GRUPO TECHNOS ANNOUNCES 1Q20 RESULTS

Rio de Janeiro, June 29, 2020 – Grupo Technos (B3: TECN3) announces its 1Q20 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated.

DATE

06/29/2020

CLOSING PRICE

R$1.53/share

MARKET CAP

R$120,1 million

CONFERENCE CALL

06/30/2020 10:00 a.m. Brasília

Telephones:

Brazil: +55 (11) 3193-1111

+55 (11) 2820-4111

Connection code: Technos

IR CONTACTS

Daniela Pires – CFO and IR Officer

Luís Ricardo – Financial and IR Manager

Danielle Barbosa – Planning and IR Analyst

ri@grupotechnos.com.br

www.grupotechnos.com.br/ri

+55 (21) 2131-8904

1Q20 HIGHLIGHTS

- Net revenue decreased by 33.4% in 1Q20, due to the impact of COVID-19;
- Average price increased by 2.7% and sales volume decreased by 34.5% in 1Q20;
- SG&A decreased by 5.1%, or R$1.7 million;
- Negative Adjusted EBITDA of R$12.2 million in 1Q20;
- Net debt of R$62.2 million in 1Q20.

R$ million	1Q19	1Q20	%
Gross revenue	75.7	51.0	-32.6%
Net revenue	63.0	41.9	-33.4%
Gross profit	26.4	17.2	-35.0%
Gross margin	*42.0%*	*41.0%*	*-1.0p.p.*
SG&A	-33.5	-31.8	-5.1%
Net income	-9.9	-17.4	75.6%
Net margin	*-15.8%*	*-41.6%*	*-25.8p.p.*
Adjusted EBITDA	-2.1	-12.2	483.4%
Adjusted EBITDA margin	*-3.3%*	*-29.1%*	*-25.8p.p.*
Number of watches (000s)	529	347	-34.5%
Average price (R$/product)	140	144	2.7%

Adjusted EBITDA *– Represents CVM EBITDA (net income plus depreciation and amortization, financial expenses, financial income, current and deferred taxes), adjusted for the present value adjustment on sales and sales taxes, non-operational contingency provisions, nonrecurring results, extraordinary, and stock option plan.*

In 1Q20, Management's commentary discusses two important subjects of the Company's interest––1Q20 Highlights and Remarks on the impacts of COVID-19 and measures taken by the Company:

1. 1Q20 Highlights

Following 2019, which was marked by many organizational changes and important financial adjustments, the Company started 2020 with the objective of accelerating the implementation of its turnaround plan and improving its performance. However, as of March 2020, the Company suffered material impacts on its operations resulting from of the infectious disease caused by the virus of the severe acute respiratory syndrome SARS-CoV-2 ("COVID-19") and, consequently, on its financial results.

In 1Q20, the Gross Revenue of the Company was negatively affected by the evolution of the pandemic in Brazil as of March. It is important to highlight that March is the most important month in the quarter in seasonal terms, as it is the month of the first cycle of launchings of the year and it is close to Mother's Day. The social isolation measures, the closing of shopping malls and retail stores, and the cancellation of exhibitions and commercial visits strongly sacrificed the sale of products and services of the Company. Consequently, in 1Q20, Gross Revenue decreased by 32.6% compared to 1Q19.

In 1Q20, Gross Profit decreased by R$9.2 million, due to decreased sales and the resulting impact of decreased dilution of fixed costs in the period. Although Gross Margin decreased by 1 p.p., the average price increased by 2.7%, which reflects the Company's efforts to recover profitability through a review of discounts and promotional sales, as well as through selective price increases in more differentiated collections.

In 1Q20, SG&A decreased by 5.1%, or R$1.7 million, compared to 1Q19, due to decreased advertisement expenses, expenses directly related to sales, stability in general and administrative expenses and increased expected credit loss, as a result of the risk reassessment of the portfolio of receivables in view of the deterioration of the macroeconomic scenario.

