TECHNOS Dumont FOSSIL A|X ARMANI EXCHANGE DKNY MICHAEL KORS MARC JACOBS TORY BURCH TOUCH Allora Condor EURO EMPORIO ARMANI DIESEL MARINER mormaii SKAGEN DENMARK

GRUPO TECHNOS ANNOUNCES 3Q18 EARNINGS RESULTS

Rio de Janeiro, November 6, 2018 – Grupo Technos (B3: TECN3) announces its 3Q18 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated.

DATE

11/06/2018

CLOSING PRICE

R$2.24/share

MARKET CAP

R$175.9 million

CONFERENCE CALL

11/07/2018

10:00 a.m. Brasília

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3Q18 HIGHLIGHTS

- Net revenue reached R$71.2 million, representing a 7.3% decrease;
- Gross margin remained stable compared to 3Q17 (47.1%);
- SG&A decreased by 5.4%, or R$2.0 million, compared to 3Q17;
- Net income increased by R$3.3 million compared to 3Q17;
- Adjusted EBITDA totaled R$1.7 million in 3Q18;
- Continuity of good working capital management, reaching R$217.5 million and 324 days, representing a 21.7% decrease compared to 3Q17;
- Net debt decreased by 36.6%, or R$28.3 million, in the last 12 months, totaling R$49.0 million as of September 30, 2018.

R$ million	3Q17	3Q18	%	2017	2018	%
Gross revenue	93.9	84.8	-9.7%	273.7	233.9	-14.5%
Net revenue	76.8	71.2	-7.3%	223.0	196.4	-12.0%
Gross profit	36.1	33.5	-7.3%	106.8	95.1	-10.9%
Gross margin	*47.0%*	*47.1%*	*0.0p.p.*	*47.9%*	*48.4%*	*0.6p.p.*
Net income	-7.1	-3.7	-47.2%	-16.4	-11.3	-31.4%
Net margin	*-9.2%*	*-5.2%*	*4.0p.p.*	*-7.4%*	*-5.7%*	*1.6p.p.*
Adjusted EBITDA	3.4	1.7	-48.5%	7.0	1.0	-86.1%
Adjusted EBITDA margin	*4.4%*	*2.5%*	*-2.0p.p.*	*3.2%*	*0.5%*	*-2.7p.p.*
Number of watches (000s)	635	565	-11.1%	1,789	1,566	-12.4%
Average price (R$/product)	145	148	1.8%	150	146	-2.2%

***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 option plan.*

In the third quarter of 2018, we still faced a difficult sales scenario. July turned out to be the most challenging month, but in August and September our gross revenue showed signs of recovery compared to 2Q18. The changes in the Company's senior management, as informed in August, renewed our focus on operational excellence and relationship with our customers, bringing back our values and strengths.

Our main brands had a good performance in 3Q18, with an 8% increase in revenue and a 10% increase in sales volume compared to the previous year. We attribute the good performance of these brands to the assertiveness of launches and a larger offer of products in price ranges with higher market demand. On the other hand, sales suffered with the impact of discontinued brands and products, such as Adidas and Timex.

Our gross margin remained stable, notwithstanding the effect of the depreciation of the *Real* against the U.S. dollar and the change in the accounting of provisions for inventory, currently recorded in Cost of goods sold. These effects were offset by internal gains from the efforts to reduce costs with foreign suppliers, improve productivity and reduce international freight costs.

In 3Q18, SG&A decreased by 5.4%, or R$2.0 million, compared to 3Q17, evidencing the efforts of the Company to contain expenses. Notwithstanding the changes in senior management, including termination costs, we obtained savings by moving our administrative headquarters and reducing (i) uncollectible accounts, (ii) variable sales expenses and (iii) investments in projects of lower return.

In 3Q18, our net income increased by R$3.3 million compared to 3Q17, representing a decrease of 47.2% in the loss in the quarter. In 3Q18, adjusted EBITDA totaled R$1.7 million, representing a decrease of 48.5%. Net income and adjusted EBITDA were primarily affected by the decrease in sales, margin stability and the decrease in SG&A.

