GRUPO TECHNOS ANNOUNCES 4Q19 RESULTS

Rio de Janeiro, March 31, 2020 – Grupo Technos (B3: TECN3) announces its 4Q19 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated

4Q19 HIGHLIGHTS

- Net revenue increased by 3.4% in 2019 and decrease by 4.2% in 4Q19 compared to 2018;
- Average price increased by 12.0% and sales volume decreased by 13.9%;
- Gross margin stabilized after decreasing for three consecutive quarters;
- R$15.2 million Adjusted EBITDA in 2019 and R$14,1 million in 4Q19
- Net debt totaled R40.3 million in 4Q19
- Annual loss impacted by two accounting adjustments, extraordinary, and non-cash - goodwill impairment of R$71.6 million in 4Q19 and R$37.2 million inventory provision en 2Q19.

DATE

03/31/2020

CLOSING PRICE

R$1.21/share

MARKET CAP

R$95.0 million

CONFERENCE CALL

04/01/2020 11:00 a.m. Brasília

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R$ million	4Q18	4Q19	%	2018	2019	%
Gross revenue	129.6	124.8	-3.7%	363.5	378.4	4.1%
Net revenue	109.3	104.7	-4.2%	305.7	316.2	3.4%
Gross profit	51.5	49.2	-4.6%	146.7	109.2	-25.5%
Gross margin	*47.1%*	*47.0%*	*-0.2p.p.*	*48.0%*	*34.5%*	*-13.4p.p.*
Net income	25.6	-73.6	-387.2%	14.4	-122.1	-953.6%
Net margin	*23.5%*	*-70.3%*	*-93.8p.p.*	*4.7%*	*-38.8%*	*-43.5p.p.*
Adjusted EBITDA	7.0	14.1	101.5%	8.0	15.2	89.9%
Adjusted EBITDA margin	*6.4%*	*13.5%*	*7.1p.p.*	*2.6%*	*4.8%*	*2.2p.p.*
Number of watches (000s)	869	748	-13.9%	2,435	2,493	2.4%
Average price (R$/product)	147	165	12.0%	147	149	1.7%

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

In 4Q19, Management's commentary discusses two important subjects of the company's interest––2019 Highlights and Preliminary Remarks on COVID-19––as detailed below.

1. 2019 Highlights

2019 was marked by many changes at the Technos Group, including new appointments in the top leadership and board of directors from May. The achievements of a wide review of the operation and necessary adjustments throughout the year were important stages in the Company's turnaround process.

It is important to note that the result of financial statistics for the year 2019 contains the negative impact of two very relevant extraordinary adjustments totaling approximately R$108.8 million. In the second quarter, the Company made an extraordinary adjustment of R$ 37.2 million in the inventory provision, as a result of a wide review of operating processes and product warehouses. In the fourth quarter, the recovery test of the Company's tangible and intangible assets resulted in the need to recognize a provision for impairment of R $ 71.6 million in the company's goodwill. It is worth emphasizing that the impact of these two adjustments is accounting, non-recurring, and has no cash effect.

In 2019, the Company's net revenue increased by 3.4%, sales volume increased by 2.4% and price increased by 1.7%. This was the first annual revenue increase of the company after five consecutive years of decrease. In 4Q19, the Company's net revenue decreased by 4.2% due to the decrease in sales volume, offset by an increase in average price. The increase in average price and the decrease in sales volume in 4Q19 reflected the Company's efforts to recover profitability during the Christmas cycle, reviewing discounts, reducing promotional sales and selectively increasing prices in more differentiated collections.

As to gross profit, in 4Q19, the Company's gross margin remained stable compared to the same quarter in the previous year, interrupting successive quarterly decreases in gross margin during the year. Notwithstanding an appreciation of the average U.S. dollar exchange rate in the period, the Company protected its gross margin by adjusting the assortment and pricing of brands, reviewing sales channel strategies, reducing discounts granted to customers and improving the balance in sales of promotional items.

SG&A decreased by 3.2% in 4Q19 and 1.0% in 2019, including recession expenses and restructuring. In 4Q19, the Company completed the important zero-base budgeting process, identifying future opportunities for efficiency gains. Accordingly, the Company emphasizes that it remains focused on controlling and reducing SG&A to improve its profitability.

The Company's adjusted EBITDA totaled R$14.1 million in 4Q19 and R$15.2 million in 2019, including the extraordinary impact of the inventory provision established in the second quarter. In last year, the adjusted EBITDA was R$8.0 million, deducted R$28.3 million extraordinary impact related to the recognition and assignment of tax credits recorded in 4Q18.

Working capital totaled R$194 million in 4Q19, representing an 11.7% decrease compared to 4Q18. As to accounts receivable, in 4Q19, the company maintained a cautious management of payment terms granted to customers and the positive performance in customer assiduity continued. As to inventories, amounts were affected by extraordinary provisions and also reflected the Company's decision to work with a higher coverage to reduce ruptures. As to accounts payable, the average payment term of suppliers increased by 19 days, from 126 days to 145 days, reflecting term extensions with suppliers.

