



GRUPO TECHNOS ANNOUNCES 3Q19 RESULTS

Rio de Janeiro, November 11, 2019 – Grupo Technos (B3: TECN3) announces its 3Q19 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated.

DATE

11/11/2019

CLOSING PRICE

R\$2.20/share

MARKET CAP

R\$172,7 million

CONFERENCE CALL

11/12/2019 10:00 a.m.
Brasília

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3Q19 HIGHLIGHTS

- Continuation of increases in net revenue, representing a 2.6% increase compared to 3Q18;
- Growth of 5.1% in the number of watches sold in 3Q19;
- Balance among channels and categories, highlighting specialized stores, the Company's core channel;
- Control over SG&A and working capital, notwithstanding the growth in sales and volume;
- Net debt of R\$36.5 million, representing a 25.5% decrease, or R\$12.5 million, compared to 3Q18.

R\$ million	3Q18	3Q19	%	2018	2019	%
Gross revenue	84.8	87.5	3.2%	233.9	253.6	8.4%
Net revenue	71.2	73.0	2.5%	196.4	211.5	7.7%
Gross profit	33.5	32.3	-3.4%	95.1	60.1	-36.9%
Gross margin	47.1%	44.3%	-2.7p.p.	48.4%	28.4%	-20.0p.p.
Net income	-3.7	-2.6	-31.1%	-11.3	-49.0	335.2%
Net margin	-5.2%	-3.5%	1.7p.p.	-5.7%	-23.2%	-17.4p.p.
Adjusted EBITDA	1.7	1.2	-33.0%	1.0	-37.9	3,970.8%
Adjusted EBITDA margin	2.5%	1.6%	-0.8p.p.	0.5%	-17.9%	-18.4p.p.
Number of watches (000s)	565	594	5.1%	1,566	1,745	11.4%
Average price (R\$/product)	148	145	-1.9%	146	143	-2.7%

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, nonrecurring results, recovery of escrow of liabilities generated before the acquisition of Dumont Saab, and stock option plan.

In the third quarter of 2019, we continued the process of acceleration of our operational turnaround to resume the Company's growth and profitability. After the changes in senior management in May and the reconfiguration of the Board of Directors -- with the appointment of three new directors and the creation of three committees, namely, the people and management committee, the finance committee and the channels and products committee to strengthen our governance -- we operated according to strategies applied to brands and channels to improve our competitiveness, recover our culture and conduct an in-depth review of our processes and controls to increase our efficiency.

In 3Q19, top line sales increased again, with a 2.5% increase in net revenue and a 5.1% increase in the number of watches sold, highlighting the growth balance among channels and brands, as a result of the strategies we adopted. We attribute this good performance to the continuity of the factors highlighted in the last quarters, which are part of the actions to accelerate our turnaround, such as the increase in average sales and in the frequency of purchases by customers, in addition to the improvement in our customer service level and our reconnection with our core business customers.

As to gross profit, we were affected by the appreciation of the average U.S. dollar exchange rate in the period, which, notwithstanding the foreign exchange hedging mechanisms we use to neutralize these effects, affected the cost of goods sold. These effects were partially offset by adjustments in our assortment and brand price pyramids, review of the sales channels strategy and the improved balance obtained in the sale of items in promotion. It is important to highlight that the lead time of our supply chain has not yet allowed the adjustments mentioned above to fully reflect in this quarter, but the first effects are already perceived as a decrease in the gap of gross margin in 3Q19.

In 3Q19, SG&A expenses decreased slightly compared to 3Q18, notwithstanding the increase in sales and expenses related to external consulting companies that have been working with us on the business turnaround and on the implementation of the zero-base budget to reach operational efficiency gain. We maintained control over expenses, which allowed the sequence of sales growth recovery. We believe that the strategic work of these consulting companies, together with our internal team, has helped us to modernize and align processes, in addition to add best practices that contribute to the recovery of the Company's growth and profitability in a sustainable manner.

In 3Q19, we recorded a positive Adjusted EBITDA of R\$1.2 million, representing a R\$0.5 million decrease compared to 3Q18. In summary, our sales increased, our gross margin decreased, and our expenses slightly decreased.