In 3Q18, our net debt totaled R$49.0 million, representing a decrease of R$28.3 million compared to 3Q17. We also had efficiency gains in the use of working capital, which decreased by R$60.2 million compared to 3Q17, representing 73 fewer days. This reflects our constant pursuit for strategies to reduce the use of working capital invested in the business.

In these last quarters, we have been working to improve our indebtedness profile, extending maturities and reducing the average cost. In 2Q18, we entered into an important transaction related to our smartwatches with FINEP, the government agency that finances innovation. The transaction matures in nine years and accrues interest at the TLP. In 3Q18, we extended the term of our debt with one of our partner banks for an additional period of 18 months. This strategy is in line with our last disclosure, i.e., working with a higher cash balance at this time of economic uncertainty. We reaffirm that, notwithstanding the extension of our indebtedness terms, we continue to reduce our net debt. Our net debt decreased by R$28.3 million, from R$77.2 million in 3Q17 to R$49.0 million in 3Q18.

We continue to focus on the improvement of our operation to ensure a high service level and the satisfaction of our customers. In terms of seasonality, 4Q18 is the most important quarter for the Company and we believe we are well positioned to live up to this moment and capture a potential market recovery.

GROSS REVENUE

Gross revenue reached R$84.8 million in 3Q18, representing a decrease of 9.7% compared to 3Q17. In the first nine months of 2018, gross revenue totaled R$233.9 million, representing a decrease of 14.5% compared to the same period in 2017. This performance reflects the decrease in sales due to the persisting contraction in the market as a result of the adverse economic scenario and the low level of consumer trust.

R$ Million	3Q17	3Q18	Var %	Var R$	2017	2018	Var %	Var R$
Product Sales	92.0	83.3	-9.5%	-8.7	267.8	229.4	-14.3%	-38.4
Technical Assistance	1.8	1.5	-18.1%	-0.3	5.9	4.5	-24.1%	-1.4
Gross Revenue	**93.9**	**84.8**	**-9.7%**	**-9.1**	**273.7**	**233.9**	**-14.5%**	**-39.8**

PRODUCT SALES

Overview

Revenue from product sales improved in 3Q18, after changes in the senior management of the Company. The pace of the drop in revenue during the year has been decreasing. In addition to focusing on a business management model with more experience in our market, including the reinforcement of our relationship with customers and the pursuit for service excellence, we made internal improvements to enhance the efficiency of internal processes that affect our customers.

The sales performance reflects the 11.1% decrease in the number of watches sold in the period, which totaled 565 thousand units in 3Q18 at a virtually stable average price, reaching R$148 in 3Q18 compared to R$145 in 3Q17. Revenue from technical assistance totaled R$1.5 million, representing a decrease of 18.1% compared to 3Q17.

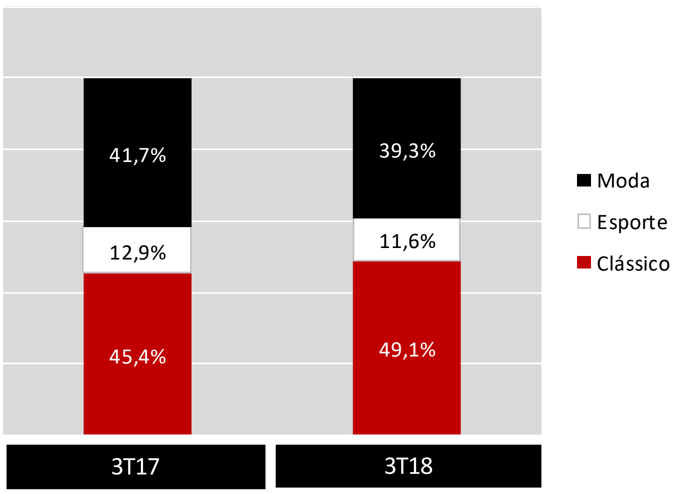
Analysis per Category

R$ million	3Q17	3Q18	Var %	Var R$	2017	2018	Var %	Var R$
Classic	41.8	40.9	-2.1%	-0.9	123.8	110.7	-10.6%	-13.1
Sports	11.8	9.6	-18.6%	-2.2	33.7	26.8	-20.3%	-6.8
Fashion	38.4	32.7	-14.8%	-5.7	110.3	91.9	-16.7%	-18.4
Total	**92.0**	**83.3**	**-9.5%**	**-8.7**	**267.8**	**229.4**	**-14.3%**	**-38.4**

