

GRUPO TECHNOS ANNOUNCES A RECORD RESULT FOR THE FOURTH QUARTER, WITH R\$63.2 MILLION EBITDA IN THE YEAR WITH A SIGNIFICANT DEBT DECLINE

Rio de Janeiro, March 14, 2022 – Grupo Technos [B3: TECN3] announces its 4Q21 results. The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

03/14/2022

CLOSING PRICE

R\$ 2.08/share

MARKET CAP

R\$ 163.3 million

CONFERENCE CALL

03/15/2022 10:00 a.m.
Brasília

Phone:

Brazil: +55 (11) 3181-8565
+55 (11) 4090 1621

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) 2131-8950

- 4Q21 HIGHLIGHTS

 - Annual net revenue totaled R\$314.4 million, with 28.5% growth versus 2020, 3.5% drop in the quarter versus 4Q20 and 8.8% increase versus 4Q19.
 - Annual gross profit totaled R\$165.2 million, with 52.5% annual gross margin, the highest level since 2014. In the quarter, gross margin was 2.1 p.p. higher than 4Q20 and 2.8 p.p. higher than 4Q19.
 - Annual SG&A totaled R\$107.7 million or 34% over net revenue, best level since IPO. In the quarter, SG&A showed a 8.0% drop versus 4Q20 and 18.9% drop versus 4Q19.
 - Annual adjusted EBITDA reached R\$63.2 million, with 20.1% EBITDA margin, the best performance since 2016. In the quarter, 11,8% EBITDA growth versus 4Q20 and 95,1% growth versus 4Q19.
 - Net debt totaled R\$36.4 million, and leverage at 0.6x Adjusted EBITDA

R\$ million	4Q20	4Q21	%	2020	2021	%
Gross Revenue	135.2	127.8	-5.5%	285.1	350.9	23.1%
Net Revenue	118.0	113.9	-3.5%	244.6	314.4	28.5%
Gross Profit	58.7	59.2	0.7%	112.4	165.2	47.0%
Gross Margin	49.8%	51.9%	2.1p.p.	46.0%	52.5%	6.6p.p.
SG&A	-35.8	-32.9	-8.0%	-112.1	-107.7	-3.9%
Net Income	2.9	18.1	534.2%	-28.2	28.1	-199.7%
Net Margin	2.4%	15.9%	13.5p.p.	-11.5%	8.9%	20.4p.p.
Adjusted EBITDA	24.7	27.6	11.8%	6.2	63.2	921.1%
Adjusted EBITDA Margin	20.9%	24.2%	3.3p.p.	2.5%	20.1%	17.6p.p.
Number of watches (000s)	770	733	-4.8%	1.748	1.983	13.5%
Average price (R\$/product)	175	174	-0.5%	162	176	8.8%

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.

The positive result associated with the fourth quarter of 2021 has consolidated the successful turnaround and record performance of a year full of achievements and accomplishments of Grupo Technos' employees, notwithstanding a highly volatile and challenging scenario.

From a global standpoint, on the one hand, the improvement in health indicators that were highly impacted by the pandemic throughout the year favored a better flexibilization of measures of isolation and fostered the economic activity. On the other hand, economic pressures resulting from inflation, interest, exchange rate and the emergence of new pandemic strains - such as Omicron - presented new challenges. Moreover, the global logistics and supply crisis fully announced by the media hindered the stabilization of supply and inventories, particularly in the second half of the year. Notwithstanding a challenging scenario, Grupo Technos resumed its success in several fronts of operation, achieving its best operating result in the last six years.

The sequence of positive results showed by Grupo Technos - whether when compared to 2020 or even when compared to the years before the pandemic - is a direct result of internal actions to recover sales and gross margin, in addition to the successful implementation of an aggressive plan to create efficiencies, as it has been occurring since the beginning of 2020. These factors have led the company to achieve Adjusted EBITDA of R\$63.2 million for the year - its best result since 2016 - and to reduce its net debt to R\$36.4 million.