Our working capital totaled R\$183.1 million, representing a 15.7% decrease, or 87 fewer days. In accounts receivable, we maintained the cautious management of customer payment terms and the positive performance in customer assiduity, notwithstanding our sales growth. In inventories, we had the effects of extraordinary provisions for obsolescence in 2Q19 and we chose to work with a larger inventory coverage, reducing the potential impact of loss of sales due to product shortage, also allowing top line growth. In accounts payable, we continued with actions to extend the payment terms granted to domestic and foreign suppliers.

In 3Q19, our net debt totaled R\$36.5 million, representing a decrease of R\$12.5 million, or 25.5%, compared to 3Q18 and an increase of R\$4.9 million compared to 2Q19, as a result of our strategy to increase inventories to mitigate loss of sales due to product shortage and drive top line sales, in addition to the seasonal effect of a quarter that, notwithstanding higher sales, affects our cash position only in subsequent months due to receivables terms.

We are fully convinced that the actions implemented to accelerate our operational turnaround, focused on building a team and performance culture and improving our competitiveness and efficiency, are leading us towards a virtuous path of economic and financial recovery of our business. This, together with our view of the market and customers, reinforces our belief in the health and potential of the core business.

GROSS REVENUE

Gross revenue reached R\$87.5 million in 3Q19, representing an increase of 3.2% compared to 3Q18. The table below sets forth the breakdown of our gross revenue:

R\$ million	3Q18	3Q19	Var %	Var R\$	2018	2019	Var %	Var R\$
Product Sales	83.3	85.9	3.1%	2.6	229.4	248.6	8.4%	19.2
Technical Assistance	1.5	1.6	5.9%	0.1	4.5	5.0	10.6%	0.5
Gross Revenue	84.8	87.5	3.2%	2.7	233.9	253.6	8.4%	19.7

PRODUCT SALES

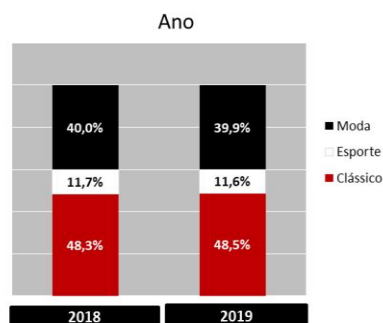
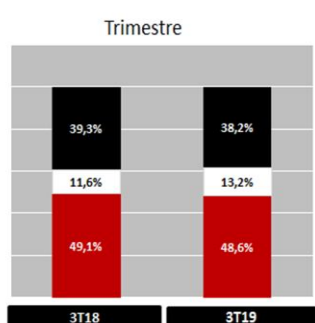
Overview

Gross revenue increased from R\$83.3 million in 3Q18 to R\$85.9 million in 3Q19, representing an increase of 3.1%. We attribute this sequence of growth to the reestablishment of a closer relationship with our customers, recovering our values and strengths, increasing average sales and frequency of purchases by customers, in addition to improving operational indicators regarding our services.

R\$ million	3Q18	3Q19	Var %	Var R\$	2018	2019	Var %	Var R\$
Classic	40.9	41.7	2.0%	0.8	110.7	120.7	9.0%	10.0
Sports	9.6	11.3	17.6%	1.7	26.8	28.7	7.2%	1.9
Fashion	32.7	32.8	0.3%	0.1	91.9	99.1	7.9%	7.3
Total	83.3	85.9	3.1%	2.6	229.4	248.6	8.4%	19.2

In the analysis per category, sales increased in all segments, highlighting the Sports category, which increased by 17.6% in value. The noteworthy performance of this category is due to an improved balance in assortment, inventory assertiveness and good acceptance of recent launchings by customers.

Share of Gross Revenue in Sales of Products – per Category



CLÁSSICO	MODA	ESPORTE
SKAGEN EMPORIO ARMANI	MICHAEL KORS HUGO BOSS DKNY kate spade DIESEL A/X FOSSIL	
TECHNOS	EURO	
Dumont	allura Condor TOUCH+ MARINER	mormaii

Analysis per Distribution Channel

R\$ million	3Q18	3Q19	Var %	Var R\$	2018	2019	Var %	Var R\$
Specialized Stores	57.6	59.4	3.3%	1.9	160.7	176.0	9.6%	15.4
Department Stores and Others	25.7	26.5	2.8%	0.7	68.8	72.6	5.6%	3.8
Total	83.3	85.9	3.1%	2.6	229.4	248.6	8.4%	19.2