In 4Q19, net debt totaled R$40.3 million, of which R$60.9 million corresponded to cash and R$101.3 million corresponded to gross debt.

2. Preliminary Remarks on COVID-19

The impacts of the contagious disease caused by the coronavirus responsible for the severe acute respiratory syndrome SARS-CoV-2 ("COVID-19") on the economic scenario, especially on the Company's operations, cannot be fully measured yet. However, the Company understands that this scenario of significant uncertainty also represents an additional risk to the Company's current turnaround process.

In general terms, COVID-19 affects the Company's workforce, as well as the supply and demand related to the commercialization of brands, products and services.

As to the impact on the workforce, the Company's base includes employees and temporary employees across Brazil, with a higher concentration of employees in the factory located in the city of Manaus and in the administrative headquarters in the city of Rio de Janeiro. The Company's employees are also distributed in a network of own physical outlets, administrative and sales branches and technical assistance stores.

As to supply, the Company considers that the risk of restriction on the supply of its products in the short term as a result of the COVID-19 crisis is low. Notwithstanding the delay of approximately one month in the reopening of factories after the Chinese New Year, the operations of most Asian suppliers of the Company are already active. Moreover, the Company works with a safety inventory coverage that allows it to undergo any short-term ruptures in the supply from international suppliers, with no material impact on the supply to its customers.

As to demand, considering the downturn in economic activity in Brazil and abroad, the new pandemic caused by the coronavirus will probably affect 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 nine thousand 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 risk mentioned above related to demand and default will depend on the profile and characteristics of each reseller.

Moreover, another concern refers to exchange rate volatility, as approximately 75% of the Company's costs are denominated in foreign currency. The Company's hedging policy provides for short-term protection against exchange rate variations. However, the maintenance of a significant depreciation of the *real* for a long period of time may represent an additional difficulty in the Company's strategy to recover its gross margin. The Company seeks to offset increases in the U.S. dollar exchange rate through financial hedging, reductions in manufacturing cost and selective price increases, as evidenced in 4Q19.

In order to face the challenging scenario resulting from the COVID-19 pandemic, the Company created a crisis committee and adopted important actions on two fronts to protect the health of our employees and the health of the Company.

On the front related to protecting the health of employees, we adopted the following measures, among others:

- active communication and an awareness campaign directed at all employees;
- reinforcement of hygiene and cleaning practices at our factory, stores and offices;
- isolation of individuals in risk groups;
- suspension of international travels and events;

- reduction of domestic travels and external meetings to a necessary minimum;
- adoption of home office work by many employees;
- availability of tools for virtual meetings and interactions; and
- closing of own physical stores.

On the front related to protecting the health of the Company, primarily focused on protection of cash, we adopted the following measures, among others:

- renegotiation of payment terms with many of our Brazilian and foreign suppliers;
- reduction in purchase volumes from international suppliers, adjusting the supply chain to the new demand scenario;
- adjustment of our manufacturing plan, considering the temporary closing of our factory and the current balance of our inventory of raw materials and finished products;
- adjustment of our current inventory coverage to meet most re-estimated sales for the year;
- reduction of and establishment of provisions for fixed and variable expenses and elimination of new short-term investments that are not essential;
- reinforcement of credit analysis and collection activities;
- planning to significantly reduce headcount by approximately one-third of employees and temporary employees aimed at reducing expenses related to salaries in the short term; and
- adoption of part-time work for leadership positions, accompanied by the respective salary reduction, adoption of compensatory time and the granting of early holidays, pursuant to current legislation.

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 our employees and the health of our company.

In view of the extraordinary effects in the last two years, the Company also presents in 4Q19 a section on extraordinary impacts in 2018 and 2019 that affect result, in order to provide greater visibility to these effects and facilitate the projection and modelling of the recurring business.

In 2019, as announced in 2Q19, the Company reviewed its working capital accounts, including accounts receivable, with the sale of a portfolio with a very low recovery potential due to an average aging of 3.6 years overdue, whose losses had already been provisioned, generating a positive impact in the amount of R$0.3 million on Adjusted EBITDA and a cash tax benefit in the amount of R$3.8 million from the recovery of taxes charged on the original sales to customers. Additionally, the Company also conducted an in-depth review of all warehouses and inventory systems at its factory, technical assistance and retail sector, which, after a detailed analysis, including in regard to the recoverability of inventory, caused the Company to adjust its estimated inventory losses (due to obsolescence, turnover or aging) and establish provisions in the amount of R$32.3 million, affecting cost and gross margin, of which R$4.2 million related to the tax impact of this inventory and R$0.7 million related to marketing materials identified as obsolete. The business was also affected by other extraordinary and non-recurring impacts, including changes in senior management and termination expenses.