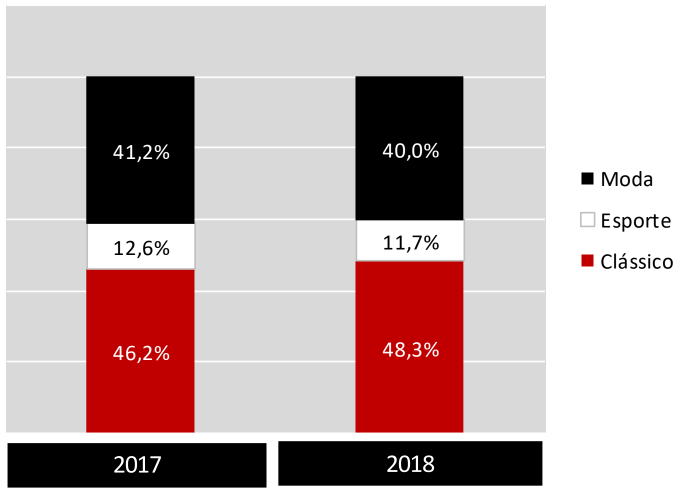
In the analysis per category, sales of the Classic category, which includes the Technos brand, had the best results, increasing by 3.2% in terms of sales volume and decreasing by 2.1% in terms of prices. In 3Q18, product sales from this category accounted for almost half of total product sales in the quarter, increasing its share in sales compared to previous quarters.

Share of Sale of Products in Gross Revenue – per Category

Quarter



Semester



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

CLÁSSICO	MODA	ESPORTE
SKAGEN DENMARK, EMPORIO ARMANI	MICHAEL KORS, TORY BURCH, MARC JACOBS, kate spade NEW YORK, DKNY, DIESEL, A|X ARMANI EXCHANGE, FOSSIL	
TECHNOS	EURO RELÓGIOS	mormaii
Dumont	allora, Condor, TOUCH, MARINER	

Analysis by Distribution Channel

R$ million	3Q17	3Q18	Var %	Var R$	2017	2018	Var %	Var R$
Specialized Stores	62.2	57.6	-7.5%	-4.7	190.1	160.7	-15.5%	-29.4
Department Stores and Others	29.8	25.7	-13.6%	-4.0	77.7	68.8	-11.5%	-8.9
Total	**92.0**	**83.3**	**-9.5%**	**-8.7**	**267.8**	**229.4**	**-14.3%**	**-38.4**

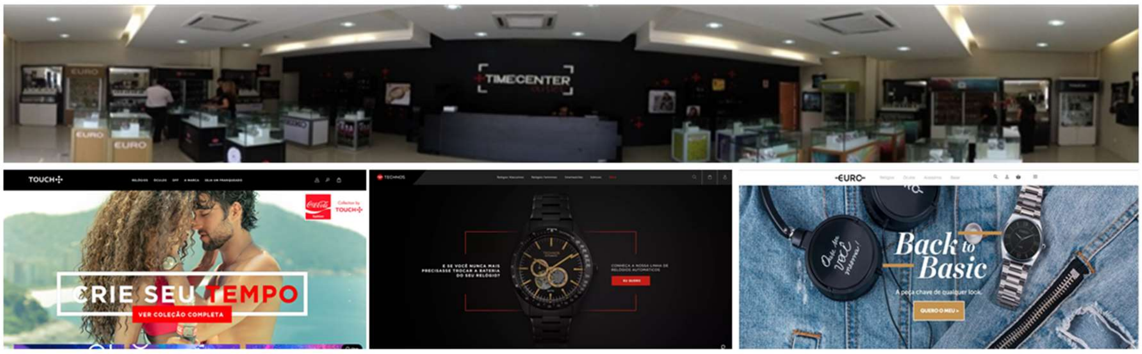
In 3Q18, product sales from Specialized Stores and Department Stores and Others decreased compared to 3Q17. Product sales from Department Stores and Others decreased more compared to Specialized Stores. Considering the evolution in the first nine months of 2018, product sales from Specialized Stores decreased more, as Specialized Stores offer products with higher average prices and are also affected by consumers seeking products with lower prices.