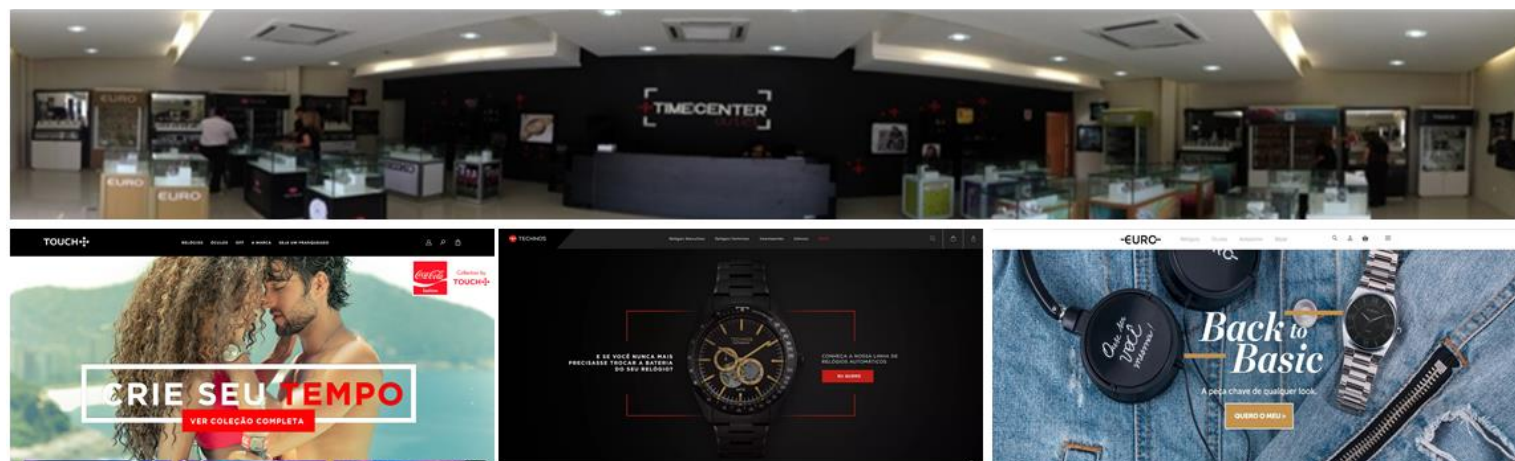
The analysis of sales of watches per distribution channel shows growth in all channels, once more highlighting specialized stores, the Company's main sales channel, which recorded a 3.3% increase in the quarter. We also remark the consistency of the department stores channel at the top line.

RETAIL AND FRANCHISES

In retail, we run our own operations through websites and outlets. Our e-commerce operation has six ecommerce websites, five of which are dedicated to the brands Technos, Fossil, Euro, Touch and Condor, 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 allurements of consumers in relation to the category and our brands.

We also maintain 14 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 results. Moreover, they reinforce the category in the places where consumers are largely present.

In the franchise channel, we are present through the Touch and Euro brands. At the end of September 2019, we had 56 exclusive points of sale, with Touch representing 40 and Euro 16. Also as part of the work to accelerate our operating turnaround, we have endeavored to understand the needs of franchisees to improve the management and profitability of our operations.



NET REVENUE



In 3Q19, net revenue totaled R\$73.0 million, representing an increase of 2.6% compared to 3Q18. This increase reinforces the progression towards sales recovery and, in 9M19, net revenue increased by 7.7% compared to the previous year.

Present value adjustment on gross revenue totaled R\$1.7 million in 3Q19, representing an increase of 1.6%. 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	3Q18	3Q19	Var %	Var R\$	2018	2019	Var %	Var R\$
Gross Revenue	84.8	87.5	3.2%	2.7	233.9	253.6	8.4%	19.7
Present Value Adjustment on Sales	(1.6)	(1.7)	1.6%	(0.0)	(4.5)	(5.2)	14.3%	(0.7)
Sales Taxes	(12.2)	(13.1)	7.2%	(0.9)	(33.7)	(37.7)	11.9%	(4.0)
Present Value Adjustment on Taxes	0.2	0.2	6.9%	0.0	0.7	0.8	16.2%	0.1
Net Revenue	71.2	73.0	2.6%	1.8	196.4	211.5	7.7%	15.1

GROSS PROFIT



In 3Q19, gross profit decreased by 3.4% and gross margin decreased by 2.7p.p., primarily due to the impact of the average U.S. dollar exchange rate on inventories compared to 3Q18. In 9M19, gross profit totaled R\$60.1 million, compared to R\$95.1 million in 2018, 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.