In 4Q19, the Company assessed the recovery of the book value of goodwill recognized according to the expected future profitability, based on its value in use, applying the discounted cash flow method on its Cash Generating Unit (CGU). In this assessment, the Company took into account: (i) its recent history of results; (ii) a greater focus on activities and assets related to its core business of assembly and distribution of watches in the wholesale and retail segments; and (iii) the lower potential and higher risk of non-core activities and assets adjacent to its operations, including franchises and new products. This review resulted in the establishment of a provision for impairment in the total amount of R$71.6 million with no cash effect, already adjusted in the Company's Adjusted EBITDA, in the Other Non-Recurring Expenses line item.

As disclosed in 4Q18, the Company's result was affected by the extraordinary effects of the revenue recognized due to the favorable decision rendered in a lawsuit that challenged the inclusion of ICMS in the calculation basis of PIS and COFINS, the assignment of the related tax credits and other tax measures. These effects generated an extraordinary gain of R$28.3 million in the Company's Adjusted EBITDA originally reported in 4Q18.

Gross revenue reached R$124.8 million in 4Q19, representing a decrease of 3.7% compared to 4Q18 and an increase of 4.1% compared to the previous year. The table below sets forth the breakdown of our gross revenue:

R$ million	4Q18	4Q19	Var %	Var R$	2018	2019	Var %	Var R$
Product Sales	128.0	123.4	-3.6%	-4.6	357.5	372.1	4.1%	14.6
Technical Assistance	1.5	1.3	-14.0%	-0.2	6.0	6.3	4.3%	0.3
Gross Revenue	**129.6**	**124.8**	**-3.7%**	**-4.8**	**363.5**	**378.4**	**4.1%**	**14.9**

PRODUCT SALES

Overview

Gross revenue from product sales decreased from R$128.0 million in 4Q18 to R$123.4 million in 4Q19, representing a 3.6% decrease. In 4Q19, the number of watches sold totaled 748 thousand watches, representing a 13.9% decrease compared to 4Q18, primarily due to a drop in sales in promotional channels and in sale promotions. On the other hand, average price reached R$165 in 4Q19, representing a 12.0% increase, due to a sales mix that was more directed towards channels and products with higher added value. The increase in average price and the decrease in sales volume during the Christmas cycle reflected the Company's efforts to recover gross margin and profitability, reviewing discounts, reducing promotional sales, and selectively increasing the prices of more differentiated collections. The Company understands that, in the short term, these measures tend to privilege price increases and reduce sales volume; however, the Company believes in the importance of these actions for the healthy and sustainable growth of its profitability and differentiation.

In 2019, gross revenue, sales volume and average price increased by 4,1%, 2.4% and 1.7%, respectively.

R$ million	4Q18	4Q19	Var %	Var R$	2018	2019	Var %	Var R$
Classic	62.3	57.8	-7.3%	-4.5	173.0	178.5	3.2%	5.5
Sports	16.1	18.7	16.3%	2.6	42.9	47.5	10.6%	4.5
Fashion	49.6	47.0	-5.3%	-2.7	141.5	146.1	3.3%	4.6
Total	**128.0**	**123.4**	**-3.6%**	**-4.6**	**357.4**	**372.1**	**4.1%**	**14.6**

In the analysis per category, in 2019, sales increased in all segments, highlighting the Sports category, which increased by 10.6% in value. The good performance of this category is due to an improved balance in assortment, inventory assertiveness and good acceptance of recent launchings by customers, highlighting the Mormaii smartwatches line.

Analysis per Distribution Channel

R$ million	4Q18	4Q19	Var %	Var R$	2018	2019	Var %	Var R$
Specialized Stores	92.7	92.6	0.0%	0.0	253.3	268.7	6.0%	15.3
Department Stores and Others	35.3	30.8	-12.8%	-4.5	104.1	103.4	-0.7%	-0.7
Total	**128.0**	**123.4**	**-3.6%**	**-4.6**	**357.4**	**372.1**	**4.1%**	**14.6**

