GRUPOTECHNOS

2Q18 RESULTS

GRUPO TECHNOS ANNOUNCES 2Q18 EARNINGS RESULTS

Rio de Janeiro, August 14, 2018 – Grupo Technos (B3: TECN3) announces its 2Q18 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated.

DATE

08/14/2018

CLOSING PRICE

R$2.03/share

MARKET CAP

R$159.4 million

CONFERENCE CALL

08/15/2018

10:00 a.m. Brasília

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2Q18 HIGHLIGHTS

- Net revenue reached R$70.1 million in a scenario that is still difficult;
- Gross margin increased by 2.6 p.p. compared to 2Q17;
- SG&A decreased by 12.8%, or R$4.9 million, compared to 2Q17;
- Continuity of good working capital management, reaching R$218.5 million and 315 days, representing a 19,8% decrease compared to 2Q17;
- Net debt decreased by 34.5%, or R$28.5 million, in 2Q18 compared to 2Q17;
- Generation of cash in the amount of R$13.1 million in 2Q18 and extension of our debt profile;
- Net income of R$7.5 million, representing an 89% increase compared to 2Q17.

R$ million	2Q17	2Q18	%	1H17	1H18	%
Gross revenue	108.3	82.0	-24.3%	179.9	149.2	-17.1%
Net revenue	88.9	70.1	-21.1%	146.2	125.2	-14.4%
Gross profit	44.8	37.2	-17.0%	70.6	61.6	-12.7%
Gross margin	*50.4%*	*53.0%*	*2.6p.p.*	*48.3%*	*49.2%*	*0.9p.p.*
Net income	4.0	7.5	89.1%	-9.4	-7.5	-19.5%
Net margin	*4.5%*	*10.7%*	*6.2p.p.*	*-6.4%*	*-6.0%*	*0.4p.p.*
Adjusted EBITDA	11.5	8.0	-30.5%	3.6	-0.8	-121.0%
Adjusted EBITDA margin	*12.9%*	*11.4%*	*-1.5p.p.*	*2.5%*	*-0.6%*	*-3.1p.p.*
Number of watches (000s)	685	528	-22.9%	1,154	1,002	-13.2%
Average price (R$/product)	155	152	-1.8%	152	146	-4.3%

Adjusted EBITDA – Represents CVM EBITDA (net income plus depreciation and amortization, financial expenses, financial income, current and deferred taxes), adjusted for the realization of deferred tax assets generated by the goodwill premium from the buyout of our controlled company TASA, present value adjustment on sales and sales taxes, non-operational contingency provisions, non-recurring results, recovery of escrow of liabilities generated before the acquisition of Dumont Saab, and stock options plan.

Sales in the second quarter were disappointing. As in other retail sectors, the uncertainties with the economic resumption and the subsequent decrease in consumption impacted our business. We also had obstacles on the consumer's tendency for lower priced products, hampering the performance of our brand portfolio. In view of this scenario, we responded with a strong and broad business plan to recover sales and optimize our administrative structure.

As announced in the material fact dated August 2, 2018, we made significant changes to our board of executive officers, replacing our commercial officer and chief financial officer. We promoted three professionals with in-depth knowledge of our market and company to hold these titles, totaling almost 40 years of experience in the watch market.

In 2Q18, our net revenue decreased by 21.1% compared to 2Q17. We partially offset this decrease by a 2.6 p.p. increase in gross margin, through cost renegotiations with suppliers, productivity gains in our factory and international freight cost reduction.

Sales and administrative expenses decreased by 12.8% compared to 2Q17. We have been strongly controlling expenses and started to capture the economies that resulted from the actions we implemented, including the move of our administrative headquarters, which represented savings of almost 50% in our total cost of occupation.

Our adjusted EBITDA in 2Q18 totaled R$8.0 million, representing a 30.5% decrease. Net income totaled R$7.5 million, representing an 89.1% increase compared to 2Q17. Net income was driven by our financial result, which increased as a result of foreign exchange hedging transactions, through disciplined investments under our hedging policy.