RETAIL AND FRANCHISES

At the end of September 2018, we had 69 exclusive points of sale, with Touch representing 49 and Euro 20, representing an increase of 4 points of sale compared to 2Q18. 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 3Q18, we had six ecommerce 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 13 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

In 3Q18, net revenue totaled R$71.2 million, representing a decrease of 7.3% compared to 3Q17. In the first nine months of 2018, net revenue totaled R$196.4 million, representing a decrease of 12.0% compared to the same period in 2017.

Present value adjustment on gross revenue totaled R$1.6 million in 3Q18 and R$4.5 million in the first nine months of 2018, representing a decrease of 38.6% and 49.5%, respectively, compared to the same periods in 2017. This is a noncash 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	3Q17	3Q18	Var %	Var R$	2017	2018	Var %	Var R$
Gross Revenue	93.9	84.8	-9.7%	(9.1)	273.7	233.9	-14.5%	(39.8)
Present Value Adjustment on Sales	(2.7)	(1.6)	-38.6%	1.0	(9.0)	(4.5)	-49.5%	4.5
Sales Taxes	(14.8)	(12.2)	-17.3%	2.6	(43.0)	(33.7)	-21.8%	9.4
Present Value Adjustment on Taxes	0.4	0.2	-41.9%	(0.2)	1.4	0.7	-51.8%	(0.7)
Net Revenue	**76.8**	**71.2**	**-7.3%**	**(5.6)**	**223.0**	**196.4**	**-12.0%**	**(26.7)**

GROSS PROFIT

Gross profit totaled R$33.5 million in 3Q18 and R$95.1 million in the first nine months of 2018, representing a decrease of 7.3% and 10.9%, respectively, compared to the same periods in 2017. The percentage decrease in gross profit is lower than the percentage decrease in revenue. Gross margin was 47.1% in 3Q18, in line with 3Q17, and 48.4% in the first nine months of 2018, representing an increase of 0.6 p.p. compared to the same period in 2017.

We recorded internal gains from our efforts to reduce costs with foreign suppliers, improve productivity in our assembly line in the city of Manaus and reduce international freight costs. These gains were important to maintain our gross margin, offsetting the growth in the mix of entry-price products due to a retracted market and the strong appreciation of the U.S. dollar against the *Real* in the last months. This currency depreciation in the quarter has been affecting our production costs and will continue to negatively affect our gross margin in the next quarters, as most of our costs are indexed to the U.S. dollar because we import parts and products.

The maintenance of our gross margin in 3Q18 and the maintenance of gains in margin in the first nine months of 2018, compared to the same periods in 2017, are even more significant if we consider the change in 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 3Q17, gross margin would have been 47.9% in 3Q18, representing an increase of 0.9 p.p. compared to 3Q17. In the first nine months of 2018, excluding this adjustment, gross margin would have been 49.3% compared to 47.9% in the same period of 2017, representing an increase of 1.4 p.p.

SALES AND ADMINISTRATIVE EXPENSES

In 3Q18, SG&A decreased by 5.4%, or R$2.0 million, compared to 3Q17, notwithstanding the changes in the senior management of the Company, which resulted in termination costs. The decrease in SG&A was lower than the decrease in revenue. Accordingly, as a percentage of net revenue, SG&A increased from 49.3% in 3Q17 to 50.4% in 3Q18.

Our management is strongly committed to controlling expenses to maintain business profitability. In the first nine months of 2018, SG&A decreased by 5.7% and, excluding termination costs due to changes in our structure, SG&A decreased by 9.6% compared to the same period in 2017.

Accordingly, the Company obtained savings with project expenses, focusing funds on more effective expenditures, with higher generation of revenue and business return. In 3Q18, we also obtained savings compared to 3Q17, as a result of a better management of uncollectible accounts, legal fees related to a lawsuit we won in 2017, infrastructure expenses due the moving of our administrative headquarters and sales expenses.

