



T4f
TIME FOR FUN

T4F Entretenimento S.A.

1Q19 Earnings Release

T4F Entretenimento S.A.

B3: SHOW3

Closing on March 31, 2019: R\$6.71
1Q19 Average Volume: 146.2 thousand
(0.42% of the *free float*)
Market Cap on March 31, 2019: R\$453.1
million

Earnings Presentation through webcast

www.t4f.com.br/ir

Date: May 9, 2019

English

10:00 a.m. (US ET) | 11:00 a.m. (BR)

Portuguese

09:00 a.m. (US ET) | 10:00 a.m. (BR)

Sao Paulo, May 8, 2019 – T4F Entretenimento S.A. (“T4F” or “Company”) (B3: SHOW3), leading live entertainment company in South America, announces the revised results for the first quarter of 2019 (1Q19). The financial and operational information herein were prepared according to International Financial Reporting Standards (IFRS) and the accounting practices adopted in Brazil.

1Q19 Highlights

- Net revenue of R\$120.6 million (-38% vs. 1Q18);
- Adjusted EBITDA of R\$8.6 million (-47% vs. 1Q18);
- Cash generation of R\$58.9 million, reaching cash position of R\$260.9 million (+7% vs. 1Q18 and +29% vs. 4Q18);
- Negative net result of R\$34.3 million, affected by the following non-recurring events:
 - Provision for the conviction in the appellate court of the judiciary branch in Argentina of approximately US\$8.8 million, according to the material fact disclosed on May 6, 2019;
 - Termination of the incorporation agreement of Bizarro’s operations in Chile, resulting in a write-off of R\$7.4 million.

Financial Indicators (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Net Revenue	194.3	120.6	-38%
Events Promotion	130.7	86.3	-34%
Live Music	126.8	74.0	-42%
Family Events and Theater	1.9	12.1	535%
Sports Events	2.0	0.1	-93%
Ticketing, F&B and Venues Operation	25.5	15.4	-40%
Sponsorship	38.1	18.9	-50%
Events Promotion	35.4	15.9	-55%
Ticketing, F&B and Venues Operation	2.7	3.0	8%
Cost	(159.3)	(101.1)	-37%
Gross Profit	35.0	19.5	-44%
Gross Margin (%)	18.0%	16.2%	-1.8 p.p.
SG&A	(20.4)	(38.9)	91%
EBITDA	16.1	(8.1)	n.a.
EBITDA Margin (%)	8.3%	-6.7%	-15.0 p.p.
Adjusted EBITDA (excl. non-recurring effects) ⁽¹⁾	16.1	8.6	-47%
Adjusted EBITDA Margin (excl. non-recurring effects) ⁽¹⁾	12.7%	11.6%	-1.1 p.p.
Financial Result	(1.2)	(25.7)	1977%
Net Result	4.9	(34.3)	n.a.
Net Margin (%)	2.5%	-28.4%	-30.9 p.p.
Net Financial Result (excl. non-recurring effects) ⁽¹⁾	4.9	(4.8)	n.a.
Net Margin (excl. non-recurring effects) ⁽¹⁾	2.5%	-6.4%	-8.9 p.p.

Operational Indicators	1Q18	1Q19	Chg. % 1Q19/1Q18
Live Music			
Events Promoted	55	22	-60%
Tickets Sold (000)	521	232	-56%
Average Ticket Price (R\$)	245	315	28%
Family Events and Theater			
Events Promoted	45	122	171%
Tickets Sold (000)	18	97	438%
Average Ticket Price (R\$)	109	134	23%
Total			
Events Promoted	100	144	44%
Tickets Sold (000)	539	329	-39%
Average Ticket Price (R\$)	241	262	9%

⁽¹⁾ Excludes the following non-recurring effects: (i) Provision of US\$8.8 million as probable loss referring to the decision of the appellate court on the lawsuit against the Company in Argentina, of which US\$3.5 million plus procedural expenses are registered in “Other Operating Expenses” and the amount of interest on arrears is registered in “Monetary Variation”, and (ii) Write-off related to the termination of the agreement with Bizarro in Chile in the amount of R\$7.4 million, recorded under “Other Results with Investments”.

We report below comments on the financial statements related to the quarter ended on March 31, 2019. We recommend reading this material together with the Quarterly Financial Statements (“ITR”).

Comments on the Consolidated Financial Performance

For a better analysis of the results, we highlight below the occurrence of non-recurring events that significantly impacted our financial performance in 1Q19:

(i) Decision of the appellate court regarding lawsuit in Argentina

According to the material fact disclosed on May 6, 2019, in accordance with the court decision rendered by the *Cámara Nacional de Apelaciones en lo Comercial de la Capital Federal*, appellate court of the judiciary branch of the Argentine Republic, the Company was held jointly liable together with its affiliates T4F Inversiones S.A., Ticketek Argentina S.A. and T4F Entretenimientos Argentina S.A. to pay to LRPG Mandataria y Fiduciaria S.A. US\$ 3.5 million, plus interest on arrears to be calculated as of June 13, 2007 until the effective payment, within the records of the lawsuit filed against the Company and its controlled companies, by LRPG MANDATÁRIA Y FIDUCIÁRIA S.A., in consequence of a discussion of the share purchase agreement entered into on May 14, 2007.

In this case, as stated by the supplementary agreement between the parties, the payment of the amount was subject to the compliance with the non-competition clause for a period of 5 years after the partner involved in the proceeding ceased providing services to the Company. The lower court decision rendered on May 7, 2018 had recognized the non-compliance with the non-competition clause, and the Company was held liable to pay nearly US\$1.2 million, which represented 15% of the amount requested by LRPG (US\$7.6 million adjusted by interest at that time). The Company had not made provision considering the possibility of reversion to its favor based on the appeal filed and according to the opinion at that time of the lawyers that represent the Company in the lawsuit.

