

Dear shareholders,

2020 was a transformational year for Valid. Faced with the challenge caused by the global pandemic, the Company was challenged on its ability to adapt, supported by a qualified team that has proven to be ready for change. The scenario caused by the pandemic, which still exists, required the Company to implement several measures to protect the health of its employees, aiming at the preservation of its business and its value to shareholders.

During 1Q20, our operations in Asia were negatively impacted by the adoption of restrictive measures on the movement of people in certain countries where we operate, affecting mainly our mobile division, since a large part of the global production of SIM Cards is made in the region. In other markets, the Company reported good results, especially in Brazil and the USA, which were hardly impacted by the pandemic until then. With the spread of the pandemic to the west at the end of March, the Company began to suffer impacts in its Identification division, which experienced the total closure of the issuing sites on 03/23/2021, in addition to having experienced measures adopted by regulatory agencies such as CONTRAN, which effectively suspended the National Driver's License (CNH) expiration period during the health emergency period. Due to these, we observed a loss of volume, in the amount of 300,000 documents in the first quarter, leading to a period below expectations.

At the end of the 1Q20 and beginning of the 2Q20, a range of measures were implemented to protect the health and safety of our employees, such as the adoption of home office for at least 50% of our workforce. We reinforced the sanitation protocols at our production sites and offices, as well as taking necessary measures to reinforce our cash position, which involved reducing executive compensation and suspending the employment contract as provided by Provisional Measure 936/2020. We estimated a cash consumption that did not occur, so the additional funds raised have been maintained as short-term investments for the Company.

During the second quarter, our Identification division was affected by even more restrictive measures imposed by the states. We could observe a decrease of approximately 80% in the issuance of documents in the first month of the quarter, negatively impacting the Company's results. However, a gradual resumption in issuance volume was seen in the second quarter.

In 3Q20 and 4Q20, with the gradual resumption of issuing volumes in the Identification division, Valid began to deliver better results once again, based on a return-to-normal operations in the Mobile and Payment Methods divisions. This recovery enabled the Company to achieve quarterly EBITDAs¹ significantly higher than in 2Q20 and similar to the levels observed in the pre-crisis scenario.

During the year, the Company's digital transformation projects were accelerated through the development of new platforms, such as the digital Identity Card already implemented in São Paulo, and acquisitions aimed at strengthening the smart cities sector, such as Estacionamento Digital and Mitra.

In the legal scope, the Brazilian Traffic Code was approved and ratified by the President, increasing the expiration period of some of the new drivers' licenses to be issued. This law will become effective in April 2021. Once in effect, the annual impact on the Company's operations in relation to the issue of driver's licenses will begin after the 5th year as of the implementation of the new legislation. We estimate that, from 2026 to 2030, we will have an annual revenue loss, in this service, of approximately R\$130 million, impacting the EBITDA close to R\$40 million.

It is important to note that our Identification operation in Brazil currently has a fixed cost structure directly related to the number of documents issued, which will be gradually adjusted to the new issuance volume expected for the new law. In addition, the law only applies to drivers aged up to 50, maintaining the 5-year renewal period for those between 50 and 70, and reducing the renewal period to 3 years for drivers over 70. The Brazilian population with drivers over 50 years old is about 35%.

¹ Adjusted EBITDA. More details on page 19

During 4Q20, CONTRAN revoked the ordinance that suspended the expiration of CNHs, which had been granted at the beginning of the sanitary emergency in Brazil. This measure will make the reduction in Driver's License issuance volume to be recovered during 2021, leading to potential better results in the Identification division in 2021, depending on the evolution of the pandemic scenario.

2020 was also a year in which Valid executed important adjustments in its business, accounting for Impairments, especially in the data division in the USA, as well as in the constitution of provisions for credit losses related to an important contract in the Identification division.

Valid has experienced and continues to undertake important changes in its operational and management structures, with the entry of its new Chief Executive Officer, Mr. Ivan Murias, who was invested in October 2020, and the new Chief Financial and Investor Relations Officer, Mr. Joel Rennó, who was invested in the beginning of February 2021. Both are coming with extensive previous experience and with the challenge of further enhancing the transformation of the company and its business. Throughout Valid's history, all its CEOs and most of its executives have reached their position after completing an internal career path. In this moment marked by so many changes, the Company decided to also innovate in the way it chooses its leadership, by choosing renowned professionals in the market. More recently, in the beginning of March, Valid ended its cycle of changes in the executive board, electing Ms. Daniela Belisario, a very experienced executive in the area, as the People and Management Office and appointed as statutory board member Mr. Ilson Bressan, who already worked at the Company as a Commercial and Marketing Director, position that he will maintain.

The new leadership aims to rescue the company's market value, prepare and guide it in the path of digital transformation and cost efficiency, generating even more value to its shareholders. Measures in this sense have already started to be implemented, such as the closing of our corporate office that was located at Av. Presidente Wilson in Rio de Janeiro, and the announcement of the transfer process of the production site in São Bernardo do Campo.

Valid also hired the Bain&Company, an international strategy consulting firm, which is working to assist in the preparation of new strategic planning and re-evaluation of assets and businesses of Valid, seeking to identify synergies between the several areas of operation and locations where we operate as well as identify businesses that no longer reflect the portfolio of services offered by the Company.

The challenges caused by the pandemic have proved to us how resilient our business, our structures, and our team of employees are, and have encouraged us to move forward, pursuing even greater and better results.

Thank you very much, and Let's move forward!

Individual and Consolidated Financial Statements

Valid Soluções S.A.

December 31, 2020
with Independent Auditor's Report

Valid Soluções S.A.

Individual and consolidated financial statements

December 31, 2020

Contents

| | |
|----------------------------------------------------------------------------------|----|
| Independent auditor's report on individual and consolidated financial statements | 1 |
| Individual and consolidated financial statements | |
| Statements of financial position | 8 |
| Statements of profit or loss | 10 |
| Statements of comprehensive income | 11 |
| Statements of changes in equity – Individual and Consolidated | 12 |
| Statements of cash flows | 14 |
| Statements of value added | 16 |
| Notes to individual and consolidated financial statements | 17 |



Centro Empresarial PB 370
Praia de Botafogo, 370
6º ao 10º andar - Botafogo
22250-040 - Rio de Janeiro - RJ - Brazil
Phone: +55 21 3263-7000
ey.com.br

A free translation from Portuguese into English of independent auditor's report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Valid Soluções S.A.
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of Valid Soluções S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Valid Soluções S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

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

Impairment of goodwill generated in business combinations

As disclosed in Note 10, the Company recorded goodwill on expected future profitability amounting to R\$559,485 thousand as at December 31, 2020, which represents approximately 20% of the Company's total consolidated assets at that date. In accordance with the accounting practices adopted in Brazil and International Financial Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the Company should annually test goodwill for impairment.

This annual test was considered one of the key audit matters, considering the magnitude of the amounts involved and the fact that the process for testing these assets for impairment is complex and involves a high degree of subjectivity, and is based on various assumptions, such as the determination of cash-generating units, discount rates, inflation projection, growth rates, foreign exchange rates and profitability of the Company's and its subsidiaries' businesses for the coming years, among others. These assumptions will be affected by the market conditions or future economic scenarios in Brazil and in the countries where its subsidiaries are based, which cannot be estimated accurately.

How our audit addressed this matter

Our audit procedures included, among others: (i) using valuation model experts to assist us in assessing and testing the model used for measuring recoverable amount and assumptions, especially the data used for determining the discount rates used by Company management;



(ii) evaluating the reasonableness of the projections and methodology used by the Company, particularly those related to estimated future sales, growth rates, and profit margin of the cash-generating units to which goodwill was allocated; (iii) validating the information used in the calculations; (iv) retrospectively reviewing prior projections to identify any potential inconsistencies in preparing estimates in the future; (v) performing an independent calculation, with a sensitive analysis of significant assumptions used; and (vi) reviewing fairness of Company disclosures on the assumptions used for impairment testing, especially those with a more significant effect on the determination of the goodwill recoverable amount.

Based on the results of the audit procedures performed on the impairment testing of goodwill, which is consistent with management's assessment, we consider that the criteria and assumptions relating to the goodwill recoverable amount adopted by management, as well as the respective disclosures in Note 10, are acceptable, in the context of the financial statements as a whole.

Revenue recognition

As mentioned in Note 2.6, the Company recognizes revenue as the performance obligation is satisfied by transferring the promised goods and services to its customers for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In the case of goods sold, this occurs when the goods are effectively delivered to the buyer, transferring control as from the effective transfer of ownership of the goods. As regards the sale of services, revenue is recognized only when such services are effectively rendered.

The Company revenue recognition process was considered a key audit matter due to the following factors, among others: (i) the significant volume of transactions; (ii) the different natures of products sold and services rendered; (iii) revenue generated in different jurisdictions; and (iv) the significance of the amounts involved. On account of these characteristics, the Company and its subsidiaries must have and maintain controls as part of a routine that efficiently identifies and measures revenue on an accrual basis.

How our audit addressed this matter

Our audit procedures included, among others: (i) assessing the design, implementation and effectiveness of the Company's internal control activities relating to revenue recognition; (ii) performing substantive tests on key items and representative samples, including, when applicable, inspection of contracts, orders, invoices issued, proof of the effective delivery of products and/or services relating to the selected transactions and subsequent receipts; (iii) conducting cut-off tests on sales and their respective recognition upon effective delivery of the goods sold and/or services provided in the periods prior and subsequent to the reporting date;



(iv) performing substantive analytical procedures to analyze trends and patterns of revenues recognized on a monthly basis by the Company; and (v) reviewing fairness of the disclosures included in Notes 2.6 and 21 to the financial statements.

Based on the audit procedures performed, which are consistent with management assessment, we believe that Company policies for recognizing revenue from sales of goods and services, as well as their respective disclosure in the financial statements, are acceptable in the context of the financial statements as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of the Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.



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

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

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

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

Rio de Janeiro, March 18, 2021

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 financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB)

Valid Soluções S.A.

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

| | Note | Individual | | Consolidated | |
|-----------------------------------------------|------|------------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Current assets | | | | | |
| Cash and cash equivalents | 4 | 316,597 | 206,387 | 486,536 | 318,522 |
| Trade accounts receivable | 5 | 139,224 | 143,872 | 358,162 | 395,523 |
| Related party receivables | 14 | 10,044 | 5,153 | 342 | - |
| Taxes recoverable | 6.a | 33,879 | 20,776 | 71,051 | 79,983 |
| Inventories | 7 | 105,471 | 90,922 | 270,014 | 227,028 |
| Restricted short-term investment | 25 | 57,113 | - | 57,163 | - |
| Other assets | | 6,360 | 6,239 | 48,005 | 61,080 |
| | | 668,688 | 473,349 | 1,291,273 | 1,082,136 |
| Assets available for sale | | | | | |
| | | - | - | 13,546 | - |
| | | 668,688 | 473,349 | 1,304,819 | 1,082,136 |
| Noncurrent assets | | | | | |
| Marketable securities | 4 | 5,622 | 3,115 | 5,622 | 3,115 |
| Trade accounts receivable | 5 | 7,334 | 11,518 | 23,663 | 11,594 |
| Related party receivables | 14 | - | - | 3,656 | 1,972 |
| Judicial deposits | 8 | 20,589 | 31,879 | 21,166 | 36,435 |
| Taxes recoverable | 6.a | 21,556 | 21,146 | 21,883 | 21,473 |
| Deferred income and social contribution taxes | 6.b | 31,840 | 26,096 | 104,465 | 88,480 |
| Other accounts receivable | | 689 | 505 | 3,932 | 2,616 |
| Investments | 9 | | | | |
| | | 802,619 | 829,559 | 62,871 | 44,595 |
| Property, plant and equipment | 11 | 187,802 | 220,977 | 446,945 | 453,837 |
| Intangible assets | 10 | 36,951 | 28,019 | 870,110 | 772,189 |
| | | 1,115,002 | 1,172,814 | 1,564,313 | 1,436,306 |
| Total assets | | | | | |
| | | 1,783,690 | 1,646,163 | 2,869,132 | 2,518,442 |

| | Note | Individual | | Consolidated | |
|----------------------------------------------------|------|------------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Current liabilities | | | | | |
| Trade accounts payable | | 66,326 | 43,796 | 188,062 | 181,080 |
| Related party payables | 14 | 9,152 | 5,582 | 3,042 | - |
| Loans, financing, debentures and lease payable | 12 | 364,149 | 96,061 | 756,600 | 275,552 |
| Payroll, accruals and social charges payable | | 23,449 | 35,365 | 52,448 | 67,015 |
| Taxes, charges and contributions payable | 6.c | 7,505 | 9,101 | 39,936 | 22,255 |
| Dividends and interest on equity payable | 15.d | 11 | 44,351 | 11 | 44,351 |
| Advances from customers and other accounts payable | | 8,661 | 14,316 | 50,785 | 41,583 |
| | | 479,253 | 248,572 | 1,090,884 | 631,836 |
| Noncurrent liabilities | | | | | |
| Related party payables | 14 | 3,000 | - | 3,030 | - |
| Loans, financing, debentures and lease payable | 12 | 218,763 | 275,527 | 551,485 | 669,698 |
| Provisions | 13 | 13,155 | 12,999 | 18,625 | 15,243 |
| Deferred income and social contribution taxes | 6.b | - | - | 44,847 | 38,080 |
| Other accounts payable | | 6,641 | 10,200 | 47,605 | 46,478 |
| | | 241,559 | 298,726 | 665,592 | 769,499 |
| Total liabilities | | 720,812 | 547,298 | 1,756,476 | 1,401,335 |
| Equity | | | | | |
| Capital | 15.a | 904,508 | 904,508 | 904,508 | 904,508 |
| Capital reserves | 15.b | 12,517 | 12,517 | 12,517 | 12,517 |
| Treasury shares | 15.b | (24,808) | (15,978) | (24,808) | (15,978) |
| Income reserves | 15.c | 199,614 | 193,777 | 199,614 | 193,777 |
| Accumulated losses | | (202,455) | - | (202,455) | - |
| Cumulative translation adjustments | 15.e | 173,502 | 4,041 | 173,502 | 4,041 |
| | | 1,062,878 | 1,098,865 | 1,062,878 | 1,098,865 |
| Noncontrolling interests | 15.f | - | - | 49,778 | 18,242 |
| Equity | | 1,062,878 | 1,098,865 | 1,112,656 | 1,117,107 |
| Total liabilities and equity | | 1,783,690 | 1,646,163 | 2,869,132 | 2,518,442 |

See accompanying notes.

Valid Soluções S.A.

Statements of profit or loss
 Years ended December 31, 2020 and 2019
 (In thousands of reais, unless otherwise stated)

| | Note | Individual | | Consolidated | |
|-----------------------------------------------------------------|------|------------------|------------|--------------------|-------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Net sales revenue | 21 | 621,865 | 813,497 | 1,939,142 | 2,007,962 |
| Cost of sales and/or services | 22 | (539,501) | (634,987) | (1,596,306) | (1,566,764) |
| Gross profit | | 82,364 | 178,510 | 342,836 | 441,198 |
| Selling expenses | 22 | (54,511) | (48,174) | (183,013) | (169,122) |
| General and administrative expenses | 22 | (27,693) | (30,591) | (90,940) | (82,475) |
| Other operating income (expenses) | 24 | (18,132) | (6,852) | (179,050) | (61,578) |
| Equity pickup | 9 | (165,739) | (7,915) | 801 | 2,346 |
| Income (loss) before finance income (costs) | | (183,711) | 84,978 | (109,366) | 130,369 |
| Finance income | 23 | 10,738 | 10,723 | 88,346 | 82,712 |
| Finance costs | 23 | (39,083) | (28,372) | (173,481) | (143,257) |
| Income (loss) before income taxes | | (212,056) | 67,329 | (194,501) | 69,824 |
| Current income and social contribution taxes | 6.d | (709) | (7,819) | (9,096) | (32,715) |
| Deferred income and social contribution taxes | 6.d | 10,310 | (5,229) | 1,948 | 16,632 |
| Net income (loss) for the year | | (202,455) | 54,281 | (201,649) | 53,741 |
| Income (loss) attributable to controlling interests | | (202,455) | 54,281 | (202,455) | 54,281 |
| Income (loss) attributable to noncontrolling interests | 15.f | - | - | 806 | (540) |
| Earnings (loss) per share attributable to controlling interests | 16 | (2.89412) | 0.77141 | (2.89412) | 0.77141 |

See accompanying notes.

Valid Soluções S.A.

Statements of comprehensive income
Years ended December 31, 2020 and 2019
(In thousands of reais, unless otherwise stated)

| | Individual | | Consolidated | |
|-----------------------------------------------------------|------------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Net income (loss) for the year | (202,455) | 54,281 | (201,649) | 53,741 |
| Other comprehensive income | | | | |
| Items that may be subsequently reclassified | | | | |
| Exchange effects on the translation of investments abroad | 155,115 | 17,837 | 158,330 | 18,493 |
| Hedge of net investment in operation abroad | 14,346 | (4,988) | 14,346 | (4,988) |
| Total comprehensive income (loss) for the year | (32,994) | 67,130 | (28,973) | 67,246 |
| Comprehensive income (loss) attributable to: | | | | |
| Income (loss) attributable to controlling interests | (32,994) | 67,130 | (32,994) | 67,130 |
| Income (loss) attributable to noncontrolling interests | - | - | 4,021 | 116 |

See accompanying notes.

Valid Soluções S.A.

Statements of changes in equity – Individual and Consolidated
 Years ended December 31, 2020 and 2019
 (In thousands of reais, unless otherwise stated)

| | Note | Individual | | | | | | | | | Total equity | |
|---------------------------------------------|------|----------------|-------------------------|-----------------|---------------------------------|---------------|--------------------|------------------------------------|----------------------------------------|--------------------------------------|---------------|--------------------------|
| | | Capital | Stock option recognized | Treasury shares | Gain on sale of treasury shares | Legal reserve | Investment reserve | Cumulative translation adjustments | Retained earnings (accumulated losses) | Total equity – controlling interests | | Noncontrolling interests |
| Opening balance at 12/31/2019 | | 904,508 | 12,517 | (16,076) | 98 | 58,983 | 134,794 | 4,041 | - | 1,098,865 | 18,242 | 1,117,107 |
| Capital increase | 15.f | - | - | - | - | - | - | - | - | - | 1,960 | 1,960 |
| Treasury shares | 15.b | - | - | (8,830) | - | - | - | - | - | (8,830) | - | (8,830) |
| Exchange effects on investments abroad | 15.e | - | - | - | - | - | - | 155,115 | - | 155,115 | 3,215 | 158,330 |
| Hedge of net investment in operation abroad | 15.e | - | - | - | - | - | - | 14,346 | - | 14,346 | - | 14,346 |
| Net income (loss) for the year | 15.c | - | - | - | - | - | - | - | (202,455) | (202,455) | 806 | (201,649) |
| Inflation adjustments to foreign subsidiary | 15.c | - | - | - | - | - | 5,149 | - | - | 5,149 | - | 5,149 |
| Acquisition of noncontrolling interests | | - | - | - | - | - | 688 | - | - | 688 | (2,842) | (2,154) |
| Disposal to noncontrolling interests | | - | - | - | - | - | - | - | - | - | (1,366) | (1,366) |
| Acquisition of Alpdex | 9 | - | - | - | - | - | - | - | - | - | 548 | 548 |
| Acquisition of Serbet | 9 | - | - | - | - | - | - | - | - | - | 15,924 | 15,924 |
| Acquisition of Mitra | 9 | - | - | - | - | - | - | - | - | - | 12,171 | 12,171 |
| Acquisition of Valid Hub | 9 | - | - | - | - | - | - | - | - | - | 1,120 | 1,120 |
| Closing balance at 12/31/2020 | | 904,508 | 12,517 | (24,906) | 98 | 58,983 | 140,631 | 173,502 | (202,455) | 1,062,878 | 49,778 | 1,112,656 |

See accompanying notes.

Valid Soluções S.A.

Statements of changes in equity – Individual and Consolidated
 Years ended December 31, 2019 and 2018
 (In thousands of reais, unless otherwise stated)

| | Consolidated | | | | | | | | | | | |
|---------------------------------------------|--------------|---------|-------------------------|-----------------|---------------------------------|---------------|--------------------|------------------------------------|----------------------------------------|--------------------------------------|--------------------------|--------------|
| | Note | Capital | Stock option recognized | Treasury shares | Gain on sale of treasury shares | Legal reserve | Investment reserve | Cumulative translation adjustments | Retained earnings (accumulated losses) | Total equity – controlling interests | Noncontrolling interests | Total equity |
| Opening balance at 12/31/2018 | | 904,508 | 10,302 | (14,889) | 98 | 56,269 | 123,602 | (8,808) | - | 1,071,082 | 16,535 | 1,087,617 |
| Noncontrolling interests - Nexitera | | - | - | - | - | - | - | - | - | - | (1,428) | (1,428) |
| Noncontrolling interests - Valid Nigeria | | - | - | - | - | - | - | - | - | - | 1,921 | 1,921 |
| Noncontrolling interests - BluPay | | - | - | - | - | - | - | - | - | - | 1,098 | 1,098 |
| Treasury shares | 15.b | - | - | (1,187) | - | - | - | - | - | (1,187) | - | (1,187) |
| Exchange effects on investments abroad | 15.e | - | - | - | - | - | - | 17,837 | - | 17,837 | 656 | 18,493 |
| Hedge of net investment in operation abroad | 15.e | - | - | - | - | - | - | (4,988) | - | (4,988) | - | (4,988) |
| Recognized options granted | | - | 2,215 | - | - | - | - | - | - | 2,215 | - | 2,215 |
| Net income for the year | 15.c | - | - | - | - | - | - | - | 54,281 | 54,281 | (540) | 53,741 |
| Recognition of legal reserve | 15.c | - | - | - | - | 2,714 | - | - | (2,714) | - | - | - |
| Recognition of investment reserve | 15.c | - | - | - | - | - | 2,354 | - | (2,354) | - | - | - |
| Inflation adjustments to foreign subsidiary | 15.c | - | - | - | - | - | 8,838 | - | - | 8,838 | - | 8,838 |
| Payment of interest on equity | 15.d | - | - | - | - | - | - | - | (49,213) | (49,213) | - | (49,213) |
| Closing balance at 12/31/2019 | | 904,508 | 12,517 | (16,076) | 98 | 58,983 | 134,794 | 4,041 | - | 1,098,865 | 18,242 | 1,117,107 |

See accompanying notes.

Valid Soluções S.A.

Statements of cash flows

Years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

| | Note | Individual | | Consolidated | |
|------------------------------------------------------------------|------|------------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Operating activities | | | | | |
| Income (loss) before income and social contribution taxes | | (212,056) | 67,329 | (194,501) | 69,824 |
| Adjustments to income from operating activities | | | | | |
| Depreciation | 11 | 34,316 | 33,728 | 94,508 | 86,939 |
| Write-off of assets | 11 | 11,969 | 2,706 | 26,821 | 6,190 |
| Amortization | 10 | 7,341 | 7,379 | 57,652 | 48,411 |
| Amortization of Fundo Criatec III | | (189) | 342 | (189) | 342 |
| Restatement of judicial deposits | 8 | (505) | (49) | (506) | 71 |
| Recognized options granted | | - | 2,215 | - | 2,215 |
| Provisions | 13 | 1,413 | 2,452 | 4,579 | 6,391 |
| Allowance for expected credit losses | 5 | 18,706 | (1,307) | 28,132 | 2,383 |
| Provision for property, plant and equipment obsolescence | 11 | 8,350 | (266) | 8,350 | (266) |
| Provision for inventory obsolescence | 7 | 2,598 | - | 7,925 | 593 |
| Provision for impairment | 24 | - | - | 135,380 | 44,886 |
| Equity pickup | 9 | 165,739 | 7,915 | (801) | (2,346) |
| Interest expenses on debentures, loans and financing | 23 | 23,495 | 25,044 | 56,989 | 51,967 |
| Other foreign exchange differences | 23 | (800) | 234 | 12,993 | 5,529 |
| Foreign exchange differences on loans, advances and leases | 23 | - | - | (5,732) | 673 |
| Interest and foreign exchange differences on advances and leases | | (2,333) | (2,689) | 3,702 | 2,479 |
| Interest and exchange differences on intercompany loans | | (174) | (50) | 2,959 | (493) |
| Derivatives | | 1,845 | - | 1,845 | - |
| Disposal of subsidiaries | | - | - | 3,567 | 84 |
| Acquisition of noncontrolling interests | | (1,946) | - | (3,253) | - |
| Changes in assets and liabilities | | (24,003) | (17,328) | 44,089 | (76,445) |
| Trade accounts receivable | 5 | (14,591) | 4,405 | 53,855 | (24,761) |
| Taxes recoverable | 6 | (13,513) | 20,920 | 20,154 | 15,136 |
| Inventories | 7 | (17,147) | (32,006) | (18,459) | (83,615) |
| Judicial deposits | 8 | 11,795 | 625 | 16,524 | 2,190 |
| Other accounts receivable | | 495 | (1,474) | 28,315 | (14,600) |
| Trade accounts payable | | 22,234 | 6,193 | (36,439) | 42,608 |
| Payroll, accruals and social charges payable | | (11,916) | (6,212) | (22,619) | 5,871 |
| Taxes, charges and contributions payable | 6 | 1,970 | (1,588) | 17,816 | (957) |
| Advances from customers and other accounts payable | | 3,383 | 1,280 | 2,287 | 15,626 |
| Payment of labor, civil and tax contingencies | 13 | (1,257) | (1,494) | (1,662) | (6,066) |
| Payment of income and social contribution taxes (IRPJ and CSLL) | | (4,275) | (7,977) | (14,502) | (27,877) |
| Derivatives | | (1,181) | - | (1,181) | - |
| Net cash flows from operating activities | | 33,766 | 127,655 | 284,509 | 249,427 |

Valid Soluções S.A.