During 3Q19, we adjusted our assortment and brand price pyramids, reviewed sales channels strategies and obtained an improved balance in the sale of items in promotion. We also sought an increased balance in our product pricing, without losing touch with consumers' needs, and reduced the gap in gross margin compared to 2Q19.

Moreover, we obtained significant progress in the management of our inventories, reinforcement of systems and controls, reorganization of manufacture flow and quality inspection processes. In 3Q19, we completed the general inventory taking of finished products, with an accuracy of 99.7% in counting more than 1.1 million products, supported by companies specialized in inventories and external audit.

SALES AND ADMINISTRATIVE EXPENSES



In 3Q19 our SG&A decreased slightly compared to 3Q18, notwithstanding sales and volume growth. In 3Q19, SG&A totaled R\$35.7 million, compared to R\$35.9 million in 3Q18.

In 3Q19, sales expenses decreased by 2.1%, or R\$0.6 million, compared to 3Q18, notwithstanding sales and volume growth. We offset the impacts on sales expenses of the consulting companies that support us at the top line with savings in impaired credits, personnel expenses and marketing investments.

SG&A increased by 4.8%, or R\$0.5 million, affected by attorney's fees in connection with the assignment of receivables resulting from tax lawsuits, announced on December 27, 2018 in a material fact, and consulting services, namely the zero-based budget consultancy, focused on the review of our expenses and pursuit of higher operational efficiency, and the organizational climate research consultancy, focused on organizational culture, in line with the plan of acceleration of our operational turnaround.

We believe we achieved significant progress in reducing our expenses in the last years and we rely on this consulting companies to accelerate our operational turnaround and obtain the economic and financial recovery of our business.

We continue to focus on the control and reduction of SG&A to improve the profitability of our business. Accordingly, in 3Q19, SG&A, as a percentage of net revenue, decreased by 1.4p.p. compared to 3Q18.

OTHER OPERATING RESULTS, NET



In 3Q19, other operating results, net totaled an income of R\$2.1 million, compared to an expense of R\$1.4 million in 3Q18.

In 3Q19, we recognized a reversal of tax contingencies on the extraordinary provision for inventories established in 2Q19, in the amount of R\$2.4 million. This positive effect in the quarter does not impact our Adjusted EBITDA. We also recognized a reversal of expenses that had already been provisioned at the end of 2018 regarding attorney's fees in connection with the assignment of receivables from tax lawsuits. This was announced on December 27, 2018 in a material fact and mentioned in our 4Q18 release document.

In 3Q19, the reversal of these expenses affected our SG&A by R\$0.4 million. Excluding these effects and tax contingencies, other operating results, net totaled a net expense of R\$0.7 million in 3Q19, compared to R\$1.4 million in 3Q18.

EBITDA AND ADJUSTED EBITDA



In 3Q19, Adjusted EBITDA totaled R\$1.2 million, representing a decrease of R\$0.5 million compared to 3Q18. In summary, we recorded sales growth, decreased gross margin and slightly decreased expenses.

R\$ Million	3Q18	3Q19	2018	2019
(=) Net income	(3.7)	(2.6)	(11.3)	(49.0)
(+) Depreciation and Amortization	(2.6)	(3.1)	(8.9)	(9.1)
(+/-) Financial result	(0.9)	(3.1)	0.9	(4.9)
(+) Current taxes	(0.5)	0.0	(0.5)	0.0
(+/-) Deferred taxes	1.3	1.8	2.3	15.8
(=) EBITDA (CVM 527/12)	(1.0)	1.8	(5.1)	(50.9)
(+/-) Provision for contingencies	(0.6)	2.4	(0.9)	(7.3)
(+) Other non-cash expenses	(0.4)	(0.4)	(1.2)	(1.2)
(+) Impact of present value adjustment on operational result	(1.8)	(1.4)	(3.9)	(4.4)
(=) Adjusted EBITDA	1.7	1.2	1.0	(37.9)

NET FINANCIAL RESULT



In 3Q19, net financial result totaled an expense of R\$3.1 million, representing a decrease of R\$2.2 million compared to an expense of R\$0.9 million in 3Q18. 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; as well as the loans denominated in foreign currency.

