	353,266
Total current	**138,184**	121,325	**387,946**	335,165
Total noncurrent	**13,229**	13,035	**16,268**	18,101

At September 30, 2018, 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$6,279 (R$5,930 at December 31, 2017), arising from rescheduled amounts, and R$6,950 (R$7,105 at December 31, 2017) referring to a customer undergoing in-court reorganization. Management concluded that the likelihood of receiving such amount is probable upon approval of the customer's in-court reorganization plan. In addition to these amounts, the Company recorded R$3,039 in the consolidated financial statements relating to balances receivable from indirect subsidiary Valid Certificadora, from accreditation agreements with registration authority, maturing in more than one year, adjusted to present value based on General Market Price Index (IGP-M) (R$5,066 at December 31, 2017).

At September 30, 2018 and December 31, 2017, the aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Falling due	**97,432**	80,471	**261,048**	201,012
Overdue				
Within 30 days	**30,437**	31,314	**70,388**	79,990
From 31 to 90 days	**7,110**	8,946	**34,570**	32,440
From 91 to 120 days	**2,469**	535	**6,534**	5,260
From 121 to 180 days	**4,580**	361	**8,328**	4,196
From 181 to 365 days	**772**	789	**10,009**	9,744
Over 365 days	**14,490**	14,823	**54,769**	43,877
Total overdue	**59,858**	56,768	**184,598**	175,507
Total	**157,290**	137,239	**445,646**	376,519

At September 30, 2018, part of the overdue consolidated balance, amounting to R$86,534, derives from foreign subsidiaries based in Spain, the USA, Argentina, Denmark, Mexico, Colombia and Uruguay (R$81,392 at December 31, 2017) and, therefore, is subject to the appreciation or depreciation of the Brazilian real against the functional currencies of such subsidiaries.

5. Trade accounts receivable (Continued)

The Company analyzes the balances of overdue receivables individually and uses, as an assumption, the history of receivables from and amounts rescheduled with such customers to hedge against possible risks. In addition, the allowance for doubtful accounts is calculated taking into account qualitative aspects to consider the estimated loss for the next 12 months and/or over the useful life of the asset depending on the risk at the reporting date. These aspects take into consideration the history of losses and an additional individual assessment of the credit risk of the Company's customers, as disclosed by the credit rating agencies. Management uses a publicly-available rating disclosed by credit rating agencies to measure the exposure of its customers to obtain the most adequate risk assessment and, consequently, record the allowance. Management of the Company and its subsidiaries understands that, at September 30, 2018 and December 31, 2017, the amount for which the allowance was set up is sufficient to cover any losses.

At September 30, 2018, subsidiary Interprint recorded a balance of R$13,283 outstanding for more than 90 days, for which an allowance for doubtful accounts of R$2,562 was recognized.

At September 30, 2018, subsidiary Valid Spain recorded a balance of R$29,203 outstanding for more than 90 days, for which an allowance for doubtful accounts of R$24,185 was recognized.

At September 30, 2018, the Company recorded balances overdue for more than 90 days in the amount of R$22,311 in Company and R$79,640 in Consolidated (R$16,508 and R$63,077 at December 31, 2017, respectively) and, out of such amounts, balances for which an allowance for doubtful accounts was not recognized totaled R$16,434 in Company and R$38,208 in Consolidated (R$13,629 and R$39,824 at December 31, 2017, respectively). The main balances and management's justification for not setting up an allowance are described below, by location:

Brazil

- At September 30, 2018, the Company recorded receivables overdue for more than 365 days under noncurrent assets, in Company and Consolidated, in the amount of R$6,279 (R$5,930 at December 31, 2017) relating to services provided and not received through that date, due to retentions unilaterally made by a customer within the scope of the agreements entered into between 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 an allowance for doubtful accounts at this date.

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable (Continued)

Brazil (Continued)

- At September 30, 2018, the Company recognized balance receivable amounting to R$10,711, of which R$6,950 was overdue for more than 365 days, classified under noncurrent assets (R$16,850, of which R$7,105 was overdue for more than 365 days at December 31, 2017), relating to a customer that is under in-court reorganization. Management understands that the overdue balances are collectible, thus not requiring an allowance for doubtful accounts, since the in-court reorganization plan presented to creditors includes the amounts that the Company has recorded in its trade accounts receivable. The Company is awaiting the receipt of the amounts included in the customer's creditor list.

Interprint

- At September 30, 2018, subsidiary Interprint had a balance receivable overdue for more than 90 days, in the amount of R$11,606 (R$8,330 at December 31, 2017), referring to two customers that have undergone modifications in their management process; however, they recognize the obligation in the amount previously reported to the Company. Management understands that the overdue balances will be realized over 2018, and do not deem necessary to set up an allowance for doubtful accounts.

6. Taxes

a) Taxes recoverable

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Income and social contribution taxes (IRPJ and CSLL) recoverable	**6,523**	8,981	**13,049**	16,632
State VAT (ICMS) recoverable	**768**	619	**48,083**	32,204
Federal VAT (IPI) recoverable	**23,563**	21,835	**24,217**	22,433
Federal taxes withheld by customers	**1**	1,965	**346**	2,358
Social Security Tax (INSS) recoverable	**1,344**	277	**1,344**	277
Other	**1**	3	**100**	100
Total	**32,200**	33,680	**87,139**	74,004
Total current	**11,478**	11,845	**65,695**	51,491
Total noncurrent	**20,722**	21,835	**21,444**	22,513

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

a) Taxes recoverable (Continued)

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. By September 30, 2018, the Company had concluded the refund request for IPI credits amounting to R$20,722 and is now awaiting a position from the federal agency.

Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) recoverable refer mainly to income tax on short-term investments and prepaid income and social contribution taxes.

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:

	Company		
	12/31/2017	**Income (loss) from deferred IRPJ and CSLL**	**09/30/2018**
Deferred tax assets related to:			
Provisions for contingencies	4,502	**(550)**	**3,952**
Provision for property, plant and equipment obsolescence	909	**-**	**909**
Allowance for doubtful accounts	732	**(116)**	**616**
Provision for royalties	261	**140**	**401**
Provision for attorney's fees	617	**34**	**651**
Provision for profit sharing	3,649	**14**	**3,663**
Interest on equity paid	-	**5,632**	**5,632**
Income and social contribution tax losses	21,081	**(5,630)**	**15,451**
Other temporary additions	2,943	**(602)**	**2,341**
Total deferred taxes	34,694	**(1,078)**	**33,616**

(In thousands of reais, unless otherwise stated)

6. **Taxes** (Continued)

b) Deferred income and social contribution taxes (Continued)

	Consolidated			
	12/31/2017	Income (loss) from deferred IRPJ and CSLL	Foreign exchange difference/ monetary restatement	09/30/2018
Deferred tax assets related to:				
Provisions for contingencies	5,903	**(1,152)**	**62**	**4,813**
Income and social contribution tax losses	47,224	**(6,243)**	**5,198**	**46,179**
Allowance for doubtful accounts	2,670	**(395)**	**17**	**2,292**
Provision for property, plant and equipment obsolescence	2,722	**76**	**249**	**3,047**
Provision for royalties	261	**140**	**-**	**401**
Provision for attorney's fees	617	**34**	**-**	**651**
Provision for restructuring costs (2)	208	**(39)**	**39**	**208**
Deferred rentals	850	**141**	**194**	**1,185**
Provision for profit sharing	4,144	**(250)**	**6**	**3,900**
Transaction cost in business acquisition	1,684	**753**	**438**	**2,875**
Finance costs related to loans (1)	367	**(400)**	**33**	**-**
Commissions payable	1,700	**371**	**-**	**2,071**
Rebate USA (5)	-	**2,630**	**293**	**2,923**
UNICAP USA (4)	-	**652**	**73**	**725**
Interest on equity paid	-	**5,632**	**-**	**5,632**
Other temporary additions	6,452	**3,219**	**233**	**9,904**
Total deferred tax assets	74,802	**5,169**	**6,835**	**86,806**
Deferred tax liabilities related to:				
Tax amortization of deductible goodwill	(44,751)	**627**	**(1,219)**	**(45,343)**
Difference - depreciation - CPC 27 (IAS 16) (3)	(5,581)	**(3,489)**	**(1,498)**	**(10,568)**
Adjustment due to inflation – Valid Argentina	-	**(2,334)**	**783**	**(1,551)**
Total deferred tax liabilities	(50,332)	**(5,196)**	**(1,934)**	**(57,462)**
Total deferred taxes	24,470	**(27)**	**4,901**	**29,344**

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

(2) This refers to recognition of deferred tax assets in the restructuring process of manufacturing plants in the United States, as described in Note 25.

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

(4) UNICAP is an abbreviation for Uniform capitalization, a tax concept governed by the Internal Revenue Code of the United States.

(5) REBATE is a fixed percentage that is paid to the distributor of a financial product, representing a sort of commission.

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

b) Deferred income and social contribution taxes (Continued)

Other temporary additions mainly comprise provisions relating to expenses incurred on third-party services.

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 temporarily taxable difference, considering the expected realization of the investment.

At September 30, 2018 and December 31, 2017, for interim financial reporting purposes, the Company offset deferred tax assets and liabilities relating to the same legal entity as follows:

	09/30/2018							
Consolidated	**Valid**	**Interprint**	**Valid USA**	**Valid Spain**	**Valid Argentina**	**Valid Certificadora**	**Other**	**Total**
Deferred tax assets	**33,616**	**1,347**	**43,663**	**4,769**	**-**	**3,054**	**357**	**86,806**
Deferred tax liabilities	**-**	**(35,777)**	**(17,263)**	**(979)**	**(607)**	**(752)**	**(2,084)**	**(57,462)**
Total net	**33,616**	**(34,430)**	**26,400**	**3,790**	**(607)**	**2,302**	**(1,727)**	**29,344**
Total tax assets	**33,616**	**-**	**26,400**	**3,790**	**-**	**2,302**	**332**	**66,440**
Total tax liabilities	**-**	**(34,430)**	**-**	**-**	**(607)**	**-**	**(2,059)**	**(37,096)**

	12/31/2017							
Consolidated	**Valid**	**Interprint**	**Valid USA**	**Valid Spain**	**Valid Argentina**	**Valid Certificadora**	**Other**	**Total**
Deferred tax assets	34,694	3,175	33,098	573	845	2,198	219	74,802
Deferred tax liabilities	-	(38,269)	(9,560)	(835)	-	-	(1,668)	(50,332)
Total net	34,694	(35,094)	23,538	(262)	845	2,198	(1,449)	24,470
Total tax assets	34,694	-	23,538	-	845	2,198	-	61,275
Total tax liabilities	-	(35,094)	-	(262)	-	-	(1,449)	(36,805)

The expected realization period of deferred tax assets, supported by the budgets approved by Company management, is as follows:

	Company	**Consolidated**
2018	**18,610**	**42,413**
2019	**6,316**	**7,824**
2020	**6,759**	**11,444**
2021	**1,931**	**10,058**
2022	**-**	**9,047**
From 2022 onwards	**-**	**6,020**
Total	**33,616**	**86,806**