OTHER OPERATING RESULTS, NET

In 3Q18, other operating results, net totaled an expense of R$1.4 million, representing an increase of 24.1% compared to an expense of R$1.1 million in 3Q17. This increase was primarily due to a non-recurring tax income in 3Q17 and the increase in taxes on obsolete inventories. We also reallocated provisions for inventory losses, which were previously recorded in Other expenses and are currently recorded in Cost of goods sold.

In the first nine months of 2018, other operating results, net totaled an expense of R$2.8 million, representing a decrease of R$3.3 million, or 53.9%, compared to the net expense recorded in the same period in 2017. In addition to the factors mentioned above, which contributed to decrease expenses in 3Q18, the decrease in net expenses in the first nine months of 2018 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 3Q18, Adjusted EBITDA totaled R$1.7 million and EBITDA margin was 2.5% on net revenue. In 3Q18, Adjusted EBITDA decreased by 48.5%, or R$1.6 million, and EBITDA margin decreased by 2.0 p.p. compared to 3Q17

R$ million	3Q17	3Q18	2017	2018
(=) Net income	**(7.1)**	**(3.7)**	**(16.4)**	**(11.3)**
(+) Depreciation and amortization	(3.1)	(2.6)	(9.0)	(8.9)
(+/-) Financial result	(1.8)	(0.9)	(0.8)	0.9
(+) Current taxes	0.0	(0.5)	0.0	(0.5)
(+/-) Deferred taxes	(2.6)	1.3	(3.4)	2.3
(=) EBITDA (CVM 527/12)	**0.4**	**(1.0)**	**(3.2)**	**(5.1)**
(+/-) Provision for non-recurring contingencies	(0.1)	(0.6)	(0.9)	(0.9)
(+) Other non-cash expenses	(0.5)	(0.4)	(1.7)	(1.2)
(+) Impact of present value adjustment on operational result	(2.3)	(1.8)	(7.7)	(3.9)
(=) Adjusted EBITDA	**3.4**	**1.7**	**7.0**	**1.0**

NET FINANCIAL RESULT

Net financial result totaled an expense of R$0.8 million in 3Q18, representing an increase of 52.0% compared to an expense of R$1.6 million in 3Q17. This 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 (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 addition, our interest expenses also decreased significantly due to the expressive decrease in the balance of our net debt during the period.

NET INCOME

In 3Q18, net income increased by R$3.3 million compared to 3Q17, representing a 47.2% decrease in the loss of R$7.1 million recorded in 3Q17. This was primarily due to the decrease in sales, margin stability, decrease in SG&A and decrease in income taxes.

CASH FLOWS

R$ Million	3Q17	3Q18	2017	2018
Net income before income tax and social contributions	**(4.5)**	**(4.5)**	**(13.0)**	**(13.1)**
(+/-) Non-cash adjustments	(1.0)	13.3	13.2	41.9
(+/-) Operational activities	(5.8)	1.7	13.9	12.0
(+/-) Investment activities	(2.8)	(7.3)	(9.2)	(15.3)
(+/-) Financial activities	(10.5)	(4.7)	(9.8)	5.2
(=) Increase (decrease) in cash	**(24.5)**	**(1.6)**	**(5.0)**	**30.7**
(+) Cash and cash equivalents at the beginning of the period	36.5	47.1	17.0	14.8
(=) Cash and cash equivalents at the end of the period	**12.0**	**45.5**	**12.0**	**45.5**

NON-CASH ADJUSTMENTS

In 3Q18, non-cash adjustments totaled R$13.3 million, primarily due to the provisions of the result and the depreciation of the *Real*, which resulted in an 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 3Q18, net cash from operational activities totaled R$1.7 million. In 3Q18, the main changes were: (i) an increase of R$11.8 million in inventories for Christmas sales; (ii) a decrease of R$1.5 million in accounts receivable; and (iii) an increase of R$10.7 million in suppliers and accounts 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 3Q18, investments in property and equipment and intangible assets totaled R$3.1 million, while the amount received for the sale of property and equipment totaled R$0.1 million. Net cash utilized by our investment activities was also affected by the recording of a portion of the funds obtained from FINEP, not yet been used, as marketable securities, which totaled R$3.9 million.