Net Revenue for the year was up 28.5% versus the previous year, representing growth across virtually all brands, product categories, and distribution channels. In the fourth quarter, Net Revenue was down 3.5% compared to 2020, but up 8.8% versus 2019, evidencing a sales expansion versus pre-pandemic levels. A major factor in the revenue consolidation was the launch and supply of traditional iconic products alongside the introduction of new smartwatch collections. The performance of both the traditional and smartwatches product categories in the quarter continue to corroborate the high complementarity of the company's product portfolio. It is worth noting that the sales performance in the quarter was still impacted by challenges arising from the supply chain and inventory replenishment crisis, particularly for the traditional watches category.

Gross Profit and Gross Margin for 2021 totaled R\$165.2 million and 52.5% respectively, with 47% and 6.6 p.p. growth versus the previous year. Gross Profit in the fourth quarter showed 0.7% growth as compared to the same period of the previous year and 20.3% when compared to the same period of 2019, evidencing significant gains in Gross Margin. Gross margin increase, notwithstanding a more challenging exchange rate scenario, shows the progress of the Company's profitability recovery strategy, which is mainly focused on good management of product margins -- as a result of price increases, launching of more desired collections, reduction of promotional sales and better negotiations with suppliers, offsetting the exchange rate impact - and lower costs of Technical Assistance due to the outsourcing model implemented during 2020. Finally, the increased use of ICMS tax benefit granted to the sector by the State of Amazonas, initially for the year of 2021 and, more recently, extended to October 2023, also had a positive impact on Gross Profit.

Annual Sales and Administrative Expenses decreased 3.9% versus 2020 and represented 34.3% of net revenue, an all-time efficiency record. In the fourth quarter, expenses declined 8.0% compared to last year and 18.9% compared to 2019, evidencing relevant productivity gains, mainly via headcount, commercial and marketing expenses, freight costs and especially bad debt optimization. As mentioned in previous statements, the structural turnaround, accelerated by the pandemic crisis, has implemented a new, more agile, lean and profitable operating model that will provide solid benefits to the company in both in the short and long term.

Adjusted EBITDA for 2021 reached R\$63.2 million and EBITDA margin 20.1% represent the highest level when compared to annual results since 2016. In the quarter, the Company's adjusted EBITDA amounted to R\$27.61million compared to R\$24.7 million in the previous year and R\$14.4 million in 2019. This is the fourth consecutive quarter in which the Company had the best quarterly adjusted EBITDA in the last six years, illustrating the robustness and consistency of its strategic plan.

The net indebtedness of R\$36.4 million and the cash balance of R\$97.3 million in the quarter illustrate the Company's financial soundness. Grupo Technos leverage level at the end of the fourth quarter was 0.6x Adjusted EBITDA. It is noteworthy that the average term of the Company's gross debt at the end of the quarter was 3.1 years, according to the renegotiation and payment extension completed in 2020.

In August 2021, the Company announced the approval of a plan to repurchase shares of up to 4,372,480 million shares. The Company completed the repurchase program at an average price of R\$3.23.

In February 2022, the Company announced the payment of interim dividends amounting to R\$6 million, which had not happened since 2015.

The sequence of positive quarterly results of Grupo Technos shows the impact and consistency of the operational restructuring plan successfully implemented by the entire company's staff and accelerated during the pandemic period. It is important to highlight that a key component in the success of our turnaround has been the strong commitment and dedication of all our leaders - many of them trained and promoted internally, who have excelled and delivered record results even in face of tremendous hardships over the past years. A special acknowledgement is therefore deserved to our entire team of employees for all the achievements and accomplishments made throughout 2021, which will form the foundation for even more positive performances in the coming years.

In 2022, political and economic instabilities including international conflicts and elections in Brazil will continue to put pressure on the company with impacts on its supply chain, price inflation and cost of capital. Grupo Technos plans to complement the efficiency gains described above with sales acceleration and competitiveness to further improve its results. Therefore, an important strategic pillar for the year will be the generation of profitable revenue growth from market share gains in the category of traditional watches and market expansion in the category of smartwatches. We will also continue to invest in the digitization of products, channels and processes, leveraging emerging technologies that can open up new frontiers for the Grupo Technos.