NET INCOME



In 3Q19, net loss totaled R\$2.6 million due to increased sales, decreased gross margin, slightly decreased expenses, reversal of taxes on provision for inventories and others, net, and the negative impact of the foreign exchange rate in the quarter.

CASH FLOWS

R\$ Million	3Q18	3Q19	2018	2019
Net income before income tax and social contributions	(4.5)	(4.4)	(13.1)	(64.8)
(+/-) Non-cash adjustments	13.3	9,8	41.9	48,3
(+/-) Operational activities	1.7	(2,9)	12.0	17,4
(+/-) Investment activities	(7.3)	2.3	(15.4)	(4.2)
(+/-) Financial activities	(4.7)	46.1	5.2	12.3
(=) Increase (decrease) in cash	(1.6)	50.9	30.7	9.0
(+) Cash and cash equivalents at the beginning of the period	47.1	28.0	14.8	69.9
(=) Cash and cash equivalents at the end of the period	45.5	78.8	45.5	78.8

NON-CASH ADJUSTMENTS

In 3Q19, non-cash adjustments totaled R\$9,8million. We were affected by currency depreciation and exchange rate variation, which affects the provision for payment of interest on loans. This impact is offset by our exchange rate swap, which is recorded in operational activities.

OPERATIONAL ACTIVITIES

In 3Q19, net cash utilized in our operational activities totaled R\$2,9million. In 3Q19, the main changes were: (i) an increase of R\$27.7 million in inventories; and (ii) an increase of R\$23.1 million in suppliers.

INVESTMENT ACTIVITIES

Net cash utilized by our investment activities was primarily affected by investments in property and equipment and intangible assets, offset by the effect of restricted cash, totaling R\$2.3 million in the quarter.

FINANCIAL ACTIVITIES

Net cash generated by our financial activities results primarily from extended payment terms of 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 increase of R\$50.9 million at the end of 3Q19 that, added to the initial amount of R\$28.0 million, led to a final cash balance of R\$78.8 million at September 30, 2019. At the end of 3Q18, the Company's final cash balance totaled R\$45.5 million.

WORKING CAPITAL



R\$ million	3Q18	Days	3Q19	Days
(+) Accounts receivable	140.2	161	131.5	148
(+) Inventories	145.0	307	143.3	248
(-) Accounts payable	68.0	144	91.7	159
(=) Working Capital	217.2	324	183.1	237

In 3Q19, the Company's working capital totaled R\$183.1 million, accounting for 237 days. In 3Q18, working capital totaled R\$217.2 million, representing a decrease of R\$34.1 million, or 15.7%. Excluding the impact of the extraordinary provision for inventories, recognized in 2Q19, we had a balance of R\$216.1 million, representing a decrease of R\$1.2 million compared to 2018.

In accounts receivable, we have been constantly improving client assiduity, keeping the average recovery balance and cautiously managing sales terms granted to clients. The term of accounts receivable decreased from 161 days in 3Q18 to 148 days in 3Q19, representing a decrease of 13 days, or 8.4%.

In 3Q19, inventories totaled R\$143.3 million, representing 59 fewer days of working capital, primarily due to the extraordinary inventory provision. Excluding this effect, we had 53 more days of inventory compared to 3Q18, as a result of our strategy to work with an increased coverage, reducing the potential impact of loss of sales due to product shortage, as occurred at the end of last year, affecting the fourth quarter of 2018 and the beginning of 2019.

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 144 days to 159 days.

CASH BALANCE



In 3Q19, Grupo Technos had net debt of R\$36.5 million, representing a decrease of R\$12.5 million compared to 3Q18 and an increase of R\$4.9 million compared to 2Q19.

R\$ million	3Q18	2Q19	3Q19
Gross debt ¹	(99.9)	(67.4)	(119.3)
(-) Cash ²	50.9	35.8	82.9
(=) (Debt)/Net cash	(49.0)	(31.6)	(36.5)

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\$4.9 million.