Due to the significant decrease in Gross Revenue, adjusted EBITDA totaled a negative amount of R$12.2 million and EBITDA margin was -29.1%, compared to a negative amount of R$2.1 million and -3.3%, respectively, in 1Q19.

In 1Q20, working capital totaled R$187.1 million, representing a decrease of R$23.8 million compared to 1Q19, due to: (i) increased inventory and decreased accounts receivable, both affected by a material decrease in sales in 1Q20; and (ii) increased accounts payable, in view of longer payment terms granted to suppliers, primarily due to a higher use of agreements or letters of credit.

In 1Q20, net debt totaled R$62.2 million, comprising R$53.0 million in cash and R$115.2 million in gross debt.

2. Remarks on the impacts of COVID-19 and measures taken by the Company

As disclosed in our previous financial statements, the evolution of COVID-19 as of March affects the Company's workforce, as well as the supply and demand related to the commercialization of brands, products and services. In order to mitigate the effects of the pandemic, we implemented important actions to protect the health of our employees and the health of the company, especially focused on protecting cash in the short term and accelerating our long-term turnaround.

As to the impact on the workforce, the Company adopted teleworking, suspended or reduced working hours, isolated risk groups and reduced non-essential trips. These measures continued to be adopted during the second quarter to protect the health of employees.

As to supply of products, the Company did not suffer restrictions on the supply of goods by its suppliers. Notwithstanding the delay of approximately one month in the reopening of factories after the Chinese New Year, most Asian suppliers of the Company quickly restored their operations. Moreover, the Company works with an inventory coverage that allows it to undergo any short-term ruptures in supply from international suppliers, with no material impact on supply to its customers.

As to demand, considering the downturn in economic activity in Brazil and abroad, as of March 2020, the new pandemic caused by the coronavirus affected the demand for the Company's products, the activities of its customers and the ability of these customers to meet the Company's payment terms and conditions. The Company has a highly scattered distribution network, with low concentration, totaling approximately 9,000 active customers across Brazil, including large department stores, specialized stores, wholesalers and e-commerce stores. Accordingly, given the fragmentation of the Company's distribution network, the impact mentioned above related to demand and default varies based on the profile and characteristics of each reseller.

Another important impact perceived as of the worsening of the pandemic was the considerable increase in default, as well as the increase in requests by customers to postpose payments. The Company reinforced its collection team and has relied on the support of its commercial team in negotiations with customers to improve credit recovery rates. The beginning of the reopening of stores, albeit in a different pace in each state, is another factor that has positively contributed to decrease default. The increase in default, as well as the future estimate of this impact, generated an increase in the provision for expected credit losses of R$5.3 million in 1Q20.

The impact of the pandemic on the company's operations in the long term cannot be fully assessed yet. However, the Company understands that this scenario of great uncertainty also represents an additional risk for the turnaround process that started in 2019. In order to face the challenging scenario resulting from the COVID-19 pandemic, the Company created a crisis committee and adopted important actions to protect its health.

On this front, the Company sought to protect its cash in the short term and, at the same time, accelerate the implementation of its turnaround plan to improve its economic performance in the long term. In addition to the actions already mentioned above, it is worth mentioning:

- the use of technological tools to foster distance wholesales to customers that remained in activity during the pandemic;
- acceleration of own e-commerce operations, which still accounts for a small portion of the Company's sales, but increased by 15% in May 2020 and is expected to increase by 45,7% in June;
- drastic reduction by approximately 40% in fixed and temporary headcount as of April 2020. Reduction in working hours by 50% for leadership positions and suspension of employment contracts for operational staff;
- reduction in expenses, elimination of non-essential investments and implementation of a zero-based budget to reduce the cost structure in the long term;
- reduction in the volumes of new purchases, adjusting the supply chain to the new scenario, as the current inventory coverage is sufficient to cover almost all re-estimated sales for the year;