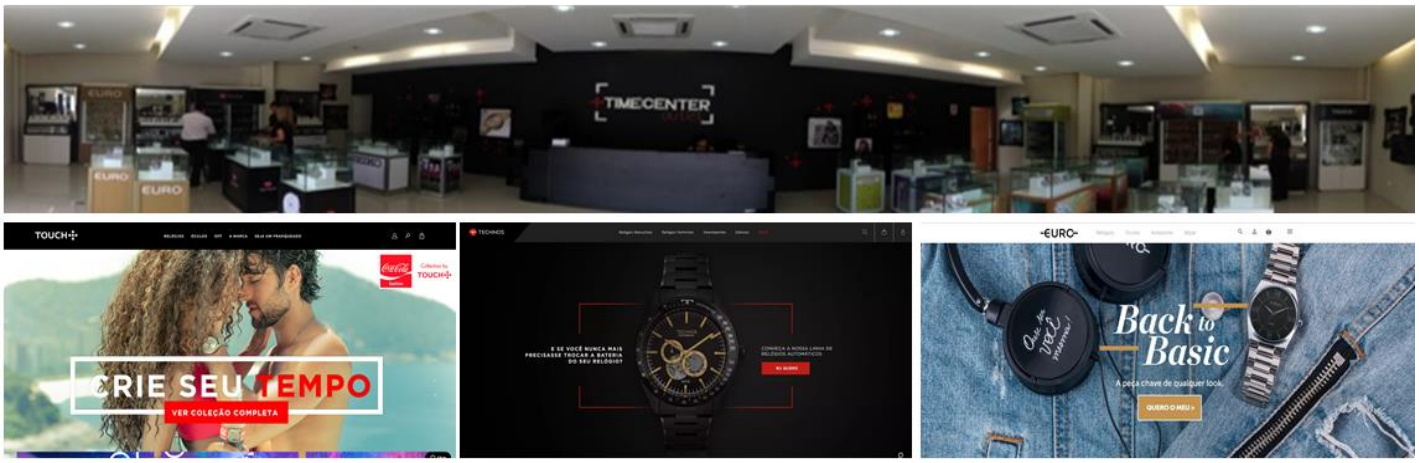
The analysis of sales of watches per distribution channel shows a solid growth of 6.0% in the year in specialized stores, the Company's main sales channel, and a decrease of 0.7% in department stores and others compared to the previous year. In 4Q19, the decrease in the department stores and others channel, which includes certain customers focused on significant promotional sales, is primarily due to the decrease in promotional sales of items of lower added value, as mentioned above.

RETAIL AND FRANCHISES

In retail, we run our 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 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 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 also maintain 15 outlets in the main malls of this segment across Brazil. These points of sales 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 sales results. Moreover, they reinforce the category in the places where consumers are largely present.

The franchise channel is present through the Touch and Euro brands. At the end of December 2019, we had 55 exclusive points of sale, with Touch representing 38 and Euro 17.



NET REVENUE

In 4Q19, net revenue totaled R$104.7 million, representing a 4.2% decrease compared to the same period in the previous year. In 2019, net revenue totaled R$316.2 million, representing a 3.4% increase compared to net revenue recorded in 2018.

Present value adjustment on gross revenue totaled R$2.3 million in 4Q19, representing a 17.2% 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	4Q18	4Q19	Var %	Var R$	2018	2019	Var %	Var R$
Gross Revenue	129.6	124.8	-3.7%	(4.8)	363.5	378.4	4.1%	14.9
Present Value Adjustment on Sales	(2.8)	(2.3)	-17.2%	0.5	(7.3)	(7.5)	2.4%	(0.2)
Sales Taxes	(17.9)	(18.1)	1.3%	(0.2)	(51.5)	(55.7)	8.2%	(4.2)
Present Value Adjustment on Taxes	0.4	0.3	-13.1%	(0.0)	1.0	1.1	5.7%	0.1
Net Revenue	**109.3**	**104.7**	**-4.2%**	**(4.6)**	**305.7**	**316.2**	**3.4%**	**10.5**

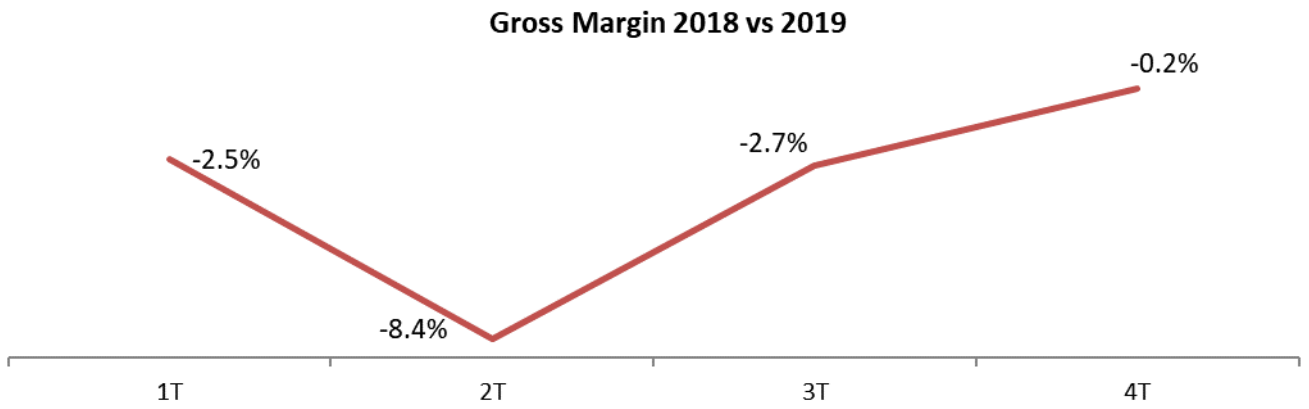
GROSS PROFIT

In 4Q19, gross profit decreased by 4.6% and gross margin decreased by 0.2p.p., due to, on one hand, the impact of an increased average U.S. dollar exchange rate on inventories compared to 4Q18 and, on the other hand, our actions to recover gross margin.