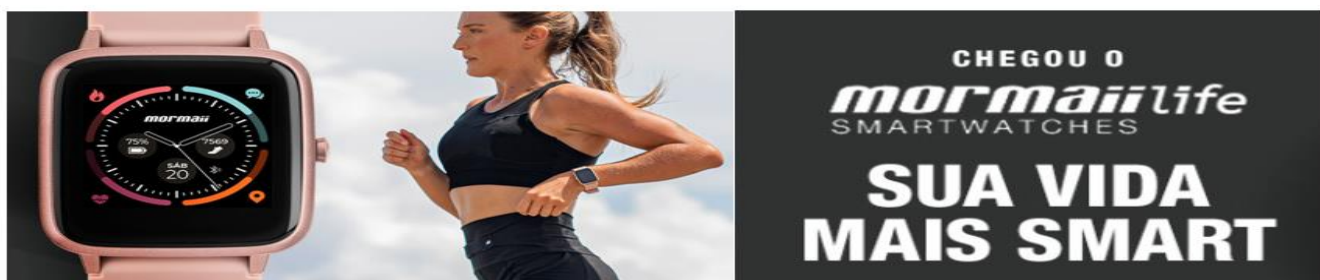
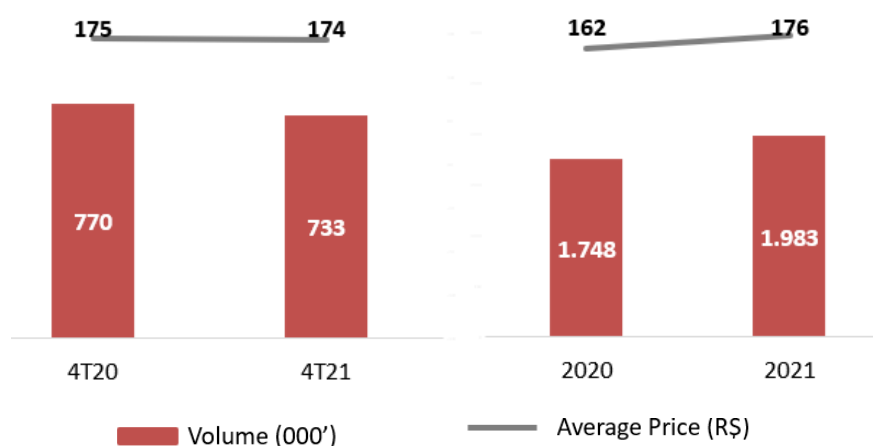
Gross Revenue for the year was up 23.1% versus the previous year, representing growth across virtually all brands, product categories, and distribution channels versus the previous year, which was heavily impacted by the pandemic.

In 4Q21, Gross Revenue reached R\$127.8 million, down 5.5%, compared to the 4Q20. It is important to note that in the fourth quarter of 2020 we had some sales held back due to the second and third quarters, which were more strongly impacted by the effects of isolation. However, when we compare the sale of the fourth quarter of 2021 with the same period of 2019 - without the impact of the pandemic or the damming of sales - the Company grew by 8.8%.

A major factor in the revenue evolution was the successful launch and supply of collections of traditional iconic products alongside the introduction and supply of smartwatch collections. The expansion of both the traditional and smartwatches product categories in the quarter continue to corroborate the high complementarity of the company's product portfolio. It is worth noting that the product sales performance in the quarter was still impacted by challenges arising from the supply chain and inventory replenishment crisis, particularly for the traditional watches category.