Our net debt decreased by R$28.5 million compared to 2Q17, and closed the quarter at R$54.1 million. We also recorded efficiency gains in the use of working capital, which decreased by R$65.3 million, or 78 fewer days, compared to 2Q17. This reflects our constant pursuit for strategies to reduce the use of working capital in our business.

In 2Q18, we also closed an important transaction with FINEP, the government agency that finances innovation. We raised R$20.7 million for our smartwatches innovation projects. This financing matures in nine years, accruing interest at the TLP, including two additional annual tranches to be obtained in accordance with our investments in these projects.

We believe in the Company's basic foundations, our knowledge of the market and the experience of our professionals to revert the downward sales scenario. Moreover, we are heavily working to adjust our structure to capture economies, continue our deleveraging strategy and extend our debt profile to improve our results.

GROSS REVENUE

Gross revenue reached R$82.0 million in 2Q18, representing a decrease of 24.3% compared to 2Q17. In 1H18, gross revenue totaled R$149.2 million, representing a decrease of 17.1% compared to 1H17.

R$ Million	2Q17	2Q18	Var %	Var R$	2017	2018	Var %	Var R$
Product Sales	106.4	80.5	-24.3%	-25.8	175.8	146.2	-16.9%	-29.6
Technical Assistance	2.0	1.5	-24.8%	-0.5	4.1	3.0	-26.8%	-1.1
Gross Revenue	108.3	82.0	-24.3%	-26.3	179.9	149.2	-17.1%	-30.7

PRODUCT SALES

Overview

In 2Q18, sales were negatively affected by the nationwide truck drivers' strike at the end of May.

Gross revenue from product sales totaled R$80.5 million in 2Q18, compared to R$106.4 million in 2Q17, representing a decrease of 24.3%. This was primarily due to the 22.9% decrease in the number of watches sold in the period, which totaled 528,000 in 2Q18. These events affected one of the most important sales periods of the year, i.e., Valentine's Day.

Average prices remained virtually stable, reaching R$152 in 2Q18 compared to R$155 in 2Q17, representing a decrease of 1.8%. Based on the fact that sales of entry price products are higher, we have been adjusting our mix of products, expanding the supply and the variety of watches of lower prices.