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 3Q18, we extended the term of our debt with one of our partner banks for an additional period of 18 months. This strategy is in line with our last disclosure, i.e., extending the term of our debt and working with a higher cash balance at this time of economic uncertainty. We reaffirm that, notwithstanding our capital raising, 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$3.8 million at the end of 3Q18 that, added to the initial amount of R$47.1 million, led to a final cash balance of R$50.9 million at September 30, 2018. At the end of 3Q17, the Company's final cash balance totaled R$12.0 million.

WORKING CAPITAL

R$ Million	**3Q17**	**Days**	**3Q18**	**Days**
(+) Accounts receivable	172.7	183	140.2	161
(+) Inventories	140.4	287	145.0	307
(-) Accounts payable	35.7	73	68.0	144
(=) Working Capital	**277.4**	**397**	**217.2**	**324**

In 3Q18, the Company's working capital totaled R$217.2 million, accounting for 324 days. In 3Q17, working capital totaled R$277.4 million, accounting for 397 days, or 73 fewer days.

In accounts receivable, we improved client assiduity in 3Q18 and we kept the average recovery balance in 2018. The term of accounts receivable decreased from 183 days in 3Q17 to 161 days in 3Q18.

In 3Q18, inventories totaled R$145.0 million, representing 20 more days of working capital, due to the appreciation of the U.S. dollar against the *Real* and the decrease in sales in the period between May and July. We are working with order postponements and purchase adjustments to reduce the level of our inventories.

We continued working on extending the term of our accounts payable with domestic and foreign suppliers. Accordingly, the average term of our accounts payable increased from 73 days to 144 days.

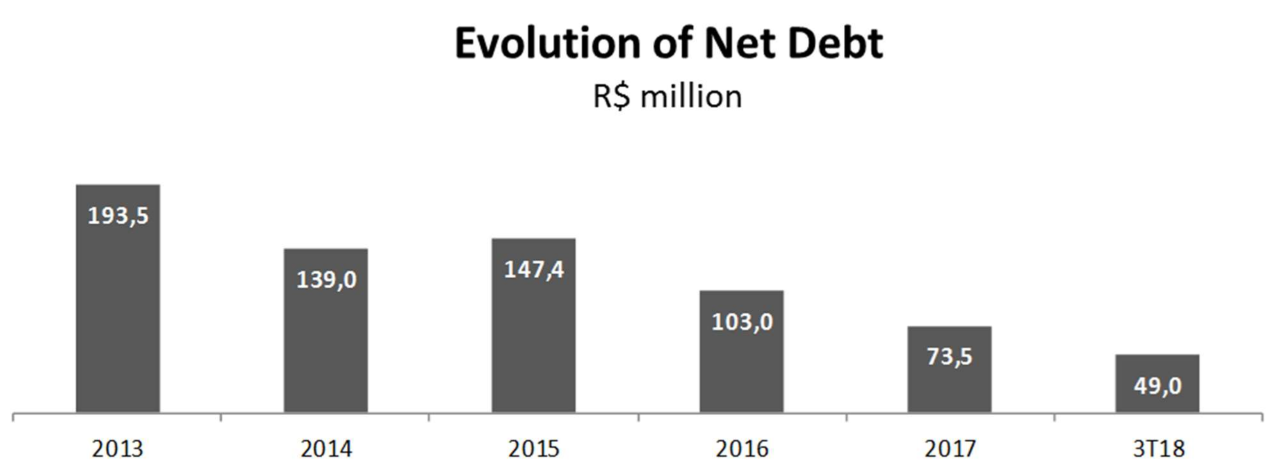
In 3Q18, Grupo Technos had net debt of R$49.0 million, representing a decrease of R$28.2 million compared to R$77.2 million at the end of 3Q17. In 3Q18, our net debt decreased by R$5.1 million compared to 2Q18.

R$ Million	**3Q17**	**2T18**	**3Q18**
Gross debt	(89.2)	(101.2)	(99.9)
(-) Cash	12.0	47.1	50.9 [1]
(=) (Debt)/Net cash	**(77.2)**	**(54.1)**	**(49.0)**

In 2Q18, we entered into an important transaction related to our smartwatches with FINEP, the government agency that finances innovation. The transaction matures in nine years and accrues interest at the TLP. In 3Q18, we extended the term of our debt with one of our partner banks for an additional period of 18 months.