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

c) Taxes, charges and contributions payable

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
IRPJ and CSLL payable	**-**	59	**903**	311
ICMS payable	**297**	351	**1,263**	1,363
Service Tax (ISS) payable	**2,681**	1,924	**7,646**	4,181
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) payable	**2,801**	2,816	**3,740**	3,449
Contribution Tax on Gross Revenue for Social Integration Program (PIS) payable	**604**	587	**806**	724
Social Security Tax (INSS) withheld from customers	**2,960**	603	**2,960**	603
Other	**271**	232	**514**	621
Total	**9,614**	6,572	**17,832**	11,252

d) Reconciliation of tax expenses to statutory rates

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Income before income taxes	**71,120**	28,933	**90,541**	40,536
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at combined tax rate	**24,181**	9,837	**30,784**	13,782
Additions				
Income abroad	**-**	1,208	**-**	1,208
Recognized stock options	**713**	-	**713**	-
Equity pickup	**-**	-	**695**	106
Tax rate difference - companies abroad	**-**	-	**6,701**	1,161
Non-deductible expenses and other	**64**	110	**65**	143
Exclusions				
Tax incentives	**(233)**	-	**(451)**	-
Equity pickup	**(4,679)**	(5,764)	**-**	-
Interest on equity paid	**(5,632)**	-	**(5,632)**	-
Goodwill amortization	**(338)**	-	**(338)**	-
Portion exempt from surtax	**(18)**	-	**(54)**	(43)
Rate difference under the tax regime whereby profit is computed as a percentage of the Company's gross revenue (*lucro presumido*)	**-**	-	**(24)**	-
Reversal of non-deductibility of lease interest expenses	**-**	(3,109)	**-**	(3,109)
Other additions (exclusions), net	**82**	28	**82**	503
Income and social contribution taxes debited to profit or loss for the year	**14,140**	2,310	**32,541**	13,751
Effective rate	**19.88%**	7.98%	**35.94%**	33.92%
Current income and social contribution taxes	**13,062**	1,208	**32,514**	20,950
Differed income and social contribution taxes	**1,078**	1,102	**27**	(7,199)
	14,140	2,310	**32,541**	13,751

(In thousands of reais, unless otherwise stated)

6. **Taxes** (Continued)

d) Reconciliation of tax expenses to statutory rates (Continued)

	Company		Consolidated	
	07/01/2018 to 09/30/2018	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Income before income taxes	**24,468**	20,430	**35,462**	25,555
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at combined tax rate	**8,319**	6,946	**12,057**	8,689
Additions				
Income abroad	**-**	1,208	**-**	1,208
Recognized stock options	**252**	-	**252**	-
Other expenses	**-**	-	**-**	-
Equity pickup	**-**	-	**269**	-
Tax rate difference - companies abroad	**-**	-	**-**	66
Non-deductible expenses	**21**	47	**22**	54
Exclusions				
Tax incentives	**-**	-	**(147)**	-
Interest on equity paid	**(5,632)**	-	**(5,632)**	-
Equity pickup	**(2,160)**	(3,010)	**-**	106
Loss on credit received	**-**	-	**-**	3
Portion exempt from surtax	**(6)**	-	**(18)**	(19)
Goodwill amortization	**(113)**	-	**(113)**	-
Reversal of non-deductibility of lease interest expenses	**-**	(607)	**-**	(607)
Tax incentives	**(76)**	-	**-**	182
Tax rate difference - companies abroad	**-**	-	**4,480**	-
Rate difference under the tax regime whereby profit is computed as a percentage of the Company's gross revenue *(lucro presumido)*	**-**	-	**(24)**	-
Other additions (exclusions), net	**82**	28	**82**	510
Income and social contribution taxes debited to profit or loss for the year	**687**	4,612	**11,228**	10,192
Effective rate	**2.81%**	22.57%	**31.66%**	39.88%
Current income and social contribution taxes	**4,355**	1,208	**11,535**	6,645
Deferred income and social contribution taxes	**(3,668)**	3,404	**(307)**	3,547
	687	4,612	**11,228**	10,192

(In thousands of reais, unless otherwise stated)

7. Inventories

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Raw material	**33,203**	24,934	**89,905**	62,835
Work in process	**16,665**	16,733	**34,133**	28,524
Replacement parts and materials	**3,359**	3,273	**3,941**	4,404
Goods for resale	**-**	-	**25,256**	21,237
Provision for inventory losses	**-**	-	**(5,215)**	(3,607)
	53,227	44,940	**148,020**	113,393
Advances to suppliers	**2,446**	2,659	**5,128**	4,869
Total	**55,673**	47,599	**153,148**	118,262

8. Judicial deposits

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Labor	**8,320**	5,719	**9,396**	7,527
Tax	**13,130**	14,541	**18,287**	19,426
Civil, commercial and other	**11,569**	11,224	**11,677**	11,329
Total	**33,019**	31,484	**39,360**	38,282

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 an assessment notice for differences identified in the Digital Tax Bookkeeping - EFD (Tax Sped) in the period from January 2009 to December 2010. This lawsuit was assessed as a possible loss (Note 14, item b). At September 30, 2018, the restated judicial deposit totals R$10,781.
- 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, 2018, the restated judicial deposit totals R$10,484.

(In thousands of reais, unless otherwise stated)

9. Investments

Financial information

At September 30, 2018, significant interim financial information of the direct and indirect subsidiaries is as follows:

Subsidiaries (1)	Total assets	Total liabilities	Profit or loss for the period (2)	Equity
Valid Par	**989**	**56**	**(46)**	**933**
Valid Argentina (3)	**27,619**	**8,432**	**(5,474)**	**19,187**
Interprint	**278,015**	**52,832**	**34,322**	**225,183**
Valid Certificadora	**45,478**	**15,903**	**2,612**	**29,575**
Valid Uruguay	**1,262**	**81**	**(47)**	**1,181**
Valid Mexico	**28,058**	**15,965**	**5,419**	**12,093**
Uram	**2,094**	**917**	**768**	**1,177**
Inemator	**302**	**59**	**15**	**243**
Tress	**2,252**	**2,745**	**(2)**	**(493)**
Valid Spain	**918,951**	**399,205**	**(16,501)**	**519,746**
Valid A/S	**260,985**	**75,433**	**(1,367)**	**185,552**
Valid USA (4)	**526,828**	**192,894**	**5,845**	**333,934**
Valid China	**696**	**355**	**(1,280)**	**341**
Valid Nigeria	**9,329**	**6,309**	**(1,255)**	**3,020**
Valid Sucursal	**13,998**	**9,144**	**1,164**	**4,854**

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

(2) This comprises profit or loss recorded by subsidiaries and affiliates for the nine-month period ended September 30, 2018.

(3) Subsidiary Interprint holds 2.4% interest in Valid Argentina.

(4) This comprises assets, liabilities, and profit or loss of subsidiaries Screencheck, VSP and MSC.

Valid Soluções S.A.
(former Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.)

Notes to interim financial information (Continued)
At September 30, 2018
(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments

Changes in investment balances for the nine-month period ended September 30, 2018 are as follows:

		Company					
Investments	**Balances at 12/31/2017**	**Additions (capital increase)**	**Foreign exchange difference and subsidiary reserve**	**Equity pickup**	**Adoption of IFRS 09 and IFRS 15**	**Adjustment IAS 29**	**Balances at 09/30/2018**
Subsidiaries							
Valid Par	979	**-**	**-**	**(46)**	**-**	**-**	**933**
Interprint	196,732	**-**	**922**	**34,322**	**(6,990)**	**197**	**225,183**
Valid Spain	452,216	**-**	**84,031**	**(16,501)**	**-**	**-**	**519,746**
Valid Argentina	24,005	**2,272**	**(11,307)**	**(5,177)**	**-**	**8,982**	**18,775**
Valid Sucursal	1,972	**1,121**	**597**	**1,164**	**-**	**-**	**4,854**
	675,904	**3,393**	**74,243**	**13,762**	**(6,990)**	**9,179**	**769,491**
Goodwill							
Valid Spain	48,835	**-**	**8,430**	**-**	**-**	**-**	**57,265**
Valid Argentina	2,608	**-**	**(1,143)**	**-**	**-**	**-**	**1,465**
	51,443	**-**	**7,287**	**-**	**-**	**-**	**58,730**
Total	727,347	**3,393**	**81,530**	**13,762**	**(6,990)**	**9,179**	**828,221**

		Consolidated				
Investments	**Balances at 12/31/2017**	**Additions (capital increase)**	**Foreign exchange difference**	**Equity pickup**	**Transfer**	**Balances at 09/30/2018**
Investees						
Cubic	4,868	**-**	**618**	**(2,045)**	**(256)**	**3,185**
Goodwill - Cubic	34,138	**-**	**4,742**	**-**	**256**	**39,136**
Total	39,006	**-**	**5,360**	**(2,045)**	**-**	**42,321**

(In thousands of reais, unless otherwise stated)

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, 2018 are detailed below:

Subsidiaries	Events	Type	Amount in original currency	Amount in R$ thousand
Valid Argentina (a)	Capital increase	Shareholders' Meeting	US$250 thousand	**814**
Valid Argentina (a)	Capital increase	Shareholders' Meeting	US$410 thousand	**1,458**
Valid China (b)	Company's incorporation	Shareholders' Meeting	US$500 thousand	**1,162**
Valid Nigeria (c)	Company's incorporation	Shareholders' Meeting	US$625 thousand	**2,335**
Valid Nigeria (d)	Capital increase	Shareholders' Meeting	US$455 thousand	**1,525**
Sucursal Colombia (e)	Capital increase	Shareholders' Meeting	US$300 thousand	**1,121**
Valid USA (f)	Capital increase	Shareholders' Meeting	US$2,000 thousand	**7,712**
Interprint (g)	Acquisition of Tress	Board of Directors' Meeting	US$4,500 thousand	**4,500**

(a) Capital increase in Valid Argentina

On February 6, 2018, the Company increased capital in Valid Argentina by US$250 thousand (equivalent to R$814 on the capitalization date).

On May 10, 2018, the Company increased capital in Valid Argentina by US$410 thousand (equivalent to R$1,458 on the capitalization date).

(b) Incorporation of Valid China

In March 2018, subsidiary Valid Spain organized Valid Beijing "Valid China", based in Beijing, China, for US$500 thousand (equivalent to R$1,162 on the incorporation date). This company will operate as a sales office aiming at the expansion of business in Asia.

(c) Incorporation of Valid Nigeria

In May 2018, subsidiary Valid Spain organized Valid Nigeria, based in Cidade dos Lagos, Nigeria, for US$625 thousand (equivalent to R$2,335 on the incorporation date). This company will operate as a sales office aiming at the expansion of business in the country.

(d) Capital increase in Valid Nigeria

On May 16, 2018, Valid Spain increased capital in Valid Nigeria by US$455 thousand (equivalent to R$1,525 on the capitalization date).

(e) Capital increase in Sucursal Colombia

On May 30, 2018, the Company increased capital in Sucursal Colombia by US$300 thousand (equivalent to R$1,121 on the capitalization date).

(f) Capital increase in Valid USA

On June 29, 2018, Valid Spain increased capital in Valid USA by US$2,000 thousand (equivalent to R$7,712 on the capitalization date).

(g) Acquisition of Tress

At the meeting held on July 10, 2018, the Board of Directors approved the acquisition of 100% of the capital of company Tress Impressos de Segurança Ltda. ("Tress") through subsidiary Interprint.