Statements of cash flows (Continued)
 Years ended December 31, 2020 and 2019
 (In thousands of reais, unless otherwise stated)

| | Note | Individual | | Consolidated | |
|---------------------------------------------------------------------------------|------|------------|------------|--------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Investing activities | | | | | |
| Acquisition of property, plant and equipment | 11 | (18,872) | (53,695) | (78,965) | (79,330) |
| Acquisition of intangible assets | 10 | (13,703) | (5,728) | (49,614) | (35,636) |
| Capital increase in subsidiaries | 9 | (37,900) | (2,849) | - | - |
| Marketable securities | 4 | (2,318) | (1,627) | (2,318) | (1,627) |
| Dividends and interest on equity received | 9 | 90,840 | 20,000 | - | - |
| Acquisition of equity interest in BluPay, net of cash acquired | 9 | - | (1,950) | - | (1,950) |
| Acquisition of equity interest in Serbet, net of cash acquired | 9 | (6,452) | - | (6,266) | - |
| Acquisition of equity interest in Alpdex, net of cash acquired | 9 | (548) | - | (191) | - |
| Acquisition of equity interest in Valid HUB | 9 | (1,680) | - | - | - |
| Acquisition of equity interest in Mitra, net of cash acquired | 9 | (9,500) | - | (8,094) | - |
| Restricted short-term investments | | (57,113) | - | (57,163) | - |
| Acquisition of noncontrolling interests | 9 | - | - | (3,289) | - |
| Capital increase – noncontrolling interests | | - | - | 1,960 | - |
| Net cash flows used in investing activities | | (57,246) | (45,849) | (203,940) | (118,543) |
| Financing activities | | | | | |
| Interest on equity paid, net | 15.d | (44,340) | (42,310) | (44,340) | (42,310) |
| Treasury shares | 15.b | (8,830) | (1,187) | (8,830) | (1,187) |
| Lease payment | | (5,741) | (5,966) | (30,166) | (21,749) |
| Payment of interest on leases | 25.b | - | - | (5,903) | (4,811) |
| Payment of debentures | 25.b | (90,000) | - | (90,000) | - |
| Payment of interest on debentures | 25.b | (11,118) | (24,933) | (11,118) | (24,933) |
| Financing raised | 25.b | - | - | 89 | 3 |
| Repayment of financing | 25.b | - | - | (39) | - |
| Payment of interest on financing | 25.b | - | - | - | (3) |
| Loans | 25.b | 304,741 | - | 441,610 | 275,537 |
| Repayment of loans | 25.b | (6,428) | - | (152,982) | (287,035) |
| Payment of interest on loans | 25.b | (4,594) | - | (35,580) | (25,143) |
| Net cash flows from (used in) financing activities | | 133,690 | (74,396) | 62,741 | (131,631) |
| Net increase (decrease) in cash and cash equivalents | | 110,210 | 7,410 | 143,310 | (747) |
| Cash and cash equivalents at beginning of year | 4 | 206,387 | 198,977 | 318,522 | 311,571 |
| Effect of exchange rate differences on the balance of cash and cash equivalents | | - | - | 24,704 | 7,698 |
| Cash and cash equivalents at end of year | 4 | 316,597 | 206,387 | 486,536 | 318,522 |
| Net increase (decrease) in cash and cash equivalents | | 110,210 | 7,410 | 143,310 | (747) |

See accompanying notes.

Valid Soluções S.A.

Statements of value added

Years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

| | Individual | | Consolidated | |
|-------------------------------------------------------------------|------------------|------------|--------------------|-------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Revenues | 698,873 | 938,431 | 2,033,419 | 2,164,039 |
| Sales of services and goods, net of returns | 715,353 | 932,955 | 2,049,708 | 2,150,649 |
| Other revenues | 2,226 | 4,169 | 11,843 | 15,773 |
| Allowance for expected credit losses | (18,706) | 1,307 | (28,132) | (2,383) |
| Materials acquired from third parties | (325,720) | (369,911) | (1,229,302) | (1,122,570) |
| Cost of sales | (284,051) | (324,916) | (970,489) | (963,122) |
| Materials, power, services from suppliers and other | (41,669) | (44,995) | (258,813) | (159,448) |
| Gross value added | 373,153 | 568,520 | 804,117 | 1,041,469 |
| Depreciation and amortization | (41,657) | (41,107) | (152,159) | (135,350) |
| Net value added | 331,496 | 527,413 | 651,958 | 906,119 |
| Value added received from transfers | (155,001) | 2,808 | 89,147 | 85,058 |
| Share of profit of a subsidiary, an associate and a joint venture | (165,739) | (7,915) | 801 | 2,346 |
| Finance income | 10,738 | 10,723 | 88,346 | 82,712 |
| Total value added to be distributed | 176,495 | 530,221 | 741,105 | 991,177 |
| Employee benefits expense (except INSS) | 220,149 | 266,053 | 571,571 | 554,669 |
| Salaries | 154,633 | 188,245 | 467,701 | 443,549 |
| Benefits | 47,702 | 61,901 | 81,349 | 90,325 |
| Unemployment Compensation Fund (FGTS) | 17,814 | 15,907 | 22,521 | 20,795 |
| Taxes and contributions | 110,000 | 171,582 | 183,919 | 226,166 |
| Federal taxes | 82,137 | 136,911 | 147,080 | 182,136 |
| State taxes | 7,397 | 7,594 | 8,752 | 9,147 |
| Local taxes | 20,466 | 27,077 | 28,087 | 34,883 |
| Debt remuneration | 48,801 | 38,305 | 187,264 | 156,601 |
| Interest | 39,083 | 28,372 | 173,481 | 143,257 |
| Rental | 9,718 | 9,933 | 13,783 | 13,344 |
| Equity remuneration | (200,455) | 54,281 | (201,649) | 53,741 |
| Dividend and interest on equity | - | 49,213 | - | 49,213 |
| Profits (losses) withheld | (202,455) | 5,068 | (202,455) | 5,068 |
| Noncontrolling interests on profits | - | - | 806 | (540) |
| Value added distributed | 176,495 | 530,221 | 741,105 | 991,177 |

See accompanying notes.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements

December 31, 2020

(In thousands of reais, unless otherwise stated)

1. Operations

Valid Soluções S.A. (“Valid”, “Parent Company” or “Company”), headquartered at Peter Lund, 146 Caju - Rio de Janeiro, has been operating in Brazil since 1993, when American Banknote Corporation acquired the Brazilian subsidiary of Thomas de La Rue, a company engaged in providing security printing services, which operated in the Brazilian market for almost 50 years.

The Company is primarily engaged in the production and provision of services to the security market, in the identification, management and protection of physical or digital data.

Created in 1957, Valid incorporates trust and security in the identification of people, objects and transactions, since the beginning of its operations. The permanence in the market gave the brand a special credibility for the development of secure and integrated solutions, an evolution that crossed the century and motivates it to continue meeting the challenges of a digital society over the next decades. Valid is one of the most important technology players in the issue of driver’s licenses, civil identities, digital certificates, in addition to bank and virtual cards in the most diverse sectors of the economy, such as government, banks, telecommunications, education, health, entertainment and retail.

The Company serves customers in both the private and public sectors, offering anti-fraud products and services, as well as processes and technologies that hinder forgery. Valid’s major customers are state governments and government agencies, large financial institutions, telecommunications companies, retailers, agriculture cooperatives and self-employed professionals. The portfolio of solutions offered includes 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, printing product supply management services, smart cards, traceable stamps, contactless cards, digital certificates, checks, bank statements, biometric identification systems, administrative modernization systems, internet banking applications, subscription management systems for mobile service providers, intelligent storage systems, traceability services using RFID technology 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, Nigeria, United Arab Emirates, India, Indonesia, Argentina, Mexico, Uruguay, Colombia, China, Taiwan and Ireland, as detailed in Note 2.3.

The Company has its shares traded on B3 under ticker symbol “VLID3” and has been listed since June 12, 2016 in the new governance listing segment named *Novo Mercado* (New Market).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. Assessment of the impacts of COVID-19

The Company continues to monitor the evolution of the pandemic in Brazil, in the world and its respective effects on its segments and regions. In the year ended December 31, 2020, we should mention the impact observed in the Identification segment in Brazil, basically due to the interruption of the State Traffic Police Departments' (Detrans) document issuing activities, which generated a significant decrease in revenue when compared to the same prior-year period. The situation in the states and the respective impacts on the operation are as follows:

- (i) On April 22, 2020, the state of Goiás resumed activities with a good volume of documents issued. However, in June, with the increase in the number of COVID-19 cases, the authorities implemented a service routine that operated 14 days and closed 14 days. As of July, the routine was canceled and the services returned to normal.
- (ii) On April 28, the state of Paraná resumed its activities with a significant daily volume in the issue of documents. However, in view of the increase in cases in the area, the authorities implemented more restrictive social distancing measures, with an estimated reduction in demand of approximately 20%; As of July, the services were regularized, allowing a gradual return of the demand.
- (iii) On May 12, the state of Rio Grande do Sul resumed its activities and, since then, the pent-up demand has been resuming gradually.
- (iv) On May 20, activities resumed in the state of Minas Gerais, with a low demand in May and a significant increase as of June, remaining as such since then;
- (v) Activities in the states of Maranhão, Bahia, Pará and Paraíba resumed in June, but in a controlled manner and with limited daily scheduling. As of July, services returned to normal.
- (vi) In the state of São Paulo, activities resumed in August and production volumes have been gradually returning to normal.
- (vii) Activities in the states of Rio de Janeiro, Ceará and the Federal District resumed in June 2020, but in a controlled manner, with limited daily scheduling and low demand. This scenario continues until the present day and as soon as the services return to normal, a gradual recovery of the pent-up volumes is expected in the coming months.
- (viii) All sites recorded a decrease in the initial months of 2021 due to the second wave of the pandemic.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. Assessment of the Impacts of COVID-19 (Continued)

In the Means of Payment segment, we highlight as the main source of the results the segment that offers retail solutions (Data Business), located in the United States, which has been struggling with the pandemic and no recovery is expected at the moment due to the shutdown of physical stores of the main customers of this specific solution. In this sense, the investment and business plan in this segment were reviewed, resulting in the recognition of a provision for impairment of R\$113,088. Due to the partial shutdown of plants in the identification sites for data collection in two states, the identification segment in the United States was also affected by the pandemic, despite a lesser impact on the Company's financial statements when compared to the same segment in Brazil. On the other hand, there is an increase in the volume of bank cards in the period, substantially represented by Dual Interface and financial benefit cards.

Regarding the Mobile segment, we highlight below the most important impacts on the segment in their respective regions:

In Asia, the main impact was in February 2020 due to the partial shutdown of the supply chain in China, which produces chips and cards for the Mobile area to meet the demands of customers such as telecommunications companies that, even during the pandemic, did not present a significant decrease in the number of orders. Gradually, the manufacturing activities in the country were resumed in March 2020, and are currently back to normal in China and across Asia, with revenue recovery compared to the same prior-year period.

In Nigeria, due to the stricter social distancing measures imposed by local authorities (partial lockdown), local production was impacted and resulted in a decrease of capacity in half, with a proportional impact on recognized revenue. With the gradual resumption of activities in the country, operations are resumed with expected normalization in the coming months, according to the projections for the country.

Despite all the challenges of the pandemic that is affecting the world, we maintained a continuous flow of receipts without relevant default cases and we do not expect, for the time being, a significant increase in losses on realization of accounts receivable of the Company and its subsidiaries; basically due to the nature of their operations and position of their main customers.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. Assessment of the Impacts of COVID-19 (Continued)

Additionally, the Company and its subsidiaries continue to periodically monitor their receivables considering the nature of operations and the positioning of key customers. The cases of default identified are evaluated and addressed in accordance with Accounting Pronouncement CPC 48 – Financial Instruments, equivalent to IFRS 9.

Due to the impacts of the pandemic, since March 18, 2020, a series of measures have been adopted to protect the health and safety of employees, such as:

- More than 50% of our employees are working remotely or are on vacation;
- Shutdown of offices without impact on operations;
- Leave of pregnant women, employees over 60 years old, immunosuppressed and diabetic persons; and
- Prohibition of domestic and international travel, in addition to increase in the hygiene of plants in Brazil, the USA and Argentina, since those plants were not interrupted and continue in operation.

In addition to the measures mentioned above, we also adopted a number of additional measures, namely:

- Postponement to December 10, 2020 of payment of the second installment of interest on equity, in the net amount of R\$22,181, which was to be paid to shareholders on April 3, 2020;
- Early vacation leave for approximately three thousand employees and, at the end of that period, furlough of approximately two thousand five hundred employees, according to Provisional Executive Order No. 936/2020;
- Deferral of payment of taxes and labor charges in the approximate amount of R\$18,045; and
- Decrease in the salaries of the Chief Executive Officer, Executive Officers and members of the Board of Directors for a period of 90 days.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation

2.1. Statement of compliance

The individual and consolidated financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian SEC (CVM) and the accounting pronouncements issued by Brazil's FASB (CPC), which are in line with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Additionally, the Company considered the accounting guidance OCPC 07 issued by CPC in November 2014 in preparing its financial statements. Accordingly, significant information inherent in the financial statements, and only such information, is being disclosed and corresponds to that used by management over its administration.

The individual and consolidated financial statements were approved and authorized for publication by the Board of Directors on March 18, 2021.

2.2. Basis of measurement

The individual and consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss and fair values allocated to business combinations.

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

2.3. Basis of consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiaries as at December 31, 2020. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, whose interest percentage at reporting dates is as follows:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

| Subsidiaries | Denomination | % - Equity interest | | | |
|------------------------------------------------------------------------------------------------|------------------------|--------------------------|----------|------------|----------|
| | | 12/31/2020 | | 12/31/2019 | |
| | | 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 | 98.3 | 1.7 | 98.3 | 1.7 |
| 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 |
| 3.5. Inemator S.A. | Inemator | - | (**) | - | 51 |
| 3.6. Tress Impressos de Segurança Ltda. | Tress | - | 100 | - | 100 |
| 3.7. Nexitera Consultoria e Soluções em TI Ltda. | Nexitera | - | 100 | - | 56.8 |
| 3.7.1. Agrotopus Suporte e Serviços em Tecnologia da Informação Ltda | Agrotopus | - | 100 | - | 100 |
| 4. Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação | Valid Sucursal | 100 | - | 100 | - |
| 5. Blu Pay Tecnologia de dados Ltda. | BluPay | 58 | - | 51 | - |
| 6. Serbet - Sistema de Estacionamento Veicular do Brasil Ltda. | Serbet | 50% + 1 unit of interest | - | - | - |
| 7. Alpdex Processamento de Dados Ltda. | Alpdex | 50%+1 unit of interest | - | - | - |
| 8. Mitra - Acesso em Rede e Tecnologia da Informação Municipal Ltda. | Mitra | 51 | - | - | - |
| 9. Valid Hub Consultoria em Tecnologia e Tratamento de Dados S.A. | Valid Hub | 60 | - | - | - |
| 10. Valid Soluciones Tecnológicas | Valid Spain | 100 | - | 100 | - |
| 10.1. Valid USA, Inc. | Valid USA | - | 100 | - | 100 |
| 10.1.1. Valid Identity Solutions, LLC | Valid ID | - | 100 | - | 100 |
| 10.1.2. Valid Secure Packaging, Inc | VSP | - | 100 | - | 100 |
| 10.1.3. Marketing Software Company, LLC | MSC | - | 100 | - | 100 |
| 10.2. Valid A/S (formerly "Fundamenture A/S) | Valid A/S | - | 100 | - | 100 |
| 10.2.1. Valid Logistics Limited | Valid Logistics | - | 100 | - | 100 |
| 10.2.2. Logos Solvo Limited (***) | Logos Solvo | - | - | - | 100 |
| 10.2.3. Valid Holding Denmark Aps | Valid Holding | - | 100 | - | 100 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

| Subsidiaries | Denomination | % - Equity interest | | | |
|-------------------------------------------------|------------------------------|---------------------|----------|------------|----------|
| | | 12/31/2020 | | 12/31/2019 | |
| | | Direct | Indirect | Direct | Indirect |
| 10.2.3.1. Valid Panamá Inc. | Valid Panama | - | 100 | - | 100 |
| | Valid South Africa | - | 70 | - | 70 |
| 10.2.3.2. Valid South Africa (Pty)Ltd | Valid Africa | - | 100 | - | 100 |
| 10.2.3.3. Valid Africa Ltd | Valid Middle East | - | 100 | - | 100 |
| 10.2.3.4. Valid Middle East FZE | Valid Technologies India | - | 99.9 | - | 99.9 |
| 10.2.3.5. Valid Technologies India Pvt. Ltd. | Valid Singapore | - | 100 | - | 100 |
| 10.2.3.6. Valid Asia Pte Ltd | Valid Indonesia | - | 99 | - | 99 |
| 10.2.3.7. PT Valid Technologies Indonesia | Valid Taiwan | - | 100 | - | 51 |
| 10.2.3.8. Valid Card Manufacturing Taiwan Ltd | Valid Europe | - | - | - | - |
| 10.2.3.9. Valid Europe AS Denmark (*) | Valid Technologies Solutions | - | - | - | - |
| 10.2.3.10. Valid Technologies Solutions ApS (*) | Logos Mauritius | - | - | - | 100 |
| 10.2.4. Logos Smart Card (Mauritius) Ltd (**) | Logos Denmark | - | 100 | - | 100 |
| 10.2.5. Logos Smart Card A/S | Valid Indonesia | - | 1 | - | - |
| 10.2.6. PT Valid Technologies Indonesia | Valid Beijing | - | 100 | - | 100 |
| 10.3. Valid Technologies (Beijing) Co, Ltd. | Valid Nigeria | - | 70 | - | 70 |
| 10.4. Valid Card Nigeria Limited | | | | | |

(*) Company merged by Valid Holding Denmark at December 31, 2019.

(**) Company disposed of on December 23, 2020. Further information in Note 9 (Investments).

(***) Company capital paid by Valid Logistics Limited at December 31, 2020.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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; it also exports products to other Latin American countries.
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, Tress, Nexitera, 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, and engaged mainly 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, and 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, and engaged in the provision of smart card services in general.
 - 3.4. Uram: significant interest 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. On December 23, 2020, this company was sold to the former owners.
 - 3.5. Inemator: significant interest 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. On December 23, 2020, this company was sold to the former owners.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(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.
- 3.7. Nexitera: acquired in October 2018, headquartered in the state of Paraná, Brazil, and primarily engaged in corporate solutions for the agribusiness industry. With the operation, Agritech becomes a Valid business line specializing in innovative solutions for the entire agricultural and livestock production chain.
 - 3.7.1. Agrotopus: acquired in October 2018, headquartered in the state of Paraná, Brazil, and primarily engaged in corporate solutions for the agribusiness industry. With this transaction, Agritech becomes a Valid business line specializing in innovative solutions for the entire agricultural and livestock production chain.
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. BluPay: acquired in December 2019, headquartered in the state of São Paulo, Brazil, it operates in the means of payment segment. Company specialized in financial transactions based on blockchain technology, which ensures the traceability, privacy and irreversibility of transactions carried out between the parties in an immediate and reliable way.
6. Serbet: acquired in May 2020, headquartered in the state of Santa Catarina, Brazil, it operates in the identification segment, focusing on the provision of public parking management services (Digital Parking), expanding the portfolio of Smart-City Management solutions.
7. Alpdex: acquired in May 2020, headquartered in the state of Santa Catarina, Brazil, it operates in the identification segment, focusing on the provision of public parking management services (Digital Parking), expanding the portfolio of Smart-City Management solutions.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

8. Mitra: acquired in July 2020, headquartered in the state of São Paulo, Brazil, operates in the identification segment with a focus on integrated systems for the modernization of municipal management, expanding the portfolio of Smart-City Management solutions.
9. Valid Hub: established in May 2020, headquartered in the capital of the Federal District, Brasilia, Brazil, operates in the identification segment with a focus on providing services related to the digital management platform for registration and communication of properties and vehicles.
10. 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 USA, Valid Beijing, Valid Nigeria and Valid A/S; it also has two associates called CUBIC and BCT.
- 10.1. Valid USA: company acquired in April 2012, headquartered in Illinois, USA, operating in the means of payment, mobile telecommunications and identification areas. Its direct subsidiaries are Valid ID, VSP and MSC.

| Subsidiaries | Location | Business activity |
|---------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valid ID | 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. |

- 10.2. 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 service providers. Valid A/S owns five direct subsidiaries and eight indirect subsidiaries, as follows:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

| Subsidiary | Direct/indirect | Location | Business activity |
|--------------------------|-----------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Valid Logistics | Direct | Mauritius | Procurement head office (Supply Chain) |
| Logos Solvo | Direct | Mauritius | Solutions & services |
| Valid Holding | 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 | Indirect | Panama | Sale of SIM cards, other related products and software solutions |
| Valid South Africa | Indirect | South Africa | Sale of SIM cards, bank cards, software solutions, other related products, and provision of management services to Valid Africa |
| Valid Africa | Indirect | Mauritius United Arab Emirates | Sale of SIM cards, bank cards, other related products and software solutions |
| Valid Middle East | Indirect | (Dubai) | Sale of SIM cards, other related products and software solutions |
| Valid Technologies India | Indirect | India | Sale of SIM cards, other related products and software solutions |
| Valid Asia Singapore | Indirect | Singapore | Sale of SIM cards, bank cards, other related products and software solutions, including the provision of services to other entities |
| Valid Indonesia | Indirect | Indonesia | Sale of SIM cards and other related products |
| Valid Taiwan | Indirect | Taiwan | Sale of SIM cards |
| Logos Mauritius | Direct | Mauritius | Support services for the development of applications |

10.3. Valid Beijing: company established in March 2018, through subsidiary Valid Spain, headquartered in the city of Beijing, China, engaged in the development, advisory and provision of technology services, and import and export of products.

10.4. Valid Nigeria: company established in May 2018, through subsidiary Valid Spain, headquartered in the city of Lagos, Nigeria, engaged in the production of smart cards and other devices related to smart card technology, and in providing solutions in means of payment and digital marketing.

Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement between the investor and the other vote holders;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights (investor).

The Company assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the aforementioned three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses such control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements as from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income is attributed to the Company's controlling and noncontrolling interests, even if this results in loss to noncontrolling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets, liabilities, profit or loss, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.3. Basis of consolidation (Continued)

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill) and liabilities at their carrying value on the date it loses control, and it derecognizes the carrying amount of any noncontrolling interest on the date it loses control (including any components of other comprehensive income attributed thereto). Any resulting gains or losses are recorded in profit or loss. Any investment retained is recognized at fair value on the date it loses control.

Entity with significant influence

At December 31, 2020, subsidiary Valid Soluções Tecnológicas holds 6.22% and 20% of the shares of Cubic Telecom (“Cubic”) and Beautiful Card Technology (“BCT”), respectively, on which the subsidiary has significant influence. They are measured using the equity method.

2.4. Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the acquirer must measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration regarded as an asset or a liability will be recognized in accordance with the Financial Instruments, equivalent to IFRS 9, in the statement of profit or loss.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.4. Business combination and goodwill (Continued)

Goodwill is initially measured as the excess of the consideration transferred in relation to net assets acquired (net identifiable assets acquired and liabilities assumed). If the consideration is less than the fair value of net assets acquired, the difference should be recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (CGU) and a part of that unit is disposed of, the goodwill associated with the disposed part is included in the transaction cost when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed portion in relation to the cash-generating unit retained.

CGUs to which goodwill was allocated are tested for impairment annually, or more frequently when there is an indication that a unit may be impaired. If the recoverable amount of the CGU is lower than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of any goodwill associated with the unit and subsequently to the other assets of this unit, in proportion to the carrying amount of each asset. Any goodwill impairment loss is recognized directly in profit or loss for the year. Impairment loss is not reversed in subsequent periods.