We have been working with an increased net cash, due to anticipated funds raised to rollover our indebtedness due to this time of economic uncertainty and resumed sales recovery, with increased inventory coverage to reduce product shortage and accelerate the topline.

INCOME STATEMENT



R\$ thousand

QUARTER

	Consolidated	
	3Q18	3Q19
Net revenue	71.168	72.978
Cost of goods sold	(37.670)	(40.633)
Gross profit	33.498	32.345
Sales expenses	(25.513)	(25.014)
Impairment of trade receivable	(894)	(827)
Administrative expenses	(9.449)	(9.902)
Others, net	(1.400)	2.091
Operational profit	(3.758)	(1.307)
Financial result, net	(770)	(3.068)
Financial income	16.598	14.777
Financial expenses	(17.368)	(17.845)
Income before income tax and social contribution	(4.528)	(4.375)
Income tax and social contribution	799	1.805
Current	(483)	0
Deferred	1.282	1.805
Net income	(3.729)	(2.570)

ACCUMULATED

	Consolidated	
	2018	2019
Net revenue	196.386	211.487
Cost of goods sold	(101.248)	(151.414)
Gross profit	95.138	60.073
Sales expenses	(77.750)	(75.241)
Impairment of trade receivable	(2.274)	(2.180)
Administrative expenses	(26.766)	(29.226)
Others, net	(2.809)	(13.414)
Operational profit	(14.461)	(59.988)
Financial result, net	1.397	(4.861)
Financial income	48.046	31.326
Financial expenses	(46.649)	(36.187)
Income before income tax and social contribution	(13.064)	(64.849)
Income tax and social contribution	1.800	15.824
Current	(483)	0
Deferred	2.283	15.824
Net income	(11.264)	(49.025)

BALANCE SHEET



R\$ thousand

	Consolidated	
	September 30, 2018	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	45.518	78.848
Restricted cash	0	4.014
Marketable securities	5.356	0
Accounts receivable	140.160	131.455
Inventories	145.048	143.324
Income tax and social contribution recoverable	0	6.355
Recoverable taxes	12.324	31.286
Derivative financial instruments	12.893	11.419
Other assets	17.608	14.858
	378.907	421.559
Non-current assets		
Related deposits	24.183	0
Marketable securities	0	4.242
Advances to suppliers	5.250	4.437
Recoverable taxes	29.517	44.227
Judicial deposits	4.936	5.400
Deferred income tax and social contribution	0	0
Accounts receivable	0	0
Other assets	22.807	463
	86.693	58.769
Investments		
Intangible	261.932	263.445
Property and equipment	36.703	39.760
	298.635	303.205
Total assets	764.235	783.533

	Consolidated	
	September 30, 2018	September 30, 2019
Liabilities		
Current liabilities		
Borrowings	45.003	33.366
Accounts payable	68.017	91.696
Income tax and social contributions payable	3.248	4.135
Deferred income tax and social contributions	390	395
Amount payable for the acquisition of non-controlling interest	1.103	1.103
Salaries and social charges payable	9.977	8.877
Dividends payable	1.375	1.376
Derivative financial instruments	467	317
Licenses payable	0	17.841
Lease payment	0	3.466
Other payables	4.817	9.131
	134.397	171.703
Non-current liabilities		
Borrowings	68.471	92.448
Income tax and social contributions payable (Note 14)	2.828	1.883
Deferred income tax and social contributions	45.967	16.563
Provision for contingencies	32.573	53.841
Derivative financial instruments	0	526
Licenses payable	0	0
Amount payable for the acquisition of equity interest	26.068	4.612
Payables - assignment of credit right	0	13.953
Lease payments	0	4.190
Other payables	62	5.897
	175.969	193.913
Total liabilities	310.366	365.616
Equity		
Capital stock	130.583	130.583
Treasury shares	(11.208)	(11.208)
Share issuance expenses	(10.870)	(10.870)
Capital reserves	202.611	204.232
Profit reserves	168.130	168.309
Carrying value adjustment	(14.113)	(14.104)
Retained earnings (accumulated losses)	(11.264)	(49.025)
Other comprehensive income	0	0
Total equity	453.869	417.917
Total equity and liabilities	764.235	783.533