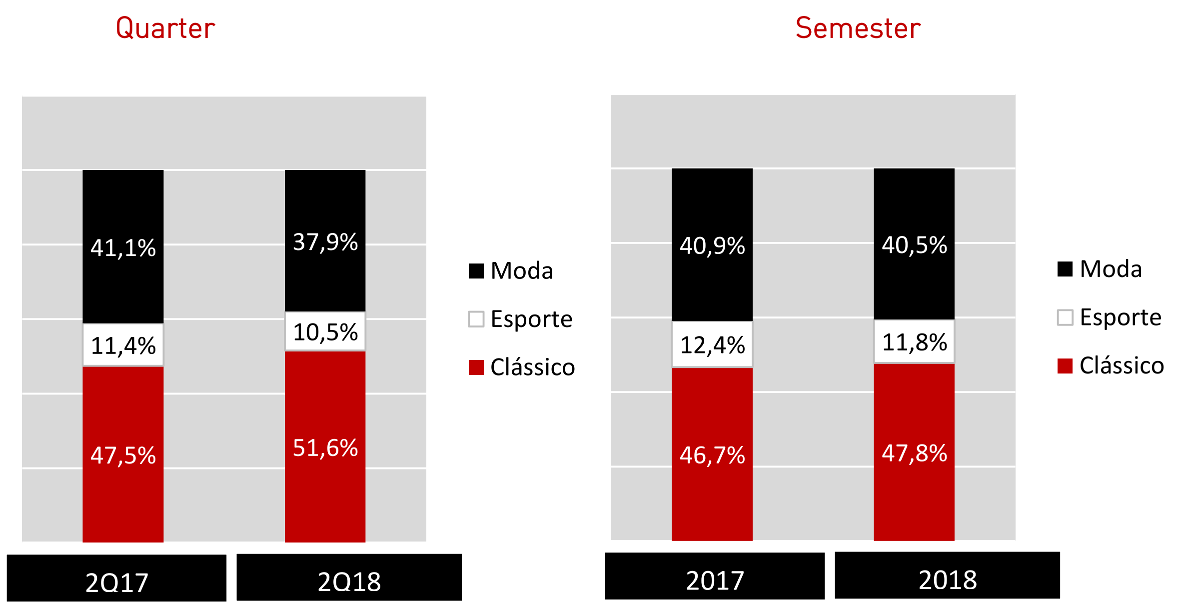
Analysis per Category

R$ Million	2Q17	2Q18	Var %	Var R$	2017	2018	Var %	Var R$
Classic	50.5	41.5	-17.8%	-9.0	82.1	69.8	-14.9%	-12.3
Sports	12.2	8.5	-30.3%	-3.7	21.8	17.2	-21.3%	-4.6
Fashion	43.7	30.5	-30.2%	-13.2	71.9	59.2	-17.7%	-12.7
Total	**106.4**	**80.5**	**-24.3%**	**-25.9**	**175.8**	**146.1**	**-16.9%**	**-29.7**

The decrease in sales, both in terms of volume and revenue, affected all three categories of watches. Sales of the Classic category, which includes the Technos brand, decreased less than the Company's total sales, holding a larger share in sales in the quarter and in the semester.

As part of the Company's strategy, we offer a mix of products with lower added value in response to retail demand, especially in this difficult period in the market.

Share in Gross Revenue from the Sale of Products – per Category



The following chart sets forth the classification of the brands as used in the Company's results:

Analysis by Distribution Channel

R$ Million	2Q17	2Q18	Var %	Var R$	2017	2018	Var %	Var R$
Specialized Stores	77.3	58.5	-24.4%	-18.9	127.9	103.1	-19.4%	-24.8
Department Stores and Others	29.0	22.0	-24.1%	-7.0	47.9	43.0	-10.2%	-4.9
Total	106.4	80.5	-24.3%	-25.9	175.8	146.1	-16.9%	-29.7

Compared to 2Q17, product sales from Specialized Stores and Department Stores and Others decreased at the same rate in 2Q18. In 1H18, the decrease in product sales from Specialized Stores was higher, partially due to a focus on products with higher average prices.

RETAIL AND FRANCHISES

At the end of June 2018, we had 65 exclusive points of sale, with Touch representing 48 and Euro 17, remaining stable compared to the 1Q18. Our franchise policy continues to focus on the improvement of management quality and profitability of our franchisees.

We also highlight retail initiatives through websites and outlets. At the end of 2Q18, we had six e-commerce websites. Five of them are dedicated to Technos, Fossil, Euro, Touch and Condor, and one is dedicated to Timecenter, focused on online sales of all our brands. The main goal of our online activity is brand building and brand communication in the virtual environment, as a large number of customers perform online searches before completing their purchases in physical stores.

Grupo Technos currently has 12 outlets. They are part of our inventory management strategy and represent a sales channel for low turnover products outside our traditional sales channels, and have had good results.

NET REVENUE

Net revenue totaled R$70.1 million in 2Q18, representing a decrease of 21.1% compared to the same period in 2017. In 1H18, net revenue totaled R$125.2 million, representing a decrease of 14.4% compared to 1H17.

Present value adjustment on gross revenue totaled R$1.6 million in 2Q18 and R$2.9 million in 1H18, representing a decrease of 56.8% and 54.0% compared to 2Q17 and 1H17, respectively. 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.