- adjustment of the manufacturing plan, considering the temporary closing of the factory as of March 2020 and the current balance of inventory of raw materials and finished products;
- product reengineering to reduce lead time and cost reduction in new purchases, partially offsetting the exchange rate pressure;
- negotiation of more extended payment terms with international suppliers for future purchases;
- conversion of a material portion of the structure of fixed costs into variable costs through the outsourcing of eight technical assistance branches and non-core services at the factory;
- reinforcement of credit analysis and collection activities to increase the conversion of cash and mitigate default risks.
- measures to strengthen and readjust the Company's liquidity structure and indebtedness profile. These measures include the renegotiation of overdue agreements and agreements that are not yet due with financial creditors and suppliers in general, seeking to adjust the Company's indebtedness profile to the short-, medium- and long-term prospects of its activities, protecting its financial and operational capabilities;
- implementation of an online training program, with 7,096 hours of training in the first semester of 2020, compared to 3,236 hours in the first semester of 2019, representing a 119% increase.

Although some of the actions mentioned above have a predominantly temporal effect, most implemented actions will have a material positive impact on the financial and economic performance of the Company in the long term. Especially, the implementation of structural reductions in the cost base of the company during the period of the pandemic will accelerate the turnaround of the Company and its expected results.

It is important to note that, considering the significant uncertainty of variables, the Company continues to study additional measures that may be needed in the next weeks, based on a clearer scenario related to the outbreak of COVID-19, at all times prioritizing the health of employees and the health of the company.

GROSS REVENUE

Gross revenue reached R$51.0 million in 1Q20, representing a decrease of 32.6% compared to 1Q19, primarily due to the negative impact of the COVID-19 pandemic as of March 2020. The table below sets forth the breakdown of our gross revenue:

R$ million	1Q19	1Q20	Var %	Var R$
Product Sales	74.1	49.8	-32.7%	-24.2
Technical Assistance	1.7	1.2	-28.2%	-0.5
Gross Revenue	**75.7**	**51.0**	**-32.6%**	**-24.7**

PRODUCT SALES

Overview

Gross revenue from product sales decreased from R$74.1 million in 1Q19 to R$49.8 million in 1Q20, representing a 32.7% decrease. In 1Q20, the number of watches sold totaled 347 thousand watches, representing a 34.5% decrease compared to 1Q19. This decrease is primarily due to the impact of COVID-19 on sales in March, which is the most important month in the quarter in seasonal terms, when the Company conducts the first large cycle of launchings in the year, more strongly resuming supplies to stores after two months in which the Company is more focused on promotional sales.

It is noteworthy that, notwithstanding the decrease in sales, the average price reached R$144 in 1Q20, representing a 2.7% increase, even though launchings accounted for a smaller share of sales. This increase in the average price reflects the Company's strategy to seek greater profitability through selective price increases and the decrease in the share held by promotional sales channels.

R$ million	1Q19	1Q20	Var %	Var R$
Classic	35.7	25.6	-28.3%	-10.1
Sport	8.6	6.3	-26.7%	-2.3
Fashion	29.8	18.0	-39.8%	-11.9
Total	**74.1**	**49.8**	**-32.7%**	**-24.2**

GROSS REVENUE

Analysis per Distribution Channel

R$ million	1Q19	1Q20	Var %	Var R$
Specialized Stores	52.4	34.0	-35.2%	-18.5

Department Stores and Others	21.6	15.9	-26.7%	-5.8
Total	**74.1**	**49.8**	**-32.7%**	**-24.2**

The analysis of sales of watches per distribution channel shows a 35.2% decrease comparared to the previous year in specialized stores and, to a lesser extent, a 26.7% decrease in department stores and others, which also includes large online sales customers that maintained their operations during the pandemic.

RETAIL AND FRANCHISES

In retail, the Company runs its own operations through websites and outlets. The company operates in e-commerce with four e-commerce websites, three of which are dedicated to the brands Technos, Fossil and Euro, and one, Timecenter, is dedicated to online sales of all brands. The main goal of this online activity is brand building and brand communication in the virtual environment, as a large number of customers performs online searches before completing their purchases in physical stores, as well as the engagement and allurement of consumers in relation to the category and our brands.