2.5. Functional and presentation currencies

The individual and consolidated financial statements are presented in Brazilian reais (R\$), which is the functional currency of the Company, and have 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 are other than the Brazilian real, the financial statements are translated into the Brazilian real: assets and liabilities are translated at the closing exchange rate effective at the reporting 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 - The Effects of Changes in Foreign Exchange Rates.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.5. Functional and presentation currencies (Continued)

a) Transactions and balances

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency prevailing at transaction date.

Monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate at reporting date.

All differences are recorded in the statement of profit or loss, except monetary items designated as part of a net investment hedge. These differences are recorded directly in other comprehensive income until the net investment is disposed of, when the referred to differences are recognized in the statement of profit or loss. Charges and tax effects attributed to foreign exchange differences on these monetary items are also recorded under other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Nonmonetary items that are measured at fair value in foreign currency are translated using the exchange rates prevailing at the dates when the fair value was measured. Gains or losses deriving from translation of nonmonetary items measured at fair value are treated using the recognition criteria applicable to the gains or losses on variation of the fair value of the item (i.e. translation differences for items whose fair value gains or losses are recorded in other comprehensive income or profit or loss for the year are also recorded in other comprehensive income or profit or loss for the year, respectively).

In determining the exchange rate to be used for initially recognizing the respective assets, expenses or revenue (or a portion thereof) relating to early payments or receipts, transaction date is the date when the Company initially recognizes the nonmonetary asset or liability deriving from early payment or receipt. In the case of various early payments or receipts, the Company determines transaction date for each early payment or receipt of the consideration prepaid.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.5. Functional and presentation currencies (Continued)

b) Functional currencies of the Company and its subsidiaries

| <u>Companies</u> | <u>Functional currency</u> |
|---------------------|----------------------------|
| Valid | Brazilian real |
| Valid Participações | Brazilian real |
| BluPay | Brazilian real |
| Serbet | Brazilian real |
| Alpdex | Brazilian real |
| Mitra | Brazilian real |
| Valid Hub | Brazilian real |
| Valid Argentina | Argentine peso |
| Interprint | Brazilian real |
| Valid Certificadora | Brazilian real |
| Tress | Brazilian real |
| Nexitera | Brazilian real |
| Valid Uruguay | Uruguayan peso |
| Valid Mexico | Mexican peso |
| Valid Sucursal | Colombian peso |
| Valid Spain | Euro |
| Valid USA | US dollar |
| Valid ID | US dollar |
| VSP | US dollar |
| MSC | US dollar |
| Valid 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 its individual transactions. However, the functional currency US dollar is the most significant for Valid A/S and its subsidiaries.

Assets and liabilities of foreign subsidiaries are translated into reais at the closing exchange rate at the respective statement of financial position date, and related statements of profit or loss are translated at the exchange rates of the transaction dates, as well as the statements of cash flows. Any foreign exchange difference arising from such translation are recorded in other comprehensive income. Upon write-off of a foreign entity, accumulated exchange differences relating to this entity, recorded under other comprehensive income, are reclassified to profit or loss.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.6. Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control over the goods or services is transferred to the customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. The Company concludes that in general it is acting as principal in its revenue contracts since the Company usually has control over the assets or services before transferring them to the customer. The Company's operating segments (Note 17) and respective considerations on revenue recognition timing are as follows:

Means of payment

In this segment, integrated products and solutions, such as chip and magnetic stripe cards, gift cards, check printing, invoices and bank statements are offered. In addition, solutions in Radio Frequency Identification - RFID, contactless cards and mobile payments (through TSM - Trusted Service Manager and HCE - Host Card Emulation, via NFC - Near Field Communication) are also offered.

Sales revenue from this segment, in relation to products, is recognized when control over the asset is transferred to the customer, usually upon delivery of the cards, while the services are recognized at the moment the service is provided. The regular credit term is 30 to 90 days after delivery.

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 documents are identity cards, drivers' licenses, class council cards, and stamps for brand security and authenticity.

The Company offers a full-service structure, with wide service fronts, which include the generation of computerized systems for the administration of databases, the collection of biometric data, the printing and personalization of official identification documents, solutions for Smart Cities and traceable stamps.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.6. Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Identification (Continued)

This revenue is recognized upon issue of the documents since, once these documents are issued, responsibility therefore control over their withdrawal is transferred to the requesting party.

Telecom - Mobile

In the broad telecommunications portfolio offered by the Company, the services of issuing statements and technologies for use in cell phones stand out, in addition to innovations resulting from digital mobility, such as NFC, TSM and HCE solutions for mobile service providers.

In this segment, the Company operates in the rendering of services that improve the communication between telephone service providers and their customers, in the development of technologies for use in cell phones - such as recharge and payment - and also in the production of cards intended for telecommunications. SIM cards are the main product of this business unit. Revenue is recognized upon transfer of responsibility to the customer.

Interest income

Interest income and expenses are recognized in "Finance income (costs)" under the effective interest method.

2.7. Taxes

Income and social contribution taxes - current

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be paid to the taxation authorities, using the tax rates that are approved at the end of the reporting year in the countries where the Company operates and generates taxable profit.

Current income and social contribution taxes relating to items recorded directly in equity are recorded in equity. From time to time, the Company management assesses the tax position as for circumstances where the tax legislation provides margin for interpretation and set provisions, where applicable.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.7. Taxes (Continued)

Deferred taxes

Deferred taxes arise from temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (or taxable loss); and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.7. Taxes (Continued)

Deferred taxes (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred taxes relating to items recognized directly in equity are also recognized in equity rather than in the statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company records current tax assets and liabilities at their net amount if, and only if, the referred to entities have an legally enforceable right to make or receive one single net payment and the entities intend to make or receive this net payment or recover the asset and settle the liability simultaneously. The Company records deferred tax assets and liabilities at their net amount if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority: (i) on the same taxable entity; or (ii) on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.7. Taxes (Continued)

Sales taxes

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included; and
- When the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.8. Financial instruments

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under CPC 47 (IFRS 9). Refer to the accounting policies in Note 2.6 – Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are "solely payments of principal and interest" (also referred to as the SPPI test) on the principal amount outstanding. This assessment is performed at an instrument level.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost.
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade accounts receivable, intercompany loans, cash and banks, and other noncurrent financial assets (Note 19).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired to be sold or repurchased in the short term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. At December 31, 2020, the Company has derivative financial instruments represented by swap recognized in its financial statements at fair value through profit or loss.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria used to classify debt instruments at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if this eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

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

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

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

Derecognition (Continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: (i) the carrying amount of the asset; and (ii) the maximum amount of consideration that the entity could be required to repay (amount of the guarantee).

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially measured at fair value, plus or less, in the case of a financial liability other than at fair value through profit or loss, transaction costs that are directly attributable to the issue of a financial liability.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CPC 48 (IFRS 9) are satisfied.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans, borrowings and financing are subsequently measured at amortized cost using the effective interest (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans, borrowings and financing. For more information, refer to Note 12.

Derecognition

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

Offsetting of financial instruments

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

Hedge accounting

At the inception of a hedging relationship, the Company formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.8. Financial instruments (Continued)

Hedge accounting (Continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that results from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purposes and effect.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Company uses a loan as a hedge of its exposure to currency risk on the investment that subsidiary Valid Spain has in Valid USA, as described in Note 15.e.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.9. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

2.10. Financial reporting in hyperinflationary economies

In July 2018, the cumulative inflation rate over three years in Argentina exceeded 100%. During the last quarter of 2018, 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, in its analysis, 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 the standard clarifications on maintaining the currency's purchasing power, the Company has treated the Argentine peso as a hyperinflationary currency and recorded the transactions in subsidiary Valid Argentina under the requirements of IAS 29 as from the third quarter of 2018.

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

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.10. Financial reporting in hyperinflationary economies (Continued)

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

- The accounting and disclosure standard for hyperinflationary economies was applied as 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 identified);
- Nonmonetary 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 cumulative inflation and currency rates for the year in profit or loss.

Monetary restatement of the statement of financial position of subsidiary Valid Argentina generated an impact of R\$13,153 in the Company's assets, (R\$15,812) in liabilities, and R\$2,659 in profit or loss.

2.11. Cash and cash equivalents

Cash and cash equivalents are held so as to meet short-term cash commitments, rather than for investment or other purposes. The Company and its subsidiaries consider as cash equivalents short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for example, within three months from the investment date.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.12. Inventories

Inventories are measured at the lower of cost and net realizable value. The inventory cost is based on the average cost principle and includes the costs incurred in acquiring inventories, production and processing costs, and other costs incurred in bringing them to their existing locations and conditions, where applicable.

In the case of manufactured or in-process inventory, the cost includes a portion of the overhead manufacturing costs based on normal operating capacity. Net realizable value corresponds to the selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.13. Property, plant and equipment

Property, plant and equipment items of the Company and its subsidiaries are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of property, plant and equipment are replaced, the Company and its subsidiaries recognizes these parts as an individual asset item, with a specific useful life and depreciation. All other repair and maintenance costs are recognized in the statement of profit and loss as incurred. The residual value and the estimated useful lives of the assets are reviewed and adjusted prospectively, when applicable, at year end.

Depreciation is calculated on a straight-line basis over the useful life of the asset and at weighted average rates of the years reported, which take into consideration the useful life of these assets, as follows:

| | <u>Annual average depreciation rate</u> |
|-------------------------|----------------------------------------------------|
| Buildings | 6.9% |
| Machinery and equipment | 13.4% |
| Furniture and fixtures | 12.3% |
| Vehicles | 19.1% |
| EDP equipment | 22.4% |
| Leasehold improvements | 11.9% |

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.14. Intangible assets

Finite-lived intangible assets acquired separately are initially recorded at cost and are stated at cost less amortization and accumulated impairment losses. Amortization is recognized using the straight-line method based on the estimated useful life of the assets. The estimated useful life and amortization method are reviewed at each year end, and the effect of any changes in estimates is accounted for prospectively. Indefinite-lived intangible assets acquired separately are recorded at cost, less accumulated impairment losses.

Internally generated intangibles resulting from expenses are recognized if and only if all the conditions set out in CPC 04 (R1) – Intangible Assets, equivalent to IAS 38, are met, based on the expenses incurred as from the date when the intangible asset began to meet the recognition criteria. After initial recognition, internally generated intangible assets are recorded at cost less amortization and accumulated impairment losses, as well as intangible assets acquired separately.

In the consolidated financial statements, intangible assets acquired in a business combination and recorded separately from goodwill are recorded at fair value at acquisition date, which is equivalent to cost. After initial recognition, intangible assets acquired in a business combination are recorded at cost less amortization and accumulated impairment losses.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of an intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit or loss when the asset is derecognized.

2.15. Impairment of nonfinancial assets

At year end, the Company and its subsidiaries review the carrying amount of tangible and intangible assets to identify whether there is any indication that these assets are impaired. If there is such indication, the recoverable amount of the asset is estimated in order to measure this loss amount, if any. When the recoverable amount of an asset may not be estimated on an item-by-item basis, the recoverable amount of the CGU to which the asset belongs is calculated. When a reasonable and consistent allocation base may be identified, the corporate assets are also allocated to the individual CGUs and to the smallest group of CGUs for which a reasonable and consistent allocation base may be identified.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.15. Impairment of nonfinancial assets (Continued)

Intangible assets with an indefinite useful life or not yet available for use are subject to impairment testing at least on an annual basis and whenever there is any indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated future cash flows were not adjusted. If the recoverable amount of an asset or CGU calculated is lower than its carrying amount, the carrying amount of this asset or CGU is reduced to its recoverable amount. Impairment loss is recognized immediately in the statement of profit or loss. Impairment related to goodwill is not reversed. In relation to other assets, impairment loss is reversed only on the condition that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

In 2020, the Company carried out a review of investments and business plans in the Data Business unit, in which it absorbed a significant impact resulting from the loss of current and prospective revenue, substantially motivated by the impacts of Covid-19 on the retail segment in the United States. As a result, a provision for impairment was set up in the consolidated balances in the total amount of R\$113,088 (equivalent to US\$21,762), comprising the balance of R\$62,619 (equivalent to US\$12,050) referring to goodwill and R\$50,469 (equivalent to US\$9,712) referring to the customer portfolio.

The effects of this provision were reflected in the means of payment segment and in the accounting group 'Other operating expenses' in the statement of profit or loss for the year. The provision for impairment amounting to R\$113,088 was based on value in use, and was determined in relation to the cash-generating unit, which consists of assets of subsidiary Marketing Software Company, LLC ("MSC"), located in the United States.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.15. Impairment of nonfinancial assets (Continued)

At December 31, 2020, the Company reviewed the investment and business plan of the Security Personalization business unit in the United States, which, due to lower operational efficiency and the decrease in expected revenue growth, recognized a provision for impairment of consolidated balances in the amount of R\$17,736 (equivalent to US\$3,447) in the United States.

The effects of this provision were reflected in the means of payment segment in the United States and in the accounting group 'Other operating expenses' in profit or loss for the year.

At December 31, 2020, the Company reviewed investments and business plans of the Security Printing business unit in subsidiary Tress, which absorbed a significant impact from the current and prospective revenue loss, substantially motivated by the loss of an important customer of this cash-generating unit that is allocated to the Identification segment in Brazil. As a result, a provision for impairment of consolidated balances was recognized in the amount of R\$4,556, of which R\$1,721 relate to property, plant and equipment, and R\$2,835 to goodwill.

The effects of these provisions were reflected in the accounting group 'Other operating expenses' in profit or loss for the year.

2.16. Loans, financing and debentures

After initial recognition, loans, financing and debentures are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in the statement of profit or loss when liabilities are derecognized, and over the amortization process using the effective interest method.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.17. Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions

Restructuring provisions are recognized only when the Company has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the main locations and roles, and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

Onerous contract

If the Company has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of: (a) the cost of fulfilling the contract; or (b) the cost of any compensation or penalties arising from failure to fulfil it.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.17. Provisions (Continued)

Provisions for tax, civil and labor contingencies

The Company is party to various legal and administrative proceedings. Provisions for tax, civil and labor contingencies are recognized for all contingencies referring to legal proceedings whose settlement is likely to result in an outflow of economic benefits, and for which a reliable estimate can be made. The assessment of the likelihood of loss includes analyses of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are constantly reviewed and adjusted to take into consideration changes in circumstances, such as the applicable statute of limitations, tax audit conclusions, or additional exposures that may be identified based on new matters or court decisions.

2.18. Seasonality

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

2.19. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.19. Fair value measurement (Continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and nonfinancial assets that are measured at fair value or where fair values are disclosed, are summarized in Note 19.

2.20. Noncurrent assets held for sale

The Company classifies noncurrent assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. Noncurrent assets and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.20. Noncurrent assets held for sale (Continued)

The criteria for held for sale classification is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to the terms that are usual and customary for the sale of such assets. The Company's appropriate management hierarchy level is committed to the plan to sell assets and a firm program was implemented to locate a buyer, to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.21. Segregation into current and noncurrent

The Company and its subsidiaries present assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset or liability is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is expected to be realized within 12 months after the reporting period.
- It is cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company and its subsidiaries classified all other assets and liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.22. Trade accounts receivable

Trade accounts receivable correspond to receivables for the sale of goods or rendering of services in the ordinary course of the Company business. If the term of receipt is within one year or another term within the Company's normal operating cycle, accounts receivable are classified in current assets. They are otherwise presented as noncurrent assets.

Trade accounts receivable are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate, less credit risk for determining the allowance for doubtful accounts. The credit risk used to determine the allowance for doubtful accounts is established when there is an objective evidence that the Company will not be able to collect all amounts due. The allowance amount is the difference between carrying amount and the recoverable amount (Note 5).

2.23. Trade accounts payable

These are obligations payable for goods or services that were acquired from suppliers in the ordinary course of business, classified as current liabilities. Otherwise, trade accounts payable are stated as noncurrent liabilities.

Trade accounts payable are recorded at fair value and subsequently measured at amortized cost using the effective interest method.

2.24. Payment of dividends and interest on equity

Dividends paid to Company shareholders are recognized as a liability in the individual and consolidated financial statements at year end, based on the Company's Articles of Incorporation, which establish payment of mandatory minimum dividend of 25%. Any amount above the mandatory minimum dividend is only accrued on the date of its approval by shareholders, in a General Meeting.

The tax benefit of interest on equity is recognized in the statement of profit or loss. Payments of interest on equity and dividends are disclosed in financing activities.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.25. Other current and noncurrent assets and liabilities

Other assets are stated at cost or realizable value, including, when applicable, income earned.

The other liabilities are recorded at known or determinable amounts, including, when applicable, interest and monetary restatement.

2.26. Use of estimates and judgments

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

Estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the year 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

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions for similar assets or market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company and its subsidiaries are not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.26. Use of estimates and judgments (Continued)

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 arrangements, 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 the taxation 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 taxation 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.

c) Deferred 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.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.26. Use of estimates and judgments (Continued)

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 decisions and their relevance to the legal system, as well an assessment by outside legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions. Management is of the belief that these provisions for tax, civil and labor contingencies are properly measured and stated in the financial statements.

e) Allowance for doubtful accounts

This allowance is recognized 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.

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.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

2. Basis of preparation (Continued)

2.26. Use of estimates and judgments (Continued)

h) Fair value of financial instruments

When the fair value of financial assets and liabilities cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method, which requires a certain level of judgment by management. Such judgment includes an analysis of inputs 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) Restructuring provisions

Restructuring provisions are recognized when the Company has a detailed formal restructuring plan and has created a valid expectation to the parties affected that it will carry out the restructuring process by implementing such plan or disclosing the plan's main features to those affected by the restructuring. Measurement of the restructuring provision 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. New accounting pronouncements

The accounting practices adopted are consistent with those used in preparing the individual and consolidated financial statements for the year ended December 31, 2020.

3.1. New or revised pronouncements first-time adopted in 2020

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has decided not to early adopt any other standard, interpretation or amendment to standards that has been issued but is not yet effective.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

3. New accounting pronouncements (Continued)

3.1. New or revised pronouncements first-time adopted in 2020 (Continued)

Amendments to CPC15 (R1): Definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, and such amendments are reflected in revision 14 of the CPC that amends CPC 15 (R1), to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on transition.

Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the individual and consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to CPC26 (R1) and IAS 8: Definition of material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and these amendments are reflected in revision 14 of CPC, amending CPC 26 (R1) and CPC 23, to align the definition of “material” or “material misstatement” across the standards and to clarify certain aspects of the definition. The new definition states that: “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

These amendments had no impact on the individual and consolidated financial statements of the Group.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

3. New accounting pronouncements (Continued)

3.1. New or revised pronouncements first-time adopted in 2020 (Continued)

Revision of CPC 00 (R2): Conceptual Framework for Financial Reporting

The revised pronouncement includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the individual and consolidated financial statements of the Group.

Amendments to CPC 06 (R2): Covid-19 related rent concessions

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification. This amendment had no impact on the individual and consolidated financial statements of the Group.

3.2. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of liabilities as current or noncurrent

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with CPC 26, to specify the requirements for classifying liabilities as current or noncurrent. These amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

3. New accounting pronouncements (Continued)

3.2. Standards issued but not yet effective (Continued)

The amendments are effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4. Cash and cash equivalents and marketable securities

| | Individual | | Consolidated | |
|---------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Cash and banks | 9,246 | 6,370 | 151,645 | 50,101 |
| Cash equivalents | 307,351 | 200,017 | 334,891 | 268,421 |
| Cash and cash equivalents | 316,597 | 206,387 | 486,536 | 318,522 |
| Marketable securities | 5,622 | 3,115 | 5,622 | 3,115 |
| | 322,219 | 209,502 | 492,158 | 321,637 |
| Total current | | | | |
| Cash and cash equivalents | 316,597 | 206,387 | 486,536 | 318,522 |
| Total noncurrent | | | | |
| Marketable securities | 5,622 | 3,115 | 5,622 | 3,115 |

Cash equivalents refer to highly liquid short-term investments held in first-tier financial institutions, redeemable at any time, immediately convertible to a known amount of cash and subject to an insignificant risk of changes in value. Cash equivalents of the Company and its subsidiaries consist mainly of floating-income Bank Deposit Certificates (CDB) and repurchase agreements backed by debentures with guaranteed buyback and yield based on Interbank Deposit Certificate (DI) rates. The average yield of cash equivalents and marketable securities was 102.2% p.a. of the DI for the year ended December 31, 2020 (95.3% p.a. of the DI for the year ended December 31, 2019).

Marketable securities are financial assets denominated as investment fund shares ("Fundo Criatec III"). Fundo Criatec III is an Investment Fund ("FIP") aimed at capitalizing micro and small innovative companies. This financial asset is measured and accounted for based on its fair value, reason why gains or losses resulting from changes in fair value of the shares held by the Company are recorded in profit or loss for the year when they occur.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable

| | Individual | | Consolidated | |
|--------------------------------------|-----------------|------------|-----------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Trade accounts receivable | 166,765 | 156,891 | 460,545 | 447,940 |
| Allowance for expected credit losses | (20,207) | (1,501) | (78,720) | (40,823) |
| Total | 146,558 | 155,390 | 381,825 | 407,117 |
| Total current | 139,224 | 143,872 | 358,162 | 395,523 |
| Total noncurrent | 7,334 | 11,518 | 23,663 | 11,594 |

At December 31, 2020, the Company had trade accounts receivable classified as noncurrent assets, Individual and Consolidated, which comprised the amount of R\$3,817 (R\$6,279 at December 31, 2019) receivable from a specific customer, due to amounts retained unilaterally in the scope of the agreements entered into by the parties, and the amount of R\$3,517 (R\$5,239 at December 31, 2019) referring to a customer undergoing in-court reorganization. Management concluded that the likelihood of receiving such amounts is probable in the context of the lenders' approved in-court reorganization plan.

At December 31, 2020 and 2019, the aging list of accounts receivable is as follows:

| | Individual | | Consolidated | |
|----------------------|----------------|------------|----------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Falling due | 111,474 | 90,304 | 272,996 | 232,870 |
| Overdue | | | | |
| Within 30 days | 21,601 | 32,201 | 44,935 | 77,103 |
| From 31 to 90 days | 6,540 | 17,402 | 21,932 | 40,626 |
| From 91 to 120 days | 1,201 | 1,927 | 22,390 | 3,128 |
| From 121 to 180 days | 605 | 264 | 7,991 | 6,575 |
| From 181 to 365 days | 14,977 | 718 | 24,457 | 17,433 |
| Above 365 days | 10,367 | 14,075 | 65,844 | 70,205 |
| Total overdue | 55,291 | 66,587 | 187,549 | 215,070 |
| Total | 166,765 | 156,891 | 460,545 | 447,940 |

At December 31, 2020, part of the overdue consolidated balance, amounting to R\$107,032, derives from foreign subsidiaries based in Spain, the USA, Argentina, Denmark, Mexico, Colombia and Nigeria (R\$110,524 at December 31, 2019) and, therefore, is subject to the appreciation or depreciation of the Brazilian real against the functional currencies of such subsidiaries.

The Company analyzes the balances of overdue receivables individually and uses, as an assumption, the history of receivables from and amounts rescheduled with such customers to hedge against possible risks. In addition, the allowance for expected credit losses is calculated taking into account qualitative aspects to consider the expected loss for the next 12 months and/or over the useful life of the asset depending on the risk at the reporting date.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable (Continued)

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 for each country and/or region in which the Group companies operate. 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, irrespective of whether or not the balances are overdue. Management of the Company and its subsidiaries considers that, at December 31, 2020 and 2019, the amounts accrued are sufficient to cover losses, if any, on realization of receivables.

At December 31, 2020, subsidiary Valid Spain recorded a balance of R\$42,043 overdue for more than 90 days (R\$27,762 at December 31, 2019), for which an allowance for expected credit losses of R\$32,765 (R\$24,136 at December 31, 2019) was recognized.

At December 31, 2020, subsidiary Interprint recorded a balance of R\$6,708 overdue for more than 90 days (R\$23,859 at December 31, 2019), for which an allowance for expected credit losses of R\$1,638 (R\$1,660 at December 31, 2019) was recognized.