R\$ Million	4Q20	4Q21	Var %	Var R\$	2020	2021	Var %	Var R\$
Sales of Watches	134.7	127.6	-5.3%	-7.1	282.8	349.3	23.5%	66.5
Technical Assistance	0.5	0.2	-61.3%	-0.3	2.3	1.6	-28.7%	-0.7
Gross Revenue	135.2	127.8	-5.5%	-7.4	285.1	350.9	23.1%	65.8

In 2021, the average price reached R\$176, 8.8% higher than the previous year and a 13.5% growth in the total volume sold in the year. In the quarter, the number of watches sold totaled 733 thousand watches, 4.8% lower than 4Q20. The average price reached R\$174 in 4Q21 and remained flat as compared to the same period of the previous year.



NET REVENUE

In the year, Grupo Technos Net Revenue reached R\$314.4 million, a 28.5% growth as compared to 2020. In the fourth quarter of 2021, net revenue totaled R\$113.9 million, representing a 3.5% drop compared to the same period in the previous year and 8.8% growth compared to the same period in 2019.

Notwithstanding the 5.5% drop in Gross Revenue, sales taxes was 25.5% lower when compared to the same period in the previous year. This effect is primarily due to the increased enjoyment of the ICMS tax benefit, pursuant to Decree 43,274. It is worth noting that this benefit was initially granted for the year 2021 and more recently extended until October 2023. Excluding this effect, tax in 4Q21 would be R\$ 5.2 million higher.

R\$ Million	4Q20	4Q21	Var %	Var R\$	2020	2021	Var %	Var R\$
Gross Revenue	135.2	127.8	-5.5%	(7.4)	285.1	350.9	23.1%	65.8
Present Value Adjustment on Sales	(2.3)	(2.8)	22.3%	(0.5)	(4.1)	(5.9)	44.4%	(1.8)
Sales Taxes	(15.2)	(11.3)	-25.5%	3.9	(37.0)	(31.1)	-15.7%	5.8
Present Value Adjustment on Taxes	0.3	0.2	-14.1%	(0.0)	0.5	0.5	-4.8%	(0.0)
Net Revenue	118.0	113.9	-3.5%	(4.1)	244.6	314.4	28.5%	69.8