R$ Million	2Q17	2Q18	Var %	Var R$	2017	2018	Var %	Var R$
Gross Revenue	108.3	82.0	-24.3%	(26.3)	179.9	149.2	-17.1%	(30.7)
Present Value Adjustment on Sales	(3.7)	(1.6)	-56.8%	2.1	(6.3)	(2.9)	-54.0%	3.4
Sales Taxes	(16.3)	(10.5)	-35.6%	5.8	(28.3)	(21.4)	-24.1%	6.8
Present Value Adjustment on Taxes	0.5	0.2	-57.8%	(0.3)	1.0	0.4	-55.9%	(0.5)
Net Revenue	**88.9**	**70.1**	**-21.1%**	**(18.8)**	**146.2**	**125.2**	**-14.4%**	**(21.0)**

GROSS PROFIT

Gross profit totaled R$37.2 million in 2Q18 and R$61.6 million in 1H18, representing a decrease of 17.0% and 12.7% compared to 2Q17 and 1H17, respectively.

Cost of goods sold decreased at a higher rate than net operating revenue and, as a result, gross margin increased in 2Q18 and 1H18 compared to the same periods in the previous year. In 2Q18, gross margin was 53.0%, representing an increase of 2.6 p.p. compared to 2Q17. In 1H18, gross margin was 49.2%, representing an increase of 0.9 p.p. compared to 1H17.

The increase in gross margin is even more significant if we consider the change in the accounting practice adopted as of 4Q17, in accordance with which provisions for obsolete inventories started to be recorded as Cost of goods sold, instead of Others, net, as they were previously recorded. Considering the same accounting practices adopted in 2Q17, gross margin would have been 53.8% in 2Q18, representing an increase of 3.4 p.p. compared to 2Q17.

The increase in margin results from our continuous efforts to reduce costs in negotiations with foreign suppliers, adequately price our products and assertively launch models, always seeking the best business profitability and the satisfaction of our customers.

The depreciation of the *Real* in 2Q18 has not affected our results yet in view of the lead time of our business. However, if the exchange rate remains at current levels, our gross margin will be negatively affected in the next quarters.

SALES AND ADMINISTRATIVE EXPENSES

In 2Q18, SG&A decreased by 12.8%, or R$4.9 million, compared to 2Q17. As a percentage of net revenue, SG&A increased from 42.9% in 2Q17 to 47.5% in 2Q18. We responded to the decrease in sales by decreasing expenses; however, non-variable expenses take longer to affect results.

We continued to strongly focus our efforts on controlling expenses to mitigate the negative impact of sales and we are strongly committed to doing so. Accordingly, for example, we started to capture the economies generated by the move of our headquarters in April 2018, which represented savings of almost 50% in our total cost of occupation. We also decreased our expenses with projects of lower return, focusing on areas that generate more revenue and return for the business.

OTHER OPERATING RESULTS, NET

Other operating results totaled an expense of R$0.8 million in 2Q18, representing a decrease of 62.5% compared to an expense of R$2.2 million in 2Q17. This decrease was primarily due to the reduction in our stock option plan and the reallocation of provisions for inventory losses, which were previously recorded in Other Expenses and are currently recorded in Cost of goods sold.

Other operating results totaled an expense of R$1.4 million in 1H18, representing a decrease of R$3.6 million, or 71.6%, compared to the net expense recorded in 1H17. In addition to the factors mentioned above, which contributed to decrease expenses in 2Q18, the decrease in net expenses in 1H18 was also due to the reversal of an expense of R$1.2 million recorded in 1Q18. This expense is related to the media exchange that had been previously provisioned at the time it was contracted.

EBITDA AND ADJUSTED EBITDA

In 2Q18, Adjusted EBITDA totaled R$8.0 million, representing a decrease of R$3.5 million, or 30.5%, compared to 2Q17. EBITDA margin was 11.4% on net revenue, representing a decrease of 1.5 p.p. compared to 2Q17.