The Company maintains 13 outlets in the main malls of this segment across Brazil. These points of sales are part of the inventory management strategy and represent a sales channel for low turnover products outside the traditional sales channels, and have had good sales results. Moreover, they reinforce the category in the places where consumers are largely present.

Franchises are present through the Touch and Euro brands. At the end of March 2020, we had 50 exclusive points of sale, with Touch representing 35 and Euro 15.

NET REVENUE

In 1Q20, net revenue totaled R$41.9 million, representing a 33.4% decrease compared to the same period in the previous year.

Present value adjustment on gross revenue totaled R$0.8 million in 1Q20, representing a 49.7% decrease. This is a non-cash adjustment, as the portion deducted from gross revenue at the time of sale returns to the Company and is credited to financial income at the time of receipt. The factors that affect present value adjustment are the average sales term and the interest rate of the period.

R$ million	1Q19	1Q20	Var %	Var R$
Gross Revenue	75.7	51.0	-32.6%	(24.7)
Present Value Adjustment on Sales	(1.6)	(0.8)	-49.7%	0.8
Sales Taxes	(11.4)	(8.4)	-25.9%	3.0
Present Value Adjustment on Taxes	0.2	0.1	-44.0%	(0.1)
Net Revenue	**63.0**	**41.9**	**-33.4%**	**(21.1)**

GROSS PROFIT

In 1Q20, gross profit decreased by 35.0% and gross margin decreased by 1.0p.p. This variation in margin is primarily due to the decrease in sales compared to 1Q19, as a result of: (i) increased taxes on sales due to decreased tax benefits (in view of the imbalance between purchases and sales in the period); (ii) low dilution of components of cost of goods sold that do not vary directly based on sales, such as technical assistance and inventory provision; and (iii) higher cost of assembly due to low production at the factory, resulting from the closing of the unit in Manaus in the second fortnight of March.

It is noteworthy that the effects that negatively affected the gross margin of the Company in 1Q20 were due to the impacts mentioned above, and that we maintained the efforts that have proven effective to recover the gross margin of products through decreased discounts, decreased offer of promotional products and selective price increases.

SALES AND ADMINISTRATIVE EXPENSES

In 1Q20, SG&A totaled R$31.8 million, compared to R$33.5 million in 1Q19, representing a 5.1% decrease.

Sales expenses decreased by 7.1%, or R$1.8 million, compared to 1Q19. Notwithstanding the decrease in 1Q20, Expected Credit Losses increased by R$5.3 million, representing an increase of R$4.7 million compared to 1Q19. This variation is due to the expected deterioration in the portfolio of receivables in view of the decrease in economic activity and a potential impact on the payment capacity of the Company's customers, which are effects

of the COVID-19 pandemic on the macroeconomic scenario. Excluding this line item, sales expenses decreased by 26.6%, primarily due to the decrease in advertisement expenses and expenses directly related to sales, such as freight and premiums on sales.

In 1Q20, SG&A slightly increased by 0.9%, or R$0.1 million, compared to 1Q19. In 1Q20, SG&A was negatively affected by consulting and audit expenses related to the restructuring process of the Company that started in 2019 and the increase in expenses from the office in China, which is affected by the appreciation of the U.S. dollar exchange rate.

It is noteworthy that, in view of the decrease in economic activity as a result of the worsening of the COVID-19 pandemic, the Company intensified its strict control on costs and expenses to immediately protect cash and anticipate strategic restructurings that had been already planned to improve business profitability in the long term. The effects of the measures taken will have an impact primarily as of 2Q20.

OTHER OPERATING RESULTS, NET

In 1Q20, other operating results, net totaled an expense of R$0.4 million compared to R$0.0 million in 1Q19. This variation is due to reversals made in the provision for contingencies and the provision for termination of employment contracts, in the amount of R$0.9 million, planned in March and effected in the beginning of April.

EBITDA AND ADJUSTED EBITDA

In 1Q20, Adjusted EBITDA totaled a negative amount of R$12.2 million compared to a negative amount of R$2.1 million in 1Q19.