At December 31, 2020, the Company recorded balances overdue for more than 90 days amounting to R\$27,150 in Individual and R\$120,682 in Consolidated (R\$16,984 and R\$97,341 at December 31, 2019, respectively) and, out of such amounts, balances for which an allowance for expected credit losses was not recognized totaled R\$6,943 in Individual and R\$41,962 in Consolidated (R\$15,483 and R\$56,518 at December 31, 2019, respectively). The main balances and management's justification for not recognizing the allowance are described below, by location:

At December 31, 2020, two customers of subsidiary Interprint had a balance receivable amounting to R\$22,168 (R\$22,168 at December 31, 2019). Given the agreement entered into with the customers, management understands that these amounts will be realized in 2021 and 2022.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable (Continued)

At December 31, 2020, the Company recorded receivables overdue for more than 90 days amounting to R\$11,272, and these customer's receivables overdue for more than 365 days are classified under noncurrent assets, in Individual and Consolidated, in the amount of R\$3,517 (R\$6,279 at December 31, 2019) 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 external 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 expected credit losses separately at this date, and it should be mentioned that such customer is included in the base for calculating the general allowance that considers the prospective risk of not receiving the amount at the end of each reporting period.

6. Taxes

a) Taxes recoverable

| | Individual | | Consolidated | |
|----------------------------------------------------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Income and social contribution taxes (IRPJ and CSLL) recoverable (1) | 19,982 | 12,650 | 35,429 | 22,506 |
| State VAT (ICMS) recoverable | 1,071 | 619 | 17,628 | 46,021 |
| Federal VAT (IPI) recoverable (2) | 30,303 | 28,184 | 30,994 | 28,757 |
| Federal taxes withheld by customers | - | - | 3,684 | 2,415 |
| Social Security Tax (INSS) recoverable | 1,019 | 242 | 1,019 | 242 |
| Other | 3,060 | 227 | 4,180 | 1,515 |
| Total taxes recoverable | 55,435 | 41,922 | 92,934 | 101,456 |
| Total current | 33,879 | 20,776 | 71,051 | 79,983 |
| Total noncurrent | 21,556 | 21,146 | 21,883 | 21,473 |

(1) 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.

(2) 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 taxation authorities. By December 31, 2020, the Company had concluded the refund request for IPI credits amounting to R\$21,556 and is now awaiting a position from the federal agency.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

b) Deferred income and social contribution taxes

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

| | Individual | | | 12/31/2020 |
|---------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------|
| | 12/31/2019 | Deferred income and social contribution taxes – income (expenses) | Deferred income and social contribution tax assets and liabilities | |
| Present value adjustment | 446 | (446) | - | - |
| Lease of machinery and equipment | 210 | 63 | - | 273 |
| Commissions payable | 816 | 877 | - | 1,693 |
| Attorneys' fees | 713 | 165 | - | 878 |
| Tax loss | 13,614 | (180) | - | 13,434 |
| Provisions for contingencies | 4,420 | 53 | - | 4,473 |
| Provisions for freight | 107 | 1 | - | 108 |
| Allowance for doubtful accounts | 264 | 6,360 | - | 6,624 |
| Provisions for equipment obsolescence | 373 | 2,839 | - | 3,212 |
| Provisions for profit sharing | 2,598 | (2,357) | - | 241 |
| Provisions for royalties | 656 | (44) | - | 612 |
| Other temporary additions | 1,879 | 3,423 | - | 5,302 |
| Total deferred tax assets | <u>26,096</u> | <u>10,754</u> | <u>-</u> | <u>36,850</u> |
| Deferred income and social contribution taxes on gain on bargain purchase | - | (444) | - | (444) |
| Deferred income and social contribution taxes on capital gain on assets | - | - | (4,566) | (4,566) |
| Total deferred tax liabilities | <u>-</u> | <u>(444)</u> | <u>(4,566)</u> | <u>(5,010)</u> |
| Total deferred taxes | <u>26,096</u> | <u>10,310</u> | <u>(4,566)</u> | <u>31,840</u> |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

b) Deferred income and social contribution taxes (Continued)

| | Consolidated | | | | |
|---------------------------------------------------------------------------|--------------|-------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------|------------|
| | 12/31/2019 | Deferred income and social contribution taxes – income (expenses) | Foreign exchange difference/monetary restatement | Deferred income and social contribution on tax assets and liabilities | 12/31/2020 |
| Present value adjustment | 455 | (455) | - | - | - |
| Lease of machinery and equipment | 210 | 76 | - | - | 286 |
| Commissions payable | 1,389 | 848 | - | - | 2,237 |
| Transaction cost in business acquisition | 1,661 | 763 | 486 | - | 2,910 |
| Finance costs related to loans (2) | 4,248 | (3,402) | 996 | - | 1,842 |
| Attorneys' fees | 1,011 | (216) | 83 | - | 878 |
| Tax loss | 53,360 | 16,514 | 11,001 | - | 80,875 |
| Provisions for contingencies | 5,173 | 854 | 39 | - | 6,066 |
| Accrued vacation pay | 179 | 2,347 | 20 | - | 2,546 |
| Provisions for freight | 107 | 1 | - | - | 108 |
| Allowance for doubtful accounts | 3,065 | 7,754 | 163 | - | 10,982 |
| Provisions for equipment obsolescence | 1,241 | 4,183 | 68 | - | 5,492 |
| Provisions for profit sharing | 3,044 | (2,912) | 109 | - | 241 |
| Provisions for restructuring (1) | 1,217 | (536) | 348 | - | 1,029 |
| Provisions for royalties | 656 | (44) | - | - | 612 |
| Other temporary additions | 8,666 | (1,275) | 1,289 | - | 8,680 |
| UNICAP USA | 1,512 | (294) | 435 | - | 1,653 |
| Financial instruments (hedge) | 6,633 | (6,918) | 2,135 | - | 1,850 |
| Deferred revenue USA | 2,882 | (1,259) | 745 | - | 2,368 |
| Total deferred tax assets | 96,709 | 16,029 | 17,917 | - | 130,655 |
| Tax amortization of deductible goodwill | (48,437) | (5,421) | (3,445) | - | (57,303) |
| Depreciation difference CPC 27 (3) | 4,478 | (6,780) | 1,216 | - | (1,086) |
| Inflation adjustment - Valid Argentina | (2,350) | (1,582) | 435 | - | (3,497) |
| Deferred income and social contribution taxes on capital gain on assets | - | 591 | - | (8,853) | (8,262) |
| Deferred income and social contribution taxes on gain on bargain purchase | - | (889) | - | - | (889) |
| Total deferred tax liabilities | (46,309) | (14,081) | (1,794) | (8,853) | (71,037) |
| Total deferred taxes | 50,400 | 1,948 | 16,123 | (8,853) | 59,618 |

(1) This refers to recognition of deferred tax assets in the restructuring process of manufacturing plants in the United States, as described in Note 24.

(2) 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.

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

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

b) Deferred income and social contribution taxes (Continued)

Other temporary additions comprise mainly 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 temporary difference, as set out by CPC 32 (IAS 12).

At December 31, 2020 and 2019, for financial reporting purposes, the Company offset deferred tax assets and liabilities relating to the same legal entity as follows:

| | 12/31/2020 | | | | |
|------------------------------------------------------------------|---------------------|--------------------------|---------------|------------------|-----------------------|
| | Deferred tax assets | Deferred tax liabilities | Total, net | Total tax assets | Total tax liabilities |
| Valid | 36,850 | (5,010) | 31,840 | 31,840 | - |
| Interprint | 1,771 | (35,852) | (34,081) | - | (34,081) |
| Valid Certificadora | 4,793 | - | 4,793 | 4,793 | - |
| Nexitera | 293 | - | 293 | 293 | - |
| BluPay | 1,417 | - | 1,417 | 1,417 | - |
| Serbet | 205 | - | 205 | 205 | - |
| Valid Hub | 131 | - | 131 | 131 | - |
| Valid Spain | 3,105 | - | 3,105 | 3,105 | - |
| Valid USA Consolidated | 78,106 | (15,746) | 62,360 | 62,360 | - |
| Valid A/S Consolidated | 577 | (5,034) | (4,457) | - | (4,457) |
| Valid Argentina | 3,023 | (3,497) | (474) | - | (474) |
| Valid Uruguay | 57 | - | 57 | 57 | - |
| Valid Sucursal | 63 | (326) | (263) | - | (263) |
| Valid Mexico | 264 | - | 264 | 264 | - |
| Valid Nigeria | - | (1,561) | (1,561) | - | (1,561) |
| Income and social contribution taxes of noncontrolling interests | - | (4,011) | (4,011) | - | (4,011) |
| Total | 130,655 | (71,037) | 59,618 | 104,465 | (44,847) |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

b) Deferred income and social contribution taxes (Continued)

| | 12/31/2019 | | | Total tax assets | Total tax liabilities |
|------------------------|---------------------|--------------------------|---------------|------------------|-----------------------|
| | Deferred tax assets | Deferred tax liabilities | Total, net | | |
| Valid | 26,096 | - | 26,096 | 26,096 | - |
| Interprint | 966 | (35,851) | (34,885) | - | (34,885) |
| Valid Certificadora | 3,464 | - | 3,464 | 3,464 | - |
| Nexitera | 1,716 | - | 1,716 | 1,716 | - |
| Valid Spain | 7,761 | (221) | 7,540 | 7,540 | - |
| Valid USA Consolidated | 52,110 | (3,777) | 48,333 | 48,333 | - |
| Valid A/S Consolidated | 915 | (3,383) | (2,468) | - | (2,468) |
| Valid Argentina | 3,299 | (2,350) | 949 | 949 | - |
| Uram | - | (247) | (247) | - | (247) |
| Valid Uruguay | 46 | - | 46 | 46 | - |
| Valid Sucursal | 143 | - | 143 | 143 | - |
| Valid Mexico | 193 | - | 193 | 193 | - |
| Valid Nigeria | - | (480) | (480) | - | (480) |
| Total | 96,709 | (46,309) | 50,400 | 88,480 | (38,080) |

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

| | Individual 12/31/2020 | Consolidated 12/31/2020 |
|--------------------------------|--------------------------|----------------------------|
| Current year | 19,100 | 31,901 |
| Current year + 1 year | 13,030 | 22,281 |
| Current year + 2 years | 4,720 | 11,976 |
| Current year + 3 years | - | 6,493 |
| Current year + 4 years | - | 10,892 |
| Current year + 5 years | - | 7,000 |
| Current year + remaining years | - | 40,112 |
| Total | 36,850 | 130,655 |

c) Taxes, charges and contributions payable

| | Individual | | Consolidated | |
|----------------------------------------------------------------------------------|--------------|--------------|---------------|---------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| IRPJ and CSLL payable | - | - | 2,961 | 3,199 |
| ICMS payable | 461 | 734 | 19,745 | 1,313 |
| Service Tax (ISS) payable | 3,443 | 2,547 | 9,482 | 10,756 |
| Contribution Tax on Gross Revenue for Social Security Financing (COFINS) payable | 81 | 2,411 | 1,047 | 3,013 |
| Contribution Tax on Gross Revenue for Social Integration Program (PIS) payable | 13 | 428 | 187 | 556 |
| Social Security Tax (INSS) withheld from customers | 2,946 | 2,128 | 2,957 | 2,128 |
| Other | 561 | 853 | 3,557 | 1,290 |
| Total taxes payable | 7,505 | 9,101 | 39,936 | 22,255 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

6. Taxes (Continued)

d) Reconciliation between tax expenses and statutory rates

| | Individual | | Consolidated | |
|-----------------------------------------------------------------------------|------------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Income (loss) before income taxes | (212,056) | 67,329 | (194,501) | 69,824 |
| Effective rate of IRPJ and CSLL | 34% | 34% | 34% | 34% |
| IRPJ/CSLL at combined tax rate | (72,099) | 22,892 | (66,130) | 23,740 |
| Additions | | | | |
| Income abroad | 6,417 | 4,576 | 6,879 | 4,788 |
| Other expenses | 7 | 103 | 56 | 364 |
| Recognized options granted | - | 753 | - | 753 |
| IFRS16 | - | 1,877 | - | 2,003 |
| Transfer pricing | 514 | 55 | 514 | 55 |
| Interest on lease – right-of-use asset | - | 328 | - | 338 |
| Tax rate difference - companies abroad | - | - | 64,066 | 9,470 |
| Offsetting of tax losses | - | - | 2,684 | - |
| Exclusions | | | | |
| Tax incentives | (13) | (151) | (125) | (869) |
| Equity pickup | 56,351 | 2,691 | (272) | (798) |
| Interest on equity | - | (16,732) | - | (16,732) |
| Portion exempt from surtax | (24) | (24) | (76) | (72) |
| Other additions and exclusions, net | (754) | (840) | 249 | (1,724) |
| Revenue from recognition – deferral IFRS 15 | - | - | (235) | (661) |
| Goodwill amortization | - | (451) | - | (451) |
| Lease – right-of-use asset – IFRS 16 | - | (2,029) | - | (2,136) |
| Tax rate difference – profit computed as a percentage of gross revenue | - | - | (462) | (1,985) |
| Income and social contribution taxes charged to profit or loss for the year | (9,601) | 13,048 | 7,148 | 16,083 |
| Effective rate – IRPJ/CSLL | 4.53% | 19.38% | (3.68%) | 23.03% |
| Current IRPJ/CSLL | 709 | 7,819 | 9,096 | 32,715 |
| Deferred IRPJ/CSLL | (10,310) | 5,229 | (1,948) | (16,632) |
| Total IRPJ/CSLL – current and deferred | (9,601) | 13,048 | 7,148 | 16,083 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

7. Inventories

| | Individual | | Consolidated | |
|---------------------------------|----------------|------------|-----------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Raw material | 69,965 | 59,818 | 201,317 | 152,527 |
| Work in process | 26,796 | 21,541 | 42,471 | 48,104 |
| Replacement parts and materials | 3,284 | 3,781 | 4,268 | 4,672 |
| Goods for resale | - | - | 19,434 | 9,709 |
| Provision for inventory losses | (2,598) | - | (11,237) | (2,965) |
| Subtotal | 97,447 | 85,140 | 256,253 | 212,047 |
| Advances to suppliers | 8,024 | 5,782 | 13,761 | 14,981 |
| Total inventories | 105,471 | 90,922 | 270,014 | 227,028 |

8. Judicial deposits

| | Individual | | Consolidated | |
|---------------------------|---------------|------------|---------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Judicial deposits - labor | 6,765 | 6,932 | 7,226 | 7,432 |
| Judicial deposits - tax | 2,210 | 13,684 | 2,210 | 17,627 |
| Judicial deposits - civil | 11,614 | 11,263 | 11,730 | 11,376 |
| Total judicial deposits | 20,589 | 31,879 | 21,166 | 36,435 |

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

- On February 8, 2013, the Company made a judicial deposit of R\$6,646 related to a civil lawsuit assessed 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. This lawsuit was assessed as possible loss (Note 13, item b). At December 31, 2020, the restated judicial deposit amounts to R\$11,327 (R\$10,976 at December 31, 2019).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments

Financial information

At December 31, 2020, the significant financial information of the direct and indirect subsidiaries are as follows:

| Subsidiaries (1) | 12/31/2020 | | | Profit or loss for the year |
|----------------------------|--------------|-------------------|---------|--------------------------------|
| | Total assets | Total liabilities | Equity | |
| Valid Par | 595 | 20 | 575 | (87) |
| Valid Argentina (2) | 64,176 | 46,966 | 17,210 | (2,026) |
| Valid Sucursal | 40,737 | 24,775 | 15,962 | 5,918 |
| BluPay (3) | 5,799 | 6,553 | (754) | (2,750) |
| Serbet (3) | 15,098 | 6,869 | 8,229 | (376) |
| Alpdex (3) | 1,768 | 1,106 | 662 | (34) |
| Valid Hub (3) | 2,647 | 103 | 2,544 | (256) |
| Mitra (3) | 8,980 | 6,125 | 2,855 | (643) |
| Interprint | 224,020 | 51,553 | 172,467 | (1,447) |
| Valid Certificadora | 30,951 | 7,476 | 23,475 | 689 |
| Valid Mexico | 30,181 | 20,650 | 9,531 | 833 |
| Valid Uruguay | 2,582 | 656 | 1,926 | 569 |
| Tress | 12,242 | 1,167 | 11,075 | 5,233 |
| Nexitera | 6,560 | 11,309 | (4,749) | (9,361) |
| Valid Spain | 1,008,690 | 536,566 | 472,124 | (165,851) |
| Valid Beijing | 3,284 | 2,565 | 719 | (4,461) |
| Valid Nigeria (3) | 36,847 | 23,305 | 13,542 | 3,966 |
| Valid USA Consolidated (4) | 609,173 | 395,703 | 213,470 | (140,043) |
| Valid A/S Consolidated | 243,690 | 89,260 | 154,430 | 15,483 |

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

(2) Subsidiary Interprint holds 1.7% interest in Valid Argentina.

(3) The Company does not hold 100% equity interest. The percentages are stated in Note 2.3.

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

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments

Changes in the investment balances for the year ended December 31, 2020 are as follows:

| Investments | Individual | | | | | | | | | | |
|-----------------------------------|------------|----------|-----------|-----------------------------------------|---------------|--------------------|--------|----------------------------------------------------|----------|--------------|------------|
| | 12/31/2019 | Addition | Write-off | Acquisition of noncontrolling interests | Equity pickup | Approved dividends | IAS 29 | Foreign exchange difference and subsidiary reserve | Transfer | Amortization | 12/31/2020 |
| Subsidiaries | | | | | | | | | | | |
| Valid Par | 662 | - | - | - | (87) | - | - | - | - | - | 575 |
| Valid Argentina | 14,935 | - | - | - | (1,991) | - | 5,605 | (1,641) | - | - | 16,908 |
| Valid Sucursal | 8,079 | - | - | - | 5,918 | - | - | 1,965 | - | - | 15,962 |
| Interprint | 239,371 | - | (76) | 1,075 | (1,447) | (70,000) | (456) | 4,000 | - | - | 172,467 |
| Valid Spain | 486,097 | 29,860 | - | 369 | (165,851) | (20,840) | - | 142,489 | - | - | 472,124 |
| BluPay | 1,018 | - | - | 157 | (1,595) | - | - | - | (17) | - | (437) |
| Serbet | - | 7,302 | - | - | (188) | - | - | - | - | - | 7,114 |
| Alpdex | - | 348 | - | - | (17) | - | - | - | - | - | 331 |
| Valid Hub | - | 1,680 | - | - | (153) | - | - | - | - | - | 1,527 |
| Mitra | - | 1,784 | - | - | (328) | - | - | - | - | - | 1,456 |
| Total investments | 750,162 | 40,974 | (76) | 1,601 | (165,739) | (90,840) | 5,149 | 146,813 | (17) | - | 688,027 |
| Goodwill | | | | | | | | | | | |
| Valid Argentina | 1,000 | - | - | - | - | - | - | (81) | - | - | 919 |
| Valid Spain | 55,740 | - | - | - | - | - | - | 22,729 | - | - | 78,469 |
| BluPay | 22,657 | - | (21,063) | (181) | - | - | - | - | - | - | 1,413 |
| Serbet | - | 13,996 | - | - | - | - | - | - | - | - | 13,996 |
| Mitra | - | 7,357 | - | - | - | - | - | - | - | - | 7,357 |
| Capital gain - technology | - | 12,480 | - | - | - | - | - | - | - | (927) | 11,553 |
| Capital gain - customer portfolio | - | 948 | - | - | - | - | - | - | - | (63) | 885 |
| Total goodwill | 79,397 | 34,781 | (21,063) | (181) | - | - | - | 22,648 | - | (990) | 114,592 |
| Total | 829,559 | 75,755 | (21,139) | 1,420 | (165,739) | (90,840) | 5,149 | 169,461 | (17) | (990) | 802,619 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

| Investments | Consolidated | | | | 12/31/2020 |
|-------------------|--------------|-----------------------------------------|---------------|----------------------------------------------------|------------|
| | 12/31/2019 | Acquisition of noncontrolling interests | Equity pickup | Foreign exchange difference and subsidiary reserve | |
| Subsidiaries | | | | | |
| Cubic | 5,016 | 94 | (471) | 1,964 | 6,603 |
| VCMC | 1,486 | - | 1,272 | (117) | 2,641 |
| Total investments | 6,502 | 94 | 801 | 1,847 | 9,244 |
| Goodwill | | | | | |
| Cubic | 38,093 | - | - | 15,534 | 53,627 |
| Total goodwill | 38,093 | - | - | 15,534 | 53,627 |
| Total | 44,595 | 94 | 801 | 17,381 | 62,871 |

The corporate events related to the Company's and subsidiaries' investments for the year ended December 31, 2020 are detailed below:

| Subsidiaries | Events | Type | Amount in original currency | Amount in R\$ |
|-----------------------|--------------------------------------|-----------------------|-----------------------------|---------------|
| Valid Taiwan (a) | Increase in interest | Shareholders' meeting | US\$796 thousand | 3,289 |
| Valid Spain (b) | Capital increase | Shareholders' meeting | US\$7,000 thousand | 29,860 |
| Nexitera (c) | Increase in interest | Shareholders' meeting | R\$1,500 thousand | 1,500 |
| Nexitera (c) | Increase in interest | Shareholders' meeting | R\$0.01 | 0.01 |
| Serbet and Alpdex (d) | Acquisition of Serbet and Alpdex | Shareholders' meeting | R\$10,000 thousand | 10,000 |
| Valid Indonesia (e) | Increase in interest | Shareholders' meeting | US\$1 | 5 |
| Valid Hub (f) | Establishment of Valid Hub | Shareholders' meeting | R\$1,680 | 1,680 |
| Mitra (g) | Acquisition of Mitra | Shareholders' meeting | R\$12,500 | 12,500 |
| BluPay(h) | Acquisition of BluPay – after report | Shareholders' meeting | R\$3,900 | 3,900 |
| Valid Spain (i) | Payment of dividends | Shareholders' meeting | US\$4,000 | 20,840 |
| Interprint (j) | Payment of dividends | Shareholders' meeting | R\$70,000 | 70,000 |
| Serbet (k) | Capital increase | Shareholders' meeting | R\$6,000 | 6,000 |
| Mitra (l) | Capital increase | Shareholders' meeting | R\$4,000 | 4,000 |
| URAM (m) | Disposal of subsidiaries | Shareholders' meeting | USD50 | 258 |
| Inemator (n) | Disposal of subsidiaries | Shareholders' meeting | USD15 | 76 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

(a) Increase in interest in Valid Taiwan

On January 13, 2020, through its subsidiary Valid Holding Denmark Aps ("Valid Holding"), the Company acquired 49% equity interest in Valid Card Manufacturing Taiwan Limited ("Valid Taiwan") for US\$796 (equivalent to R\$3,289 at the transaction date), obtaining after this transaction an interest of 100%.

(b) Capital increase in Valid Spain

On January 28, 2020, the Company management approved a capital increase in Valid Spain, for the purpose of increasing its working capital, without changes in the number of shares, in the amount of US\$7,000 (equivalent to R\$29,860 at the transaction date).

(c) Increase in interest in Nexitera

On January 23, 2020, through subsidiary Interprint, the Company acquired another 15% equity interest in Nexitera Consultoria e Soluções em IT Ltda. ("Nexitera") for R\$1,500, obtaining after this transaction an interest of 71.8%. The Company already held control over Nexitera.

On October 13, 2020, through subsidiary Interprint, the Company acquired 100% equity interest in Nexitera Consultoria e Soluções em TI Ltda. ("Nexitera") for ten reais.