Tress is headquartered in the state of São Paulo, Brazil, and operates in the security printing segment, mainly producing official public documents, diplomas, driver's licenses, official stamps, identification documents (RGs), among others.

(In thousands of reais, unless otherwise stated)

9. **Investments** (Continued)

Changes in investments (Continued)

The amount of R$3,052 was recognized as goodwill on said acquisition, based on future profitability. The fair value of assets and liabilities calculated on the transaction date is as follows:

	07/10/2018
Assets	
Current assets	341
Cash and cash equivalents	(95)
Accounts receivable	436
Noncurrent assets	1,387
Property, plant and equipment	1,387
Liabilities	
Current liabilities	1,645
Trade accounts payable	641
Salaries and charges	42
Taxes recoverable	472
Other accounts payable	490
Noncurrent liabilities	2,440
Intercompany loan payable	2,440
Fair value of total net assets of Tress	(2,357)
Amount effectively paid	(695)
Goodwill on acquisition	3,052
Amount paid in acquisition	(695)
Cash acquired in acquisition	(95)
Cash paid for the acquisition of Tress, net of cash acquired	(790)

In addition to the corporate event for the nine-month period ended September 30, 2018, described above, the Company highlights the following corporate events for the year ended December 31, 2017, which impacted the comparability of the information presented in this financial information:

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**
Interprint (d)	Payment of dividends	Shareholders' Meeting	US$20 thousand	**20,000**

(a) Capital increase in Valid Sucursal Colombia

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

(In thousands of reais, unless otherwise stated)

9. **Investments** (Continued)

Changes in investments (Continued)

(b) Capital increase in Valid USA

On May 18, 2017, Valid Spain increased 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 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 6.13% 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 industries. 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.

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 operating system and the customization platform (Subscription Manager).

The amount of EUR8,339 (equivalent to R$30,978) was recognized as goodwill on said acquisition, based on future profitability. The fair value of assets and liabilities calculated on the transaction date is as follows:

	08/21/2017
Assets	
Current assets	123,376
Cash and cash equivalents	112,267
Taxes recoverable	10,956
Inventories	153
Noncurrent assets	7,242
Property, plant and equipment	5,783
Intangible assets	1,459
Liabilities	
Current liabilities	(34,163)
Trade accounts payable	(32,420)
Other accounts payable	(1,743)
Fair value of total net assets of CUBIC	96,455
6.13% of CUBIC	6,169
Amount effectively paid	37,147
Goodwill on acquisition	30,978

(d) Payment of dividends in Interprint

On December 14, 2017, subsidiary Interprint paid R$20,000 in dividends to the Company, relating to profit recorded in the six-month period ended June 30, 2017.

(In thousands of reais, unless otherwise stated)

10. Intangible assets

Changes in intangible assets for the nine-month period ended September 30, 2018 are as follows:

	Company			
	Balance at 12/31/2017	Additions	Amortization	Balance at 09/30/2018
Finite useful life				
Software	20,701	**4,088**	**(4,336)**	**20,453**
Indefinite useful life				
Goodwill of subsidiary Trust	3,647	**-**	**-**	**3,647**
Total	24,348	**4,088**	**(4,336)**	**24,100**

	Consolidated						
	Balance at 12/31/2017	Additions	Write-offs	Amortization	Foreign exchange difference	Transfers	Balance at 09/30/2018
Finite useful life							
Software	125,202	**22,456**	**(462)**	**(29,130)**	**17,957**	**80**	**136,103**
Customer portfolio	67,507	**-**	**-**	**(5,476)**	**13,608**	**-**	**75,639**
Trademarks and patents	1,980	**-**	**-**	**(406)**	**371**	**-**	**1,945**
Digital certification license	86	**-**	**-**	**(8)**	**-**	**-**	**78**
Advance to supplier	-	**200**	**-**	**-**	**-**	**(80)**	**120**
Indefinite useful life							
Digital certification license	500	**-**	**-**	**-**	**-**	**-**	**500**
Trademarks and patents	12,240	**-**	**-**	**-**	**2,574**	**-**	**14,814**
Goodwill	-	**-**	**-**	**-**	**-**	**-**	**-**
Interprint	103,792	**-**	**-**	**-**	**-**	**-**	**103,792**
Valid Spain	48,835	**-**	**-**	**-**	**8,430**	**-**	**57,265**
Valid Argentina	2,745	**-**	**-**	**-**	**(1,202)**	**-**	**1,543**
Trust	3,647	**-**	**-**	**-**	**-**	**-**	**3,647**
Tress	-	**3,052**	**-**	**-**	**-**	**-**	**3,052**
Valid USA	648	**-**	**-**	**-**	**137**	**-**	**785**
Screencheck	13,021	**-**	**-**	**-**	**2,739**	**-**	**15,760**
MSC	75,462	**-**	**-**	**-**	**15,875**	**-**	**91,337**
VSP	3,315	**-**	**-**	**-**	**697**	**-**	**4,012**
Inemator	360	**-**	**-**	**-**	**19**	**-**	**379**
Uram	764	**-**	**-**	**-**	**(335)**	**-**	**429**
Valid A/S	157,550	**-**	**-**	**-**	**33,143**	**-**	**190,693**
Total	617,654	**25,708**	**(462)**	**(35,020)**	**94,013**	**-**	**701,893**

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 11.4% and 27.7% p.a., respectively, based on the estimated useful lives or license terms (applicable to software licenses), while digital certification licenses and trademarks and patents are amortized at the average rate of 20% and 7% p.a., respectively.

Indefinite-lived intangible assets refer mainly to goodwill arising from acquisition of subsidiaries.

10. Intangible assets (Continued)

Impairment loss

At least once a year the Company tests goodwill on business combinations for impairment based on the valuation of value in use, where estimated future cash flows are discounted to their present values at a pretax discount rate that reflects a current market assessment of the time value of money and the specific risks for the asset or cash-generating unit (CGU).

The goodwill amount on a business combination 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 IFRS 8 (CPC 22).

At the end of 2017, the Company and its subsidiaries tested assets for impairment and did not identify adjustments to be recognized in relation to impairment of assets. Significant assumptions used by the Company in goodwill impairment tests conducted as at December 31, 2017 are detailed in the financial statements for the year ended December 31, 2017, published in the Official Gazette on March 13, 2018. There were no new impairment indicators that might require the performance of new impairment tests for the period ended September 30, 2018.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment

	Company				
	Balances at 12/31/2017	Additions	Write-offs	Transfers	Balances at 09/30/2018
Cost					
Land	3,886	-	-	-	3,886
Buildings	79,484	-	-	1,869	81,353
Machinery and equipment	199,581	3,978	(3,041)	5,662	206,180
Lease (1)	42,622	1	-	(1,786)	40,837
Furniture and fixtures	15,207	299	-	50	15,556
Vehicles	2,612	251	(276)	236	2,823
Data processing equipment	76,077	4,567	(316)	1,107	81,435
Improvements in third-party property	5,218	1	-	-	5,219
Construction in progress	7,589	6,464	(43)	(3,863)	10,147
Advances to suppliers	1,210	3,674	-	(3,275)	1,609
Subtotal - cost	433,486	19,235	(3,676)	-	449,045
Depreciation					
Buildings	(25,368)	(4,245)	-	-	(29,613)
Machinery and equipment	(130,037)	(6,020)	3,037	(1,575)	(134,595)
Lease (1)	(35,817)	(4,838)	-	1,575	(39,080)
Furniture and fixtures	(8,212)	(946)	-	-	(9,158)
Vehicles	(1,216)	(364)	171	-	(1,409)
Data processing equipment	(45,053)	(10,478)	42	-	(55,489)
Improvements in third-party property	(2,513)	(783)	-	-	(3,296)
Subtotal - depreciation	(248,216)	(27,674)	3,250	-	(272,640)
Total property, plant and equipment, net	185,270	(8,439)	(426)	-	176,405

(1) Lease of data processing machinery and equipment.

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

	Consolidated							
	Balances at 12/31/2017	Additions	Acquisition of subsidiaries	Write-offs	Foreign exchange difference/ monetary restatement	Transfers	Provision for obsolescence	Balances at 09/30/2018
Cost								
Land	9,115	-	-	-	1,031	-	-	10,146
Buildings	113,616	11	-	-	1,641	2,048	-	117,316
Machinery and equipment	411,908	4,808	1,387	(9,150)	42,757	9,855	217	461,782
Lease (1)	52,594	-	-	-	2,098	(1,786)	-	52,906
Furniture and fixtures	23,130	444	-	(102)	1,366	25	-	24,863
Vehicles	3,626	249	-	(321)	172	236	-	3,962
Data processing equipment	135,717	5,899	-	(316)	7,086	2,521	-	150,907
Improvements in third-party property	45,197	35	-	-	11,596	15,922	-	72,750
Construction in progress	32,522	12,611	-	(141)	474	(25,491)	-	19,975
Advances to suppliers	1,265	3,674	-	-	-	(3,330)	-	1,609
Subtotal - cost	828,690	27,731	1,387	(10,030)	68,221	-	217	916,216
Depreciation								
Buildings	(46,102)	(5,152)	-	-	(569)	-	-	(51,823)
Machinery and equipment	(261,057)	(20,104)	-	8,874	(29,953)	(1,575)	-	(303,815)
Lease (1)	(38,086)	(5,998)	-	-	(611)	1,575	-	(43,120)
Furniture and fixtures	(13,397)	(1,556)	-	7	(1,033)	-	-	(15,979)
Vehicles	(1,923)	(505)	-	216	(111)	-	-	(2,323)
Data processing equipment	(89,294)	(15,621)	-	43	(5,405)	-	-	(110,277)
Improvements in third-party property	(14,581)	(4,159)	-	-	(2,361)	-	-	(21,101)
Subtotal - depreciation	(464,440)	(53,095)	-	9,140	(40,043)	-	-	(548,438)
Total property, plant and equipment, net	364,250	(25,364)	1,387	(890)	28,178	-	217	367,778

(1) Lease of data processing machinery and equipment.

	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%
Improvements in third-party property	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 lives of these assets.

At September 30, 2018 and December 31, 2017, the Company owned certain machinery and equipment pledged as collateral for labor claims, amounting to approximately R$3,895.

At September 30, 2018 and December 31, 2017, the Company tested its property, plant and equipment for impairment, and detected no impairment indicators.