R$ million	1Q19	1Q20
(=) Net income	**(9.9)**	**(17.4)**
(+) Depreciation and amortization	(3.0)	(3.0)
(+/-) Financial result	(1.1)	(10.4)
(+) Current taxes	0.0	0.0
(+/-) Deferred taxes	(1.7)	7.7
(=) EBITDA (CVM 527/12)	**(4.1)**	**(11.8)**
(+/-) Provision for contingencies[1]	(0.2)	1.1
(+) Other non-cash expenses[2]	(0.4)	0.0
(+) Other non-recurring expenses[3]	0.0	0.0
(+) Impact of present value adjustment on operational result[4]	(1.4)	(0.7)
(+) Extraordinary impacts[5]	0.0	0.0
(=) Adjusted EBITDA	**(2.1)**	**(12.2)**

[1] Adjustment of tax on provision for obsolete inventory.
[2] Adjustment of the value recorded in the result of the stock option plan with no cash effect.
[3] Non-recurring impacts on result, including the discount in the assignment of credit rights in 2018.
[4] Present value adjustment that results in a decrease in the Company's gross revenue (affecting CVM EBITDA) and an increase in the Company's financial income (not affecting CVM EBITDA), leading to a mismatch in connection with the CVM EBITDA view.
[5] Extraordinary impacts such as assignment of credit rights, impairment and inventory provision

NET FINANCIAL RESULT

In 1Q20, net financial result totaled an expense of R$10.2 million, representing a decrease of R$9.0 million compared to an expense of R$1.2 million in 1Q19. This result is primarily due to the direct and indirect effects of the exchange rate variation in the period, including appreciations and depreciations, which also affected the result from derivative transactions.

Considering that almost all payments to suppliers of raw material are made in foreign currency, we enter into derivative financial instruments to reduce the potential exchange rate risk.

NET INCOME

In 1Q20, the Company's net loss totaled R$17.4 million, representing a decrease of R$7.5 million compared to 1Q19, due to the impacts of decreased sales, decreased gross margin, decreased expenses and the negative impact of exchange rates in 1Q20.

CASH FLOWS

R$ million	1Q19	1Q20
Net income before income tax and social contributions	**(8.2)**	**(25.2)**
(+/-) Non-cash adjustments	6.1	9.7
(+/-) Operational activities	10.1	(5.0)
(+/-) Investment activities	(4.8)	(1.5)
(+/-) Financial activities	(26.2)	14.0
(=) Increase (decrease) in cash	**(23.0)**	**(8.0)**
(+) Cash and cash equivalents at the beginning of the period	69.9	54.1
(=) Cash and cash equivalents at the end of the period	**46.8**	**46.1**

NON-CASH ADJUSTMENTS

In 1Q20, non-cash adjustments totaled R$9.7 million, compared to R$6.1 million in 1Q19. In this line, the most important movements are: provision for bad debts in R $ 5.4 million and R $ 3.0 million in amortization and depreciation.

OPERATIONAL ACTIVITIES

In 1Q20, net cash utilized in our operational activities decreased by R$29.7 million. In 1Q20, the main changes were: use of R$27.7 million due to increased inventories and generation of R$31.1 million due to decreased accounts receivable

INVESTMENT ACTIVITIES

In 1Q20, net cash utilized by our investment activities was primarily affected by investments in property and equipment and intangible assets, totaling R$1.5 million.

FINANCIAL ACTIVITIES

Net cash generated by financial activities results primarily from contracted borrowings and amortizations in the period.

CASH RESULT

The activities resulted in a cash decrease of R$8.0 million at the end of 1Q20 that, added to the initial amount of R$54.1 million, led to a final cash balance of R$46.1 million at March 31, 2020. At the end of 1Q19, the Company's final cash balance totaled R$46.8 million.