(d) Acquisition of Serbet and Alpdex

On May 21, 2020, the Board of Directors approved the acquisition of 50% + 1 share in equity interest in Serbet - Sistema de Estacionamento Veicular do Brasil Ltda. e Alpdex Processamento de Dados Ltda. for R\$10,000. The acquisition was as follows: a secondary investment to be paid to shareholders, in the amount of R\$4,500 (R\$1,500 paid and R\$3,000 outstanding at December 31, 2020), and a primary investment through a capital increase of R\$5,500 that has already been settled during the year ended December 31, 2020. The investment contract also provides for an earn-out payment of up to R\$10,000, provided that the metrics defined in the instrument are met (according to the purchase price allocation report, the payment is estimated at R\$6,473). This acquisition expands our portfolio of solutions for Intelligent City Management, which today already has a unique offer with intensive use of technology and intelligence that provides several benefits for municipalities and also for citizens.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

The amount of R\$27,992 was recognized as goodwill on the acquisition of Serbet, based on future profitability. Assets and liabilities computed at the transaction date are as follows:

| Serbet | 05/21/2020 |
|---------------------------------------------------------------|-------------------|
| Assets | |
| Current assets | 678 |
| Cash and cash equivalents | 186 |
| Inventories | 425 |
| Taxes recoverable | 18 |
| Other accounts receivable | 49 |
| Noncurrent assets | 3,919 |
| Property, plant and equipment | 3,735 |
| Receivables from related parties | 184 |
| Liabilities and equity | |
| Current liabilities | 3,730 |
| Loans and financing | 1,049 |
| Salaries payable | 346 |
| Trade accounts payable | 2,252 |
| Taxes payable | 65 |
| Other accounts payable | 18 |
| Noncurrent assets | 3,214 |
| Loans and financing | 1,027 |
| Payables to related parties | 1,130 |
| Provisions | 118 |
| Other accounts payable | 939 |
| Net assets of 100% of Serbet | <u>(2,347)</u> |
| Capital increase | 4,952 |
| Equity after capital increase | 2,605 |
| Percentage of equity acquired by Valid S.A. (50%) | 1,303 |
| Payment to shareholders | 4,500 |
| Capital contribution | 4,952 |
| Earn out payable (*) | 6,473 |
| Total | 15,925 |
| % acquired | <u>50%</u> |
| Price paid for 100% | 31,850 |
| Price paid for 100% | 31,850 |
| Equity after capital contribution | 2,605 |
| Capital gain on assets (customer portfolio) (**) | 1,897 |
| Deferred income tax on capital gain on assets | (644) |
| Goodwill from the transaction | 27,992 |
| Amount paid in acquisition | 15,925 |
| Earn out payable (*) | (6,473) |
| Future payment to shareholders | (3,000) |
| Amount paid in acquisition | 6,452 |
| Cash acquired from acquisition | (186) |
| Cash paid for the acquisition of Serbet, net of cash acquired | 6,266 |

(*) Amounts subject to contractual conditions met

(**) The balance allocated as capital gain refers to the fair value attributed to the customer portfolio acquired, with an estimated remaining useful life of 10 years.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

Revenue and profit or loss for the period of the company acquired that were included in the consolidated profit or loss of the Company and its investees from the date when control was obtained to December 31, 2020 are as follows:

| Serbet | 05/22/2020 to 12/31/2020 |
|--------------------------------------------------------------|-------------------------------------|
| Net revenue from sales of goods and/or services | 5,218 |
| Cost of sales and/or services | <u>(5,919)</u> |
| Gross profit | (701) |
| Selling expenses | (10) |
| Other operating income, net | 312 |
| Income (loss) before finance income (costs) and taxes | (399) |
| Finance income (costs) | <u>(176)</u> |
| Current income and social contribution taxes | 199 |
| Loss for the period | <u>(376)</u> |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

A gain on the bargain purchase of Alpdex was recognized, in the amount of R\$2.613. The assets and liabilities computed at the transaction date are shown below:

| <u>Alpdex</u> | <u>05/21/2020</u> |
|---------------------------------------------------------------|-------------------|
| Assets | |
| Current assets | <u>357</u> |
| Cash and cash equivalents | 357 |
| Other accounts receivable | |
| Noncurrent assets | <u>258</u> |
| Property, plant and equipment | 258 |
| Liabilities and equity | |
| Current liabilities | <u>420</u> |
| Salaries payable | 65 |
| Trade accounts payable | 5 |
| Taxes payable | 30 |
| Other accounts payable | 320 |
| Noncurrent liabilities | <u>47</u> |
| Loans and financing | 42 |
| Other accounts payable | 5 |
| Net assets of 100% of Alpdex | <u><u>148</u></u> |
| Capital increase | 548 |
| Equity after capital increase | <u>696</u> |
| Percentage of equity acquired by Valid S.A. (50%) | 348 |
| Capital contribution | 548 |
| Total | 548 |
| % acquired | <u>50%</u> |
| Price paid for 100% | <u>1,096</u> |
| Price paid for 100% | 1,096 |
| Equity after capital contribution | 696 |
| Capital gain on assets (Software) | 4,566 |
| Deferred income tax on capital gain on assets | <u>(1,553)</u> |
| Bargain purchase | <u>(2,613)</u> |
| Amount paid in acquisition | 548 |
| Cash acquired from acquisition | <u>(357)</u> |
| Cash paid for the acquisition of Alpdex, net of cash acquired | <u>191</u> |

(1) The remaining useful life of the balance allocated as capital gain on software acquired is estimated at 10 years.

Revenue and profit or loss for the period of the company acquired that were included in the consolidated profit or loss of the Company and its investees from the date when control was obtained to December 31, 2020 are as follows:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

| <u>Alpdex</u> | <u>05/22/2020 to 12/31/2020</u> |
|--------------------------------------------------------------|-------------------------------------|
| Net revenue from sales of goods and/or services | 1,066 |
| Cost of sales and/or services | (984) |
| Gross profit | 82 |
| Other operating income, net | 7 |
| Income (loss) before finance income (costs) and taxes | 89 |
| Finance income (costs) | 25 |
| Current income and social contribution taxes | (148) |
| Loss for the period | (34) |

(e) Increase in interest in Valid Indonesia

On May 28, 2020, through its subsidiary Valid Holding Denmark Aps ("Valid Holding"), the Company acquired 1% equity interest in PT Valid Technologies Indonesia ("Valid Indonesia") for US\$1 (equivalent to R\$5 at the transaction date), obtaining after this transaction an equity interest of 100%.

(f) Establishment of Valid Hub

On May 27, 2020, a contract was signed for the transformation of Valid Hub Consultoria em Tecnologia e Tratamento de Dados S.A. into a privately-held corporation, and the parent company Valid acquired a 60% stake in such company. The capital of R\$2,800 is structured as follows: The parent company contributed the amount of R\$1,680 (corresponding to 60% of equity interest) and the other shareholders made contributions totaling R\$1,120 (corresponding to 40% of equity interest).

(g) Acquisition of Mitra

On July 13, 2020, the Board of Directors approved the acquisition of 51% of the capital of MITRA - Acesso em Rede e Tecnologia da Informação Municipal Ltda. ("Mitra"), a company that provides Integrated Systems for the modernization of municipal management, present in cities such as São Caetano do Sul (SP), Santo André (SP), Vinhedo (SP), Araraquara (SP) and Campos dos Goytacazes (RJ). The acquisition was conducted through a secondary investment to be paid to shareholders, in the amount of R\$12,500 (R\$9,500 paid and R\$3,000 outstanding at December 31, 2020), and the investment contract also provides for earn-out payment of up to R\$5,000, provided that the metrics defined in the transaction documents are met (according to the PPA report, the payment is estimated at R\$168). With this acquisition, Valid expands its portfolio of products and services to the vertical Smart Cities, with solutions dedicated to the qualification of public management through technology and digital inclusion. The MITRA platform allows modern and digital management to provide faster and more accurate responses to the social and economic needs of municipalities, including Health, Education, Mobility and Security. These benefits are achieved by systematizing the entire physical structure of the city, safely identifying each citizen and integrating public systems in which citizens and assets relate to the Government.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

The amount of R\$14,426 was recognized as goodwill on this acquisition, based on future profitability. Assets and liabilities computed at the transaction date are as follows:

| Mitra | 13/07/2020 |
|--------------------------------------------------------------|-------------------|
| Assets | |
| Current assets | 4,595 |
| Cash and cash equivalents | 1,406 |
| Trade accounts receivable | 3,071 |
| Other accounts receivable | 118 |
| Noncurrent assets | 423 |
| Property, plant and equipment | 401 |
| Intangible assets | 22 |
| Liabilities and equity | |
| Current liabilities | 2,701 |
| Loans and financing | 5 |
| Salaries payable | 568 |
| Trade accounts payable | 1,855 |
| Taxes payable | 273 |
| Other accounts payable | |
| Noncurrent liabilities | 2,819 |
| Provisions | 390 |
| Other accounts payable | 2,429 |
| Net assets of 100% of Mitra | (502) |
| Percentage of equity acquired by Valid S.A. (51%) | (256) |
| Payment to shareholders | 12,500 |
| Earn out payable (*) | 168 |
| Total | 12,668 |
| % acquired | 51% |
| Price paid for 100% | 24,839 |
| Price paid for 100% | 24,839 |
| Equity after capital contribution | (502) |
| Capital gain on assets (software) (1) | 16,538 |
| Deferred income tax on capital gain on assets | (5,623) |
| Goodwill from the transaction | |
| Amount paid in acquisition | 12,668 |
| Earn out payable (*) | (168) |
| Future payment to shareholders | (3,000) |
| Amount paid in acquisition | 9,500 |
| Cash acquired from acquisition | (1,406) |
| Cash paid for the acquisition of Mitra, net of cash acquired | 8,094 |

(*) Amounts subject to contractual conditions met

(1) The remaining finite useful life of capital gain on software acquired is estimated at 10 years.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

Revenue and profit or loss for the period of the company acquired that were included in the consolidated profit or loss of the Company and its investees from the date when control was obtained to December 31, 2020 are as follows:

| Mitra | 07/14/2020 to 12/31/2020 |
|--------------------------------------------------------------|-------------------------------------|
| Net revenue from sales of goods and/or services | 5,071 |
| Cost of sales and/or services | (4,524) |
| Gross profit | 547 |
| Selling expenses | (349) |
| Administrative expenses | - |
| Other operating income, net | 121 |
| Income (loss) before finance income (costs) and taxes | 319 |
| Finance income (costs) | (17) |
| Current income and social contribution taxes | (945) |
| Loss for the period | (643) |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

(h) Acquisition of BluPay – after report.

At a meeting held on December 16, 2019, the Board of Directors approved the acquisition of 58.0% of the capital of BluPay Tecnologia de Dados S/A ("BluPay") through Parent Company Valid Soluções S.A. BluPay is located in São Paulo, Brazil, and specializes in financial transactions based on blockchain technology, which ensures traceability, privacy and irreversibility of transactions conducted between the parties in an immediate and reliable way. The amount of R\$2,436 was recognized as goodwill on this acquisition, based on future profitability. Assets and liabilities computed at the transaction date are as follows:

| <u>BluPay</u> | <u>12/16/2019</u> |
|--------------------------------------------------------------|-------------------|
| Assets | |
| Current assets | <u>755</u> |
| Cash | (50) |
| Other accounts receivable | 805 |
| Noncurrent assets | <u>1,159</u> |
| Investments | 3 |
| Intangible assets | 1,156 |
| Liabilities and equity | |
| Current liabilities | <u>132</u> |
| Loans | 77 |
| Trade accounts payable | 1 |
| Taxes payable | 49 |
| Other obligations | 5 |
| Noncurrent liabilities | <u>2,000</u> |
| Loans | 2,000 |
| Net assets of 100% of BluPay | <u>(218)</u> |
| Capital increase | 2,500 |
| Equity after capital increase | <u>2,282</u> |
| Percentage of equity acquired by Valid S.A. (58%) | <u>1,324</u> |
| Capital increase | 2,500 |
| Payment to shareholders | 1,400 |
| Total | 3,900 |
| % acquired | <u>58%</u> |
| Price paid for 100% | <u>6,724</u> |
| Price paid for 100% | 6,724 |
| Equity after capital contribution | 2,282 |
| Capital gain on assets (software) ⁽¹⁾ | 3,039 |
| Deferred income tax on capital gain on assets | <u>(1,033)</u> |
| Goodwill on acquisition due to expected future profitability | <u>2,436</u> |

⁽¹⁾ The remaining finite useful life of capital gain on software acquired is estimated at 5 years.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

(i) Payment of dividends - Valid Spain

On December 21, 2020, the payment of dividends in the amount of US\$4,000 (equivalent to R\$20,840) to the Parent Company was approved through minutes of the shareholders' meeting.

(j) Payment of dividends - Interprint

On December 18, 2020, the payment of dividends in the amount of R\$70,000 to the Parent Company was approved through minutes of the shareholders' meeting, based on the statement of financial position as at December 31, 2019.

(k) Capital increase - Serbet

On December 23, 2020, a capital increase of R\$6,000 in subsidiary Serbet was approved, through the issue of two million (2,000) preferred shares, according to the minutes of the special general meeting. The preferred shares issued will not be entitled to vote and will have priority in the event of repayment of capital, without premium.

(l) Capital increase – Mitra

On December 23, 2020, a capital increase of R\$4,000 in subsidiary Mitra was approved, with R\$2,040 paid by the Parent Company and R\$1,960 by the other shareholders, according to the minutes of the special general meeting.

(m) Disposal of URAM

On December 23, 2020, Grupo URAM S.R.L. ("URAM") was sold to noncontrolling shareholders for USD50 (equivalent to R\$258 on the agreement execution date), through a share purchase and sale agreement.

(n) Disposal of Inemator

On December 23, 2020, Inemator S.A. ("Inemator") was sold to noncontrolling shareholders for USD15 (equivalent to R\$76 on the agreement execution date).

(o) Capital increase in Valid Beijing

On June 28, 2019, subsidiary Valid Spain increased capital in Valid Beijing by US\$200 thousand (equivalent to R\$806 on the capitalization date).

On August 16, 2019, subsidiary Valid Spain increased capital in Valid Beijing by US\$500 thousand (equivalent to R\$1,997 on the capitalization date).

(p) Capital increase in Nexitera

On April 29, 2019, subsidiary Interprint increased capital in Nexitera by R\$2,349 thousand. On December 26, 2019, subsidiary Interprint increased capital in Nexitera by R\$500 thousand.

(q) Capital increase in Valid Argentina

On September 13, 2019, the Company increased capital in Valid Argentina by US\$700 thousand (equivalent to R\$2,849 on the capitalization date).

(r) Disposal of equity interest in Valid Nigeria

On May 25, 2019, subsidiary Valid Spain sold 30% equity interest in Valid Nigeria for US\$455 thousand (equivalent to R\$1,837), recognizing a loss of R\$84.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

Changes in investments (Continued)

In addition to the events for the year ended December 31, 2020 described above, the Company highlight the following corporate events for the year ended December 31, 2019, which impacted the comparability of the information presented in this financial information:

| Subsidiaries | Events | Type | Amount in original currency | Amount in R\$ |
|---------------------|-----------------------------|-----------------------|------------------------------------|----------------------|
| Valid Beijing | Capital increase | Shareholders' meeting | US\$200 thousand | 806 |
| Valid Beijing | Capital increase | Shareholders' meeting | US\$500 thousand | 1,997 |
| Nexitera | Capital increase | Shareholders' meeting | R\$2,349 thousand | 2,349 |
| Valid Argentina | Capital increase | Shareholders' meeting | US\$700 thousand | 2,849 |
| Valid Nigeria | Disposal of equity interest | Shareholders' meeting | US\$455 thousand | 1,837 |
| BluPay | Acquisition of BluPay | Shareholders' meeting | R\$3,900 thousand | 3,900 |
| Nexitera | Capital increase | Shareholders' meeting | R\$500 thousand | 500 |

10. Intangible assets

Changes in intangible assets for the year ended December 31, 2020 are as follows:

| | Individual | | | | | 12/31/2020 |
|---------------------------------------|-------------------|-----------------|------------------|---------------------|-----------------|-------------------|
| | 12/31/2019 | Addition | Write-off | Amortization | Transfer | |
| Finite useful life Software | 24,372 | 15,627 | (754) | (6,351) | 410 | 33,304 |
| Finite useful life | 24,372 | 15,627 | (754) | (6,351) | 410 | 33,304 |
| Indefinite useful life Goodwill Trust | 3,647 | - | - | - | - | 3,647 |
| Indefinite useful life | 3,647 | - | - | - | - | 3,647 |
| Total intangible assets | 28,019 | 15,627 | (754) | (6,351) | 410 | 36,951 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

10. Intangible assets (Continued)

| | Consolidated | | | | | | | | 12/31/2020 | |
|--------------------------------|--------------|-----------------------------|----------|-----------|--------------|--------|------------|-----------------------------------|------------|----------|
| | 12/31/2019 | Acquisition - Subsidiary | Addition | Write-off | Amortization | IAS 29 | Impairment | Foreign exchange difference | | Transfer |
| Finite useful life | | | | | | | | | | |
| Software | 200,077 | 22 | 74,500 | (8,012) | (50,191) | 688 | - | 46,969 | 2,423 | 266,476 |
| Customer portfolio | 61,649 | - | 1,896 | 43 | (7,239) | - | (50,469) | 17,174 | - | 23,054 |
| Trademarks and patents | 1,201 | - | - | - | (212) | - | - | 322 | - | 1,311 |
| Digital certification license | 66 | - | - | - | (10) | - | - | - | - | 56 |
| Advances to suppliers | - | - | 634 | (128) | - | - | - | - | (506) | - |
| Total - finite useful life | 262,993 | 22 | 77,030 | (8,097) | (57,652) | 688 | (50,469) | 64,465 | 1,917 | 290,897 |
| Indefinite useful life | | | | | | | | | | |
| Trademarks and patents | 14,914 | - | - | - | - | - | - | 4,314 | - | 19,228 |
| Digital certification license | 500 | - | - | - | - | - | - | - | - | 500 |
| Goodwill | | | | | | | | | | |
| Trust | 3,647 | - | - | - | - | - | - | - | - | 3,647 |
| Argentina | 1,053 | - | - | - | - | - | - | (84) | - | 969 |
| Interprint | 103,793 | - | - | - | - | - | - | - | - | 103,793 |
| Inemator | 340 | - | - | (383) | - | - | - | 43 | - | - |
| Uram | 293 | - | - | (270) | - | - | - | (23) | - | - |
| Tress | 2,835 | - | - | - | - | - | (2,835) | - | - | - |
| Nexitera | 2,851 | - | - | - | - | - | - | - | - | 2,851 |
| Spain | 55,739 | - | - | - | - | - | - | 22,729 | - | 78,468 |
| Valid USA | 108,604 | - | - | - | - | - | (62,619) | 31,415 | - | 77,400 |
| Valid A/S | 191,970 | - | - | - | - | - | - | 55,533 | - | 247,503 |
| Blu Pay | 22,657 | - | 1,023 | (21,244) | - | - | - | - | - | 2,436 |
| Serbet | - | - | 27,992 | - | - | - | - | - | - | 27,992 |
| Mitra | - | - | 14,426 | - | - | - | - | - | - | 14,426 |
| Total - indefinite useful life | 509,196 | - | 43,441 | (21,897) | - | - | (65,454) | 113,927 | - | 579,213 |
| Total intangible assets | 772,189 | 22 | 120,471 | (29,994) | (57,652) | 688 | (115,923) | 178,392 | 1,917 | 870,110 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

10. Intangible assets (Continued)

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 16.3% and 24.8% 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 10% and 33.3% p.a., respectively.

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

In 2020, the Company reviewed investments and business plans of the Data Business unit, in which it absorbed a significant impact resulting from the loss of current and prospective revenue, substantially motivated by the impacts of Covid-19 on the retail segment in the United States. As a result, a provision for impairment was recognized in the consolidated balances in the total amount of R\$113,088 (equivalent to US\$21,762), comprising the balance of R\$62,619 (equivalent to US\$12,050) referring to goodwill and R\$50,469 (equivalent to US\$9,712) referring to the customer portfolio.

The effects of this provision were reflected in the means of payment segment and in the accounting group 'Other operating expenses' in profit or loss for the year. The provision for impairment amounting to R\$113,088 was based on value in use, and was determined in relation to the cash-generating unit, which consists of assets of subsidiary Marketing Software Company, LLC ("MSC"), located in the United States.

To determine the value in use of the cash-generating unit, cash flows were discounted at a pretax rate of 8.2%.

In 2020, the Company reviewed investments and business plans of the Security Printing business unit in subsidiary Tress, which absorbed a significant impact from the loss of current and prospective revenue, substantially motivated by the loss of an important customer of this cash-generating unit that is allocated to the Identification segment in Brazil. As a result, a provision for impairment was recognized in the consolidated balances in the amount of R\$2,835 relating to goodwill.

To determine the value in use of the cash-generating unit, cash flows were discounted at a pretax rate of 10.8%.

The effects of these provisions were reflected in the accounting group 'Other operating expenses' in profit or loss for the year.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

10. Intangible assets (Continued)

Impairment

At least once a year and whenever there is an indication of impairment, the Company tests goodwill due to expected future profitability 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" or "CGUs").

The goodwill on a business combination is allocated to the CGU or the group of CGUs that are expected to benefit from combination synergies. 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).

The Company cannot predict whether an event that causes devaluation of assets will occur, when it will occur or when it will affect the reported asset amount. The Company and its subsidiaries believe that all of its estimates are reasonable, and are consistent with internal reports and the business of the Company and its direct or indirect subsidiaries, as well as reflect the management's best estimates. The impairment test is based on a series of judgments, estimates and assumptions. The key assumptions on which management based its future cash flow projections, estimates and judgment, are as follows:

- Projection of operating income or loss for the first year, based on the growth rate of the current year. The flows are based on the strategy plans approved by the Board of Directors of the Company and its subsidiaries. Such projection is prepared by country and/or business, where applicable, and considers external sources such as macroeconomic scenarios of the Group's business segment, business evolution, inflation, exchange rates and the Group's historical profit or loss;
- Projection of operating income or loss for the next 5 years, based on the profit or loss expected by the Group by attracting new customers, maintaining existing customers and developing new solutions for the market. Management expects to recover the goodwill amounts invested when acquiring businesses within 5 years plus perpetuity. For this analysis, the assumptions used were the industry growth rates, ROI rates and the Company's and its subsidiaries' ability to continue as a going concern.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

10. Intangible assets (Continued)

Impairment (Continued)

The impairment test was performed using the discounted future cash flow model, and by applying a discount rate (Weighted Average Cost of Capital – WACC), as shown in the table below. The future cash flow was adjusted by the specific risk of the industry in which the Company's subsidiaries operate, based on the country risk of each investee, as determined by the local management and the management in Brazil.

| | CGU (location) | Average growth rate | Discount rate (1) | Perpetuity growth rate | Net assets at 12/31/2020 |
|-----------------|---------------------------|--------------------------------|------------------------------|-----------------------------------|-------------------------------------|
| Trust Selos | Brazil | 16% | 10.8% | 2% | R\$16,785 |
| Interprint | Brazil | 2% | 10.8% | 2% | R\$127,222 |
| Tress | Brazil | 0% | 10.8% | 1% | R\$5,035 |
| Nexitera | Brazil | 66% | 10.8% | 1% | R\$8,668 |
| Valid Argentina | Argentina | 38% | 22.4% | 1% | ARS\$300,469 |
| Valid EMEAA | EMEAA | 3% | 6.0% | 3% | US\$113,941 |
| Screencheck | USA | 15% | 8.9% | 3% | US\$14,498 |
| MSC | USA | 10% | 8.2% | Terminal value | US\$12,097 |

(1) According to the criteria defined in IAS 36 (CPC 01 (R1)), the discount rate should be a pretax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Additionally, the discount rate also needs to reflect the risks specific to the asset and the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that an entity expects to derive from the asset. The discount rate is estimated from the rate implicit in current market transactions for similar assets or from the weighted average cost of capital of a listed entity that has a single asset (or a portfolio of assets) similar in terms of service potential and risks to the asset under review. However, the discount rate (or rates) used to measure an asset's value in use shall not reflect risks for which the future cash flows estimates have been adjusted. Otherwise, the effect of some assumptions will be double-counted. Finally, when an asset-specific rate is not directly available from the market, an entity uses surrogates to estimate the discount rate.

In this regard, the Company management used the weighted average cost of capital ("WACC") methodology to determine the (pretax) discount rate of the projected cash flow of each cash generating unit described above. This rate indicates the minimum level of attractiveness of the investment, i.e. in practice it considers the return on investment that the Company expects. The indicators used by the Company management in determining the discount rates for each cash generating unit are described below:

- Risk-free rate: determined using the yield of government bonds linked to the countries in which operations are located.
- Unlevered beta: determined using the average unlevered beta of similar companies in the market.
- Size risk: determined using the characteristics of the operation and the maturity of the cash generating unit.
- Market risk: determined using the operational characteristics of each company (segment), such as: market, ability to attract new customers, characteristics of service demand and sales of products, etc.