(In thousands of reais, unless otherwise stated)

12. Loans, financing, debentures and lease payable

Significant 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)
Lessee	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
Maturity	November/2018	April/2019	October/2019	January/2020
Compensation	2.64% p.a.	Libor + 2.70% p.a.	Libor + 2.65% p.a.	Libor + 2.70% p.a.
Guarantee	Valid S.A.	Valid S.A.	Valid S.A.	Valid S.A.
Repayment of principal	Half-yearly (from Nov/2014)	Half-yearly (from Apr/2016)	Quarterly (from Dec/2015	Half-yearly (from Jan/2017)
Payment of interest	Half-yearly (from May/2013)	Half-yearly (from Oct/2014)	Quarterly (from Dec/2014)	Half-yearly (from Jul/2015)

Description	Loans (a)	Loans (a)	Loans (a)	Loans (a)
Lessee	Valid USA	Valid USA	Valid Spain	Valid Spain
Total amount	US$17,000 thousand	U$3,000 thousand (Secured Account)	US$50,000 thousand	US$50,000 thousand
Maturity	Jun/2019	Jul/2019	May/2022	May/2022
Compensation	Libor 3 months + 2.65% p.a.	Drawdon + 2.65% p.a.	6.55% p.a.	5.55% p.a.
Guarantee	Valid S.A.	Valid S.A.	Valid S.A.	Valid S.A.
Repayment of principal	Half-yearly from Dec/2016	August and September/2018	Half-yearly from May/2019	Half-yearly from May/2018
Payment of interest	Quarterly from Sept/2016	-	Half-yearly from Nov/2017	Half-yearly from Nov/2017

Description	Lease (c)	Lease (c)
Lessee	Valid USA	Valid USA
Total amount	US$2,153 thousand	US$854 thousand
Maturity	May/2022	June/2021
Compensation	5.42% p.a.	5.80% p.a.
Guarantee	Equipment	Equipment
Repayment of principal	Monthly	Monthly
Payment of interest	Monthly	Monthly

(In thousands of reais, unless otherwise stated)

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

Debentures (d)	7th issue – 05/24/2018
Date of approval	Board of Directors' Meeting held on 05/21/2018
Number	36,000 unsecured nonconvertible debentures
Par value	R$10,000
Total amount	R$360,000,000
Type and series	Single-series non-privileged debentures
Maturity	June/2023
Compensation	115.0% of accumulated average DI rate
Guarantee	No security interest
Repayment of principal	4 annual installments (from Jun/2020)
Payment of interest	Half-yearly from Dec/2018
Rating by Moody's	N/A

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
Debentures	**365,619**	325,633	**365,619**	325,633
Lease	**-**	1,785	**7,671**	10,239
Financing	**-**	-	**-**	5,129
Loans	**-**	-	**501,206**	464,483
Total	**365,619**	327,418	**874,496**	805,484
Current	**7,919**	127,805	**194,462**	255,885
Noncurrent	**357,700**	199,613	**680,034**	549,599

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

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 this loan.

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

a) Loans (Continued)

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

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 this loan.

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

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

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

On July 20, 2018, Valid USA raised a US$3,000 credit facility for the purpose of meeting short-term needs, in September 2018.

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 settle obligations and meet cash requirements for payment of debts.

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

a) Loans (Continued)

These loans are subject to compliance with quarterly covenants with which the Company was compliant at September 30, 2018 and December 31, 2017. The main financial and operating covenants of the loans of subsidiaries Valid USA and Valid Spain are the following:

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

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.

Over the nine-month period ended September 30, 2018, the amount of R$90,647 (R$252,920 at December 31, 2017) was repaid, out of which R$14,200 (R$21,701 at December 31, 2017) as interest on loans.

(In thousands of reais, unless otherwise stated)

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

a) Loans (Continued)

At September 30, 2018 and December 31, 2017, the loan balances recorded in the Company and its subsidiaries are summarized as follows:

Loans	Consolidated 09/30/2018	Consolidated 12/31/2017
Principal	**491,763**	461,837
Interest	**9,443**	2,646
Total	**501,206**	464,483
Current	**184,410**	120,528
Noncurrent	**316,796**	343,955

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 taken out totals R$29,875, out of which R$26,500 released up to the nine-month period ended September 30, 2018. The financing was settled in September 2018.

The financing does not provide for the maintenance of covenants related to compliance of financial indexes.

For the nine-month period ended September 30, 2018, the amount of R$5,282 (R$7,428 at December 31, 2017) was repaid, out of which R$157 (R$646 at December 31, 2017) as interest on financing.

On September 5, 2018, Valid Certificadora fully settled the contract.

c) Lease payable

In April 2016, the Company entered into 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, 2018, balance payable is R$0.00. We settled the agreement in May 2018, and, for the nine-month period ended September 30, 2018, R$1,785 was paid.

(In thousands of reais, unless otherwise stated)

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

c) Lease payable (Continued)

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. Over the nine-month period ended September 30, 2018, R$643 thousand, equivalent to US$178 thousand (R$858 thousand, equivalent to US$268 thousand at December 31, 2017) was paid. The lease was settled in September 2018.

In January 2016, Valid USA entered into a finance lease agreement of US$151 thousand, payable in 36 months, referring to data processing equipment. Over the nine-month period ended September 30, 2018, R$222 thousand, equivalent to US$62 thousand (R$174 thousand, equivalent to US$54 thousand at December 31, 2017) was paid. The lease was settled in September 2018.

In May 2016, Valid USA entered into a finance lease agreement of US$2,153, payable in 72 months, referring to data processing equipment. Over the nine-month period ended September 30, 2018, R$1,253 thousand, equivalent to US$345 thousand (R$1,319 thousand, equivalent to US$400 thousand at December 31, 2017) was paid.

In June 2016, Valid USA entered into a finance lease agreement of US$854, payable in 48 months, referring to data processing equipment. Over the nine-month period ended September 30, 2018, R$566 thousand, equivalent to US$156 thousand (R$666 thousand, equivalent to US$208 thousand at December 31, 2017) was paid.

Future minimum payments relating to the finance leases of the Company and its subsidiaries, at September 30, 2018 (not including future charges) are as follows:

	Within 1 year	From 1 to 5 years	Total
Minimum lease payments	2,133	5,538	7,671
Total minimum payments, net	2,133	5,538	7,671

(In thousands of reais, unless otherwise stated)

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

c) Lease payable (Continued)

The Company had some leased 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, from that date, terminated the related finance lease agreement. As the referred to agreement was terminated, the liability then recorded was measured again in accordance with the agreed conditions, decreasing from R$18,512 to R$9,712, payable in four monthly installments. At September 30, 2018, there were no outstanding balances. Given the new measurement of the liability recorded by the Company, a gain was recognized in profit or loss for the year ended December 31, 2017 in the amount of R$8,800.

d) Debentures

At September 30, 2018 and December 31, 2017, debentures payable, as well as related interest calculated based on the conditions set forth in the deed, are as follows:

	Company and Consolidated	
	09/30/2018	**12/31/2017**
Current		
Principal	**-**	125,000
Interest	**8,545**	1,020
Other liabilities with debentures	**(626)**	-
	7,919	126,020
Noncurrent		
Principal	**360,000**	199,613
Other liabilities with debentures	**(2,300)**	-
	357,700	199,613
Total	**365,619**	325,633

The debentures are subject to certain quarterly covenants with which the Company was in compliance at September 30, 2018 and December 31, 2017. 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.

(In thousands of reais, unless otherwise stated)

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

d) Debentures (Continued)

On July 6, 2016, the amount of R$199,613 relating to the 6th issue of debentures was raised to meet cash requirements for settlement of long-term obligations. On July 26, 2018, the contract was settled for R$199,613.

On June 4, 2018, the amount of R$360,000 relating to the 7th issue of debentures was raised to meet cash requirements for settlement of long-term obligations. In the nine-month period ended September 30, 2018, conventional interest paid debentures amounted to R$13,029 (R$40,784 at December 31, 2017).

In addition, the aging list of loans, financing, debentures and lease payable at September 30, 2018 and December 31, 2017 (not including future charges) is as follows:

	Company		Consolidated	
	09/30/2018	**12/31/2017**	**09/30/2018**	**12/31/2017**
2018	**7,919**	127,805	**194,462**	255,885
2019	**-**	199,613	**54,892**	328,722
2020	**89,425**	-	**201,724**	92,755
2021	**89,425**	-	**193,139**	85,659
2022	**89,425**	-	**140,854**	42,463
2023	**89,425**	-	**89,425**	-
	365,619	327,418	**874,496**	805,484

(In thousands of reais, unless otherwise stated)

13. Commitments

The effective terms of significant 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	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Within one year	**2,061**	2,889	**5,766**	6,092
From one to five years	**10,324**	15,126	**56,345**	56,446
Over 5 years	**-**	-	**50,608**	54,807

The Company and its subsidiaries do not recognize liabilities for operating lease agreements as they understand that these agreements require no valuable consideration. Balances recognized in profit or loss are disclosed in Note 23, under Operating lease.

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 their business, and make judicial deposits as necessary. Provisions for possible disbursements arising out of such proceedings are estimated and restated by Company management, supported by the opinion of its outside legal advisors.

At September 30, 2018 and December 31, 2017, breakdown and changes in provisions recorded for proceedings whose likelihood of loss was considered probable are as follows:

	Company				
	Balances at 12/31/2017	Additions	Reversal	Payments	Balances at 09/30/2018
Labor	11,146	**2,983**	**(2,605)**	**(1,175)**	**10,349**
Tax	1,975	**9**	**(251)**	**(577)**	**1,156**
Civil, commercial and other	116	**34**	**(32)**	**-**	**118**
Total	13,237	**3,026**	**(2,888)**	**(1,752)**	**11,623**

(In thousands of reais, unless otherwise stated)

14. Provisions (Continued)

	Consolidated					
	Balances at 12/31/2017	Additions	Reversal	Payments	Foreign exchange difference	Balances at 09/30/2018
Labor	14,295	**3,404**	**(3,913)**	**(1,219)**	**(109)**	**12,458**
Tax	2,829	**12**	**(287)**	**(1,281)**	**-**	**1,273**
Civil, commercial and other	283	**46**	**(170)**	**(17)**	**-**	**142**
Total	17,407	**3,462**	**(4,370)**	**(2,517)**	**(109)**	**13,873**

a) Provisions

Significant proceedings whose likelihood of loss is assessed as probable and, therefore, for which provisions were recorded in the interim financial information, 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. The most significant probable claims total R$2,201 (R$2,789 at December 31, 2017) in Company and Consolidated.
- Tax: the balance provisioned refers substantially to the debt annulment action, representing a contingency of R$1,156 at September 30, 2018 (R$1,147 at December 31, 2017), 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 against credit in favor of the Company.

b) Contingent liabilities assessed as possible loss

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

	Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Labor	**31,180**	26,943	**33,510**	29,319
Tax	**234,660**	195,917	**281,670**	240,854
Civil, commercial and other	**54,040**	54,712	**90,509**	86,569
Total	**319,880**	277,572	**405,689**	356,742

14. **Provisions** (Continued)

b) Contingent liabilities assessed as possible loss (Continued)

Significant contingencies assessed as possible losses are summarized below:

Tax proceedings

(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.

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, 2018, the restated amount of these proceedings is R$41,143 (R$40,429 at December 31, 2017).

(ii) Tax assessment notice - Electronic tax files: in 2012, the Company was served a tax notice by the São Paulo State Department of Finance, of R$13,131 (R$12,796 at December 31, 2017), referring to fines for alleged errors in the preparation of electronic tax files - ICMS information and computation form (GIA) and Digital Tax Bookkeeping (EFD). The Company filed a lawsuit to annul the debt, which is currently at the lower court awaiting the expert examination work. The amounts presented above is the Company's best estimate as at September 30, 2018.