In 2019, gross profit totaled R$109.2 million, compared to R$146.7 million in 2018. This decrease is primarily due to the extraordinary provision of R$32.3 million established in 2Q19 regarding the adjustments of estimated inventory impairment losses due to obsolescence, turnover or aging. Excluding this non-recurring effect, gross profit totaled R$141.5 million in 2019, representing a decrease of 3.2p.p. in gross margin.

In order to recover profitability, during the second semester of 2019, the Company adjusted its assortment and brand price pyramids, reviewed sales channels strategies, reviewed discounts granted to customers and obtained an improved balance in the sale of items in promotion. In parallel, during 2019, the Company intensified the development of new collections and focused on the pursuit of product differentiation and appreciation, an effect for the longer term and that tends to appear in the launchings of the next collections, considering the long timing of our development cycles.

The recovery of profitability and gross margin is an important part of the strategy of the Company and its effects are confirmed in the analysis of the recovery of gross margin set forth in the chart below, which excludes the extraordinary effect of the inventory provision established in 2Q19.



In cost of goods sold, we quarterly record provisions for inventory obsolescence, loss or aging. In 4Q19, we also recorded the adjustment required after completion of the general inventory taking conducted at all warehouses of finished products and components. This process was conducted with the support of companies specialized in inventory taking and external audit. The total amount provisioned in 4Q19 was R$1.6 million, reflecting the two processes mentioned above.

SALES AND ADMINISTRATIVE EXPENSES

In 4Q19, SG&A totaled R$40.6 million, compared to R$41.9 million in 4Q18, representing a 3.2% decrease. In 2019, SG&A totaled R$147.3 million, representing a 1.0% decrease compared to the previous year.

In 4Q19, sales expenses decreased by 9.8%, or R$3.3 million, compared to 4Q18. In 2019, the sales expenses decreased 5.2% due the better losses and provisions for impaired receivables management.

In 4Q19, administrative expenses increased by 23.1%, or R$1.9 million, compared to 4Q18. In 4Q19, SG&A was also affected by expenses related to the restructuring process of the Company, including consultancy services, strengthening of the IT team, expenses related to the audit of inventory taking fully conducted at our factory, and termination expenses related to the reduction in headcount of the Company. In 2019, the administrative expenses increased 12.5% due to termination and restructuring expenses.

The Company highlights that it remains focused on the control and reduction of SG&A to improve business profitability. In 2019, SG&A decreased by 2.1p.p. as a percentage of net revenue compared to the previous year.

OTHER OPERATING RESULTS, NET

In 4Q19, other operating results, net totaled an expense of R$75.2 million, compared to an revenue of R$2.0 million in 4Q18. In 2019, other operating results, net totaled R$88.6 million negative, compared to -R$0.8 million negative in 2018.

In 4Q19, other operating results, net was primarily affected by a non-cash expense related to the need to recognize a provision for impairment, in the total amount of R$71.6 million. This extraordinary expense, which merely has an accounting effect, with no cash effect, reflects the difference between the Company's expected generation of cash in the long term, based on the guidance set forth by the CVM, and the amount of goodwill recorded in the balance sheet. In 2019, the Company took into account: (i) its recent history of results; (ii) a

greater focus on activities and assets related to its core business of assembly and distribution of watches in the wholesale and retail segments; and (iii) the lower potential and higher risk of non-core activities and assets adjacent to its operations, including franchises and new products.

In addition to this impact, other operating results, net also included: (i) provisions for civil, labor and other proceedings, in the amount of R$1.9 million; (ii) write-off of a time-barred tax credit in the amount of R$1.5 million, which was established in 2014; and (iii) other less important impacts, in the total amount of R$0.2 million.

In 4Q18, other operating results, net was primarily affected by the effects of the recognition and assignment of tax credits, including: (i) the recognition of tax credits in the amount of R$38.3 million; (ii) an expense of R$19.5 million related to the discount in the sale of tax credits; (iii) expenses related to consultancy and advisory services and attorney's fees, in the amount of R$1.1 million; and (iv) a provision for attorney's fees, in the amount of R$8.3 million to be realized. In addition, this item was impacted by civil, labor and other provisions in the amount of approximately R$7.0 million.

EBITDA AND ADJUSTED EBITDA

In 4Q19, Adjusted EBITDA totaled R$14.1 million, compared to R$7.0 million in 4Q18. In 2019, Adjusted EBITDA totaled a positive amount of R$15.2 million, compared to a positive amount of R$8.0 million in 2018. In 2018 we reporting R$36,3 million in Adjusted EBITDA impacted by R $ 28.3m due to the extraordinary recognition of the gain in a lawsuit challenging the ICMS tax on the PIS and COFINS tax basis and other tax claims.