After the analyses made by the Company management and, except for the aforementioned provisions recognized for assets relating to the subsidiaries MSC and Tress at the amounts mentioned above, the Company concluded that no reasonably possible change in key assumptions, on which the recoverable amount is based, would make the total carrying amount exceed the total recoverable amount of the other cash generating units, that no other provisions for impairment need to be recognized as at December 31, 2020.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment

| | Individual | | | | | 12/31/2020 |
|------------------------------------------|------------|----------|-----------|-------------------------------|----------|------------|
| | 12/31/2019 | Addition | Write-off | Provision for obsolescence | Transfer | |
| Cost | | | | | | |
| Land | 3,732 | - | - | - | - | 3,732 |
| Buildings | 94,504 | 68 | (281) | - | 4,612 | 98,903 |
| Machinery and equipment | 242,080 | 6,663 | (20,206) | (8,350) | 886 | 221,073 |
| Lease | 21,392 | - | - | - | (21,392) | - |
| Furniture and fixtures | 18,990 | 685 | (1,260) | - | 8 | 18,423 |
| Vehicles | 822 | - | (183) | - | - | 639 |
| Data processing equipment | 103,025 | 3,363 | (9,962) | - | 22,555 | 118,981 |
| Leasehold improvements | 5,219 | - | (2,072) | - | 625 | 3,772 |
| Construction in progress | 5,449 | 2,180 | - | - | (4,658) | 2,971 |
| Advances to suppliers | 4,718 | 4,856 | (5,224) | - | (3,046) | 1,304 |
| Right of use (IFRS 16) | 16,471 | 3,301 | (5,882) | - | - | 13,890 |
| Subtotal - cost | 516,402 | 21,116 | (45,070) | (8,350) | (410) | 483,688 |
| Depreciation | | | | | | |
| Buildings | (36,267) | (6,875) | 248 | - | - | (42,894) |
| Machinery and equipment | (147,704) | (8,279) | 17,912 | - | - | (138,071) |
| Lease | (21,392) | - | - | - | 21,392 | - |
| Furniture and fixtures | (10,828) | (1,645) | 789 | - | - | (11,684) |
| Vehicles | (535) | (102) | 79 | - | - | (558) |
| Data processing equipment | (69,440) | (11,226) | 9,856 | - | (21,392) | (92,202) |
| Leasehold improvements | (4,601) | (603) | 1,463 | - | - | (3,741) |
| Right of use (IFRS 16) | (4,658) | (5,586) | 3,508 | - | - | (6,736) |
| Subtotal - depreciation | (295,425) | (34,316) | 33,855 | - | - | (295,886) |
| Total property, plant and equipment, net | 220,977 | (13,200) | (11,215) | (8,350) | (410) | 187,802 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

| | Consolidated | | | | | | | | | |
|------------------------------------------|--------------|-----------------------------|----------|-----------|----------------------------|----------|------------|-----------------------------|----------|------------|
| | 12/31/2019 | Acquisition of subsidiaries | Addition | Write-off | Provision for obsolescence | IAS 29 | Impairment | Foreign exchange difference | Transfer | 12/31/2020 |
| Cost | | | | | | | | | | |
| Land (2) | 10,031 | - | - | - | - | - | - | 2,012 | (7,559) | 4,484 |
| Buildings (2) | 133,817 | 9 | 141 | (281) | - | - | (470) | 4,261 | (8,177) | 129,300 |
| Machinery and equipment | 472,825 | 2,546 | 12,189 | (33,415) | (8,350) | 12,336 | (18,987) | 34,982 | 33,376 | 507,502 |
| Lease (1) | 33,542 | - | - | - | - | - | - | 2,572 | (36,114) | - |
| Furniture and fixtures | 27,861 | 331 | 704 | (1,327) | - | 263 | - | 1,630 | 9 | 29,471 |
| Vehicles | 1,924 | 319 | 7 | (328) | - | 249 | - | 9 | 48 | 2,228 |
| Data processing equipment | 166,813 | 258 | 6,391 | (10,153) | - | 2,315 | - | 5,735 | 22,996 | 194,355 |
| Leasehold improvements | 80,701 | 9 | 72 | (2,073) | - | 2,461 | - | 19,791 | 5,728 | 106,689 |
| Construction in progress (2) | 17,279 | 1,549 | 50,091 | (14) | - | 176 | - | 4,698 | (45,072) | 28,707 |
| Advances to suppliers | 4,718 | - | 4,958 | (5,227) | - | - | - | - | (3,110) | 1,339 |
| Right of use (IFRS 16) | 119,987 | - | 7,286 | (9,832) | - | 756 | - | 29,939 | 14,722 | 162,858 |
| Subtotal - cost | 1,069,498 | 5,021 | 81,839 | (62,650) | (8,350) | 18,556 | (19,457) | 105,629 | (23,153) | 1,166,933 |
| Subtotal - depreciation | | | | | | | | | | |
| Buildings (2) | (60,995) | (4) | (8,323) | 249 | - | - | - | (1,824) | 7,161 | (63,736) |
| Machinery and equipment | (336,347) | (239) | (31,658) | 31,726 | - | (9,561) | - | (30,917) | (9) | (377,005) |
| Lease (1) | (27,629) | - | (305) | - | - | - | - | (1,365) | 29,299 | - |
| Furniture and fixtures | (17,973) | (88) | (2,463) | 823 | - | (241) | - | (1,332) | - | (21,274) |
| Vehicles | (1,467) | (233) | (251) | 151 | - | (197) | - | (13) | - | (2,010) |
| Data processing equipment | (122,054) | (62) | (17,060) | 9,979 | - | (2,038) | - | (4,215) | (21,383) | (156,833) |
| Leasehold improvements | (28,540) | (1) | (8,005) | 1,463 | - | (442) | - | (6,837) | - | (42,362) |
| Right of use (IFRS 16) | (20,656) | - | (26,443) | 3,597 | - | (241) | - | (5,118) | (7,907) | (56,768) |
| Subtotal - depreciation | (615,661) | (627) | (94,508) | 47,988 | - | (12,720) | - | (51,621) | 7,161 | (719,988) |
| Total property, plant and equipment, net | 453,837 | 4,394 | (12,669) | (14,662) | (8,350) | 5,836 | (19,457) | 54,008 | (15,992) | 446,945 |
| Assets available for sale | - | - | - | - | - | - | - | - | 13,546 | 13,546 |

(1) Lease of data processing machinery and equipment.

(2) At December 31, 2020, the Company management decided to sell one of the plants owned by a subsidiary located abroad, thus resulting in the classification of this asset as available for sale, based on the following criteria: (i) the property is available for immediate sale and may be disposed of in its current state; (ii) the actions to complete the sale have been conducted and the expectation is that by March 31, 2021 the disposal will be completed; (iii) considering the amounts for which the Company intends to make the sale, there is no expectation of impairment; (iv) the Company has ceased the depreciation of the respective assets; and (v) the asset cost, net of depreciation, amounts to R\$13,546 at December 31, 2020.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

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 December 31, 2020, the Company reviewed the investment and business plan of the Security Personalization business unit in the United States, which, due to lower operational efficiency and the decrease in expected revenue growth, recognized a provision for impairment of consolidated balances in the amount of R\$17,736 (equivalent to US\$3,447) in the United States.

The effects of this provision were reflected in the means of payment segment in the United States and in the accounting group 'Other operating expenses' in profit or loss for the year.

At December 31, 2020, the Company reviewed investments and business plans of the Security Printing business unit in subsidiary Tress, which absorbed a significant impact from the current and prospective revenue loss, substantially motivated by the loss of an important customer of this cash-generating unit that is allocated to the Identification segment in Brazil. As a result, a provision for impairment was recognized in the consolidated balances in the amount of R\$2,835 relating to goodwill.

The effects of these provisions were reflected in the accounting group 'Other operating expenses' in profit or loss for the year.

12. Loans, financing, debentures and leases payable

Significant information on loans, financing, debentures and leases payable by the Company and its subsidiaries is summarized as follows:

| Description | Loans (a.1) | Loans (a.2) | Loans (a.3) |
|-----------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Borrower | Valid USA | Valid Spain | Valid USA |
| Bank | Banco do Brasil | Santander | HSBC |
| Total amount | US\$14,000 thousand | EUR13,000 thousand | US\$12,000 thousand |
| Date the loan was raised | 05/01/2019 | 11/13/2018 | 04/01/2019 |
| Maturity | 05/01/2022 | 04/01/2022 | 04/01/2022 |
| Settlement date | 05/01/2022 | 04/01/2022 | - |
| Interest | Libor + 1.98% p.a. | 2.42% p.a. | Libor + 3.50% p.a. |
| Guarantee | Valid S.A. | Valid S.A. | Valid S.A. |
| Reason | Cash injection and debt roll-over | Cash injection and debt roll-over | Cash injection and debt roll-over |
| Repayment of principal | Annually (from May 2020) | Bullet (from April 2022) | Annually (from March 2021) |
| Payment of interest | Quarterly (from August 2019) | Annually (from May 2020) | Quarterly (from September 2019) |
| Status | Outstanding | Outstanding | Outstanding |
| Balance in debt currency at 12/31/2020: | US\$9,361 thousand | EUR13,227 thousand | US\$12,091 thousand |
| Balance restated at 12/31/2020: | R\$48,647 | R\$84,366 | R\$62,832 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

| Description | Loans (a.4) | Loans (a.5) | Loans (a.6) |
|-----------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| Borrower | Valid Spain | Valid Spain | Valid USA |
| Bank | Santander | Itaú BBA | HSBC |
| Total amount | US\$50,000 thousand | US\$38,888 thousand | US\$4,000 thousand (secured account) |
| Date the loan was raised | 06/02/2017 | 05/07/2020 | 01/01/2020 |
| Maturity | 05/05/2022 | 04/22/2022 | 07/01/2021 |
| Settlement date | 05/05/2022 | 04/22/2022 | - |
| Interest | 6.55% p.a. | 6.20% p.a. | Libor + 3.00% p.a. |
| Guarantee | Valid S.A. | Valid S.A. | Valid S.A. |
| Reason | Cash injection and debt roll-over | Cash injection and debt roll-over | Working capital |
| Repayment of principal | Semiannually (from May 2018) | Semiannually (from May 2021) | N/A |
| Payment of interest | Semiannually (from November 2017) | Semiannually (from November 2020) | Monthly |
| Status | Outstanding | Outstanding | Outstanding |
| Balance in debt currency at 12/31/2020: | US\$21,527 thousand | US\$39,645 thousand | US\$0 thousand |
| Balance restated at 12/31/2020: | R\$111,871 | R\$206,021 | R\$0 thousand |
| Description | Loans (a.7) | Loans (a.8) | Loans (a.9) |
| Borrower | Valid Spain | Valid USA | Valid S/A |
| Bank | Santander | Banco do Brasil | Safra |
| Total amount | US\$7,142 thousand | US\$4,667 thousand | R\$30,000 thousand |
| Date the loan was raised | 05/15/2020 | 05/05/2020 | 04/30/2020 |
| Maturity | 05/05/2022 | 04/07/2022 | 05/03/2021 |
| Settlement date | 05/05/2022 | 04/07/2022 | 05/03/2021 |
| Interest | 6.05% p.a. | Libor + 6.00% | CDI + 5% p.a. |
| Guarantee | Valid S.A. | Valid S.A. | Valid S.A. |
| Reason | Cash injection and debt roll-over | Cash injection and debt roll-over | Cash injection |
| Repayment of principal | Semiannually (from May 2021) | Annually (from April 2021) | Principal Bullet |
| Payment of interest | Semiannually (from May 2021) | Quarterly (from July 2019) | Bullet |
| Status | Outstanding | Outstanding | Outstanding |
| Balance in debt currency at 12/31/2020: | U\$7,420 thousand | U\$4,730 | R\$31,456 |
| Balance restated at 12/31/2020: | R\$38,561 | R\$24,581 | R\$31,456 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

| Description | Loans (a.10) | Loans (a.11) | Loans (a.12) |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------|
| Borrower | Valid S/A | Valid S.A. | Valid S.A. |
| Bank | BTG | Citibank | Bradesco S/A |
| Total amount | R\$75,000 thousand | R\$112,600 thousand | R\$45,000 thousand |
| Date the loan was raised | 04/29/2020 | 05/05/2020 | 06/04/2020 |
| Maturity | 10/28/2021 | 04/05/2021 and 06/04/2021 | 06/04/2022 |
| Settlement date | 10/28/2021 | 04/05/2021 and 06/04/2021 | 06/04/2022 |
| Interest | CDI + 3% p.a. | CDI + 4.20% | CDI + 3.95% p.a. |
| Guarantee | Valid S.A. | Valid S.A. + (30% Guarantee - financial investment – Note 25) | Valid S.A. |
| Reason | Cash injection | Cash injection | Debt roll-over |
| Repayment of principal | Monthly after a 10-month grace period | Bullet | Monthly (from October 2020) |
| Payment of interest | Quarterly (during the 10-month grace period for principal) and monthly after the grace period | Bullet | Monthly (from October 2020) |
| Status | Outstanding | Outstanding | Outstanding |
| Balance in debt currency at 12/31/2020: | R\$74,368 | R\$117,023 | R\$38,742 |
| Balance restated at 12/31/2020: | R\$74,368 | R\$117,023 | R\$38,742 |
| Description | Loans (a.13) | | |
| Borrower | Valid S.A. | | |
| Bank | Banco do Brasil | | |
| Total amount | R\$45,000 thousand | | |
| Date the loan was raised | 06/17/2020 | | |
| Maturity | 06/17/2022 | | |
| Settlement date | 06/17/2022 | | |
| Interest | CDI + 4.20% p.a. | | |
| Guarantee | Valid S.A. | | |
| Reason | Debt roll-over | | |
| Repayment of principal | Annually | | |
| Payment of interest | Quarterly (from September 4, 2020) | | |
| Status | Outstanding | | |
| Balance in the currency of the country of origin at 12/31/2020: | R\$44,785 | | |
| Balance restated in R\$ at 12/31/2020: | R\$44,785 | | |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

| Description | Loans (a.14) |
|-----------------------------------------------------------------|------------------------------|
| Borrower | Valid Spain |
| Bank | Banco Santander |
| Total amount | USD 7,142 thousand |
| Date the loan was raised | 11/12/2020 |
| Maturity | 05/05/2022 |
| Settlement date | 05/05/2022 |
| Interest | 6.13% p.a. |
| Guarantee | Valid S.A. |
| Reason | Debt roll-over |
| Repayment of principal | Semiannually (from May 2021) |
| Payment of interest | Semiannually (from May 2021) |
| Status | Outstanding |
| Balance in the currency of the country of origin at 12/31/2020: | US\$7,203 |
| Balance restated in R\$ at 12/31/2020: | R\$37,434 |

| Description | Debentures (a.15) |
|------------------------------------------|------------------------------------------------|
| Debentures (c) | 7 th issue – 05/24/2018 |
| Date of approval | Board of Directors' Meeting held on 05/21/2018 |
| Number | 36,000 unsecured nonconvertible debentures |
| Par value | 10,000 |
| Total amount | 360,000,000 |
| Type and series | Single-series unsecured debentures |
| Balance restated in Reais at 12/31/2020: | R\$268,902 |

a) Loans

| | Individual | | Consolidated | |
|--------------|----------------|----------------|------------------|----------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Loans | 306,374 | - | 922,930 | 474,102 |
| Financing | - | - | 146 | - |
| Debentures | 268,902 | 359,180 | 268,902 | 359,180 |
| Leases | 7,636 | 12,408 | 116,107 | 111,968 |
| Total | 582,912 | 371,588 | 1,308,085 | 945,250 |
| Current | 364,149 | 96,061 | 756,600 | 275,552 |
| Noncurrent | 218,763 | 275,527 | 551,485 | 669,698 |

Certain loans provide for maintenance of certain quarterly covenants. The Company did not adequately comply with the net debt/EBITDA ratio agreed upon for the loan obtained from BTG Pactual, the consequences of which are already reflected in the year ended December 31, 2020. The Company obtained a waiver for such non-compliance that took place for the year ended December 31, 2020 on February 24, 2021. The key financial and operational covenants of the loans are described below:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

a) Loans (Continued)

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

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

- Merger, consolidation or combination (unless approved by the lender);
- Liquidation, wind-up or discontinuance or filing for corporate reorganization or restructuring;
- 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);
- Entering into a new agreement, either directly or indirectly, whereby any real or personal property, used in or useful to the business, either owned or to be acquired, is sold or transferred, and, thereafter, lease of the property or another property intended to be substantially used for the same purpose of the property sold/transferred.

In the year ended December 31, 2020, the amount of R\$188,562 (R\$312,178 at December 31, 2019) was repaid, out of which R\$35,580 (R\$25,143 for the year ended December 31, 2019) as interest on loans.

At December 31, 2020 and 2019, the loan balances are summarized as follows:

| Loans | Individual | | Consolidated | |
|-------------------|----------------|------------|----------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Principal | 301,171 | - | 908,477 | 470,453 |
| Interest | 7,164 | - | 15,071 | 4,315 |
| Other obligations | (1,961) | - | (618) | (666) |
| Total | 306,374 | - | 922,930 | 474,102 |
| Current | 271,136 | - | 644,525 | 164,930 |
| Noncurrent | 35,238 | - | 278,405 | 309,172 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

b) Financing

At December 31, 2020 and 2019, financing payable, as well as related interest calculated based on the conditions set forth in the contract, are as follows:

| Financing | Individual | | Consolidated | |
|------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Principal | - | - | 146 | - |
| Interest | - | - | - | - |
| Total | - | - | 146 | - |
| Current | - | - | 135 | - |
| Noncurrent | - | - | 11 | - |

c) Debentures

At December 31, 2020 and 2019, debentures payable, as well as related interest calculated based on the conditions defined in the indenture, are as follows:

| Debentures | Individual | | Consolidated | |
|-------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Principal | 270,000 | 360,000 | 270,000 | 360,000 |
| Interest | 418 | 1,323 | 418 | 1,323 |
| Other obligations | (1,516) | (2,143) | (1,516) | (2,143) |
| Total | 268,902 | 359,180 | 268,902 | 359,180 |
| Current | 89,791 | 90,696 | 89,791 | 90,696 |
| Noncurrent | 179,111 | 268,484 | 179,111 | 268,484 |

The indenture provides for the maintenance of certain quarterly covenants, which were adequately complied with by the Company. Through an amendment of the debenture indenture, the net debt to EBTIDA ratio was changed to less than or equal to 4.5, exclusively for the interim information referring to September 30, 2020 until the calculation for the period ended June 30, 2021, after which the obligation of the mentioned financial ratio returns to less than or equal to three times until maturity of the debentures. Financial covenants related to debentures are described below:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

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

c) Debentures (Continued)

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

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 year ended December 31, 2020, the amount of R\$101,118 was paid, of which R\$11,118 referred to conventional interest (R\$24,933 at December 31, 2019).

d) Leases

The Company adopted IFRS 16 as from January 2019. The following table shows the future minimum payments due by the Company relating to leases and those of its subsidiaries at December 31, 2020:

| | Individual | | Consolidated | |
|------------------------|-------------------|-------------------|---------------------|-------------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Within 1 year | 3,222 | 5,365 | 22,149 | 19,926 |
| From 1 year to 5 years | 4,414 | 7,043 | 61,176 | 50,878 |
| Above 5 years | - | - | 32,782 | 41,164 |
| Total | 7,636 | 12,408 | 116,107 | 111,968 |

The aging list of loans, financing and debentures outstanding at December 31, 2020 and 2019 (not including future charges) is as follows:

| | Individual | | Consolidated | |
|-------------------------|-------------------|-------------------|---------------------|-------------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Within 1 year | 360,927 | 90,696 | 734,451 | 255,626 |
| From 1 year to 2 years | 124,792 | 89,495 | 351,953 | 244,716 |
| From 2 years to 3 years | 89,557 | 89,495 | 105,515 | 243,446 |
| From 3 years to 4 years | - | 89,494 | 59 | 89,494 |
| Total | 575,276 | 359,180 | 1,191,978 | 833,282 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

13. 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 the Company management, supported by the opinion of its outside legal advisors.

At December 31, 2020 and 2019, breakdown of and changes in provisions recorded for proceedings whose likelihood of loss was assessed as probable are as follows:

| | Individual | | | | 12/31/2020 |
|-----------------------------|------------|------------|-----------|----------|------------|
| | 12/31/2019 | Provisions | Reversals | Payments | |
| Labor | 11,737 | 4,621 | (3,232) | (1,253) | 11,873 |
| Tax | 1,170 | 27 | (17) | (4) | 1,176 |
| Civil, commercial and other | 92 | 21 | (7) | - | 106 |
| Total | 12,999 | 4,669 | (3,256) | (1,257) | 13,155 |

| | Consolidated | | | | | | 12/31/2020 |
|-----------------------------|--------------|-----------------------------|------------|-----------|----------|-----------------------------|------------|
| | 12/31/2019 | Acquisition of subsidiaries | Provisions | Reversals | Payments | Foreign exchange difference | |
| Labor | 13,808 | 97 | 5,838 | (3,670) | (1,645) | (43) | 14,385 |
| Tax | 1,283 | - | 2,283 | (133) | (4) | - | 3,429 |
| Civil, commercial and other | 152 | 411 | 314 | (53) | (13) | - | 811 |
| Total | 15,243 | 508 | 8,435 | (3,856) | (1,662) | (43) | 18,625 |

a) Provisions

Significant proceedings whose likelihood of loss is assessed as probable and, therefore, for which provisions were recorded in the financial statements, 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\$4,375 (R\$4,160 at December 31, 2019) in Individual and Consolidated.
- Tax: Debt annulment action representing a contingency of R\$1,176 at December 31, 2020 (R\$1,170 at December 31, 2019), claiming acknowledgment that part of the debt required under tax enforcement No. 2005.51.01.511329-9, deriving from deduction of short-term investments frozen by the Collor Plan from the taxable profit, was offset with credit in favor of the Company.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

13. Provisions (Continued)

a) Provisions (Continued)

- Tax: Declaratory judgment action with the objective of suspending the requirement of the credit related to the new rate of the Workers' Compensation Insurance - due to the changes brought by Decree No. 6957/2009, due to the illegality and unconstitutionality of the changes promoted by said decree - and the review of the grade of the criteria and rates of Environmental Occupational Risks and the calculation methodology for the Accident Prevention Factor. The Company did not prevail and, as such, at December 31, 2020, a provision for burden of defeat was set up in the amount of R\$1,265 (R\$0 at December 31, 2019).
- Tax: Tax Debt Annulment Action with Petition for Interlocutory Relief requesting the annulment of tax credits based on Tax Assessment Notice with Penalty (AIIM) No. 4.066.299-8, issued to claim for an alleged debt related to delinquent payment of ICMS for the period from January 2012 to December 2013, given the non-inclusion of the IPI in its tax base for sale of inductive cards to telecommunications companies. Currently the lawsuit awaits the subpoena of the State of São Paulo to present rebuttal to the appeals filed by Interprint. At December 31, 2020, the provision amounted to R\$988 (R\$0 at December 31, 2019).
- Civil: Action addressing the dissolution of the company in relation to a withdrawn member. Currently, the lawsuit is awaiting the Specialist's opinion on the claims of the parties about the Valuation Report on the Units of Interest of the Withdrawn Member. At December 31, 2020, the provision amounted to R\$665 (R\$0 at December 31, 2019).

b) Contingent liabilities - 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 external legal advisors. These proceedings are as follows:

| | Individual | | Consolidated | |
|-----------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Labor | 43,799 | 34,307 | 46,868 | 35,694 |
| Tax | 278,446 | 253,238 | 323,001 | 298,177 |
| Civil, commercial and other | 50,263 | 50,379 | 54,793 | 55,507 |
| Total | 372,508 | 337,924 | 424,662 | 389,378 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

13. Provisions (Continued)

b) Contingent liabilities - possible loss (Continued)

Significant contingencies classified as possible losses are as follows:

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 be 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 taxation 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 matter of the tax notices. As a result of amortization of IPI credits with debts, the taxation 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 recognizes the provision. At December 31, 2020, the restated amount of these proceedings is R\$15,146 (R\$32,503 at December 31, 2019).

- (ii) Tax notice - Electronic tax files: in 2012, the Company was served a tax notice by the São Paulo State Department of Finance, in the amount of R\$13,856 (R\$13,651 at December 31, 2019), referring to fines for alleged errors in the completion of electronic tax files - ICMS information and computation form (GIA) and Digital Tax Bookkeeping (EFD). The Company filed a lawsuit to cancel the debt, which is currently awaiting judgment of the appeal filed by the state of São Paulo. The amounts presented above is the Company's best estimate as at December 31, 2020.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

13. Provisions (Continued)

b) Contingent liabilities - possible loss (Continued)

Tax proceedings (Continued)

- (iii) INSS: the Brazilian Institute of Social Security (INSS) has been claiming, since 2007, payment of the restated amount of R\$2,123 at September 31, 2020 (R\$2,004 at December 31, 2019). 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. The suit is currently pending judgment of appeal filed by the Company.
- (iv) IRPJ and CSLL: in 2013, subsidiary Interprint was served a tax notice by the Brazilian IRS, in the restated amount of R\$31,819 at December 31, 2020 (R\$31,275 at December 31, 2019), referring to an alleged irregularity in amortization of goodwill recorded in its books. Interprint's challenge was dismissed and a voluntary appeal was filed, which was accepted. Currently, the appeal to the High Court of Justice filed by the Office of the Attorney General of the National Treasury against the acceptance of the voluntary appeal is pending trial.
- (v) The Company was served a tax notice by the São Paulo State Department of Finance requiring payment of alleged ICMS amounts from January 2012 to December 2013, as the taxation 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 December 31, 2020, the restated amount of the referred to proceeding is R\$108,495 (R\$106,698 at December 31, 2019). On April 19, 2017, a decision partially favorable to the Company was awarded. Appeals to the High Court of Justice have been filed. Currently, such appeals await trial.
- (vi) 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 No. 166. The proceeding then returned to the lower court to proceed normally and is currently awaiting judgment. At December 31, 2020, the restated amount referring to this lawsuit is R\$54,382 (R\$53,395 at December 31, 2019).
- (vii) The Company was served a tax notice by the Brazilian IRS, requiring alleged social security payments because it understands that the contracts of sales representatives actually conceal employment relationships. A challenge has been filed, which is pending judgment. At December 31, 2020, the restated amount referring to this lawsuit is R\$17,084 (R\$16,682 at December 31, 2019).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

13. Provisions (Continued)

b) Contingent liabilities - possible loss (Continued)

Tax proceedings (Continued)

- (viii) The Company was served tax notices by the Brazilian IRS related to Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) for calendar years 2014 and 2015. A challenge has been filed, which is pending judgment. At December 31, 2020, the restated amount referring to this lawsuit is R\$24,342 (R\$0 at December 31, 2019).
- (ix) The Company seeks to annul the tax claims based on administrative proceeding No. 13896.720208/2012-03, related to the collection of IPI, due to an alleged classification error for certain graphic prints, from January 2007 to December 2007. At December 31, 2020, the restated amount of said proceeding is R\$16,019 (R\$11,947 at December 31, 2019).