14. Provisions (Continued)

b) Contingent liabilities assessed as possible loss (Continued)

Tax claims (Continued)

(iii) ICMS tax enforcement - São Paulo: in 2014, the São Paulo State Department of Finance filed a tax enforcement suit against subsidiary Interprint which, considering restatements and attorney's fees, amounts to R$6,227 at September 30, 2018 (R$6,083 at December 31, 2017). 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$1,823 at September 30, 2018 (R$1,733 at December 31, 2017). 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 deficiency notice by the Brazilian IRS, in the restated amount of R$29,900 at September 30, 2018 (R$29,011 at December 31, 2017), referring to an alleged irregularity in amortization of goodwill recorded in its bookkeeping. Interprint's challenge was dismissed, and it filed a voluntary appeal. Currently, this appeal is awaiting judgment.

(vi) The Company was served a tax assessment notice 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, 2018, the restated amount of the referred to proceeding is R$101,337 (R$99,062 at December 31, 2017). 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 Company filed an annulment action not to pay the ICMS required by the Tax Notice. In an interlocutory decision, the High Court of Justice (STJ) suspended the required payment of the credit because it understands that the specific case is related to the hypothesis of STJ Decision 166. The proceeding then returned to the lower court to proceed normally. At September 30, 2018, the restated amount for this lawsuit is R$51,669 (R$50,697 at December 31, 2017).

14. Provisions (Continued)

b) Contingent liabilities assessed as possible loss (Continued)

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, 2018, the restated amount of the proceeding is R$32,924 (R$31,033 at December 31, 2017).

(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, 2018, the restated amount of the proceeding, considering a refund of amounts received, is R$12,527 (R$12,100 at December 31, 2017).

(iii) Civil proceeding filed against subsidiary Interprint, claiming investigation and refund of an agreement entered into with a customer in the identification segment. The proceeding is currently pending judgment at the lower court. At September 30, 2018, the restated amount of the proceeding, considering a refund of amounts received, is R$30,450 (R$28,942 at December 31, 2017).

Labor claims

The Company is a party to various labor claims, claiming mostly 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$10,070 at September 30, 2018.

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, 2018 corresponds to R$0 in Company and R$7,706 in Consolidated (R$2,680 and R$10,032 at December 31, 2017, 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.

(In thousands of reais, unless otherwise stated)

15. Transactions with related parties

	Company	
	09/30/2018	**12/31/2017**
Current assets (a)		
Accounts receivable		
Interprint	**1,244**	5,629
Valid Sucursal Colombia	**11**	9
Valid USA	**388**	-
Valid Certificadora	**565**	1,748
Valid A/S	**-**	1
Valid Argentina	**169**	72
Valid Participações	**56**	218
Tress	**10**	-
Total current assets	**2,443**	7,677
Current liabilities (a)		
Trade accounts payable		
Valid Spain	**-**	(4,561)
Valid A/S	**480**	(200)
Valid Certificadora	**543**	(1)
Valid Sucursal	**34**	(8)
Valid Argentina	**-**	(110)
Uram	**5**	-
Total current liabilities	**1,062**	(4,880)

	Company	
	09/30/2018	**09/30/2017**
Statement of profit or loss		
Net revenue (a)	**678**	1,382
Interprint	**290**	368
Valid Argentina	**351**	660
Valid Sucursal Colombia	**5**	269
Valid Certificadora	**-**	11
Valid A/S	**-**	74
Tress	**32**	-
Cost of sales and services (a)	**(8,475)**	(11,625)
Valid Spain	**(4,727)**	(5,660)
Valid A/S	**(3,043)**	(5,777)
Valid Certificadora	**(617)**	(49)
Interprint	**(36)**	(95)
Valid Argentina	**-**	(2)
Uram	**(29)**	(29)
Valid Sucursal	**(23)**	(13)

(In thousands of reais, unless otherwise stated)

15. Transactions with related parties (Continued)

	Company	
	07/01/2018 to 09/30/2018	**07/01/2017 to 09/30/2017**
Statement of profit or loss		
Net revenue (a)	**52**	96
Interprint	**15**	22
Valid Sucursal Colombia	**5**	-
Valid A\S	**-**	74
Tress	**32**	-
Cost of sales and services (a)	**(3,052)**	(6,000)
Valid Spain	**(728)**	(1,662)
Valid A\S	**(1,820)**	(4,310)
Valid Certificadora	**(493)**	(11)
Uram	**-**	(4)
Valid Sucursal	**(11)**	(13)

(a) This refers to intercompany purchases of input for production according to the parties' needs, and there is no agreement entered into for minimum production. Days sales/payment outstanding is 35 days and all transactions are conducted in accordance with market practices.

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

- At September 30, 2018, Valid Spain recorded, in assets, accounts receivable of R$543 from Valid Argentina, R$2,293 from Valid USA, R$6,653 from Valid Sucursal and R$11,888 from Valid Mexico, relating to sale of inputs (R$1 from Valid A/S, R$441 from Valid Argentina, R$1,603 from Valid USA and R$7,516 from Valid Mexico at December 31, 2017).
- At September 30, 2018, Valid A/S recorded, in assets, accounts receivable of R$1,612 from Valid Spain, R$1,966 from Valid USA and R$1,807 from Valid Argentina, relating to sale of inputs (R$1,732 from Valid Spain and R$2,399 from Valid USA at December 31, 2017).
- On February 5, 2018, Valid Spain entered into a US$300 intercompany loan agreement with Valid Sucursal Colombia, with conventional interest of 2.5% p.a. At September 30, 2018, such intercompany loan amounted to US$307 (equivalent to R$1,229).
- Valid Spain entered into two intercompany loan agreements with Valid Nigeria amounting to US$542 and US$ 500 in the months of May and September 2018, respectively, with conventional interest of 4.07% p.a. At September 30, 2018, intercompany loan balances amounted to US$1,052 (equivalent to R$4,215).

(In thousands of reais, unless otherwise stated)

15. Transactions with related parties (Continued)

- On November 10, 2017, Valid Spain entered into two intercompany loan agreements with Valid AS amounting to US$3,000 on November 10, 2017 and US$1,600 on September 26, 2018, with conventional interest of 4.00% p.a. At September 30, 2018, such intercompany loan amounted to US$4,720 (equivalent to R$18,901).

<u>Compensation paid to the Executive Board, Board of Directors and Supervisory Board</u>

For the nine-month periods ended September 30, 2018 and 2017, 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:

	Consolidated				
	Board of Directors	**Supervisory Board**	**Statutory Board**	**Other management members**	**09/30/2018**
Annual fixed compensation	**2,092**	**335**	**6,546**	**1,889**	**10,862**
Compensation	**1,822**	**281**	**3,875**	**1,273**	**7,251**
Direct and indirect benefits	**26**	**-**	**666**	**210**	**902**
Social charges and benefits	**244**	**54**	**2,005**	**406**	**2,709**
Annual variable compensation	**556**	**-**	**3,738**	**247**	**4,541**
Variable compensation	**-**	**-**	**1,978**	**92**	**2,070**
Share-based payment	**556**	**-**	**503**	**74**	**1,133**
Charges borne by the employer	**-**	**-**	**1,257**	**81**	**1,338**
Total compensation (*)	**2,648**	**335**	**10,284**	**2,136**	**15,403**

(*) Management compensation, approved at the Annual General Meeting held on April 26, 2018, corresponds to R$20,964.

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

(In thousands of reais, unless otherwise stated)

15. Transactions with related parties (Continued)

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

For the three-month periods ended September 30, 2018 and 2017, 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:

	Consolidated				
	Board of Directors	**Supervisory Board**	**Statutory Board**	**Other management members**	**07/01/2018 to 09/30/2018**
Annual fixed compensation	**1,070**	**113**	**2,561**	**608**	**4,352**
Compensation	**979**	**95**	**1,321**	**408**	**2,803**
Direct and indirect benefits	**26**	**-**	**397**	**122**	**545**
Social charges and benefits	**65**	**18**	**843**	**78**	**1,004**
Annual variable compensation	**13**	**-**	**1,321**	**54**	**1,388**
Variable compensation	**-**	**-**	**558**	**-**	**558**
Share-based payment	**13**	**-**	**-**	**31**	**44**
Charges borne by the employer	**-**	**-**	**763**	**23**	**786**
Total compensation	**1,083**	**113**	**3,882**	**662**	**5,740**

	Consolidated				
	Board of Directors	**Supervisory Board**	**Statutory Board**	**Other management members**	**07/01/2017 to 09/30/2017**
Annual fixed compensation	483	106	1,394	603	2,586
Compensation	483	106	1,277	560	2,426
Benefits	-	-	117	43	160
Variable compensation	271	-	461	156	649
Charges borne by the employer	-	-	462	156	618
Total compensation	754	106	2,317	759	3,853

16. Equity

a) Capital

At the Special General Meeting held on May 15, 2017, shareholders approved 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 No. 6404/76. Shares that cannot be fully attributed had their fractions grouped and sold on the B3, 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 and restricted shares

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, restated at the Special General Meeting held on June 8, 2018, the Company's Long-Term Incentive Plan was approved (restricted shares), 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 interest granted to the executive officers proportionally, based on their length of service with the Company and the fair value of the equity instrument granted, calculated 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, dividends and expected losses. Should these assumptions vary significantly from the current information, the share-based payment may be impacted.

(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

b) Capital reserve and treasury shares (Continued)

Recognized stock options and restricted shares (Continued)

The number of options available is fixed and predetermined when granted. Their strike price is adjusted by the CDI rate plus an annual rate of 6.4%.

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 for the first plan and R$17.45 (seventeen reais and forty-five cents) for the second plan; the base price was calculated based on the average closing price of the Company shares on the B3 in the period of thirty (30) 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 for the first plan and in the period between June 29, 2018 and June 28, 2019 for the second plan.

Transfer of shares is subject to achievement of the Company's annual performance goals, calculated by comparing the base price of R$15.24 for the first plan and R$17.45 for the second plan 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 for the first plan and between June 29, 2018 and June 28, 2019 for the second plan.

The expected recognition of restricted shares in profit or loss for the year, by year, is as follows:

Year	Amount (1st plan)	Amount (2nd plan)	Total
2017	**1,356**	**-**	**1,356**
2018	**1,357**	**1,479**	**2,836**
2019	**-**	**1,479**	**1,479**
Total	**2,713**	**2,958**	**5,671**

The Company recognizes the pro-rata amount in capital reserve on a monthly basis, under Stock options granted, and matched against profit or loss. In the nine-month period ended September 30, 2018, the Company recorded the amount of R$2,096.

(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

b) Capital reserve and treasury shares (Continued)

Recognized stock options and restricted shares (Continued)

Stock option grants are summarized below:

	1st Plan	2nd Plan
Minimum number of shares approved in the plan (*)	**178,063**	**178,063**
Base price per share	**15.24**	**16.61**
Grant cost	**2,713**	**2,958**

(*) There were no shares with expired rights or that were exercised in the nine-month period ended September 30, 2018.

In the third quarter of 2018, 175,752 shares were transferred to the plan participants. All shares were settled through the delivery of common shares, which were held by the Company in treasury, with a weighted average of R$18.40 on the transaction date and a total of R$3,234 in transferred shares.