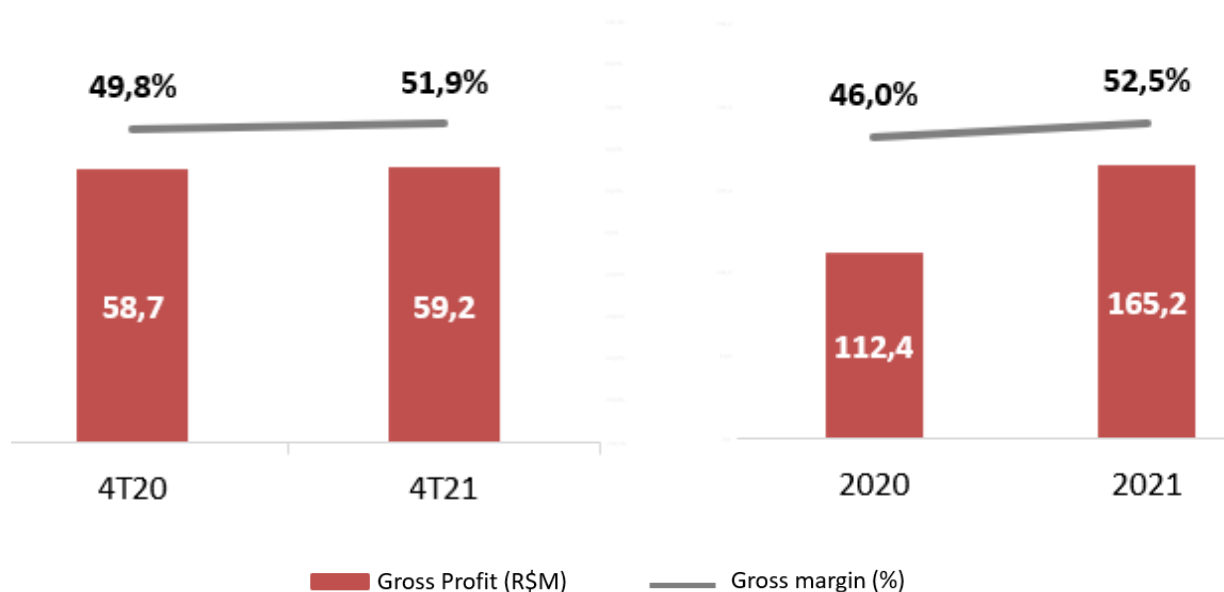


GROSS PROFIT AND GROSS MARGIN



Gross Profit and Gross Margin for 2021 totaled R\$165.2 million and 52.5% respectively, with 47% and 6.6 p.p. growth versus the previous year. In the fourth quarter of 2021, the Company's gross profit totaled R\$59.2 million compared to R\$58.7 million in the same period in the previous year, and gross margin increased by 2.1p.p., from 49.8% in the fourth quarter of 2020 to 51.9% in the fourth quarter of 2021. This increase is primarily due to the implementation of the strategy to recover the Company's profitability and efficiency.

The key factors accounting for increased gross margin, notwithstanding a scenario of increased dollar exchange rate, include increased prices, better sales mix, launchings of most desired collections, decreased sales promotions, decreased post-sales costs as a result of the outsourcing of the network. In addition, the positive effect in the quarter from the increase in ICMS tax benefit in force as from January 2021 and effective up to October 2023, was R\$5.2 million. The impact of the provision for obsolete inventory totaled R\$5.2 million.



SALES AND ADMINISTRATIVE EXPENSES



In the year, the Company's sales and administrative expenses totaled R\$107.7 million, down 3.9% versus the previous year and representing 34% of net revenue, the best efficiency level since the IPO. This result reflects the structural impact of the operational turnaround started in 2019.

In the fourth quarter, the Company's sales and administrative expenses dropped 8.0%, or R\$2.9 million, from R\$35.8 million in 2020 to R\$32.9 million in 2021.

Sales expenses were 9.3% or R\$2.3 million lower, compared to the same quarter in 2020. This drop was primarily due to reduction in sales expenses, including investments in marketing and trade actions, freight, travel, and mainly in bad debts, illustrating the company's careful management of its receivables.

General and administrative expenses recorded a R\$0.6 million, or 5.0% decline as compared to the same quarter in 2020. When compared to 2020, it is possible to note the effects of structural actions to decrease expenses, including the restructuring in headcount.

A close-up photograph of a woman's arm and hand. She is wearing a gold-tone rectangular watch with a black dial and a gold-tone mesh strap. The watch face features a small rectangular window and a stylized 'F' logo. On her ring finger, she wears a diamond ring with a round brilliant-cut diamond set in a gold-tone band. She is wearing a light pink or lavender blouse with a ruffled collar and gold-tone buttons. The background is a soft, out-of-focus warm light.

The adjustments made in Adjusted EBITDA in 4Q21 refer to taxes on the provision for obsolete inventory, in the amount of R\$1.4 million, the positive non-recurring impact of R\$5.1 million related to earn-out of tax credits sold in 2018 and the impact of present value adjustment on Operational Result, in the amount of R\$2.5 million.

³ 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

Adjusted EBITDA (R\$M) e Adjusted EBITDA Margin (%)



NET FINANCIAL RESULT



In the fourth quarter of 2021, net financial result totaled an expense of R\$9.9 million, representing an increase of R\$3.7 million compared to an expense of R\$6.2 million in the fourth quarter of 2020. The main impacts in this item in the fourth quarter of 2021 were due to the direct and indirect effects of the exchange rate variation in the period, including appreciations and depreciations, as well as derivative transactions and final cost of exercising the option to repurchase 100% of the PIS and COFINS credit balance on ICMS, according to the financial instrument for assignment of credit rights in the December 2018 statements.