WORKING CAPITAL

R$ million	1Q19	Days	1Q20	Days
(+) Accounts receivable	137.0	159	112.3	137
(+) Inventories	132.5	292	150.2	319
(-) Accounts payable	58.6	129	75.4	169
(=) Working Capital	**210.9**	**321**	**187.1**	**287**

In 1Q20, the Company's working capital totaled R$187.1 million, accounting for 287 days. In 1Q19, working capital totaled R$210.9 million, representing a decrease of R$23.8 million, or 11.3%.

In 1Q20, the Company decreased the term of accounts receivable from 159 days in 1Q19 to 137 days in 1Q20, representing a decrease of 22 days, or 13.9%. This decrease results from decreased terms of payment granted to customers (an improvement of 11 days) and an improvement in default in the period prior to COVID-19.

In 1Q20, inventories totaled R$150.2 million, representing 27 more days, primarily due to supplies that were conducted taking into account expected sales that did not fully occur due to the impact of COVID-19.

In accounts payable, the average term of payments to suppliers increased by 40 days, from 129 days to 169 days. The use of agreements or letters of credit contributes to the extension of payment terms with foreign suppliers, as they represent a payment guarantee to suppliers, allowing an extension of payment terms granted in negotiations with the Company. In 1Q20, the outstanding balance of accounts payable guaranteed by letters of credit was US$8.6 million (equivalent to R$44.4 million) at the closing of 1Q20, versus US$7.0 million (equivalent to R$27.2 million) at the closing of 1Q19.

CASH BALANCE

In 1Q20, Grupo Technos had net debt of R$62.2 million, representing an increase of R$21.8 million compared to 4Q19 and an increase of R$44.7 million compared to 1Q19.

In 1Q20, highlights were:

- Gross Debt of R$115.2 million, representing an increase of R$14.9 million compared to 4Q19, due to the credit facility obtained in February 2020; and
- Cash of R$53.0 million, representing a decrease of R$7.9 million compared to cash in December 2019.

R$ million	1Q19	4Q19	1Q20
Gross debt	(71.9)	(101.3)	(115.2)
(-) Cash	54.4	60.9	53.0
(=) (Debt)/Net Cash	**(17.5)**	**(40.4)**	**(62.2)**

Additionally, the Company raised R$15.2 million in 2Q20 to pay suppliers, through letters of credit, in order to protect its cash position during the period of the COVID-19 pandemic. These changes will impact the line items of suppliers and net debt at the end of 2Q20. In addition to this amount, the Company has to pay R$29.5 million in letters of credit that may also be paid through new raisings and converted into indebtedness.

[1] Gain/loss in the foreign exchange swap regarding our debt, under the line item "gross debt," as described in note 22 of our ITR.

[2] In the calculation of net debt, we took into account cash plus restricted cash in the amount of R$6.9 million in 1Q20.

INCOME STATEMENT

R$ thousand

	QUARTER	
	Consolidated	
	1Q19	1Q20
Net revenue	62,973	41,915
Cost of goods sold	(36,537)	(24,735)
Gross profit	**26,436**	**17,180**
Sales expenses	(24,447)	(17,953)
Provision for impairment of trade receivable	(626)	(5,341)
Administrative expenses	(8,407)	(8,480)
Others, net	(25)	(367)
Impairment of trade receivable	0	0
Operational profit	**(7,069)**	**(14,961)**
Financial result, net	(1,148)	(10,222)
Financial income	11,031	32,570
Financial expenses	(12,179)	(42,792)
Income before income tax and social contribution	**(8,217)**	**(25,183)**
Income tax and social contribution	(1,714)	7,748
Current	0	0
Deferred	(1,714)	7,748
Net income	**(9,931)**	**(17,435)**

BALANCE SHEET

R$ thousand

	Consolidated	
	March 31, 2019	March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	46,823	46,100
Restricted cash	7,540	6,895
Marketable securities	0	0
Accounts receivable	136,998	112,306
Inventories	132,491	150,189
Income tax and social contribution recoverable	4,906	6,396
Recoverable taxes	6,363	23,411
Derivative financial instruments	6,364	11,039
Other assets	13,799	13,721
Assets held for sale	1,767	4,800
	357,051	**370,491**
Non-current assets		
Related deposits	22,814	4,293
Derivative financial instruments	0	12,602
Advances to suppliers	4,875	4,062
Recoverable taxes	67,214	47,129
Judicial deposits	5,101	3,644
Other assets	280	0
	100,284	**76,096**
Investments		
Intangible	262,905	192,561
Property and equipment	40,532	38,677
	303,437	**231,238**
Total assets	**760,772**	**677,825**