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, dispose of and/or use 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:

Date of approval	Maximum number to be acquired	% of outstanding shares	End date
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
04/02/2016	1,000,000 shares	1.50%	02/01/2017
02/01/2017	1,000,000 shares	1.57%	02/02/2018
02/02/2018	1,000,000 shares	1.44%	09/06/2019

(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

b) Capital reserve and treasury shares (Continued)

Treasury shares (Continued)

At September 30, 2018, the Company holds 820,458 common shares in treasury (712,325 shares at December 31, 2017), of which 235,830 shares were acquired in the nine-month period ended September 30, 2018, with weighted average cost of acquisition, and minimum and maximum costs as follows:

	Cost of acquisition (in reais)		
Type	**Minimum**	**Maximum**	**Weighted average**
Common shares	**14.78**	**25.39**	**18.15**

Based on the last market quote available at September 30, 2018, treasury shares total R$10,321, with weighted average price, and minimum and maximum price at September 30, 2018 as follows:

	Number				Price (in reais)		
Type	**12/31/2017**	**Acquisitions**	**Write-offs**	**09/30/2018**	**Minimum**	**Maximum**	**Weighted average**
Common shares	712,325	**235,830**	**(127,697)**	**820,458**	12.39	20.60	17.75

At December 31, 2016, the Company's balance of shares amounted to 1,345, and in 2017 it acquired 607,000 shares in the total amount of R$11,728 referring to the share buyback plan, thus totaling R$13,073 at December 31, 2017.

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, 2018, this legal reserve amounted to R$51,267 (R$51,267 at December 31, 2017).

(In thousands of reais, unless otherwise stated)

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.

Over the nine-month period ended September 30, 2018, the Company recorded R$10,331 related to the adoption of the international standards referring to IFRS 09 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers).

In the third quarter of 2018, the Company recorded the amount of R$9,179 related to the impact of monetary restatement of non-monetary items up to December 31, 2017 due to the adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies.

d) Dividends and interest on equity

Dividends and interest on equity (IOE) payable	Amount per share	Date	Company and Consolidated
Balance at December 31, 2016	-	-	13,188
Payment of IOE referring to 2016 (gross amount of R$30,437)	R$0.23529	01/27/2017	(13,180)
Dividends declared referring to 2017	R$0.20000	11/08/2017	14,103
Payment of dividends referring to 2017	R$0.20000	11/24/2017	(14,103)
Balance at December 31, 2017	-	-	8
Additional dividends declared referring to 2017	R$0.15021	04/26/2018	10,577
Payment of dividends referring to 2017	R$0.15021	05/18/2018	(10,576)
IOE declared referring to 2018	**R$0.23529**	**09/21/2018**	**16,566**
Balance at September 30, 2018			**16,575**

16. Equity (Continued)

d) Dividends and interest on equity (Continued)

Management proposed, as part of the closing of the financial statements for the year ended December 31, 2017, allocation of part of profit or loss for the referred to year as additional dividends, totaling R$10,577, as determined in the Company's Articles of Incorporation. The allocation for additional dividends relating to 2017 was approved at the Special General Meeting held on April 26, 2018.

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 the 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 (loss)

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 Foreign 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 Parent Company's equity, the Company set up a "cumulative translation adjustment" account, arising from translation of the interim financial information of its subsidiaries abroad, and the translation of the respective goodwill resulting from the related acquisitions. At September 30, 2018, the debt balance in this account amounted to R$10,213 (debt balance of R$71,317 at December 31, 2017). This difference is mainly due to changes in the main functional currencies of direct and indirect subsidiaries other than the Brazilian real (Dollar and Euro).

(In thousands of reais, unless otherwise stated)

16. **Equity** (Continued)

e) Other comprehensive income (loss) (Continued)

Hedge of net investment in operation abroad

Pursuant to CPC 48 (IFRS 09), hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on hedge investment related to the effective portion is recognized in other comprehensive income (loss), in equity. The gain or loss relating to the non-effective portion is immediately recognized in the statement of profit or loss. Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is partially or fully disposed of or sold. For the period ended September 30, 2018, the Company recognized a net loss amounting to (R$12,288) in other comprehensive income (loss) related to the hedge of net investments in foreign operations.

f) Noncontrolling interests

	09/30/2018	**12/31/2017**
Balance at beginning of period	**11,694**	11,429
Share in profit or loss for the period	**1,020**	71
Cumulative translation adjustments	**1,742**	194
Balance at end of period	**14,456**	11,694

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, 2018 and 2017 is as follows:

	09/30/2018	**09/30/2017**
Net income attributable to the Company's common shareholders	**56,980**	26,623
Weighted average number of common shares used to calculate earnings per share (per thousand shares)	**70,446**	67,631
Basic and diluted earnings per share (in reais)	**0.80885**	0.39365

(In thousands of reais, unless otherwise stated)

17. Earnings per share (Continued)

	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017
Net income attributable to the Company's common shareholders	**23,781**	15,818
Weighted average number of common shares used to calculate earnings per share (per thousand shares)	**70,404**	70,531
Basic and diluted earnings per share (in reais)	**0.33778**	0.22427

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.

18. Segment reporting

For management purposes, the Company is divided into business units, based on products and services, with three 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 storage, retrieval and secure 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, whose 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, digital certificates and notary stamps.

(In thousands of reais, unless otherwise stated)

18. Segment reporting (Continued)

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.

Company management separately monitors operating income (expenses) 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.

From the first quarter of 2018 onwards, the Company began consolidating the results of the Identification and Digital Certification divisions due to strategy issues and also due to the complementary nature of these businesses, since the nature of the Digital Certification division is identifying people. The Digital Certification division represents approximately 5% of the Company's net revenue and, together, they represent 40%.

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

09/30/2018	Means of payment	Identification	Telecom	Adjustments and eliminations	Balance not allocated to segments	Consolidated
Revenues						
Trade accounts receivable	524,996	479,972	282,065	-	-	1,287,033
Intersegment	32,390	677	82,681	(115,748)	-	-
Total revenues	557,386	480,649	364,746	(115,748)	-	1,287,033
Costs	(462,534)	(306,505)	(194,690)	-	-	(963,729)
Selling expenses	(28,640)	(24,485)	(53,923)	-	-	(107,048)
Administrative expenses	(22,383)	(27,087)	(13,239)	-	-	(62,709)
Intersegment	(32,390)	(677)	(82,681)	115,748	-	-
Other operating expenses, net	-	-	-	-	(29,102)	(29,102)
Equity pickup	-	-	(2,045)	-	-	(2,045)
Finance income (costs), net	-	-	-	-	(31,859)	(31,859)
Income and social contribution taxes (IRPJ/CSLL)	-	-	-	-	(32,541)	(32,541)
Net income for the period						58,000

(In thousands of reais, unless otherwise stated)

18. Segment reporting (Continued)

c) Telecom (Continued)

09/30/2018	**Means of payment**	**Identification**	**Telecom**	**Adjustments and eliminations**	**Balances not allocated to segments**	**Consolidated**
Operating assets	**436,682**	**240,683**	**284,671**	**(36,896)**	**-**	**925,140**
Trade accounts receivable	**123,761**	**100,737**	**216,612**	**(36,896)**	**-**	**404,214**
Inventories	**98,305**	**10,811**	**44,032**	**-**	**-**	**153,148**
Property, plant and equipment	**214,616**	**129,135**	**24,027**	**-**	**-**	**367,778**
Operating liabilities	**73,137**	**6,727**	**72,319**	**(36,896)**	**-**	**115,287**
Trade accounts payable	**73,137**	**6,727**	**72,319**	**(36,896)**	**-**	**115,287**

09/30/2017	**Means of payment**	**Identification**	**Telecom**	**Adjustments and eliminations**	**Balances not allocated to segments**	**Consolidated**
Revenues						
Trade accounts receivable	465,927	437,482	259,152	-	-	1,162,561
Intersegment	24,229	133	63,604	(87,966)	-	-
Total revenues	490,156	437,615	322,756	(87,966)	-	1,162,561
Costs	(437,376)	(290,813)	(172,788)	-	-	(900,977)
Selling expenses	(29,458)	(18,579)	(39,989)	-	-	(88,026)
Administrative expenses	(23,487)	(27,157)	(14,029)	-	-	(64,673)
Intersegment	(24,229)	(133)	(63,604)	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 (IRPJ/CSLL)	-	-	-	-	(13,751)	(13,751)
Net income for the period						26,785

12/31/2017	**Means of payment**	**Identification**	**Telecom**	**Adjustments and eliminations**	**Balances not allocated to segments**	**Consolidated**
Operating assets	417,992	237,159	207,099	(26,472)	-	835,778
Trade accounts receivable	109,500	122,412	147,826	(26,472)	-	353,266
Inventories	69,715	13,304	35,243	-	-	118,262
Property, plant and equipment	238,777	101,443	24,030	-	-	364,250
Operating liabilities	50,919	17,158	58,100	(26,472)	-	99,705
Trade accounts payable	50,919	17,158	58,100	(26,472)	-	99,705

(In thousands of reais, unless otherwise stated)

18. Segment reporting (Continued)

c) <u>Telecom</u> (Continued)

07/01/2018 to 09/30/2018	Means of payment	Identification	Telecom	Adjustments and eliminations	Balances not allocated to segments	Consolidated
Revenues						
Trade accounts receivable	**199,670**	**170,090**	**109,091**	**-**	**-**	**478,851**
Intersegment	**10,246**	**512**	**31,784**	**(42,542)**	**-**	**-**
Total revenues	**209,916**	**170,602**	**140,875**	**(42,542)**	**-**	**478,851**
Costs	**(176,046)**	**(110,384)**	**(72,812)**	**-**	**-**	**(359,242)**
Selling expenses	**(9,476)**	**(8,630)**	**(25,990)**	**-**	**-**	**(44,096)**
Administrative expenses	**(7,764)**	**(8,656)**	**(4,818)**	**-**	**-**	**(21,238)**
Intersegment	**(10,246)**	**(512)**	**(31,784)**	**42,542**	**-**	
Other operating expenses, net	**-**	**-**	**-**	**-**	**(4,746)**	**(4,746)**
Equity pickup	**-**	**-**	**(791)**	**-**	**-**	**(791)**
Finance income (costs), net	**-**	**-**	**-**	**-**	**(13,276)**	**(13,276)**
Income and social contribution taxes (IRPJ/CSLL)	**-**	**-**	**-**	**-**	**(11,228)**	**(11,228)**
Net income for the period						**24,234**

07/01/2017 to 09/30/2017	Means of payment	Identification	Telecom	Adjustments and eliminations	Balances not allocated to segments	Consolidated
Revenues						
Trade accounts receivable	167,025	151,999	93,087	-	-	412,111
Intersegment	9,892	33	24,072	(33,997)	-	-
Total revenues	176,917	152,032	117,159	(33,997)	-	412,111
Costs	(153,816)	(99,735)	(58,616)	-	-	(312,167)
Selling expenses	(9,938)	(7,332)	(14,646)	-	-	(31,916)
Administrative expenses	(7,008)	(9,028)	(4,028)	-	-	(20,064)
Intersegment	(9,892)	(33)	(24,072)	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 (IRPJ/CSLL)	-	-	-	-	(10,192)	(10,192)
Net income for the period						15,363

"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.