R$ million	4Q18	4Q19	2018	2019
(=) Net income	**25.6**	**(73.6)**	**14.4**	**(122.7)**
(+) Depreciation and Amortization	(2.4)	(3.1)	(11.3)	(12.2)
(+/-) Financial result	3.3	(0.3)	4.2	(5.2)
(+) Current taxes	0.5	(0.0)	0.0	(0.0)
(+/-) Deferred taxes	10.7	(6.0)	13.0	9.2
(=) EBITDA (CVM 527/12)	**13.4**	**(63.5)**	**8.4**	**(114.4)**
(+/-) Provision for contingencies[1]	(0.0)	(2.3)	(1.0)	(9.7)
(+) Other non-cash expenses[2]	0.0	(0.2)	(1.2)	(1.4)
(+) Other non-recurring expenses[3]	(19.5)	(1.5)	(19.5)	(1.5)
(+) Impact of present value adjustment on operational result[4]	(2.4)	(2.0)	(6.3)	(6.4)
(+) Extraordinary Impacts[5]	28.3	(71.6)	28.3	(110.6)
(=) Adjusted EBITDA	**7.0**	**14.1**	**8.0**	**15.2**

[1] Tax adjustment on the 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 EBTDA), 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 4Q19, net financial result totaled an expense of R$0.3 million, representing a decrease of R$3.7 million compared to an income of R$3.3 million in 4Q18. 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. We enter into these derivative instruments exclusively to hedge the contracted and estimated amount of purchases from foreign suppliers in the 12 subsequent months.

NET INCOME

In 4Q19, the Company's net loss totaled R$73.6 million, compared to a net income of R$25.6 million in 4Q18. In 2019, net loss totaled R$122.7 million, compared to a net income of R$14.4 million in 2018.

In 2019, were registred two importants extraordinary impacts totaling approximately R$ 108.8 million. In the second quarter, the Company realized an extraordinary adjustment of R$ 37.2 million in the inventory provision, as a result of a wide review of operational processes and product warehouses. In the fourth quarter, the recovery test of the Company's tangible and intangible assets resulted in the need to recognize an impairment provision of R $ 71.6 million in the company's goodwill. It is worth emphasizing that the impact of these two adjustments is accounting, non-recurring, and has no cash effect.

CASH FLOWS

R$ million	4Q18	4Q19	2018	2019
Net income before income tax and social contributions	**14.4**	**(67.0)**	**1.3**	**(131.8)**
(+/-) Non-cash adjustments	21.1	97.0	63.0	145.2
(+/-) Operational activities	(1.9)	(25.6)	10.2	(8.2)
(+/-) Investment activities	(5.1)	(5.3)	(20.5)	(9.4)
(+/-) Financial activities	(4.2)	(23.8)	1.0	(11.5)
(=) Increase (decrease) in cash	**24.3**	**(24.7)**	**55.0**	**(15.8)**
(+) Cash and cash equivalents at the beginning of the period	45.5	78.8	14.8	69.9
(=) Cash and cash equivalents at the end of the period	**69.9**	**54.1**	**69.9**	**54.1**

NON-CASH ADJUSTMENTS

In 4Q19, non-cash adjustments totaled R$97.0 million, compared to R$21.1 million in 4Q18. In 2019, non-cash adjustments totaled R$145.2 million, compared to R$63.0 million in 2018. Non-cash adjustments were affected by the recognition of impairment in the amount of R$71.6 million.

OPERATIONAL ACTIVITIES

In 4Q19, net cash utilized in our operational activities totaled R$25.6 million. In 4Q19, the main changes were: (i) a decrease of R$20.7 million in inventories; and (ii) an increase of R$44.4 million in accounts receivable.

INVESTMENT ACTIVITIES

In 4Q19, net cash utilized by our investment activities was primarily affected by investments in property and equipment and intangible assets, totaling R$2.5 million and R$2.8 million in restricted cash.

FINANCIAL ACTIVITIES

Net cash generated by our financial activities results primarily from extended payment terms regarding financing transactions in effect. We adopted the strategy to work with a higher cash balance to better support our sales growth and an increased inventory coverage.

CASH RESULT

The activities resulted in a cash decrease of R$24.7 million at the end of 4Q19 that, added to the initial amount of R$78.8 million, led to a final cash balance of R$54.1 million at December 31, 2019. At the end of 4Q18, the Company's final cash balance totaled R$69.9 million.

WORKING CAPITAL

R$ million	4Q18	Days	4Q19	Days
(+) Accounts receivable	160.2	189	154.8	176
(+) Inventories	115.1	261	122.6	213
(-) Accounts payable	55.4	126	83.4	145
(=) Working Capital	**219.8**	**324**	**194.0**	**244**

In 4Q19, the Company's working capital totaled R$194.0 million, accounting for 244 days. In 4Q18, working capital totaled R$219.8 million, representing a decrease of R$25.8 million, or 11.7%.