R\$ Million	4Q20	4Q21	Var %	Var R\$	2020	2021	Var %	Var R\$
Financial Expenses	-4.5	-11.2	146.9%	-6.7	-12.5	-22.1	77.0%	-9.6
Financial Income	0.8	0.2	-80.6%	-0.6	4.7	3.9	-17.3%	-0.8
Present Value Income	0.2	1.5	554.1%	1.3	3.1	4.8	55.6%	1.7
Exchange and hedge variation	-2.7	-0.4	-85.9%	2.3	-19.6	-1.6	-91.6%	18.0
Net Financial Result	-6.2	-9.9	60.8%	-3.7	-24.3	-15.0	-38.2%	9.3

NET INCOME



In the year, Grupo Technos' net income reached R\$22.8 million, its best result since 2015. In the quarter, the Company's net income amounted to R\$18.1 million, representing a R\$15.2 million improvement as compared to the fourth quarter of 2020. As a result, in 2022 the Company paid R\$6.0 million as interim dividends equivalent to R\$0.080987323 per share and a 3.9% dividend yield based on this Release date.



WORKING CAPITAL

R\$ million	4Q20	Days	4Q21	Days
(+) Accounts Receivable	133.5	199	142.8	164
(+) Inventories	77.0	231	106.8	258
(-) Accounts Payable	14.3	55	44.8	108
(=) Working Capital	196.1	375	204.8	313

The Company's working capital in the fourth quarter of 2021 totaled R\$204.8 million, accounting for 313 days. In the same period in the previous year, working capital amounted to R\$196.1 million, growing R\$8.7 million, or 4.4%.

The Company's balance of Accounts Receivable totaled R\$142.8 million compared to R\$133.5 million in the previous year. This increase reflects the sales growth in the last 12 months as well as improved assiduity that has remained at healthy, positive levels versus historical levels. The average sales term in the last twelve months shows an increase of 5 days compared to the same period in the previous year.

Inventory totaled R\$106.8 million in the end of the period, representing a R\$29.8 million increase compared to the fourth quarter of 2020. This increase is the result of the rebuilding of inventories and the resumption of supply flows, efforts that we have been implementing since the fourth quarter of 2020. However, it is noteworthy that, in the end of December, a portion of this inventory was still in transit. Moreover, the management of the international chain has been a challenge in view of supply chain crisis and the global logistics scenario, which still has not recovered to normal levels.

The Company's balance of Accounts Payable totaled R\$44.8 million versus R\$14.3 million in same period of 2020, as a result of purchases and inventory adjustments.

Grupo Technos closed 4Q21 with a net debt in the amount of R\$36.4 million and financial leverage at 0.6x Adjusted EBITDA for the year. Net debt for the quarter showed a R\$25.3 million decrease versus the fourth quarter 2020 position mainly due to the higher cash balance of R\$20.7 million resulting from the recovery in sales and profitability. Compared to the third quarter of 2021, net debt showed a R\$14.4 million increase mainly due to the investment of a portion of the cash balance in rebuilding of inventories.

R\$ million	4Q20	3Q21	4Q21
Gross Debt	(138.2)	(135.2)	(133.7)
(-) Cash	76.6	113.2	97.3
(=) (Debt)/Net Cash	(61.6)	(22.0)	(36.4)

¹ In net debt calculation, we considered cash plus restricted cash of R\$7.7 million in 4Q21



INCOME STATEMENT



R\$ Thousand

QUARTER

	Consolidated	
	4Q20	4Q21
Net Revenue	117,993	113,910
Cost of goods sold	(59,245)	(54,752)
Gross Profit	58,748	59,158
Sales expenses	(21,881)	(22,523)
Provision for impairment of trade receivable	(2,974)	(29)
Administrative expenses	(10,937)	(10,385)
Others, net	(6,075)	925
Operating profit	16,881	27,146
Financial result, net	(6,156)	(9,898)
Financial income	1,464	2,582
Financial expenses	(7,620)	(12,480)
Income before income tax and social contribution	10,725	17,248
Income tax and social contribution	(7,873)	837
Deferred	(1,893)	7,410
Current	(5,980)	(6,573)
Net income	2,852	18,085