(In thousands of reais, unless otherwise stated)

18. Segment reporting (Continued)

c) Telecom (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, Nigeria, United Arab Emirates, India, Indonesia, China 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:

	Revenues		**Noncurrent assets (*)**	
Geographic information	**09/30/2018**	**09/30/2017**	**09/30/2018**	**12/31/2017**
In the entity's home country - Brazil	**684,957**	653,265	**447,512**	489,243
In the USA	**329,951**	261,885	**346,320**	305,166
In EMEA (**)	**191,769**	179,911	**426,466**	333,717
In Argentina	**37,702**	49,233	**11,932**	9,449
In other foreign countries	**42,654**	18,267	**2,601**	1,397
Total	**1,287,033**	1,162,561	**1,234,831**	1,138,972

	Revenues	
Geographic information	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
In the entity's home country - Brazil	**236,673**	222,254
In the USA	**132,558**	99,753
In EMEA (**)	**69,209**	64,159
In Argentina	**15,225**	19,683
In other foreign countries	**25,186**	6,262
Total	**478,851**	412,111

(*) 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, Spain, Indonesia, China and Nigeria.

Information on major customers

In line with 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 revenue of the Company and its subsidiaries.

(In thousands of reais, unless otherwise stated)

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, 2018 and 2017, 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:

	Company		Consolidated	
Benefits	**09/30/2018**	**09/30/2017**	**09/30/2018**	**09/30/2017**
Private pension plan	**1,570**	2,153	**1,570**	2,153
Total	**1,570**	2,153	**1,570**	2,153

	Company		Consolidated	
Benefits	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Private pension plan	**557**	555	**557**	555
Total	**557**	555	**557**	555

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 better determine the realizable value. Accordingly, the 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.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

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 that result directly from their operations.

Fair value measurement

Fair value of financial assets and liabilities is included at the amount for which an instrument could be exchanged in an arm's length transaction between willing parties, rather than in a forced sale or liquidation.

The fair value 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.

The carrying amounts and fair values of the Company's financial instruments at September 30, 2018 are as follows:

	Classification after adoption of IFRS 09	Company		Consolidated	
		Book value	Fair value	Book value	Fair value
Cash and banks	Amortized cost	**9,620**	**9,620**	**69,960**	**69,960**
Cash equivalents	Fair value through profit or loss	**213,774**	**213,774**	**277,603**	**277,603**
Marketable securities	Fair value through profit or loss	**1,492**	**1,492**	**1,492**	**1,492**
Accounts receivable	Amortized cost	**157,290**	**157,290**	**445,646**	**445,646**
Receivables from related parties	Amortized cost	**2,443**	**2,443**	**-**	**-**
Other accounts receivable	Amortized cost	**7,902**	**7,902**	**89,069**	**89,069**
Judicial deposits	Amortized cost	**33,019**	**33,019**	**39,360**	**39,360**
Trade accounts payable	Other liabilities at amortized cost	**31,282**	**31,282**	**115,287**	**115,287**
Payables to related parties	Other liabilities at amortized cost	**1,062**	**1,062**	**-**	**-**
Loans, financing and debentures	Other liabilities at amortized cost	**365,619**	**368,546**	**866,825**	**913,193**
Dividends and interest on equity payable	Other liabilities at amortized cost	**16,575**	**16,575**	**16,575**	**16,575**

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Fair value measurement (Continued)

The carrying amounts and fair values of the Company's financial instruments at December 31, 2017 are as follows:

	Classification before adoption of IFRS 09	Company		Consolidated	
		Book value	Fair value	Book value	Fair value
Cash and banks	Loans and receivables	3,217	3,217	88,343	88,343
Cash equivalents	Fair value through profit or loss	162,588	162,588	208,514	208,514
Marketable securities	Fair value through profit or loss	739	739	17,454	17,454
Accounts receivable	Loans and receivables	137,239	137,239	376,519	376,519
Receivables from related parties	Loans and receivables	7,677	7,677	-	-
Other accounts receivable	Loans and receivables	5,729	5,729	78,664	78,664
Judicial deposits	Loans and receivables	31,484	31,484	38,282	38,282
Trade accounts payable	Other liabilities at amortized cost	28,709	28,709	99,705	99,705
Payables to related parties	Other liabilities at amortized cost	4,880	4,880	-	-
Loans, financing and debentures	Other liabilities at amortized cost	325,633	332,013	795,245	838,561
Dividends and interest on equity payable	Other liabilities at amortized cost	8	8	8	8

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 under Level 2.

A summary of financial instruments recorded at fair value at September 30, 2018 and at December 31, 2017 is as follows:

	Company			
Description	**09/30/2018**	**Market value for identical assets (Level 1)**	**Other significant observable impacts (Level 2)**	**Other significant non-observable impacts (Level 3)**
Assets	-	-		-
			277,603	
Cash equivalents	-	-	**1,492**	-
Marketable securities	-	-	**279,095**	-
Total assets	-	-	**277,603**	-

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Fair value hierarchy (Continued)

	Company			
Description	**12/31/2017**	**Market value for identical assets (Level 1)**	**Other significant observable impacts (Level 2)**	**Other significant non-observable impacts (Level 3)**
Assets				
Cash equivalents	-	-	162,588	-
Marketable securities	-	-	739	-
Total assets	-	-	163,327	-

	Consolidated			
Description	**09/30/2018**	**Market value for identical assets (Level 1)**	**Other significant observable impacts (Level 2)**	**Other significant non-observable impacts (Level 3)**
Assets				
Cash equivalents	-	-	**284,009**	-
Marketable securities	-	-	**1,492**	-
Total assets	-	-	**285,501**	-

	Consolidated			
Description	**12/31/2017**	**Market value for identical assets (Level 1)**	**Other significant observable impacts (Level 2)**	**Other significant non-observable impacts (Level 3)**
Assets				
Cash equivalents	-	-	208,514	-
Marketable securities	-	-	17,454	-
Total assets	-	-	225,968	-

Market risk

Market risk is the risk that the fair value of future cash flows from a financial instrument will float due to changes in market prices. 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 changes 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.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument fluctuates due to changes in exchange rates. 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 Brazilian reais at the end of the reporting period, considering depreciation of 25% and 50% in exchange rates. Appreciation of the Brazilian real would result in equity reduction at the following amounts:

	09/30/2018	
Currency	**25%**	**50%**
Argentine peso	**5,091**	**10,182**
Colombian peso	**1,213**	**2,427**
Mexican peso	**3,023**	**6,047**
Uruguayan peso	**356**	**712**
Euro	**127,961**	**255,922**
US dollar	**130,711**	**261,423**

The Company records trade accounts payable for equipment and raw material denominated in foreign currency. Therefore, profit or loss is subject to changes in the US dollar and Euro exchange rates. The Company estimates that a possible depreciation of the Brazilian real against the US dollar and Euro by 25% and 50%, respectively, would result in an impact on finance costs at September 30, 2018 of R$3,141 and R$6,283 (R$1,261 and R$2,523 at December 31, 2017) relating 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.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Credit risk (Continued)

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 conducted 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.

The liquidity and cash flow control of the Company and its direct and indirect 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 aging list of outstanding financial liabilities at September 30, 2018, pursuant to paragraph 39 of CPC 40 (R1), is as follows:

	Company					
	Within 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Trade accounts payable	**31,282**	**-**	**-**	**-**	**-**	**31,282**
Loans, financing and debentures	**2,640**	**2,640**	**2,639**	**357,700**	**-**	**365,619**
Total	**33,922**	**2,640**	**2,639**	**357,700**		**396,901**

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Liquidity risk (Continued)

	Consolidated					
	Within 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Trade accounts payable	**115,287**	**-**	**-**	**-**	**-**	**115,287**
Loans, financing and debentures	**13,441**	**49,604**	**129,284**	**674,496**	**-**	**866,825**
Total	**128,728**	**49,604**	**129,284**	**674,496**	**-**	**982,112**

Sensitivity analysis

CVM Ruling 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 a sensitivity analysis table.

In general, the main risks related to the financial instruments used by the Company are pegged to: (i) changes in Interbank Deposit Certificate (CDI), mainly with respect to obligations on debentures issued and short-term investments; (ii) changes in TJLP, 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 direct subsidiary Valid Spain.

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 fluctuation. 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 changes in TJLP.

In addition, the Company has trade accounts payable pegged to the US dollar and Euro. However, taking into consideration that the maturities of these payables are less than 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, 2018. Based on projections disclosed by BM&F Bovespa, dated October 12, 2018, CDI was projected for the next 12 months at an average rate of 7.56%, which is defined as a probable scenario. Based on this scenario, 25% and 50% index variations were calculated and represent the conditions for different scenarios.

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Sensitivity analysis (Continued)

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, 2018, with a one-year projection and analysis of the CDI sensitivity in each scenario.

Company					
Transaction	**Balance at 09/30/2018**	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**
Short-term investments (cash equivalents)	**213,774**	**CDI**	**7.56%**	**5.67%**	**3.78%**
Gross finance income			**16,161**	**12,121**	**8,081**

Consolidated					
Transaction	**Balance at 09/30/2018**	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**
Short-term investments (cash equivalents)	**277,603**	**CDI**	**7.56%**	**5.67%**	**3.78%**
Gross finance income			**20,987**	**15,740**	**10,493**

The same analysis was conducted for the balance corresponding to the Company's debentures at September 30, 2018. Interest of 115.0% was added for the seventh issue, reaching 8.69%, and this scenario was considered as probable. Based on this scenario, 25% and 50% index variations 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, 2018, with a one-year projection and analysis of the CDI sensitivity in each scenario.

Transaction	**Balances at 09/30/2018**	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**
Debentures (7th issue)	**365,619**	**CDI**	**8.69%**	**10.86%**	**13.04%**
Gross finance costs			**31,772**	**39,706**	**47,677**

(In thousands of reais, unless otherwise stated)

20. Financial instruments and risk management (Continued)

Sensitivity analysis (Continued)

The same analysis was conducted for the balance corresponding to indirect subsidiary Valid USA's obligations on loans at September 30, 2018. A 3-month Libor rate of 3.19% projected and disclosed by Bloomberg Terminal on October 1, 2018 was taken into consideration and, based on this probable scenario, 25% and 50% index variances were calculated, representing the conditions for different scenarios.