These actions are part of our strategy of working with a higher cash balance at this time of economic uncertainty. We reaffirm that, 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.

[1] The calculation of net debt takes into account cash plus marketable securities.



R$ thousand

QUARTER

	Consolidated	
	3Q17	**3Q18**
Net revenue	76,811	71,168
Cost of goods sold	(40,674)	(37,670)
Gross profit	**36,137**	**33,498**
Sales expenses	(28,626)	(26,407)
Administrative expenses	(9,275)	(9,449)
Others, net	(1,128)	(1,400)
Operational profit	**(2,892)**	**(3,758)**
Financial result, net	(1,603)	(770)
Financial income	16,571	16,598
Financial expenses	(18,174)	(17,368)
Income before income tax and social contribution	**(4,495)**	**(4,528)**
Income tax and social contribution	(2,571)	799
Current	0	(483)
Deferred	(2,571)	1,282
Net income	**(7,066)**	**(3,729)**

ACCUMULATED

	Consolidated	
	2017	**2018**
Net revenue	223,045	196,386
Cost of goods sold	(116,269)	(101,248)
Gross profit	**106,776**	**95,138**
Sales expenses	(86,128)	(80,024)
Administrative expenses	(27,368)	(26,766)
Others, net	(6,090)	(2,809)
Operational profit	**(12,810)**	**(14,461)**
Financial result, net	(199)	1,397
Financial income	34,751	48,046
Financial expenses	(34,950)	(46,649)
Income before income tax and social contribution	**(13,009)**	**(13,064)**
Income tax and social contribution	(3,414)	1,800
Current	0	(483)
Deferred	(3,414)	2,283
Net income	**(16,423)**	**(11,264)**

R$ thousand

Assets	Consolidated September 30, 2017	September 30, 2018
Current assets		
Cash and cash equivalents	12,001	45,518
Marketable securities	0	5,356
Accounts receivable	172,742	140,160
Inventories	140,359	145,048
Recoverable taxes	8,448	8,584
Derivative financial instruments	174	0
Other assets	17,038	34,241
	350,762	**378,907**
Non-current assets		
Advances to suppliers	5,937	5,250
Recoverable taxes	12,971	29,517
Marketable securities	24,316	24,183
Judicial deposits	2,614	4,936
Accounts receivable	0	0
Other assets	16,850	22,807
	62,688	**86,693**
Investments		
Intangible	262,685	261,932
Property and equipment	35,283	36,703
	297,968	**298,635**
Total assets	**711,418**	**764,235**

R$ thousand

	Consolidated	
	September 30, 2017	September 30, 2018
Liabilities		
Current liabilities		
Borrowings	44,552	45,003
Accounts payable	35,740	68,017
Income tax and social contributions payable	4,772	3,248
Deferred income tax and social contributions	0	390
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	11,008	9,977
Dividends payable	1,375	1,375
Derivative financial instruments	0	467
Licenses payable	0	0
Other payables	10,160	4,817
	108,710	**134,397**
Non-current liabilities		
Borrowings	44,434	68,471
Income tax and social contributions payable (Note 14)	0	2,828
Deferred income tax and social contributions	54,084	45,967
Provision for contingencies	28,999	32,573
Derivative financial instruments	0	0
Licenses payable	0	0
Amount payable for the acquisition of equity interest	25,936	26,068
Other payables	253	62
	153,706	**175,969**
Total liabilities	**262,416**	**310,366**
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(11,208)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	200,967	202,611
Profit reserves	170,049	168,130
Carrying value adjustment	(14,096)	(14,113)
Retained earnings (accumulated losses)	(16,423)	(11,264)
Other comprehensive income	0	0
Total equity	**449,002**	**453,869**
Total equity and liabilities	**711,418**	**764,235**