	Consolidated	
	March 31, 2019	March 31, 2020
Liabilities		
Current liabilities		
Borrowings	30,763	48,780
Accounts payable	58,566	75,401
Income tax and social contributions payable	3,209	4,832
Deferred income tax and social contributions	705	441
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	7,177	8,121
Dividends payable	1,376	1,375
Derivative financial instruments	344	115
Lease payment	2,843	2,765
Other payables	4,640	6,954
Provision for success fees	0	969
Payables – assignment of credit right	0	7,988
	110,726	**158,844**
Non-current liabilities		
Borrowings	46,752	89,061
Income tax and social contributions payable (Note 14)	1,933	1,818
Deferred income tax and social contributions	34,099	15,465
Provision for contingencies	40,933	53,440
Derivative financial instruments	208	0
Amount payable for the acquisition of equity interest	25,142	4,689
Payables – assignment of credit right	32,561	16,194
Lease payment	3,974	4,893
Other payables	0	0
Provision for success fees	8,287	6,470
	193,889	**192,030**
Total liabilities	**304,615**	**350,874**
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(11,208)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	203,401	204,432
Profit reserves	168,309	42,450
Carrying value adjustment	(14,127)	(14,206)
Additional proposed dividend	0	3,205
Loss in the period	(9,931)	(17,435)
Total equity	**456,157**	**326,951**
Total liabilities and equity	**760,772**	**677,825**

R$ thousand	QUARTER	
	Consolidated	
	1Q19	1Q20
Income before income tax and social contribution	**(8,217)**	**(25,183)**
Adjustments for items that do not affect cash flow		
Amortization and depreciation	3,010	2,980
Allowance for recoverable value of inventory	205	149
Allowance for recoverable value of accounts receivable	626	5,355
Allowance for contingencies (reversal)	540	(1,198)
Results from disposal of permanent assets	3	72
Impairment of permanent assets	(2)	(1)
Interest on loans	927	1,074
Derivative financial instruments	0	(21,669)
Other interest expenses and exchange variation	665	22,778
Stock option premium	395	0
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	22,555	34,096
Decrease (increase) in inventories	(17,591)	(27,723)
Decrease (increase) in tax recoverable	3,069	(1,343)
Decrease (increase) in other assets	4,567	1,293
Increase (decrease) in suppliers and accounts payable	1,827	(10,582)
Increase (decrease) in salaries and social charges payable	221	1,625
Increase (decrease) in taxes, rates and social contributions payable	(3,455)	734
Interest paid	(1,122)	(3,106)
Net cash (applied in) generated by operational activities	**7,942**	**(20,451)**
Cash flow from investment activities		
Decrease (increase) in securities	1,700	12
Acquisition of equity interest	(1,687)	(12)
Restricted cash	0	0
Purchases of fixed assets	(3,275)	(820)
Amount received from the sale of fixed assets	72	274
Purchases of intangible assets	(1,586)	(993)
Net cash (applied in) generated by investment activities	**(4,776)**	**(1,539)**
Cash flow from financial activities		
Borrowings	0	40,000
Payment of borrowings	(25,896)	(24,920)
Lease contracted	416	0
Lease paid	(724)	(1,099)
Dividends paid to Company shareholders	0	0
Dividends paid to non-controlling shareholders	0	0
Net cash applied in financial activities	**(26,204)**	**13,981**
Increase (decrease) in cash and cash equivalents	(23,038)	(8,009)
Cash and cash equivalents at beginning of period	69,861	54,109
Cash and cash equivalents at end of period	**46,823**	**46,100**