R$ Million	2Q17	2Q18	2017	2018
(=) Net income	**4.0**	**7.5**	**-9.4**	**-7.5**
(+) Depreciation and Amortization	(3.0)	(3.2)	(5.9)	(6.3)
(+/-) Financial result	0.3	3.8	1.0	1.8
(+) Current taxes	0.0	0.0	0.0	0.0
(+/-) Deferred taxes	(1.0)	0.6	(0.8)	1.0
(=) EBITDA (CVM 527/12)	**7.6**	**6.4**	**(3.6)**	**(4.0)**
(+/-) Provision for non-recurring contingencies	(0.3)	(0.3)	(0.7)	(0.3)
(+) Other non-cash expenses*	(0.5)	(0.4)	(1.1)	(0.8)
(+) Impact of present value adjustment on operational result	(3.1)	(1.0)	(5.4)	(2.1)
(=) Adjusted EBITDA	**11.5**	**8.0**	**3.6**	**(0.8)**
R$ Million	2Q17	2Q18	2017	2018

NET FINANCIAL RESULT

Net financial result totaled an income of R$3.9 million 2Q18, compared to an income of R$0.6 million in 2Q17, 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 (imports), we use derivative financial instruments to reduce the potential exchange rate risk. We enter into these derivative instruments exclusively to hedge: (i) the contracted and estimated amount of purchases from foreign suppliers in the 12 subsequent months; and (ii) loans denominated in foreign currency.

In 1H18, net financial result totaled R$2.2 million, compared to R$1.4 million in 1H17.

NET INCOME

In 2Q18, net income totaled R$7.5 million, representing an increase of 89.1%, or R$3.5 million, compared to 2Q17. The decrease in sales was offset by the increase in margin, decrease in SG&A and the positive financial result, resulting in the increase in the Company's net income.

CASH FLOWS

R$ Million	2Q17	2Q18	2017	2018
Net income before income tax and social contributions	**4.9**	**6.9**	**(8.5)**	**(8.5)**
(+/-) Non-cash adjustments	8.7	21.7	14.2	28.7
(+/-) Operational activities	1.4	(15.5)	19.7	10.4
(+/-) Investment activities	(3.6)	(4.3)	(6.5)	(8.1)
(+/-) Financial activities	0.7	11.5	0.6	9.9
(=) Increase (decrease) in cash	**12.1**	**20.3**	**19.5**	**32.3**
(+) Cash and cash equivalents at the beginning of the period	24.4	26.8	17.0	14.8
(=) Cash and cash equivalents at the end of the period	**36.5**	**47.1**	**36.5**	**47.1**

NON-CASH ADJUSTMENTS

In 2Q18, non-cash adjustments totaled R$21.7 million, primarily due to the depreciation of the *Real*, which resulted in the increase in the provision for payment of interest on loans. This impact is offset by our exchange rate swap, which is recorded in operational activities. Other impacts result from the recurring effects of our business, such as non-cash accounting provisions and depreciation/amortization.

OPERATIONAL ACTIVITIES

In 2Q18, net cash from operational activities totaled R$15.5 million. In 2Q18, the main changes were: (i) an increase of R$20.0 million in other assets, primarily related to projected gains from our debt swap and derivative instruments due to the exchange rate appreciation; (ii) an increase of R$18.7 million in suppliers and accounts payable; (iii) an increase of R$13.0 million in inventories; (iv) a decrease of R$6.8 million in accounts receivable; and (v) a decrease of R$7.2 million in taxes, rates and social contributions payable.

INVESTMENT ACTIVITIES

Net cash utilized by our investment activities is primarily affected by investments in property and equipment and intangible assets, as well as by earnings from the sale of permanent assets. In 2Q18, investments in property and equipment and intangible assets totaled R$4.8 million, while the amount received for the sale of property and equipment totaled R$0.7 million. We made non-recurring investments in the move of our headquarters in the period.

FINANCIAL ACTIVITIES

Net cash generated by or utilized in our financial activities results primarily from the contracting and payment of loans and the payment of profit sharing and dividends. In 2Q18, cash generated by our financial activities totaled R$11.5 million, including the payment of loans, in the amount of R$20.0 million, and the contracting of loans, in the amount of R$31.6 million. In 2Q18, we entered into two loans, one of which was contracted with a first-class bank and the other with FINEP. We note that, notwithstanding these loans, we continue to generate operational cash. Our strategy is to maintain a high cash balance in the next 12 months to smoothly face the period of political change.