R$ thousand

QUARTER

	Consolidated	
	3Q17	**3Q18**
Income before income tax and social contribution	**(4,495)**	**(4,528)**
Adjustments for items that do not affect cash flow		
Amortization and depreciation	3,102	2,553
Allowance for recoverable value of inventory	725	535
Allowance for recoverable value of accounts receivable	1,094	943
Allowance for contingencies (reversal)	(3,777)	4,274
Results from disposal of permanent assets	(19)	40
Impairment of permanent assets	(2)	(1)
Interest on loans	(1,403)	5,281
Other interest	(1,305)	370
Stock option premium	530	366
Non-controlling interest	0	0
Others	(1,902)	(1,103)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	10,770	1,533
Decrease (increase) in inventories	3,132	(11,826)
Decrease (increase) in tax recoverable	1,148	(3,399)
Decrease (increase) in other assets	(881)	7,247
Increase (decrease) in suppliers and accounts payable	(24,041)	10,730
Increase (decrease) in salaries and social charges payable	1,384	772
Increase (decrease) in taxes, rates and social contributions payable	3,513	(569)
Interest paid	(808)	(2,821)
Income tax and social contribution paid	0	0
Net cash (applied in) generated by operational activities	**(13,235)**	**10,397**
Cash flow from investment activities		
Decrease (increase) in securities	(1,657)	(4,382)
Reversal of goodwill in acquisition of equity interest	0	0
Acquisition of equity interest	(11)	(233)
Purchases of fixed assets	(1,795)	(1,948)
Amount received from the sale of fixed assets	784	54
Purchases of intangible assets	(1,456)	(745)
Net cash (applied in) generated by investment activities	**(821)**	**(7,254)**
Cash flow from financial activities		
Borrowings	87,060	22,765
Payment of borrowings	(97,512)	(27,586)
Dividends paid to Company shareholders	0	86
Net cash applied in financial activities	**(10,452)**	**(4,735)**
Increase (decrease) in cash and cash equivalents	(24,508)	(1,594)
Cash and cash equivalents at beginning of period	36,509	47,110
Cash and cash equivalents at end of period	**12,001**	**45,518**

R$ thousand

ACCUMULATED

	Consolidated	
	2017	**2018**
Income before income tax and social contribution	**(13,009)**	**(13,064)**
Adjustments for items that do not affect cash flow		
Amortization and depreciation	9,034	8,916
Allowance for recoverable value of inventory	2,215	1,386
Allowance for recoverable value of accounts receivable	896	2,274
Allowance for contingencies (reversal)	(2,306)	7,180
Results from disposal of permanent assets	75	323
Impairment of permanent assets	(8)	(4)
Interest on loans	(310)	20,662
Other interest	1,842	1,110
Stock option premium	1,640	1,212
Non-controlling interest	0	0
Others	(1,821)	(1,127)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	46,029	49,263
Decrease (increase) in inventories	(16,644)	(40,842)
Decrease (increase) in tax recoverable	(1,630)	(8,620)
Decrease (increase) in other assets	(5,636)	(16,278)
Increase (decrease) in suppliers and accounts payable	(13,418)	33,341
Increase (decrease) in salaries and social charges payable	3,983	2,434
Increase (decrease) in taxes, rates and social contributions payable	3,592	(2,857)
Interest paid	(2,379)	(4,397)
Income tax and social contribution paid	0	0
Net cash (applied in) generated by operational activities	**12,145**	**40,912**
Cash flow from investment activities		
Decrease (increase) in securities	2,235	(3,857)
Acquisition of equity interest	(889)	(1,388)
Purchases of fixed assets	(5,824)	(8,059)
Amount received from the sale of fixed assets	1,646	1,660
Purchases of intangible assets	(4,444)	(3,743)
Net cash (applied in) generated by investment activities	**(7,276)**	**(15,387)**
Cash flow from financial activities	0	0
Acquisition of own shares held in treasury	0	0
Borrowings	87,872	54,357
Payment of borrowings	(97,716)	(49,192)
Dividends paid to Company shareholders	(2)	(1)
Net cash applied in financial activities	**(9,846)**	**5,164**
Increase (decrease) in cash and cash equivalents	(4,977)	30,689
Cash and cash equivalents at beginning of period	16,978	14,829
Cash and cash equivalents at end of period	**12,001**	**45,518**