

Operator:

Good morning, and thank you for waiting. Welcome to Grupo Technos' 2Q18 results conference call. With us here today we have Mr. Miguel Cafruni, CFO and IR Officer, and Mr. Victor Bicalho.

This event is being recorded and all participants will be in a listen-only mode during the Company's presentation. Then we are going to have a Q&A session when further information will be given. In case any of you need any support during the conference, please ask for the support of an operator by dialing *0.

This event is also being broadcast live via webcast and may be accessed through www.grupotechnos.com.br, where the presentation is also available. Participants may view slides in any order they wish. The replay will be available shortly after the event is concluded.

I would like to remind that webcast participants may forward questions to be answered after the conference is finished by the IR area.

Before proceeding, let me mention that forward statements are based on the beliefs and assumptions of Grupo Technos management and on information currently available to the Company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other operational factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now, will turn the call over to Mr. Victor Bicalho. Please, Mr. Bicalho, you may begin your presentation.

Miguel Cafruni:

Good morning, everyone, and thank you for your participation. Victor Bicalho had problems with his connection, and therefore we are going to move on with our conference. I am going to introduce you the results for the 2Q18.

In the 2Q we had disappointing sales. The uncertainties with the economic growth, and consequent deceleration of consumption have impacted our business. We have also suffered with consumers looking for lower prices.

Because of this, we have tried to recover our sales and optimize our administrative infrastructure. On August 2, our Board of Directors changed significantly. Our CFO has left the Company. Together, our Company has over 40 years of experience, and this quarter we were 21% below the same period last year.

There was a gain in the gross margin by means of cost renegotiations, productivity gains at the plants, and the reduction of international freight prices.

The expenses were below the expenses of the 2Q17. We have controlled our expenses, and as evidence of our administrative readjustment we had a reduction of EBITDA, which was R\$8 million for the trimester, a decrease of 30.5%. The net profit is over 80% superior to what we observed last year.

We had gains resulting from the discipline. We reduced our net debt in R\$28.5 million when compared to the same quarter last year.

We also had efficiency in our working capital, with R\$218.5 million. This reflects our constant pursuit to improve our working capital.

In the 2Q we closed an important negotiation with FINEP, a public funding agency, and obtained funding for projects related to our activities. This funding has interest rate as TLP, including two additional tranches to be obtained, in accordance with our investments.

We believe in the Company's basic foundations, our knowledge of the market and the experience of our professionals to revert the downwards trend scenario. We are also heavily working to adjust our structure to capture economies, continuing our deleveraging strategy and to extend our debt profile to improve our results.

And now, moving on, we will give you more details. Position of our gross revenue. On the 2Q18, our gross revenue was R\$82 million, representing a decrease of 24.3% when compared to the 2Q17.

We had an average price which was below the amount sold in 2017. We had a reduction in the gross profit of the Company. We had a decrease of 17% when compared to the 2Q17.

We had an increase of 2.6% in our gross margin, and we had an increase of 3.4 p.p. We also had a decrease in our SG&A expenses. We had a decrease in the 2Q18 of R\$4.9 million when compared to the 2Q17.

As a percentage of our net profits, we went to 47.5% in the 2Q18. We reacted to the decrease in sales by reducing our expenses. We tried to control our expenses to mitigate the impact of the decrease in sales.

In this regard, as an example, we have started capturing the savings obtained this year, generating savings of almost 50% in our expenses. We also have projects with lower return, but with generation and return to the business.

Moving on to slide six, we have here the position of our adjusted EBITDA. In the 2Q18 the adjusted EBITDA was R\$8 million, with a margin of 11.4% over our net revenue. When compared to the 2Q17, we had a decrease of 30.5%, and 1.5 p.p.

On slide seven, we can see our working capital. The working capital for the 2Q18 totaled 184.5 and 194 days. We had a decrease of 78 days.

In accounts receivable, we improved the activities and were able to reduce some periods. We went to 165 days in the 2Q18. In terms of our inventories, we reduced the average time of inventory, we have been able to readjust our inventory. We have expanded our deadlines for domestic and foreign investors, and the average time of payment was 61.9.

We have closed the 2Q18 with a net debt of R\$119 million. This is a reduction when compared to the 2Q17. We actually had a R\$28.6 million drop in our net debt.

We made payments and obtained funding from FINEP. These operations led our average time to three years, representing a gain of 1.5 year in terms of our indebtedness.

We are now open to the Q&A session.

Operator:

This concludes today's question and answer session. I would like to turn over to Mr. Bicalho for his final considerations. Mr. Bicalho, you may proceed.

Victor Bicalho:

Good morning, everyone. I am going to introduce Miguel Cafruni, our new CFO. Miguel has been with the Company for 18 years, and he has had a good performance in different areas, including the Business area, Business Intelligence and Finances. We worked together in the last four years.

With this transition, we want to reinforce that we are going to have a continuation of the practices used in the Financial Department, where we are going to continue deleveraging our debt, keeping our cash generation.

I wish Miguel and the new Board of Directors a lot of success in this next stage.

Thank you very much.

Miguel Bicalho:

I want to thank Victor for his words and for his years here with us, and wish him success.

We would like to thank you all for your participation in our conference call for the 2Q18. In case you have any questions, we are available. I wish you a good day.

Operator:

Grupo Technos' conference is now over. We thank you for your participation, and wish you a good day.

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