CASH RESULT

The activities resulted in a cash increase of R$20.3 million at the end of 2Q18 that, added to the initial amount of R$26.8 million, led to a final cash balance of R$47.1 million at June 30, 2018. At the end of 2Q17, the Company's final cash balance totaled R$36.5 million.

WORKING CAPITAL

R$ Million	2Q17	Days	2Q18	Days
(+) Accounts receivable	184.5	194	146.6	165
(+) Inventories	144.2	289	133.8	278
(-) Accounts payable	45.0	90	61.9	129
(=) Working Capital	**283.8**	**393**	**218.5**	**315**

In 2Q18, the Company's working capital totaled R$218.5 million, accounting for 315 days. In 2Q17, working capital totaled R$283.8 million, accounting for 393 days, or 78 fewer days.

The term of accounts receivable improved in 2Q18 and we worked on reducing certain terms, from 194 days in 2Q17 to 165 days in 2Q18.

We continued working to reduce the future coverage of inventories. Accordingly, the average term of inventories had 11 fewer days. Notwithstanding the decrease in sales, we were able to postpone receipts and adjust our inventories.

We continued working on extending the term of our accounts payable by negotiating with domestic and foreign suppliers. Accordingly, the average term of our accounts payable increased from 90 days to 129 days.

NET CASH

In 2Q18, Grupo Technos had net debt of R$54.1 million, representing a decrease of R$28.6 million compared to R$82.7 million at the end of 2Q17. In 2Q18, our net debt decreased by R$7.6 million compared to 1Q18.

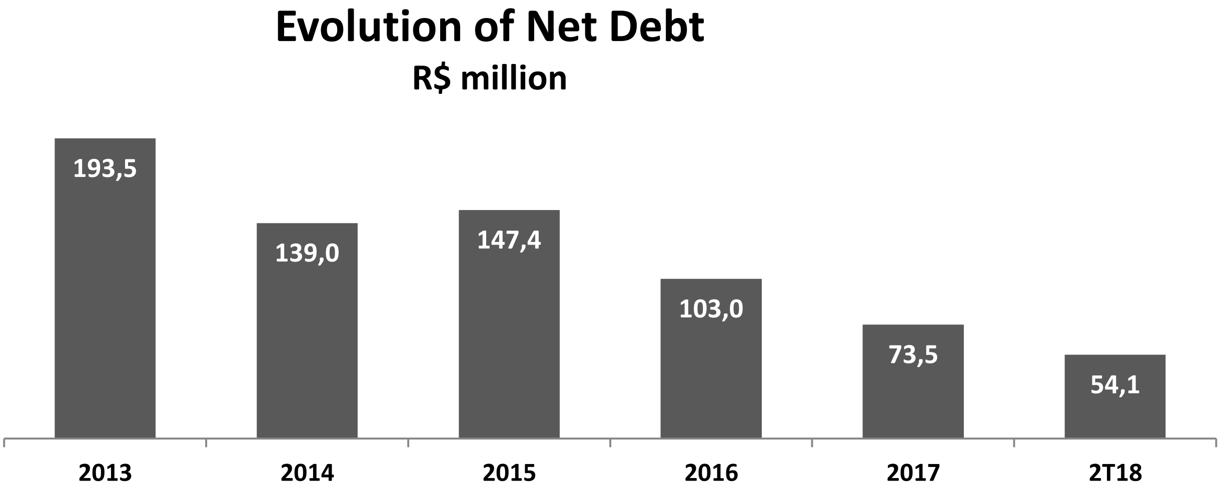
R$ Million	2Q17	1Q18	2Q18
Gross debt	(119.2)	(88.5)	(101.2)
(-) Cash	36.5	26.8	47.1
(=) (Debt)/Net cash	**(82.7)**	**(61.7)**	**(54.1)**

In April, we repaid R$18.1 million in principal of a loan. In May, we entered into a financing in foreign currency, in an amount corresponding to R$10.2 million, maturing in April 2020. In June 2018, we entered into a credit facility with FINEP (*Financiadora de Estudos e Projetos*), in the total amount of

R$36.1 million, to be disbursed in three annual tranches. The first tranche, in the amount of R$20.7 million, was disbursed in June 2018, with a maturity schedule ending in June 2027.