ACCUMULATED

	Consolidated	
	2020	2021
Net Revenue	244,607	314,402
Cost of goods sold	(132,208)	(149,226)
Gross Profit	112,399	165,176
Sales expenses	(63,578)	(69,425)
Provision for impairment of trade receivable	(14,704)	(784)
Administrative expenses	(33,850)	(37,499)
Others, net	(9,883)	(6,819)
Operating profit	(9,616)	50,649
Financial result, net	(24,308)	(15,031)
Financial income	54,628	12,246
Financial expenses	(78,936)	(27,277)
Income before income tax and social contribution	(33,924)	35,618
Income tax and social contribution	5,761	(7,537)
Deferred	(1,893)	(1,568)
Current	7,654	(5,969)
Net income	(28,163)	28,081

BALANCE SHEET



R\$ Thousand

	Consolidated	
	December 30, 2020	December 30, 2021
Assets		
Current liabilities		
Cash and cash equivalents	65,258	89,633
Restricted cash	11,313	7,706
Accounts receivable	133,452	142,792
Inventories	76,979	106,824
Income tax and social contribution recoverable	10,880	22,733
Taxes recoverable	32,723	34,965
Derivative financial instruments	407	394
Other assets	11,473	11,780
Assets held for sale	3,380	1,452
	345,865	418,279
Non-current liabilities		
Advances to suppliers	3,500	2,562
Taxes recoverable	23,997	3,148
Marketable securities	3,728	666
Judicial deposits	2,781	2,509
	34,006	8,885
Investments		
Intangible assets	190,815	189,912
Property and Equipment	28,129	25,654
	218,944	215,566
Total assets	598,815	642,730

BALANCE SHEET



	Consolidated	
	December 30, 2020	December 30, 2021
Liabilities		
Current liabilities		
Borrowings	4,468	13,696
Accounts payable	14,286	44,802
Income tax and social contributions payable	4,761	6,369
Deferred income tax and social contribution	1,450	570
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	4,459	11,700
Dividends payable	1,371	6,957
Derivative financial instruments	0	178
Lease payment	2,186	2,415
Other payables	10,741	8,489
Provision for success fees	2,027	3,167
Payables - assignment of credit right	19,830	9,710
	66,682	109,156
Non-current liabilities		
Borrowings	133,732	120,003
Income tax and social contributions payable (Note 14)	1,696	1,551
Deferred income tax and social contribution	15,559	21,529
Provision for contingencies	53,938	55,987
Amount payable for the acquisition of equity interest	4,230	114
Lease payment	2,050	3,667
Provision for success fees	4,633	1,709
	215,838	204,560
Total liabilities	282,520	313,716
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(20,075)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	204,432	203,488
Profit reserve for reflex tax incentive	14,287	18,619
Carrying value adjustment	(14,134)	(14,099)
Additional proposed dividend	3,205	3,205
Profit reserve		18,163
Total equity	316,295	329,014
Total liabilities and equity	598,815	642,730