CASH FLOWS

R\$ thousand

QUARTER

	Consolidated	
	3Q18	3Q19
Income before income tax and social contribution	(4,528)	(4,375)
Adjustments for items that do not affect cash flow		
Amortization and depreciation	2.553	3.074
Allowance for recoverable value of inventory	535	288
Allowance for recoverable value of accounts receivable	943	831
Accounts receivable without cash generation	0	(1.500)
Allowance for contingencies (reversal)	4.274	(1.905)
Results from disposal of permanent assets	40	(16)
Impairment of permanent assets	(1)	(2)
Interest on loans	5.281	8.452
Other interest	370	221
Stock option premium	366	399
Non-controlling interest	0	0
Others	(1.103)	67
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	1.533	7.349
Decrease (increase) in inventories	(11.826)	(27.735)
Decrease (increase) in tax recoverable	(3.399)	(1.789)
Decrease (increase) in other assets	7.247	(5.877)
Increase (decrease) in suppliers and accounts payable	10.730	23.129
Increase (decrease) in salaries and social charges payable	772	945
Increase (decrease) in taxes, rates and social contributions payable	(569)	2.040
Interest paid	(2.821)	(965)
Net cash (applied in) generated by operational activities	10.397	2.497
Cash flow from investment activities		
Decrease (increase) in securities	(4.382)	77
Reversal of goodwill in acquisition of equity interest	0	0
Acquisition of equity interest	(233)	(11)
Restricted cash	0	3.832
Purchases of fixed assets	(1.948)	(781)
Amount received from the sale of fixed assets	54	249
Purchases of intangible assets	(745)	(1.044)
Net cash (applied in) generated by investment activities	(7.254)	2.322
Cash flow from financial activities		
Borrowings	22.765	50.261
Payment of borrowings	(27.586)	(3.109)
Lease paid	0	(1.098)
Dividends paid to Company shareholders	86	1
Net cash applied in financial activities	(4.735)	46.055
Increase (decrease) in cash and cash equivalents	(1.592)	50.874
Cash and cash equivalents at beginning of period	47.110	27.974
Cash and cash equivalents at end of period	45.518	78.848

	Consolidated	
	2018	2019
Income before income tax and social contribution	(13.064)	(64.849)
Adjustments for items that do not affect cash flow		
Amortization and depreciation	8.916	9.119
Allowance for recoverable value of inventory	1.386	32.842
Allowance for recoverable value of accounts receivable	2.274	(17.285)
Accounts receivable without cash generation	0	(1.500)
Allowance for contingencies (reversal)	7.180	13.448
Results from disposal of permanent assets	323	22
Impairment of permanent assets	(4)	(5)
Interest on loans	20.662	9.734
Other interest	1.110	1.111
Stock option premium	1.212	1.226
Others	(1.127)	(426)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	49.263	46,009
Decrease (increase) in inventories	(40.842)	(61.061)
Decrease (increase) in tax recoverable	(8.620)	(753)
Decrease (increase) in other assets	(16.278)	613
Increase (decrease) in suppliers and accounts payable	33.341	36.582
Increase (decrease) in salaries and social charges payable	2.434	1.921
Increase (decrease) in taxes, rates and social contributions payable	(2.857)	(2.889)
Interest paid	(4.397)	(3.024)
Income tax and social contributions paid	0	0
Net cash (applied in) generated by operational activities	40.912	835
Cash flow from investment activities		
Decrease (increase) in securities	(3.857)	20.548
Acquisition of equity interest	(1.388)	(22.517)
Restricted cash	0	3.832
Purchases of fixed assets	(8.059)	(3.204)
Amount received from the sale of fixed assets	1.660	1.036
Purchases of intangible assets	(3.743)	(3.801)
Net cash (applied in) generated by investment activities	(15.387)	(4.106)
Cash flow from financial activities		
Acquisition of own shares kept in treasury		
Borrowings	54.357	50.261
Payment of borrowings	(49.192)	(35.090)
Lease paid	0	0
Dividends paid to Company shareholders	(1)	(2.913)
Net cash applied in financial activities	5.164	12.258
Increase (decrease) in cash and cash equivalents	30.689	8.987
Cash and cash equivalents at beginning of period	14.829	69.861
Cash and cash equivalents at end of period	45.518	78.848