These transactions increased the average duration to approximately 3 years, representing an increase of 1.5 years. We continue working to improve our debt profile, extending maturity terms and reducing average costs.

Since 2013, when the Company incurred debt for the acquisition of Dumont Saab, we have been continuously decreasing our net debt, as set forth in the chart below.



R$ thousand

QUARTER

	Consolidated	
	2Q17	2Q18
Net revenue	88,890	70,118
Cost of goods sold	(44,122)	(32,965)
Gross profit	**44,768**	**37,153**
Sales expenses	(29,831)	(25,163)
Administrative expenses	(8,380)	(8,159)
Others, net	(2,246)	(842)
Operational profit	**4,311**	**2,989**
Financial result, net	612	3,945
Financial income	6,033	24,137
Financial expenses	(5,421)	(20,192)
Income before income tax and social contribution	**4,923**	**6,934**
Income tax and social contribution	(965)	551
Current	0	0
Deferred	(965)	551
Net income	**3,958**	**7,485**

SEMESTER

	Consolidated	
	2017	2018
Net revenue	146,233	125,218
Cost of goods sold	(75,594)	(63,578)
Gross profit	**70,639**	**61,640**
Sales expenses	(57,502)	(53,617)
Administrative expenses	(18,093)	(17,317)
Others, net	(4,962)	(1,409)
Operational profit	**(9,918)**	**(10,703)**
Financial result, net	1,404	2,167
Financial income	18,180	31,448
Financial expenses	(16,776)	(29,281)
Income before income tax and social contribution	**(8,514)**	**(8,536)**
Income tax and social contribution	(843)	1,001
Current	0	0
Deferred	(843)	1,001
Net income	**(9,357)**	**(7,535)**

R$ thousand

Assets	Consolidated June 30, 2017	June 30, 2018
Current assets		
Cash and cash equivalents	36,509	47,110
Marketable securities	249	0
Accounts receivable	184,516	146,636
Inventories	144,216	133,757
Recoverable taxes	9,742	9,390
Derivative financial instruments	627	10,844
Other assets	16,108	18,358
	391,967	366,095
Non-current assets		
Advances to suppliers	6,125	5,437
Recoverable taxes	12,825	29,052
Marketable securities	23,794	24,047
Judicial deposits	2,529	7,285
Accounts receivable	0	0
Other assets	16,433	26,468
	61,706	92,289
Investments		
Intangible	262,805	262,185
Property and equipment	35,811	36,403
	298,616	298,588
Total assets	752,289	756,972

R$ thousand

Liabilities	Consolidated June 30, 2017	 June 30, 2018
Current liabilities		
Borrowings	102,419	65,428
Accounts payable	44,972	61,916
Income tax and social contributions payable	4,197	1,817
Deferred income tax and social contributions	0	435
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	9,624	9,205
Dividends payable	1,375	1,289
Derivative financial instruments	0	213
Licenses payable	0	0
Other payables	22,146	4,428
	185,836	145,834
Non-current liabilities		
Borrowings	1,069	50,408
Income tax and social contributions payable (Note 14)	0	1,951
Deferred income tax and social contributions	51,514	47,249
Provision for contingencies	32,777	28,299
Derivative financial instruments	0	0
Licenses payable	0	0
Amount payable for the acquisition of equity interest	25,414	25,931
Other payables	138	76
	110,912	153,914
Total liabilities	296,748	299,748
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(11,208)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	200,437	202,245
Profit reserves	170,049	168,130
Carrying value adjustment	(14,093)	(14,121)
Retained earnings (accumulated losses)	(9,357)	(7,535)
Other comprehensive income	0	0
Total equity	455,541	457,224
Total equity and liabilities	752,289	756,972