Transaction	Balances at 09/30/2018	Risk	Probable scenario	Scenario II	Scenario III
Loans - Valid USA	**88,840**	**LIBOR**	**3.19%**	**3.99%**	**4.79%**
Gross finance costs			**2,834**	**3,545**	**4,255**

21. Insurance

The Company takes out insurance coverage at amounts to cover any claims relating to its industrial plants, considering the nature of its activity and the risks involved in its operations. At September 30, 2018, the Company has the following major insurance policies taken out from third parties:

Type	Insured amount
Civil liability	**78,475**
Operational risks	**1,109,088**
Miscellaneous risks	**202,437**
Vehicles	**1,341**
D&O - civil liability	**57,031**
Errors & Omissions (E&O) - professional liability	**428,396**
Loyalty and Crime	**US$11,500**
Product transportation - import/export	**13,008**

(In thousands of reais, unless otherwise stated)

22. Net sales revenue

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Gross sales revenue	**32,306**	36,896	**580,359**	429,420
Gross sales and service revenue	**556,778**	537,418	**813,968**	830,503
Total gross revenue	**589,084**	574,314	**1,394,327**	1,259,923
Sales taxes	**(74,642)**	(73,706)	**(94,107)**	(91,236)
Sales returns	**(792)**	(4,309)	**(13,187)**	(6,126)
Net sales revenue	**513,650**	496,299	**1,287,033**	1,162,561

	Company		Consolidated	
	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017
Gross sales revenue	**9,839**	14,916	**303,827**	161,512
Gross sales and service revenue	**191,974**	180,096	**214,854**	285,530
Total gross revenue	**201,813**	195,012	**518,681**	447,042
Sales taxes	**(26,352)**	(25,223)	**(33,214)**	(31,777)
Sales returns	**(504)**	(2,975)	**(6,616)**	(3,154)
Net sales revenue	**174,957**	166,814	**478,851**	412,111

(In thousands of reais, unless otherwise stated)

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:

	Company		Consolidated	
Expenses by nature	**09/30/2018**	**09/30/2017**	**09/30/2018**	**09/30/2017**
Labor	**127,095**	125,607	**291,037**	281,095
Employee benefits	**41,323**	45,804	**61,098**	63,758
Taxes and charges	**34,425**	38,087	**56,737**	59,693
Operating lease	**14,625**	16,748	**30,144**	31,336
Depreciation and amortization	**32,010**	32,525	**80,507**	73,522
Consumables/raw material	**92,202**	89,898	**386,345**	333,258
Third-party services	**28,230**	29,633	**100,996**	83,490
Maintenance	**10,964**	9,417	**20,755**	18,008
Utilities and services	**26,761**	28,379	**57,249**	57,493
Sales commissions	**5,264**	5,750	**12,904**	11,997
Freight on sales	**8,132**	8,180	**14,266**	14,893
General and other expenses	**19,199**	24,904	**21,448**	25,133
	440,230	454,932	**1,133,486**	1,053,676
Classified as				
Costs of goods and/or services sold	**387,288**	401,861	**963,729**	900,977
Selling expenses	**28,356**	23,938	**107,048**	88,026
General and administrative expenses	**24,586**	29,133	**62,709**	64,673
	440,230	454,932	**1,133,486**	1,053,676

	Company		Consolidated	
Expenses by nature	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Labor	**43,102**	42,358	**105,851**	99,732
Employee benefits	**13,722**	15,030	**20,893**	20,761
Taxes and charges	**12,465**	10,569	**19,501**	16,844
Operating lease	**5,379**	5,248	**10,606**	10,073
Depreciation and amortization	**10,193**	8,330	**27,916**	22,414
Consumables/raw material	**31,683**	29,351	**152,385**	119,720
Third-party services	**11,181**	10,520	**42,699**	31,082
Maintenance	**4,462**	3,218	**8,093**	6,534
Utilities and services	**8,914**	9,761	**19,212**	19,706
Sales commissions	**1,635**	1,717	**4,648**	4,000
Freight on sales	**2,396**	2,665	**4,085**	4,923
General and other expenses	**5,587**	6,261	**8,687**	8,358
	150,719	145,028	**424,576**	364,147
Classified as				
Costs of goods and/or services sold	**132,240**	126,960	**359,242**	312,167
Selling expenses	**10,514**	8,425	**44,096**	31,916
General and administrative expenses	**7,965**	9,643	**21,238**	20,064
	150,719	145,028	**424,576**	364,147

(In thousands of reais, unless otherwise stated)

24. Finance income and costs

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Finance income				
Short-term investment yield	**9,686**	12,596	**11,858**	16,374
Derecognition of financial liabilities (1)	**-**	8,800	**-**	8,800
Foreign exchange difference and interest on intercompany loans	**-**	-	**4,360**	-
Foreign exchange difference on loans	**-**	-	**15,324**	18,517
Other foreign exchange differences	**362**	726	**18,920**	9,358
Other finance income	**204**	203	**314**	899
	10,252	22,325	**50,776**	53,948
Finance costs				
Interest on debentures, loans and financing	**(20,556)**	(31,614)	**(40,530)**	(46,929)
Foreign exchange difference and interest on intercompany loans	**-**	-	**(2,124)**	-
Foreign exchange difference on loans	**-**	-	**(13,852)**	(515)
Other foreign exchange differences	**(621)**	(362)	**(20,928)**	(21,945)
Interest and foreign exchange differences on loans and leases	**-**	(209)	**(271)**	(450)
Bank charges	**(594)**	(894)	**(4,092)**	(6,120)
Other finance costs	**(375)**	(714)	**(838)**	(1,988)
	(22,146)	(33,793)	**(82,635)**	(77,947)
Total, net	**(11,894)**	(11,468)	**(31,859)**	(23,999)

(1) This refers to the derecognition of financial liabilities related to purchase of equipment, amounting to R$9,712 (Note 12).

	Company		Consolidated	
	07/01/2018 to 09/30/2018	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Finance income				
Short-term investment yield	**3,884**	2,424	**4,915**	3,380
Foreign exchange difference and interest on intercompany loans	**-**	-	**1,075**	-
Foreign exchange difference on loans	**-**	-	**36**	11,401
Other foreign exchange differences	**195**	592	**6,251**	3,899
Other finance income	**167**	13	**72**	-
	4,246	3,029	**12,349**	18,680
Finance costs				
Interest on debentures, loans and financing	**(7,739)**	(8,298)	**(15,284)**	(14,235)
Interest and foreign exchange difference	**(181)**	(362)	**(8,005)**	(8,673)
Foreign exchange difference and interest on intercompany loans	**-**	-	**(688)**	-
Foreign exchange difference on loans	**-**	-	**(89)**	(515)
Interest and foreign exchange differences on loans and leases	**-**	-	**(92)**	(80)
Bank charges	**(162)**	(219)	**(1,256)**	(1,964)
Other finance costs	**(113)**	(5)	**(211)**	(1,147)
	(8,195)	(8,884)	**(25,625)**	(26,614)
Total, net	**(3,949)**	(5,855)	**(13,276)**	(7,934)

(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, 2018 refer to gains and losses derived 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 of such item in the Consolidated report for the nine-month period ended September 30, 2018 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 Foreign exchange differences on loans includes gains and losses from loans raised in US dollars by Valid Spain.

25. Other operating income (expenses)

Significant information on amounts recognized as Other operating expenses for the nine-month periods ended September 30, 2018 and 2017 is as follows:

	Company		Consolidated	
	09/30/2018	**09/30/2017**	**09/30/2018**	**09/30/2017**
Provision for restructuring expenses	**(2,471)**	(16,516)	**(17,600)**	(28,649)
Other operating expenses, net	**(1,697)**	(1,404)	**(11,502)**	(15,390)
Total other operating expenses	**(4,168)**	(17,920)	**(29,102)**	(44,039)

	Company		Consolidated	
	07/01/2018 to 09/30/2018	**07/01/2017 to 09/30/2017**	**07/01/2018 to 09/30/2018**	**07/01/2017 to 09/30/2017**
Provision for restructuring expenses	**(1,191)**	(2,791)	**(3,487)**	(8,306)
Other operating expenses, net	**(984)**	(1,563)	**(1,259)**	(5,858)
Total other operating expenses	**(2,175)**	(4,354)	**(4,746)**	(14,164)

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.

(In thousands of reais, unless otherwise stated)

25. Other operating income (expenses) (Continued)

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

26. Additional disclosures to the statements of cash flows

a) Non-cash transactions

	Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Property, plant and equipment and intangible assets acquired and not paid	**1,176**	310	**1,799**	6,253
Lease	**-**	-	**103**	-
Treasury shares (*)	**838**	-	**838**	-

(*) Based on the stock options agreement, employees were responsible for the payment of any income tax generated on the transfer of restricted shares and, as a result, they chose to return approximately 27% of the Company shares to cover these expenses, totaling R$838, which was recorded as an addition to Treasury shares.

b) Changes in liabilities from financing activities

Significant changes in loans, financing, debentures and leases in financing activities for the nine-month period ended September 30, 2018 and year ended December 31, 2017 are as follows:

	Company				
	Balances at 12/31/2017	Addition	Payments (principal + interest)	Interest allocation	Balances at 09/30/2018
Financial liabilities					
Debentures	325,633	**357,072**	**(337,642)**	**20,556**	**365,619**
Lease	1,785	**-**	**(1,785)**	**-**	**-**
Total	327,418	**357,072**	**(339,427)**	**20,556**	**365,619**

(In thousands of reais, unless otherwise stated)

26. Additional disclosures to the statements of cash flows (Continued)

b) Changes in liabilities from financing activities (Continued)

	Consolidated						
	Balances at 12/31/2017	Addition	Payments (principal + interest)	Interest allocation	Foreign exchange difference, leases and loans	Foreign exchange difference (Equity)	Balances at 09/30/2018
Financial liabilities							
Debentures	325,633	**357,072**	**(337,642)**	**20,556**	**-**	**-**	**365,619**
Lease	10,239	**103**	**(4,469)**	**-**	**271**	**1,527**	**7,671**
Loans	464,483	**11,136**	**(90,647)**	**19,821**	**(1,472)**	**97,885**	**501,206**
Financing	5,129	**-**	**(5,282)**	**153**	**-**	**-**	**-**
Total	805,484	**368,311**	**(438,040)**	**40,530**	**(1,201)**	**99,412**	**874,496**

(In thousands of reais, unless otherwise stated)

27. Reconciliation of EBITDA

The Company uses EBITDA as the main metric for the evaluation of the Company's operating and financial performance. For purposes of compliance with the terms of paragraph 2, article 2 of CVM Ruling No. 527/12, we present below the reconciliation of the calculated EBITDA amounts for the three- and nine-month periods ended September 30, 2018 and September 30, 2017.

	09/30/2018	09/30/2017
Net income for the period	**56,980**	**26,623**
(+) Noncontrolling interests	**1,020**	162
(+) Income and social contribution taxes	**32,541**	13,751
(+) Finance income / costs	**31,859**	23,999
(+) Depreciation and amortization	**88,115**	84,050
EBITDA	**210,515**	**148,585**
(+) Other operating expenses	**29,102**	44,039
(+) Depreciation and amortization (*)	**(10,501)**	(13,105)
(+/-) Equity pickup – noncontrolling interests	**2,045**	311
(+) Nonrecurring expenses	**-**	-
ADJUSTED EBITDA	**231,161**	**179,830**

	07/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017
Net income for the period	**23,781**	**15,818**
(+) Noncontrolling interests	**453**	(455)
(+) Income and social contribution taxes	**11,228**	10,192
(+) Finance income / costs	**13,276**	7,934
(+) Depreciation and amortization	**28,003**	25,911
EBITDA	**76,741**	**59,400**
(+) Other operating expenses	**4,746**	14,164
(+) Depreciation and amortization (*)	**(1,225)**	(4,662)
(+/-) Equity pickup – noncontrolling interests	**791**	311
(+) Nonrecurring expenses	**-**	-
ADJUSTED EBITDA (*)	**81,053**	**69,213**

(*) Depreciation of assets not used in the operation and goodwill of assets.

28. Events after the reporting period

- On October 22, 2018, Valid announced the acquisition of 51.8% of Agrotopus, a startup focused on corporate solutions for agribusiness. With the operation, Agritech becomes a Valid business line specializing in innovative solutions for the entire agricultural and livestock production chain. The acquisition value amounts to R$6.5 million.

- On October 11, 2018, the Company paid interest on equity totaling R$16,566, of which R$1,560 refers to income tax.