CASH FLOW

R\$ thousand

QUARTER

Consolidated

	4Q20	4Q21
Income before income tax and social contribution	10,724	17,248
Adjustments for non-cash items		
Amortization and Depreciation	2,632	2,482
Allowance for recoverable value of inventory	1,524	(11,962)
Allowance for recoverable value of accounts receivable	2,974	29
Reversal of stock provision	0	23,777
Adjustment to market value in noncurrent assets available for sale	1,420	(322)
Provision for contingencies (reversal)	400	(328)
Results from disposal of permanent assets	(454)	977
Impairment of permanent assets	2,638	(1)
Provision for impairment of goodwill	400	(1)
Interest on loans	3,376	3,931
Other interest expenses and foreign exchange variation	372	94
Derivative financial instruments	20,112	645
Stock option premium	0	894
Others	226	(412)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	(45,311)	(36.620)
Decrease (increase) in inventories	34,890	2.067
Decrease (increase) in tax recoverable	7,165	11.818
(Decrease) increase in other assets	1,542	(1.247)
Increase (decrease) in suppliers and accounts payable	(8,566)	(8.070)
Increase (decrease) in salaries and social charges payable	(3,466)	(500)
Increase (decrease) in taxes, rates and social contributions payable	(3,503)	(3.015)
Interest paid	(7,129)	(4.666)
Income tax and social contribution paid	(853)	8.861
Others	0	(13.590)
Net cash (applied in) generated by operational activities	20,713	(7,910)
Cash flow from investment activities		
Redemption of escrow accounts	105	954
Acquisition of equity interest	(13)	0
Purchases of property and equipment	(154)	(272)
Amount received from the sale of property and equipment	2,755	807
Purchases of intangible assets	(184)	(355)
Net cash (applied in) generated by investment activities	2,509	1,134
Cash flow from financing activities		
Deposits as collaterals - restricted cash	35,558	5,249
Borrowings	78,313	0
Payment of borrowings	(107,818)	(1,008)
Lease contracted	0	0

Lease paid	(2,298)	(545)
Dividends paid to the company's shareholders	(4)	0
Acquisition of own shares held in treasury	0	(7,597)
Acquisition of equity interest	0	(57)
Net cash applied in financing activities	3,751	(3,958)
Increase (decrease) in cash and cash equivalents	26,973	(10,734)
Cash and cash equivalents at the beginning of period	38,285	100,367
Cash and cash equivalents at the end of period	65,258	89,633

CASH FLOW



R\$ thousand

ACCUMULATED

Consolidated

	2020	2021
Income before income tax and social contribution	(33,924)	35,618
Adjustments for non-cash items		
Amortization and Depreciation	11,087	8,890
Allowance for recoverable value of inventory	5,106	(15,904)
Allowance for recoverable value of accounts receivable	14,704	784
Reversal of stock provision	0	23,777
Adjustment to market value in noncurrent assets available for sale	1,420	523
Provision for contingencies (reversal)	(700)	2,049
Results from disposal of permanent assets	953	2,643
Impairment of permanent assets	2,634	(5)
Provision for impairment of goodwill	0	0
Interest on loans	6,889	12,001
Other interest expenses and foreign exchange variation	34,600	103
Derivative financial instruments	1,449	191
Stock option premium	0	3,157
Others	(38)	(2)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	3,601	(10,124)
Decrease (increase) in inventories	40,530	(15,874)
Decrease (increase) in tax recoverable	8,846	14,959
(Decrease) increase in other assets	3,879	2,313
Increase (decrease) in suppliers and accounts payable	(71,953)	16,194
Increase (decrease) in salaries and social charges payable	(2,037)	7,241
Increase (decrease) in taxes, rates and social contributions payable	(343)	5,374
Interest paid	(12,898)	(13,800)
Income tax and social contribution paid	(853)	(13,590)
Others	0	0
Net cash (applied in) generated by operational activities	12,952	42,457
Cash flow from investment activities		
Redemption of escrow accounts	642	3,203
Acquisition of equity interest	(538)	0
Restricted cash	0	0
Purchases of property and equipment	(1,440)	(2,867)
Amount received from the sale of property and equipment	3,379	2,201
Purchases of intangible assets	(1,665)	(2,670)
Net cash (applied in) generated by investment activities	378	(133)
Cash flow from financing activities		
Deposits as collaterals - restricted cash	(4,212)	3,962
Borrowings	209,594	0
Payment of borrowings	(202,333)	(3,182)

Lease paid	(5,226)	(2,418)
Acquisition of own shares held in cash	0	(12,968)
Acquisition of equity interest	0	(3,343)
Dividends paid to the Company's shareholders	(4)	0
Net cash applied in financing activities	(2,181)	(17,949)
Increase (decrease) in cash and cash equivalents	11,153	24,375
Cash and cash equivalents at the beginning of period	54,109	65,258
Cash and cash equivalents at the end of period	65,262	89,633