R$ thousand

QUARTER

	Consolidated	
	2Q17	2Q18
Income before income tax and social contribution	4,923	6,934
Adjustments for items that do not affect cash flow		
Amortization and depreciation	2,976	3,201
Allowance for recoverable value of inventory	167	239
Allowance for recoverable value of accounts receivable	(1,616)	1,042
Allowance for contingencies (reversal)	635	2,275
Results from disposal of permanent assets	36	185
Impairment of permanent assets	(2)	(1)
Interest on loans	1,093	13,959
Other interest	4,691	365
Stock option premium	555	423
Non-controlling interest	0	0
Others	125	(16)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(1,586)	6,800
Decrease (increase) in inventories	6,358	(12,961)
Decrease (increase) in tax recoverable	(1,106)	(508)
Decrease (increase) in other assets	(3,171)	(19,969)
Increase (decrease) in suppliers and accounts payable	2,371	18,653
Increase (decrease) in salaries and social charges payable	1,342	596
Increase (decrease) in taxes, rates and social contributions payable	(1,606)	(7,201)
Interest paid	(1,165)	(867)
Income tax and social contribution paid	0	0
Net cash (applied in) generated by operational activities	15,020	13,149
Cash flow from investment activities		
Decrease (increase) in securities	530	272
Reversal of goodwill in acquisition of equity interest	498	0
Acquisition of equity interest	(878)	(528)
Purchases of fixed assets	(2,222)	(2,862)
Amount received from the sale of fixed assets	386	744
Purchases of intangible assets	(1,939)	(1,969)
Net cash (applied in) generated by investment activities	(3,625)	(4,343)
Cash flow from financial activities		
Borrowings	927	31,592
Payment of borrowings	(204)	(19,962)
Dividends paid to Company shareholders	(2)	(87)
Net cash applied in financial activities	721	11,543
Increase (decrease) in cash and cash equivalents	12,116	20,349
Cash and cash equivalents at beginning of period	24,393	26,761
Cash and cash equivalents at end of period	36,509	47,110

R$ thousand

SEMESTER

	Consolidated	
	2017	2018
Income before income tax and social contribution	-8,514	-8,536
Adjustments for items that do not affect cash flow		
Amortization and depreciation	5,932	6,363
Allowance for recoverable value of inventory	1,490	851
Allowance for recoverable value of accounts receivable	(198)	1,331
Allowance for contingencies (reversal)	1,471	2,906
Results from disposal of permanent assets	94	283
Impairment of permanent assets	(6)	(3)
Interest on loans	1,093	15,381
Other interest	3,147	740
Stock option premium	1,110	846
Non-controlling interest	0	0
Others	81	(24)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	35,259	43,730
Decrease (increase) in inventories	(19,776)	(29,016)
Decrease (increase) in tax recoverable	(2,778)	(5,221)
Decrease (increase) in other assets	(4,755)	(21,176)
Increase (decrease) in suppliers and accounts payable	10,623	26,611
Increase (decrease) in salaries and social charges payable	2,599	1,662
Increase (decrease) in taxes, rates and social contributions payable	79	(4,637)
Interest paid	(1,571)	(1,576)
Income tax and social contribution paid	0	0
Net cash (applied in) generated by operational activities	**25,380**	**30,515**
Cash flow from investment activities		
Decrease (increase) in securities	578	525
Acquisition of equity interest	(878)	(1,155)
Purchases of fixed assets	(4,029)	(6,111)
Amount received from the sale of fixed assets	862	1,606
Purchases of intangible assets	(2,988)	(2,998)
Net cash (applied in) generated by investment activities	**(6,455)**	**(8,133)**
Cash flow from financial activities		
Acquisition of own shares held in treasury	0	0
Borrowings	812	31,592
Payment of borrowings	(204)	(21,606)
Dividends paid to Company shareholders	(2)	(87)
Net cash applied in financial activities	**606**	**9,899**
Increase (decrease) in cash and cash equivalents	19,531	32,281
Cash and cash equivalents at beginning of period	16,978	14,829
Cash and cash equivalents at end of period	**36,509**	**47,110**