In accounts receivable, the Company has been constantly improving client assiduity, keeping the average recovery balance and maintaining a cautious management of sales terms granted to clients. The term of accounts receivable decreased from 189 days in 4Q18 to 176 days in 4Q19, representing a decrease of 12 days, or 3.4%.

In 4Q19, inventories totaled R$122.6 million, representing 47 fewer days of working capital, primarily due to the extraordinary inventory provision. Excluding this effect, inventory increased by 107 days in 4Q19 compared to the same period in the previous year, due to the strategy of working with a higher coverage, reducing the potential impact of loss of sales due to ruptures in products and supply.

In accounts payable, the average term of payments to suppliers increased by 19 days, from 126 days to 145 days. The use of 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 4Q19, the outstanding balance of accounts payable guaranteed by letters of credit was R$ 47.9 million versus R$27.6 million in the same period in the previous year.

CASH BALANCE

In 4Q19, Grupo Technos had net debt of R$40.3 million, representing an increase of R$20.8 million compared to 4Q18 and an increase of R$3.8 million compared to 3Q19.

R$ million	4Q18	3Q19	4Q19
Gross debt[1]	(96.9)	(119.3)	(101.3)
(-) Cash	77.4	82.9	60.9
(=) (Debt)/Net Cash[2]	**(19.5)**	**(36.5)**	**(40.3)**

[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$6.8 million

INCOME STATEMENT

R$ thousand

QUARTER

	Consolidated	
	4Q18	4Q19
Net revenue	109,310	104,725
Cost of goods sold	(57,790)	(55,555)
Gross profit	**51,520**	**49,169**
Sales expenses	(18,195)	(28,598)
Provision of trade receivable	(11,013)	(1,648)
Administrative expenses	(8,421)	(10,363)
Others, net	(1,980)	(75,218)
Impairment of accounts receivable	(4,310)	
Operational profit	**11,561**	**(66,658)**
Financial result, net	2,852	(322)
Financial income	34,827	9,010
Financial expenses	(31,975)	(9,332)
Income before income tax and social contribution	**14,413**	**(66,979)**
Income tax and social contribution	11,222	(6,650)
Current	483	0
Deferred	10,739	(6,650)
Net income	**25,635**	**(73,629)**

ACCUMULATED

	Consolidated	
	2018	2019
Net revenue	305,696	316,225
Cost of goods sold	(159,038)	(206,982)
Gross profit	**146,658**	**109,243**
Sales expenses	(95,945)	(103,839)
Provision of trade receivable	(13,287)	(3,828)
Administrative expenses	(35,189)	(39,589)
Others, net	(829)	(88,632)
Impairment of accounts receivable	(4,310)	
Operational profit	**(2,902)**	**(126,645)**
Financial result, net	4,249	(5,183)
Financial income	82,873	(40,336)
Financial expenses	(78,624)	(45,519)
Income before income tax and social contribution	**1,347**	**(131,828)**
Income tax and social contribution	13,022	(9,174)

Current	0	0
Deferred	13,022	(9,174)
Net income	**14,369**	**(122,654)**

BALANCE SHEET

R$ thousand

	Consolidated	
	December 31, 2018	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	69,861	54,109
Restricted cash	7,540	6,828
Marketable securities	0	0
Accounts receivable	160,179	154,790
Inventories	115,105	122,615
Income tax and social contribution recoverable	0	5,834
Recoverable taxes	15,032	32,415
Derivative financial instruments	12,877	2,519
Other assets	12,043	11,863
Assets held for sale	267	1,767
	392,904	**392,740**
Non-current assets		
Related deposits	24,164	4,264
Derivative financial instruments	0	540
Advances to suppliers	5,000	4,250
Recoverable taxes	66,083	37,344
Judicial deposits	4,961	5,520
Other assets	542	0
	100,750	**51,918**
Investments		
Intangible	262,099	192,441
Property and equipment	36,718	38,992
	298,817	**231,433**
Total assets	**792,471**	**676,091**

BALANCE SHEET

	Consolidated	
	December 31, 2018	December 31, 2019
Liabilities		
Current liabilities		
Borrowings	58,720	35,555
Accounts payable	55,447	83,388
Income tax and social contributions payable	6,442	3,582
Deferred income tax and social contributions	903	923
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	6,956	6,496
Dividends payable	1,376	1,375
Derivative financial instruments	883	911
Lease payment	0	3,390
Other payables	5,290	5,022
Provision for success fees	0	2,043
Payables – assignment of credit right	0	19,275
	137,120	**163,063**
Non-current liabilities		
Borrowings	47,604	66,397
Income tax and social contributions payable (Note 14)	1,957	1,852
Deferred income tax and social contributions	32,387	23,213
Provision for contingencies	40,393	54,638
Derivative financial instruments	295	292
Amount payable for the acquisition of equity interest	26,163	4,656
Payables – assignment of credit right	32,561	7,113
Lease payment	0	3,753
Other payables	0	1,151
Provision for success fees	8,303	5,478
	189,663	**168,543**
Total liabilities	**326,783**	**331,606**
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(11,208)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	203,006	204,432
Profit reserves	165,104	42,450
Carrying value adjustment	(14,132)	(14,107)
	3,205	3,205
Total equity	**465,688**	**344,485**