Civil, commercial and other proceedings

- (i) 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 December 31, 2020, the restated amount of the proceeding, considering a refund of amounts received, is R\$13,351 (R\$12,972 at December 31, 2019).
- (ii) 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 December 31, 2020, the restated amount of the proceeding is R\$27,964 (R\$27,924 at December 31, 2019).

Labor claims

The Company is a party to various labor claims, mostly seeking overtime, acknowledgment of employment relationship, health/hazardous duty pay, equal pay for equal work, and FGTS and INSS-related benefits, among other labor rights. At December 31, 2020, the most significant claims relating to the matters described above amount to R\$22,273 (R\$17,981 at December 31, 2019).

The Company and its subsidiaries have bank surety letters given in guarantee in legal proceedings. The restated amount of the contracts of guarantee at December 31, 2020 corresponds to R\$0 (R\$8,291 at December 31, 2019) in Consolidated. The rates of the commission charges for these contracts are 2.5% to 3.0% p.a. recognized in the statement of profit or loss.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

14. Related party transactions

| | Individual | |
|---------------------------------|-----------------|-----------------|
| | 12/31/2020 | 12/31/2019 |
| Accounts receivable (a) | | |
| Valid Par | 20 | 38 |
| Valid Argentina | 293 | 206 |
| Valid Sucursal | 1,863 | 533 |
| BluPay | 5,424 | 2,050 |
| Serbet | 200 | - |
| Interprint | 841 | 1,010 |
| Valid Certificadora | 434 | 482 |
| Tress | 177 | 78 |
| Nexitera | 22 | - |
| Valid USA | 770 | 756 |
| Total assets | <u>10,044</u> | <u>5,153</u> |
| Accounts payable (a) | | |
| Valid Argentina | (29) | - |
| Valid Sucursal | (56) | (44) |
| BluPay | - | (2,000) |
| Serbet | (3,000) | - |
| Mitra | (3,000) | - |
| Interprint | - | (3,431) |
| Valid Certificadora | (54) | (19) |
| URAM | (42) | (33) |
| Tress | - | (55) |
| Valid Spain | (1,919) | - |
| Valid AS | (4,052) | - |
| Total liabilities | <u>(12,152)</u> | <u>(5,582)</u> |
| Statement of profit or loss (a) | | |
| Valid Argentina | 545 | 37 |
| Valid Sucursal | 1,172 | 416 |
| Valid Hub | 806 | - |
| Interprint | - | 196 |
| Valid Certificadora | 158 | 40 |
| Valid Mexico | 36 | - |
| Tress | 312 | 1,645 |
| Valid AS | 42 | - |
| Net revenue | <u>3,071</u> | <u>2,334</u> |
| Valid Argentina | (129) | (359) |
| Interprint | (16) | (3,583) |
| Valid Certificadora | (657) | (816) |
| URAM | - | (55) |
| Tress | (227) | (759) |
| Valid Spain | (16,587) | (9,327) |
| Valid USA | - | (51) |
| Valid AS | (39,282) | (27,942) |
| Cost of sales and services (a) | <u>(56,898)</u> | <u>(42,892)</u> |

(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.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

14. Related party transactions (Continued)

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

- At December 31, 2020, Valid Spain recorded, in assets, accounts receivable of de R\$7,033 from Valid Argentina, R\$16,548 from Valid USA, R\$16,112 from Valid Sucursal, and R\$14,501 from Valid Mexico, relating to sale of inputs (R\$3,387 from Valid Argentina, R\$8,560 from Valid USA, R\$35 from Valid Sucursal, and R\$17,259 from Valid Mexico at December 31, 2019).
- At December 31, 2020, Valid A/S recorded, in assets, accounts receivable of R\$32,902 from Valid Spain, R\$11,264 from Valid Nigeria, R\$22,248 from Valid USA, and R\$15,648 from Valid Argentina, relating to sale of inputs (R\$6,477 from Valid Nigeria, R\$6,671 from Valid USA, and R\$12,967 from Valid Argentina at December 31, 2019).
- On September 26, 2018, Valid Spain entered into a US\$1,600 thousand intercompany loan agreement with Valid AS, subject to conventional interest of 4.00% p.a. The loan was settled in March 2020.
- On November 23, 2018, Valid Spain entered into two intercompany loan agreements with Valid USA totaling US\$13,000, subject to conventional interest of 6% p.a. At December 31, 2020, the balance of this loan is US\$3,000 thousand (equivalent to R\$15,592) (US\$3,001 (equivalent to R\$12,098) at December 31, 2019).
- Valid Spain and Valid USA entered into a US\$2,500 thousand intercompany loan agreement on March 15, 2019 and a US\$2,000 thousand intercompany loan agreement on September 26, 2019, with conventional interest of 5.2% p.a., and this loan was settled in November 2019. At December 31, 2020, the restated balance of the loan of US\$2,500 thousand is US\$3,051 thousand (equivalent to R\$15,856) (US\$2,718 (equivalent to R\$10,958) at December 31, 2019).
- On July 29, 2019, Interprint entered into a R\$3,000 intercompany loan agreement with Nexitera, with conventional interest of 115% of the average daily DI rates expressed as percentage per annum, and calculated on a pro rata die basis. On October 14, 2019, the parties entered into an addendum to this agreement amounting to R\$2,000. In March 2020, the parties entered into a new contract amounting to R\$2,500 to be delivered in five installments of R\$500. The first installment was delivered in March 2020, and the remaining installments were delivered in April, May and June. On October 9, 2020, the parties entered into a new intercompany loan agreement, in the amount of R\$150, with conventional interest of 115% of the DI average rates. At December 31, 2020, the outstanding balance of these agreements corresponds to R\$8,632.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

14. Related party transactions (Continued)

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

For the years ended December 31, 2020 and 2019, 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 | 12/31/2020 |
|-------------------------------------|---------------------------|--------------------------|------------------------|---------------------------------|-------------------|
| Annual fixed compensation | 1,715 | 433 | 7,667 | 6,487 | 16,302 |
| Compensation | 1,395 | 369 | 4,903 | 4,128 | 10,795 |
| Social charges and benefits | 320 | 64 | 2,764 | 2,359 | 5,507 |
| Annual variable compensation | - | - | 4,024 | 1,911 | 5,935 |
| Variable compensation | - | - | 2,961 | 1,656 | 4,617 |
| Charges borne by the employer | - | - | 1,063 | 255 | 1,318 |
| Total compensation | 1,715 | 433 | 11,691 | 8,398 | 22,237 |

(*) The compensation paid to Executive Board, Board of Directors and Supervisory Board approved at the Annual General Meeting held on April 29, 2020 corresponds to R\$13,600.

| Consolidated | Board of Directors | Supervisory Board | Statutory Board | Other management members | 12/31/2019 |
|-------------------------------------|---------------------------|--------------------------|------------------------|---------------------------------|-------------------|
| Annual fixed compensation | 1,982 | 424 | 7,264 | 3,049 | 12,719 |
| Compensation | 1,624 | 367 | 5,013 | 2,214 | 9,218 |
| Social charges and benefits | 358 | 57 | 2,251 | 835 | 3,501 |
| Annual variable compensation | 886 | - | 2,542 | 1,049 | 4,477 |
| Variable compensation | - | - | 1,036 | 776 | 1,812 |
| Share-based payment | 886 | - | 753 | 221 | 1,860 |
| Charges borne by the employer | - | - | 753 | 52 | 805 |
| Total compensation | 2,868 | 424 | 9,806 | 4,098 | 17,196 |

(*) The compensation paid to Executive Board, Board of Directors and Supervisory Board approved at the Annual General Meeting held on April 26, 2019 corresponds to R\$19,794.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity

a) Capital

At the Special General Meeting held on May 15, 2017, shareholders approved a capital increase by R\$163,688, through capitalization of part of the investment reserve, with bonus, issue and distribution to shareholders, in proportion to their 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.

| | |
|-----------------------------------------|-----------------------|
| Gross capital | 919,688 |
| Share issue costs in 2015 | (15,180) |
| Capital net of share issue costs | <u>904,508</u> |

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

b) Capital reserves 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.

As the Company's Long-Term Incentive Plan (restricted shares) initiated in 2018 was terminated in 2019, the Company records a capital reserve for stock options granted of R\$6,406 at December 31, 2019.

At December 31, 2020, the stock options recognized amounts to R\$12,517.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity (Continued)

b) Capital reserves and treasury shares (Continued)

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:

| <u>Date of approval</u> | <u>Maximum number to be acquired</u> | <u>% of outstanding shares</u> | <u>End date</u> |
|-------------------------|--------------------------------------|--------------------------------|-----------------|
| 01/04/2008 | 2,000,000 shares | 6.04% | 01/02/2009 |
| 12/30/2008 | 1,537,900 shares | 4.50% | 12/29/2009 |
| 05/19/2010 | 1,000,000 shares | 1.94% | 05/19/2011 |
| 06/02/2011 | 1,133,000 shares | 2.00% | 06/01/2012 |
| 08/20/2013 | 2,000,000 shares | 3.60% | 08/19/2014 |
| 02/04/2016 | 1,000,000 shares | 1.50% | 02/01/2017 |
| 02/01/2017 | 1,000,000 shares | 1.57% | 02/02/2018 |
| 02/02/2018 | 1,000,000 shares | 1.44% | 09/06/2019 |
| 11/12/2019 | 1,000,000 shares | 1.45% | 05/12/2021 |

At December 31, 2020, the Company holds 1,920,458 common shares in treasury (920,458 shares at December 31, 2019), whose weighted average cost of acquisition and minimum and maximum costs are as follows:

| <u>Type</u> | <u>12/31/2020</u> | <u>Individual – Acquisition cost in Reais</u> | | |
|------------------------|-------------------|-----------------------------------------------|------------------------------|-------------------------------|
| | | <u>Share price – Minimum</u> | <u>Share price – Maximum</u> | <u>Share price – Weighted</u> |
| Share acquisition cost | | 7.53 | 25.39 | 12.97 |

Based on the last market quote available at December 31, 2020, treasury shares total R\$17,745, with weighted average price, and minimum and maximum price at December 31, 2020 as follows:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity (Continued)

b) Capital reserves and treasury shares (Continued)

Treasury shares (Continued)

| Type | 12/31/2020 | Price (in reais) | | | |
|---------------------|------------|--------------------------|--------------------------|---------------------------|-----------------------------|
| | | Share price – Minimum | Share price – Maximum | Share price – Weighted | Share price – Last quote |
| Current share price | | 6.87 | 19.77 | 11.13 | 9.24 |

| Type | Number | | | | 12/31/2020 |
|-------------------------------------|------------|-----------|-----------|-------|------------|
| | 12/31/2019 | Addition | Write-off | Bonus | |
| Number of common shares in treasury | 920,458 | 1,000,000 | - | - | 1,920,458 |

At December 31, 2019, the Company's balance of shares amounted to R\$16,076 and during the year ended December 31, 2020, it acquired 1,000,000 shares in the amount of R\$8,830, totaling R\$24,906 at December 31, 2020. The cost of acquisition of treasury shares at December 31, 2020 is R\$24,808 (R\$15,978 at December 31, 2019).

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 December 31, 2020, no legal reserve was recognized due to the loss recorded, and the Company maintained the balance of R\$58,983 (R\$58,983 at December 31, 2019).

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.

At December 31, 2020, no investment reserve was recognized due to the loss for the year, and the Company maintained the balance of R\$134,794 (R\$134,794 at December 31, 2019). The Company recorded R\$5,149 (R\$8,838 at December 31, 2019) referring to the impact of the monetary restatement of non-monetary items due to the adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies, and R\$688 referring to the acquisition of noncontrolling interests. The balance of Income Reserves at December 31, 2020 is R\$199,614 (R\$193,777 at December 31, 2019).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity (Continued)

d) Dividends and interest on equity

| <u>Dividends and interest on equity (IOE) payable</u> | <u>Amount per share</u> | <u>Date</u> | <u>Individual and Consolidated</u> |
|-------------------------------------------------------|-------------------------|-------------|------------------------------------|
| Balance at December 31, 2018 | | | 37,448 |
| Payment of IOE referring to 2018 | R\$ 0.59 | 01/10/2019 | (37,438) |
| Declared IOE referring to 2019 | R\$ 0.70 | 11/11/2019 | 49,213 |
| Payment of income tax on declared IOE in 2019 | R\$ 0.70 | 11/11/2019 | (4,872) |
| Balance at December 31, 2019 | | | 44,351 |
| Payment of IOE referring to 2019 | R\$ 0.35 | 01/06/2020 | (22,170) |
| Payment of IOE referring to 2019 | R\$ 0.35 | 12/10/2020 | (22,170) |
| Balance at December 31, 2020 | | | <u>11</u> |

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 declared, and exceeding dividends not yet declared are allocated to a special account in the statement of changes in equity.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity (Continued)

d) Dividends and interest on equity (Continued)

The Company management is proposing to the Annual General Meeting that the income for the year ended December 31, 2020 be allocated as follows:

| Proposed allocation of income for the year | 12/31/2020 | 12/31/2019 |
|---------------------------------------------------------------------------------------------|-------------------|-------------------|
| Net income (loss) for the year attributed to the Parent Company's owners | (202,455) | 54,281 |
| Recognition of legal reserve (5%) | - | (2,714) |
| Adjusted net income (loss) for the year | - | 51,567 |
| Mandatory minimum dividends - 25% | - | 25,783 |
| Interim dividends declared referring to the year | - | (49,213) |
| Interest on equity declared referring to the year | - | 4,872 |
| Effective withholding Income Tax (IRRF) on interest on equity | - | - |
| Interim dividends and interest on equity declared attributed to mandatory minimum dividends | - | (44,341) |
| Additional dividends proposed | - | - |
| | 12/31/2020 | 12/31/2019 |
| <u>Summary of allocations:</u> | | |
| Legal reserve | - | 2,714 |
| Investment reserve | - | 2,354 |
| Dividends and interest on equity | - | 49,213 |
| Net income (loss) for the year | (202,455) | 54,281 |

e) Other comprehensive income

Cumulative translation adjustments

In conformity with CVM Rule No. 640 of October 7, 2010, which approved Accounting Pronouncement CPC 02 (R2) – The Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements (“CPC 02”), equivalent to IAS 21, which determines 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 financial statements of its subsidiaries abroad, and the translation of the respective goodwill resulting from the related acquisitions. At December 31, 2020, the credit balance in this account amounted to R\$173,502 (credit balance of R\$4,041 at December 31, 2019). 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).

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

15. Equity (Continued)

e) Other comprehensive income (Continued)

Hedge of net investment in a foreign operation

Pursuant to CPC 48 (IFRS 09), hedging transactions 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.

Subsidiary Valid Spain presents net investments in foreign operations in USD and records exchange differences in other comprehensive income, as defined by IAS 21.

This transaction reflected exchange fluctuations deriving from parity between the US dollar (investment currency) and the euro (functional currency of Valid Spain). In the first half of 2018, the Company decided to improve its current risk management structure and began to analyze manners to mitigate currency fluctuations recorded in equity. As such, in order to hedge against foreign exchange differences, the Company decided to maintain a minimum percentage of the net investments in foreign operations hedged against currency fluctuation (investment in Valid USA (US dollar)) and designated non-derivative instruments to hedge the foreign exchange differences.

At December 31, 2020, the debt balance amounts to R\$5,557 (R\$19,903 at December 31, 2019) under "Other comprehensive income", relating to the hedge of net investments in foreign operations.

f) Noncontrolling interests

| | <u>12/31/2020</u> | <u>12/31/2019</u> |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| Balance at beginning of year | 18,242 | 16,535 |
| Share in profit or loss for the period | 806 | (540) |
| Increase (decrease) in noncontrolling interests after acquisition of Nexitera control | - | (1,535) |
| Increase in interest in Nexitera | - | 107 |
| Acquisition of noncontrolling interests | (2,842) | 3,019 |
| Acquisition of Alpdex | 548 | - |
| Acquisition of Serbet | 15,924 | - |
| Acquisition of Mitra | 12,171 | - |
| Establishment of Valid Hub | 1,120 | - |
| Acquisition of controlling interests | (1,366) | - |
| Capital increase | 1,960 | - |
| Cumulative translation adjustments | 3,215 | 656 |
| Balance at end of year | 49,778 | 18,242 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

16. Earnings (loss) per share

Profit or loss and share information used to calculate basic and diluted earnings per share for the years ended December 31, 2020 and 2019 is as follows:

| | Individual | |
|-------------------------------------------------------------------------------|------------------|----------------|
| | 12/31/2020 | 12/31/2019 |
| Profit or loss attributed to Company's common shareholders | (202,455) | 54,281 |
| Weighted average number of common shares used to calculate earnings per share | 69,954 | 70,366 |
| Basic earnings (loss) per share (in Reais) | <u>(2.89412)</u> | <u>0.77141</u> |

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.

17. Segment information

For management purposes, the Company is organized into business units based on its products and services and has three reportable operating segments:

a) Means of payment

In this segment, integrated products and solutions, such as chip and magnetic stripe cards, gift cards, check printing, invoices and bank statements are offered. In addition, solutions in Radio Frequency Identification - RFID, contactless cards and mobile payments (through TSM - Trusted Service Manager and HCE - Host Card Emulation, via NFC - Near Field Communication) are also offered.

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 documents are identity cards, drivers' licenses, class council cards, and stamps for brand security and authenticity.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

17. Segment information (Continued)

b) Identification (Continued)

The Company offers a full-service structure, with wide service fronts, which include the generation of computerized systems for the administration of databases, the collection of biometric data, the printing and customization of official identification documents, solutions for Smart Cities, traceable stamps and Digital Certification services.

c) Mobile

The broad telecommunications portfolio offered by the Company includes services of issuing statements and technologies for use in cell phones, in addition to innovations resulting from digital mobility, such as NFC, TSM and HCE solutions for mobile service providers.

In this segment, the Company operates in the rendering of services that improve the communication between telephone service providers and their customers, in the development of technologies for use in cell phones - such as recharge and payment - and also in the production of cards intended for telecommunications. SIM cards are the main product of this business unit.

Focusing on the mobile market trends, Valid is actively participating in the different initiatives associated with the evolution of the SIM card, specifically the one called eUICC (embedded UICC). This new phase of SIM cards considers a broader market since SIM cards are now part of the connectivity related to the initiatives Machine to Machine and Internet of Things (IoT); the chip will be used not only in a mobile phone but also on other types of devices, such as automobiles, power meters, etc. In this new context, the solution considers not only the chip, but also a chip activation platform (known as Subscription Manager).

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

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

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

17. Segment information (Continued)

c) Mobile (Continued)

| 12/31/2020 | Identification | Means of payment | Telecom | Eliminations | Not allocated to segments | Consolidated |
|--------------------------------------------------|----------------|------------------|-----------|--------------|---------------------------|------------------|
| Revenues | | | | | | |
| Revenues from customers | 454,427 | 1,017,712 | 467,003 | - | - | 1,939,142 |
| Revenues from intersegment | (2,158) | (112,902) | (166,822) | 281,882 | - | - |
| Total revenues | 452,269 | 904,810 | 300,181 | 281,882 | - | 1,939,142 |
| Costs | (364,776) | (929,265) | (302,265) | - | - | (1,596,306) |
| Selling expenses | (49,877) | (47,137) | (85,999) | - | - | (183,013) |
| Administrative expenses | (31,041) | (41,744) | (18,155) | - | - | (90,940) |
| Intersegment costs and expenses | 2,158 | 112,902 | 166,822 | (281,882) | - | - |
| Finance income (costs), net | - | - | - | - | (85,135) | (85,135) |
| Other operating expenses, net | (4,556) | (130,824) | - | - | (43,670) | (179,050) |
| Equity pickup | - | - | - | - | 801 | 801 |
| Income and social contribution taxes (IRPJ/CSLL) | - | - | - | - | (7,148) | (7,148) |
| Net income (loss) for the year | | | | | | <u>(201,649)</u> |

| 12/31/2020 | Identification | Means of payment | Telecom | Eliminations | Consolidated |
|-------------------------------|----------------|------------------|---------|--------------|--------------|
| Operating assets | 275,320 | 609,139 | 364,754 | (150,429) | 1,098,784 |
| Trade accounts receivable | 115,574 | 144,004 | 272,676 | (150,429) | 381,825 |
| Inventories | 13,991 | 199,107 | 56,916 | - | 270,014 |
| Property, plant and equipment | 145,755 | 266,028 | 35,162 | - | 446,945 |
| Operating liabilities | 40,178 | 141,582 | 156,546 | (150,244) | 188,062 |
| Trade accounts payable | 40,178 | 141,582 | 156,546 | (150,244) | 188,062 |

| 12/31/2019 | Identification | Means of payment | Telecom | Eliminations | Not allocated to segments | Consolidated |
|--------------------------------------------------|----------------|------------------|-----------|--------------|---------------------------|---------------|
| Revenues | | | | | | |
| Revenues from customers | 623,657 | 936,588 | 447,717 | - | - | 2,007,962 |
| Revenues from intersegment | 4,695 | 96,359 | 142,405 | (243,459) | - | - |
| Total revenues | 628,352 | 1,032,947 | 590,122 | (243,459) | - | 2,007,962 |
| Costs | (423,657) | (838,638) | (304,469) | - | - | (1,566,764) |
| Selling expenses | (31,170) | (53,505) | (84,447) | - | - | (169,122) |
| Administrative expenses | (34,108) | (31,420) | (16,947) | - | - | (82,475) |
| Intersegment costs and expenses | (4,695) | (96,359) | (142,405) | 243,459 | - | - |
| Finance income (costs), net | - | - | - | - | (60,545) | (60,545) |
| Other operating expenses, net | - | - | - | - | (61,578) | (61,578) |
| Equity pickup | - | - | - | - | 2,346 | 2,346 |
| Income and social contribution taxes (IRPJ/CSLL) | - | - | - | - | (16,083) | (16,083) |
| Net income for the year | | | | | | <u>53,741</u> |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

17. Segment information (Continued)

c) Mobile (Continued)

| 12/31/2019 | Identification | Means of payment | Telecom | Eliminations | Consolidated |
|-------------------------------|----------------|------------------|---------|--------------|--------------|
| Operating assets | 274,928 | 563,369 | 339,123 | (89,438) | 1,087,982 |
| Trade accounts receivable | 107,123 | 124,204 | 265,228 | (89,438) | 407,117 |
| Inventories | 10,161 | 180,032 | 36,835 | - | 227,028 |
| Property, plant and equipment | 157,644 | 259,133 | 37,060 | - | 453,837 |
| Operating liabilities | 13,430 | 134,704 | 122,558 | (89,612) | 181,080 |
| Trade accounts payable | 13,430 | 134,704 | 122,558 | (89,612) | 181,080 |

“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.

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, Taiwan, China and Ireland.

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

| Revenues by geographic distribution | Consolidated | |
|---------------------------------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 |
| In the entity's home country - Brazil | 769,649 | 1,012,992 |
| In Argentina | 98,201 | 96,698 |
| In EMEAA (**) | 308,128 | 318,124 |
| In other foreign countries | 92,983 | 80,409 |
| In the USA | 670,181 | 499,739 |
| Revenues by region | 1,939,142 | 2,007,962 |
| Noncurrent assets (*) | Consolidated | |
| | 12/31/2020 | 12/31/2019 |
| In the entity's home country - Brazil | 540,645 | 507,542 |
| In Argentina | 16,303 | 14,073 |
| In EMEAA (**) | 582,647 | 458,178 |
| In the USA | 308,508 | 359,229 |
| In other foreign countries | 11,745 | 8,804 |
| Noncurrent assets by region | 1,459,848 | 1,347,826 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

17. Segment information (Continued)

c) Mobile (Continued)

(*) 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.

d) 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.