Total liabilities and equity	792,471	676,091

CASH FLOWS

R$ thousand QUARTER

	Consolidated	
	4Q18	4Q19
Income before income tax and social contribution	**14.411**	**(66.979)**
Adjustments for items that do not affect cash flow		
Amortization and depreciation	2,366	3,135
Allowance for recoverable value of inventory	642	(63)
Allowance for recoverable value of accounts receivable	11,013	21,113
Allowance for contingencies (reversal)	7,820	797
Results from disposal of permanent assets	10	12
Impairment of permanent assets	(3)	71,616
Interest on loans	(1,650)	(77)
Other interest	359	(422)
Stock option premium	395	200
Others	113	651
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(37,130)	(44,448)
Decrease (increase) in inventories	29,301	20,772
Decrease (increase) in tax recoverable	(49,212)	6,275
Decrease (increase) in other assets	27,804	10,118
Increase (decrease) in suppliers and accounts payable	29,416	(14,688)
Increase (decrease) in salaries and social charges payable	(3,021)	(2,381)
Increase (decrease) in taxes, rates and social contributions payable	3,319	(56)
Interest paid	(1,352)	(1,196)
Income tax and social contribution paid	(994)	0
Net cash (applied in) generated by operational activities	**33,607**	**4,379**
Cash flow from investment activities		
Decrease (increase) in securities	5,734	29
Acquisition of equity interest	(264)	(12)
Restricted cash	(7,540)	(2,818)
Purchases of fixed assets	(2,458)	(1,075)
Amount received from the sale of fixed assets	367	20
Purchases of intangible assets	(938)	(1,462)
Net cash (applied in) generated by investment activities	**(5,099)**	**(5,318)**
Cash flow from financial activities		
Borrowings	1,150	0
Payment of borrowings	(5,316)	(22,908)
Lease contracted	0	0
Lease paid	0	(891)
Dividends paid to Company shareholders	1	0
Dividends paid to non-controlling shareholders	0	(1)
Net cash applied in financial activities	**(4,165)**	**(23,800)**
Increase (decrease) in cash and cash equivalents	24,343	(24,739)
Cash and cash equivalents at beginning of period	45,518	69.861
Cash and cash equivalents at end of period	**69,861**	**45,122**

R$ thousand ACCUMULATED

	Consolidated	
	2018	2019
Income before income tax and social contribution	**1,347**	**(131,828)**
Adjustments for items that do not affect cash flow		
Amortization and depreciation	11,282	12,254
Allowance for recoverable value of inventory	2,028	32,779
Allowance for recoverable value of accounts receivable	13,287	3,828
Write-off of accounts receivable due to foreclosure of guarantees without generation of cash	0	(1,500)
Allowance for contingencies (reversal)	15,000	14,245
Results from disposal of permanent assets	333	34
Impairment of permanent assets	(7)	71,611
Interest on loans	19,012	9,657
Other interest	1,469	689
Stock option premium	1,607	1,426
Non-controlling interest	0	0
Others	(1,014)	225
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	12,133	1,561
Decrease (increase) in inventories	(11,541)	(40,289)
Decrease (increase) in tax recoverable	(57,832)	5,522
Decrease (increase) in other assets	11,526	10,731
Increase (decrease) in suppliers and accounts payable	62,757	21,894
Increase (decrease) in salaries and social charges payable	(587)	(460)
Increase (decrease) in taxes, rates and social contributions payable	462	(2,945)
Interest paid	(5,749)	(4,220)
Others	(994)	0
Net cash (applied in) generated by operational activities	**74,519**	**5,214**
Cash flow from investment activities		
Decrease (increase) in securities	1,877	20,577
Acquisition of equity interest	(1,652)	(22,529)
Restricted cash	(7,540)	1,014
Purchases of fixed assets	(10,517)	(4,279)
Amount received from the sale of fixed assets	2,027	1,056
Purchases of intangible assets	(4,681)	(5,263)
Net cash (applied in) generated by investment activities	**(20,486)**	**(9,424)**
Cash flow from financial activities		
Purchase of own shares held in treasury		
Borrowings	(54,508)	50,261
Payment of borrowings	55,507	(57,998)
Lease contracted	0	0
Lease paid	0	(3,804)
Dividends paid to non-controlling shareholders	0	(1)
Net cash applied in financial activities	**999**	**(11,542)**
Increase (decrease) in cash and cash equivalents	55,032	(15,752)
Cash and cash equivalents at beginning of period	14,829	69,861
Cash and cash equivalents at end of period	**69,861**	**54,109**