18. 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 years ended December 31, 2020 and 2019, the Company and its subsidiaries recognized the following benefit-related amounts as “Cost of sales” and “Operating expenses” in the statement profit or loss:

| Benefits | Individual | | Consolidated | |
|----------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Private pension plan | (844) | (1,811) | (1,070) | (2,243) |
| Total | (844) | (1,811) | (1,070) | (2,243) |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. 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 values.

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 December 31, 2020 and December 31, 2019 are as follows, respectively:

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Fair value measurement (Continued)

| 12/31/2020 | | Individual | | Consolidated | |
|------------------------------------------|------------------------------------------|-----------------|------------|-----------------|------------|
| Fair value measurement | Classification after adoption of IFRS 09 | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and banks | Amortized cost | 9,246 | 9,246 | 151,645 | 151,645 |
| Cash equivalents | Fair value through profit or loss | 307,351 | 307,351 | 334,891 | 334,891 |
| Marketable securities | Fair value through profit or loss | 5,622 | 5,622 | 5,622 | 5,622 |
| Restricted short-term investment | Fair value through profit or loss | 57,113 | 57,113 | 57,163 | 57,163 |
| Accounts receivable | Amortized cost | 166,765 | 166,765 | 460,545 | 460,545 |
| Receivables from related parties | Amortized cost | 10,044 | 10,044 | 3,998 | 3,998 |
| Other accounts receivable | Amortized cost | 7,049 | 7,049 | 51,937 | 51,937 |
| Judicial deposits | Amortized cost | 20,589 | 20,589 | 21,166 | 21,166 |
| Trade accounts payable | Other liabilities at amortized cost | 66,326 | 66,326 | 188,062 | 188,062 |
| Payables to related parties | Other liabilities at amortized cost | 12,152 | 12,152 | 6,072 | 6,072 |
| Loans, financing and debentures | Other liabilities at amortized cost | 575,276 | 585,242 | 1,191,978 | 1,288,749 |
| Dividends and interest on equity payable | Other liabilities at amortized cost | 11 | 11 | 11 | 11 |

| 12/31/2019 | | Individual | | Consolidated | |
|------------------------------------------|------------------------------------------|-----------------|------------|-----------------|------------|
| Fair value measurement | Classification after adoption of IFRS 09 | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and banks | Amortized cost | 6,370 | 6,370 | 50,101 | 50,101 |
| Cash equivalents | Fair value through profit or loss | 200,017 | 200,017 | 268,421 | 268,421 |
| Marketable securities | Fair value through profit or loss | 3,115 | 3,115 | 3,115 | 3,115 |
| Accounts receivable | Amortized cost | 156,891 | 156,891 | 447,940 | 447,940 |
| Receivables from related parties | Amortized cost | 5,153 | 5,153 | 1,972 | 1,972 |
| Other accounts receivable | Amortized cost | 6,239 | 6,239 | 63,696 | 63,696 |
| Judicial deposits | Amortized cost | 31,879 | 31,879 | 36,435 | 36,435 |
| Trade accounts payable | Other liabilities at amortized cost | 43,796 | 43,796 | 181,080 | 181,080 |
| Payables to related parties | Other liabilities at amortized cost | 5,582 | 5,582 | - | - |
| Loans, financing and debentures | Other liabilities at amortized cost | 359,180 | 361,233 | 833,283 | 857,165 |
| Dividends and interest on equity payable | Other liabilities at amortized cost | 44,351 | 44,351 | 44,351 | 44,351 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Fair value hierarchy

Under CPC 46/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.

The financial instruments recorded at fair value at December 31, 2020 and 2019 are summarized as follows:

| Description | 12/31/2020 | Fair value hierarchy | Individual | | |
|-----------------------|------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| | | | Market value for identical assets (Level 1) | Market value for identical assets (Level 2) | Market value for identical assets (Level 3) |
| Cash equivalents | | - | - | 307,351 | - |
| Marketable securities | | - | - | 5,622 | - |
| Total | | - | - | 312,973 | - |

| Description | 12/31/2019 | Fair value hierarchy | Individual | | |
|-----------------------|------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| | | | Market value for identical assets (Level 1) | Market value for identical assets (Level 2) | Market value for identical assets (Level 3) |
| Cash equivalents | | - | - | 200,017 | - |
| Marketable securities | | - | - | 3,115 | - |
| Total | | - | - | 203,132 | - |

| Description | 12/31/2020 | Fair value hierarchy | Consolidated | | |
|-----------------------|------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| | | | Market value for identical assets (Level 1) | Market value for identical assets (Level 2) | Market value for identical assets (Level 3) |
| Cash equivalents | | - | - | 334,891 | - |
| Marketable securities | | - | - | 5,622 | - |
| Total | | - | - | 340,513 | - |

| Description | 12/31/2019 | Fair value hierarchy | Consolidated | | |
|-----------------------|------------|----------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| | | | Market value for identical assets (Level 1) | Market value for identical assets (Level 2) | Market value for identical assets (Level 3) |
| Cash equivalents | | - | - | 268,421 | - |
| Marketable securities | | - | - | 3,115 | - |
| Total | | - | - | 271,536 | - |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise 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 of a financial instrument will fluctuate because of changes 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 DI rate. For the Company's most significant loans, the index is pegged to the Libor rate.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's and its subsidiaries' exposure to the risk of changes in foreign exchange rates relates primarily to their operating activities (when revenues or expenses are denominated in a currency other than the functional currency) and the Company's net investments in foreign subsidiaries.

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:

| Currency | 12/31/2020 | Consolidated | |
|--------------------------|------------|-----------------------------------|-----------------------------------|
| | | Change in exchange rate 25% | Change in exchange rate 50% |
| Equity - Argentine pesos | | 4,392 | 8,605 |
| Equity - Colombian pesos | | 3,990 | 7,981 |
| Equity - Mexican pesos | | 2,382 | 4,765 |
| Equity - Uruguayan pesos | | 481 | 963 |
| Equity - Euro | | 118,031 | 236,062 |
| Equity - US dollar | | 95,541 | 191,081 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Currency risk (Continued)

The Company records trade accounts payable for equipment and raw material denominated in foreign currency. Therefore, profit or loss is subject to 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 December 31, 2020 of R\$22,851 and R\$45,702 in individual and consolidated, respectively (R\$1,462 e R\$2,954 at December 31, 2019) relating to these balances.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

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

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.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Liquidity risk (Continued)

The aging list of outstanding financial liabilities at December 31, 2020 and 2019, pursuant to paragraph 39 of CPC 40 (R1), is as follows:

| | Individual | | Consolidated | |
|---------------------------------|----------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Within 1 month | 66,061 | 43,796 | 187,797 | 181,080 |
| Trade accounts payable | 66,061 | 43,796 | 187,797 | 181,080 |
| Within 1 month | 8,354 | - | 9,087 | 5,977 |
| From 1 to 3 months | 8,534 | - | 64,449 | 16,736 |
| From 3 months to 1 year | 344,039 | 90,696 | 660,915 | 232,913 |
| From 1 year to 5 years | 214,349 | 268,484 | 457,527 | 577,656 |
| Loans, financing and debentures | 575,276 | 359,180 | 1,191,978 | 833,282 |
| Total liquidity risk | 641,337 | 402,976 | 1,379,775 | 1,014,362 |

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 the 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 (DI), mainly with respect to obligations on debentures issued and short-term investments; (ii) changes in TJLP, with respect to financing raised by 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 rate, plus annual interest, whereas short-term investments bear interest based on the DI fluctuation. Finance charges on loans consist of Libor plus a fixed contractual rate.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Sensitivity analysis (Continued)

In addition, the Company has trade accounts payable pegged to the US dollar and Euro. However, taking into consideration that these payables mature within 30 days, a sensitivity analysis is not presented as the Company understands that it would not generate any benefits. With a view to analyzing the sensitivity of the index to which the Company's short-term investments were exposed at December 31, 2020, three different scenarios were defined. Based on projections disclosed by BM&FBovespa, dated January 1, 2021, DI was projected for the next 12 months at the rate of 3.61%, 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.

For each scenario, gross finance income from short-term investments was calculated, not considering taxes on investment income. The reporting date used for short-term investments was the balance outstanding at December 31, 2020, with a one-year projection and analysis of the DI sensitivity in each scenario.

| Transaction | Individual | | | | |
|-------------------------------------------|--------------------------|------|----------------------|-------------|--------------|
| | Balance at 12/31/2020 | Risk | Probable scenario | Scenario II | Scenario III |
| Short-term investments (cash equivalents) | 307,351 | DI | 3.61% | 2.71% | 1.81% |
| Gross finance income | | | 11,095 | 8,329 | 5,563 |

| Transaction | Consolidated | | | | |
|-------------------------------------------|--------------------------|------|----------------------|-------------|--------------|
| | Balance at 12/31/2020 | Risk | Probable scenario | Scenario II | Scenario III |
| Short-term investments (cash equivalents) | 334,891 | DI | 3.61% | 2.71% | 1.81% |
| Gross finance income | | | 12,090 | 9,076 | 6,062 |

The same analysis was conducted for the balance corresponding to the Company's debentures at December 31, 2020. Interest of 114.8% was added for the 7th issue, reaching 4.41%, 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 reporting date used for debentures was the balance outstanding at December 31, 2020, with a one-year projection and analysis of the DI sensitivity in each scenario.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

19. Financial instruments and risk management (Continued)

Sensitivity analysis (Continued)

| Transaction | Balance at 12/31/2020 | Risk | Probable scenario | Scenario II | Scenario III |
|------------------------------------|----------------------------------|-------------|------------------------------|--------------------|---------------------|
| Debentures (7 th issue) | 268,902 | DI | 4.14% | 5.18% | 6.21% |
| Gross finance costs | | | 11,133 | 13,929 | 16,699 |

The same analysis was conducted for the balance corresponding to indirect subsidiary Serbet's obligations on financing as at December 31, 2020. A projected TJLP of 4.39% disclosed by the BNDES in February 2021 was taken into consideration and, based on this probable scenario, 25% and 50% index variations were calculated, representing the conditions for different scenarios.

| Transaction | Balance at 12/31/2020 | Risk | Probable scenario | Scenario II | Scenario III |
|---------------------|----------------------------------|-------------|------------------------------|--------------------|---------------------|
| Financing | 147 | DI | 4.39% | 5.49% | 6.59% |
| Gross finance costs | | | 6 | 8 | 10 |

The same analysis was conducted for the balance corresponding to indirect subsidiary Valid USA's obligations on loans at December 31, 2020. A 3-month Libor rate of 0.19% projected and disclosed by REFINITIV on January 29, 2021 was taken into consideration and, based on this probable scenario, 25% and 50% index variations were calculated, representing the conditions for different scenarios.

| Transaction | Balance at 12/31/2020 | Risk | Probable scenario | Scenario II | Scenario III |
|---------------------|----------------------------------|-------------|------------------------------|--------------------|---------------------|
| Loans - Valid USA | 136,060 | Libor | 0.19% | 0.24% | 0.29% |
| Gross finance costs | | | 259 | 327 | 395 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

20. 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 December 31, 2020, the Company has the following major insurance policies taken out from third parties:

| Type | Currency | Insured amount |
|---------------------------------------------------|----------------|----------------|
| Civil liability | Brazilian real | 105,829 |
| Operational risks | Brazilian real | 534,399 |
| Sundry risks | Brazilian real | 278,023 |
| Vehicles | Brazilian real | 6,556 |
| D&O - civil liability | Brazilian real | 36,377 |
| Errors & Omissions (E&O) - professional liability | Brazilian real | 567,632 |
| Loyalty and crime | Brazilian real | 15,393 |
| Product transportation - import/export | US dollar | 7,075 |

21. Net sales revenue

| | Individual | | Consolidated | |
|--------------------------------------|-----------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Gross revenue from products sold | 73,745 | 60,385 | 897,211 | 702,750 |
| Gross revenue from services rendered | 648,957 | 876,064 | 1,165,504 | 1,453,794 |
| Total gross revenue | 722,702 | 936,449 | 2,062,715 | 2,156,544 |
| Sales tax | (93,488) | (119,458) | (110,566) | (142,687) |
| Sales returns | (7,349) | (3,494) | (13,007) | (5,895) |
| Net sales revenue | 621,865 | 813,497 | 1,939,142 | 2,007,962 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

22. Costs and expenses by nature

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

| Expenses by nature | Individual | | Consolidated | |
|-------------------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Labor | 154,633 | 188,245 | 467,701 | 443,549 |
| Employee benefits | 47,702 | 61,901 | 81,349 | 90,325 |
| Taxes and charges | 43,927 | 54,983 | 88,724 | 88,191 |
| Operating lease | 9,718 | 9,933 | 13,783 | 13,344 |
| Depreciation and amortization | 41,657 | 41,107 | 137,622 | 123,658 |
| Consumables/raw material | 185,579 | 162,660 | 705,998 | 637,960 |
| Third-party services | 37,975 | 82,814 | 130,997 | 172,653 |
| Maintenance | 12,297 | 18,713 | 33,528 | 36,274 |
| Utilities and services | 38,655 | 38,356 | 99,408 | 87,813 |
| Sales commissions | 9,893 | 17,150 | 27,530 | 33,458 |
| Freight on sales | 9,861 | 9,857 | 30,254 | 24,533 |
| General and other expenses | 29,808 | 28,033 | 53,365 | 66,603 |
| Total expenses by nature | 621,705 | 713,752 | 1,870,259 | 1,818,361 |
| Classified as: | | | | |
| Cost of goods and services | 539,501 | 634,987 | 1,596,306 | 1,566,764 |
| Selling expenses | 54,511 | 48,174 | 183,013 | 169,122 |
| General and administrative expenses | 27,693 | 30,591 | 90,940 | 82,475 |
| Total | 621,705 | 713,752 | 1,870,259 | 1,818,361 |

23. Finance income and costs

| | Individual | | Consolidated | |
|----------------------------------------------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Finance income | | | | |
| Short-term investment income | 6,094 | 9,246 | 9,375 | 12,836 |
| Foreign exchange differences, interest on intercompany loans | 174 | 50 | 1,388 | 493 |
| Foreign exchange difference on loans | - | - | 6,041 | - |
| Other foreign exchange differences | 2,763 | 514 | 69,475 | 67,994 |
| Restatement of interest on leases | 1,055 | - | 1,159 | - |
| Foreign exchange difference on lease | - | - | 77 | - |
| Swap | 216 | - | 216 | - |
| Other finance income | 436 | 913 | 615 | 1,389 |
| Total finance income | 10,738 | 10,723 | 88,346 | 82,712 |
| Finance costs | | | | |
| Interest on debentures, loans and financing | (23,495) | (25,044) | (57,516) | (51,941) |
| Foreign exchange difference and interest on intercompany loans | - | - | (4,347) | - |
| Foreign exchange difference on loans | - | - | (309) | (673) |
| Other foreign exchange differences | (1,963) | (599) | (82,468) | (73,523) |
| Bank charges | (9,204) | (911) | (13,813) | (6,183) |
| Other finance costs | (1,263) | (748) | (4,909) | (4,068) |
| Interest on leases | (1,046) | (1,070) | (7,972) | (6,505) |
| Restatement of interest on leases | (51) | - | (67) | - |
| Foreign exchange difference on lease | - | - | (19) | (364) |
| Swap | (2,061) | - | (2,061) | - |
| Total finance costs | (39,083) | (28,372) | (173,481) | (143,257) |
| Finance income (costs), net | (28,345) | (17,649) | (85,135) | (60,545) |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

24. Other operating income (expenses)

Significant information on amounts recognized as “Other operating expenses” at December 31, 2020 and 2019 is as follows:

| | Individual | | Consolidated | |
|--------------------------------------------------------------------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Restructuring costs | (4,975) | (6,784) | (8,258) | (6,074) |
| Other operating expenses, net | (4,071) | (5,429) | (11,278) | (9,904) |
| Amortization of capital gain on assets | - | - | (14,531) | (11,692) |
| Gain on/cost of sale of property, plant and equipment and provision for obsolescence | (10,394) | 5,361 | (8,651) | 3,637 |
| Gain/loss on disposal of equity interest | 1,308 | - | (952) | - |
| Impairment (*) | - | - | (135,380) | (44,886) |
| Sale of joint venture (Incard) | - | - | - | 7,341 |
| Total other operating expenses | (18,132) | (6,852) | (179,050) | (61,578) |

(*) Provision for impairment recorded in subsidiary Valid USA, totaling US\$25,167 (equivalent to R\$130,824), referring to indefinite-lived assets (goodwill) in the amount of US\$12,050 (equivalent to R\$62,619); finite-lived asset (customer portfolio) in the amount of US\$9,696 (equivalent to R\$50,469); and fixed asset in the amount of US\$3,424 (equivalent to R\$17,736).

In addition to Valid USA, R\$1,721 was recorded for fixed assets and R\$2,835 for Tress' goodwill.

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.

Funds involving such consolidation processes were disbursed until the end of 2018. Due to temporary tax differences in this transaction, a provision for deferred income and social contribution taxes was recognized in Individual and Consolidated, as stated in Note 6.

25. Restricted short-term investments

| | Individual | Consolidated |
|-----------------------------------|------------|--------------|
| | 12/31/2020 | 12/31/2020 |
| Restricted short-term investments | 57,113 | 57,163 |
| Total | 57,113 | 57,163 |
| Total current | 57,113 | 57,163 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

25. Restricted short-term investments (Continued)

Short-term investments refer to Bank Deposit Certificates (CDB), bearing interest at 100% of the DI rate, and are restricted to the loan agreement described in Note 12 (table a.11). The amounts will be redeemed after the loan is settled in the short term.

26. Additional disclosures to the statements of cash flows

a) Non-cash transactions

| | Individual | | Consolidated | |
|------------------------------------------------------------------|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Noncontrolling interests | 369 | - | 94 | 3,758 |
| Write-off of earn-out/earn-out payable | (13,260) | 19,900 | (13,260) | 19,900 |
| Intangible assets acquired and not paid | 1,924 | 615 | 4,318 | 16,931 |
| Write-off of intangible assets and property, plant and equipment | - | - | - | 1,535 |
| Addition of goodwill – increase in equity interest | - | - | - | 107 |
| Net cash flows on acquisition of subsidiaries | - | 2,000 | - | 2,000 |
| Property, plant and equipment acquired and not paid | 2,244 | 9,891 | 2,874 | 11,000 |
| Impairment in equity | - | - | - | 826 |
| Lease acquired and not paid – PP&E | 3,301 | 20,822 | 7,286 | 120,394 |
| Lease acquired and not paid - liabilities | 3,302 | 21,063 | 8,345 | 124,954 |
| Acquisition of subsidiaries | 999 | - | - | - |
| Total non-cash transactions | (1,121) | 74,291 | 9,657 | 301,405 |

b) Changes in liabilities from financing activities

Significant changes in loans, financing, debentures and leases in financing activities for the years ended December 31, 2020 and 2019 are as follows:

| | Individual | | | | | 12/31/2020 |
|------------|------------|----------|-----------|--------------------------------|------------------------------------------|------------|
| | 12/31/2019 | Addition | Write-off | Payment (principal + interest) | Allocation (interest + transaction cost) | |
| Loans | - | 304,741 | - | (11,022) | 12,655 | 306,374 |
| Debentures | 359,180 | - | - | (101,118) | 10,840 | 268,902 |
| Leases | 12,408 | 3,302 | (3,379) | (5,741) | 1,046 | 7,636 |
| Total debt | 371,588 | 308,043 | (3,379) | (117,881) | 24,541 | 582,912 |

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(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)

| | 12/31/2019 | Addition | Write-off | Payment (principal + interest) | Allocation (interest + transaction cost) | Exchange restatemen t | Foreign exchange difference (Equity) | 12/31/2020 |
|------------|------------|----------|-----------|--------------------------------------|---------------------------------------------------|-----------------------------|-----------------------------------------------|------------|
| Loans | 474,103 | 443,143 | (12) | (188,562) | 46,654 | (5,732) | 153,336 | 922,930 |
| Financing | - | 678 | (515) | (39) | 22 | - | - | 146 |
| Debentures | 359,180 | - | - | (101,118) | 10,840 | - | - | 268,902 |
| Leases | 111,967 | 8,345 | (4,212) | (36,068) | 7,972 | (58) | 28,161 | 116,107 |
| Total debt | 945,250 | 452,166 | (4,739) | (325,787) | 65,488 | (5,790) | 181,497 | 1,308,085 |

27. Reconciliation of EBITDA

The Company uses EBITDA as the main metric for the evaluation of the Company's financial performance. For purposes of compliance with the provisions of paragraph 2, article 2, of CVM Ruling No. 527/12, we present below the reconciliation of the amounts used to calculate EBITDA for the years ended December 31, 2020 and 2019.

| | Consolidated | |
|----------------------------------------------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 |
| Net income (loss) for the period | (202,455) | 54,281 |
| (+) Noncontrolling interests | 806 | (540) |
| (+) Income and social contribution taxes | 7,148 | 16,083 |
| (+) Finance income/costs | 85,135 | 60,545 |
| (+) Depreciation and amortization | 152,159 | 135,350 |
| EBITDA under CVM Ruling No. 572 of October 4, 2012 | 42,793 | 265,719 |
| (+) Other operating expenses | 179,050 | 61,578 |
| (+) Depreciation and amortization | (18,513) | (15,944) |
| (+/-) Equity pickup - noncontrolling interests | (801) | (2,346) |
| Adjusted EBITDA (1) | 202,529 | 309,007 |

- (1) EBITDA and Adjusted EBITDA are not financial performance measures in accordance with the Accounting Practices Adopted in Brazil and IFRS, nor should they be considered in isolation or as an alternative to net income, as an operating performance measure, or an alternative to operating cash flows as a liquidity measure. In accordance with CVM Ruling No. 527 of October 4, 2012, EBITDA calculation may not exclude any items that are non-recurring, non-operating or relating to discontinued operations and is obtained by net income (loss) for the period, plus income taxes, finance costs net of finance income and depreciation, amortization and depletion. Adjusted EBITDA is used by the Company as an additional financial performance measure and should not be used in replacement for profit or loss. Adjusted EBITDA corresponds to EBITDA adjusted through elimination of the effects of other operating (income) expenses, depreciation and amortization of management, effects of depreciation, amortization, expenses and taxes on equity pickup of CUBIC and BCT and other non-recurring expenses. Other companies may calculate Adjusted EBITDA differently from the Company. As such, Adjusted EBITDA presents limitations that compromise its use as a measure of the Company's profitability, since it does not take into consideration certain costs and expenses in connection with the business, which could significantly affect the Company's profits.

Valid Soluções S.A.

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

(In thousands of reais, unless otherwise stated)

28. Events after the reporting period

At the meeting held on January 7, 2021, the Board of Directors approved the Company's capital increase and the issue of subscription warrant with additional advantage capped at the authorized capital. The capital increase will amount to at least R\$65,679 (with issue of 7,194 shares) and up to R\$131,358 (with issue of 14,387 shares). The issue price will be R\$9.13 per share based on the weighted average number of the Company's share quotes in the last 60 trading sessions on B3 S.A. prior to January 6, 2021. The funds derived from the capital increase will be allocated to the Company's capital structure, for improvement of its cash position, for reduction of consolidated financial leverage, and for general corporate purposes.

During the subscription and apportionment of the remaining shares, there was interest on the part of shareholders in 11,029 shares, representing R\$100,697, or 76.7% of the lot offered. However, part of the shareholders conditioned their participation in the capital increase process on achieving the maximum volume of the issue, while others conditioned their participation on partial refund. Consequently, 183 shares initially requested will not be part of the capital increase. The requests can be summarized as follows:

| | |
|----------------------------------------------------------|-------------------|
| Total capital increase (number of shares) | 14,387,500 |
| Total capital paid in (number of shares) | 11,029,245 |
| Shares to be cancelled "Conditional Total" | 183,728 |
| Subtotal (number of shares) | 10,845,517 |
| % achieved | 75.381526% |
| % refunded | 24.618474% |
| Conditional partial (number of shares) | 545 |
| Shares to be cancelled partial (number of shares) | 130 |
| Total to be approved (number of shares) | 10,845,387 |
| Total to be cancelled – refund (number of shares) | 183,858 |

According to the Board of Directors' Meeting held on March 12, 2021, the partial capital increase will be approved with the issue of 10,845 shares, representing R\$99,018; a subscription warrant will be granted to each share in the capital increase process, and such warrant may be converted into the Company's shares in the future. Thus 10,845 subscription warrants will be issued.

As approved by Valid's Board of Directors in the meeting held on March 5, 2021, the Company concluded on March 15, 2021 the extension of its debt with Banco Safra. Initially, the Company had R\$30,000 thousand that would expire on May 3, 2021 at a cost of CDI + 5.00% without guarantees. With the borrowing of R\$30,000 thousand that will be used to pay off the previous transaction, the Company will have a grace period for interest and principal in 2021 and this debt will mature in March 2024 at a cost of CDI + 3.99% without guarantees.