However, the aforementioned decision of the appellate court, rendered on April 17, 2019, radically and surprisingly changed the decision of the lower court and it was against the proof that the non-compete obligation was infringed as well as the minimum period of 5 years of exclusivity, reason why no type of indemnification by the Company is justified.

In light of the appellate court decision, despite having filed an appeal to the Supreme Court of Argentina, based on the review of the case by the lawyers that represent its defense, the Company has changed the chances of loss of this lawsuit to probable loss and therefore set up a provision in 1Q19 of the full amount involved in the lawsuit, estimated at approximately US\$8.8 million, of which US\$3.5 million related to the lawsuit plus legal costs are registered in “Other operating expenses” (with impact on EBITDA) and the amount of interest on arrears is recorded in “Monetary variation” (affecting financial result).

(ii) Termination of the incorporation agreement of Bizarro’s operations in Chile

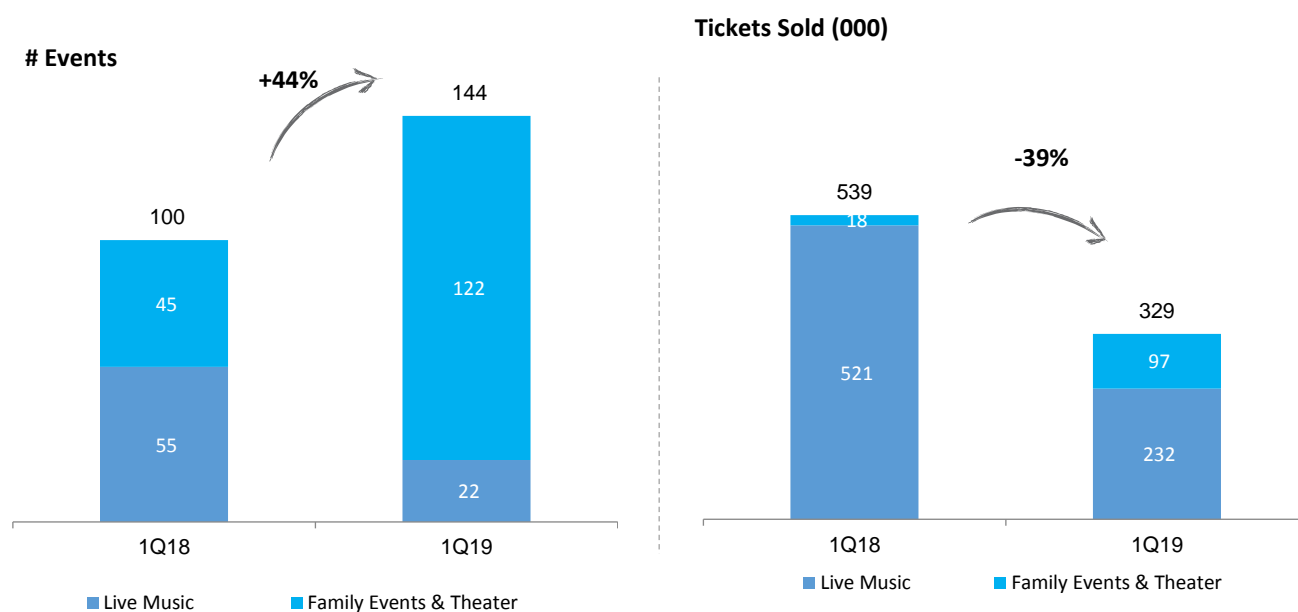
In September 2015, we announced the incorporation of Bizarro SpA’s operations, which after three years, offered the possibility of a merger between the parties (T4F and Bizarro). The partners decided not to proceed with the merger and thus, in 1Q19, the write-off in the amount of R\$7.4 million was recorded under the line “Other income with investments” (non-EBITDA).

With this, as of January 2019, we have not promoted indoor Latin concerts in Chile, but we continue with the ticketing operation and the promotion of “Anglo” concerts.

Disregarding the effects in deferred taxes, the above non-recurring events negatively impacted the Company’s result in approximately R\$41 million.

In addition, we highlight that the financial result of 1Q19 was also negatively impacted in R\$3.9 million due to the hyperinflation adjustment in Argentina, adopted according to the new accounting standard since 4Q18.

Operating Indicators



In live music, we promoted 22 shows with 232 thousand tickets sold, down 60% and 56% from 1Q18, respectively. This decrease is a consequence of the change of Lollapalooza Brazil Festival's date, which was held in March in 2018 while it was promoted in April this year. Besides the 3 days of festival, all the sideshows and Lollaparties (indoor events with artists that perform at the Festival) were also held in April this year, while in 2018 these events were promoted in March.

In outdoor live music, in 1Q19 we promoted 4 concerts of Paul McCartney's tour, with tickets almost sold out, while in 1Q18 we promoted 5 outdoor concerts (1 show of Pearl Jam, 1 show of Gorillaz and 3 days of the Lollapalooza Brazil Festival).

In family and theater, the number of events and tickets sold increased 171% and 438%, respectively, year-on-year. While in 1Q18 we promoted only the show Fuerza Bruta, in 1Q19, we presented the show Circus of China in Sao Paulo and we continued to promote the musical The Phantom of the Opera, which premiered in August 2018.

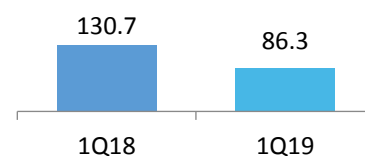
Net Revenue

Net Revenue (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Events Promotion	130.7	86.3	-34%
Live Music	126.8	74.0	-42%
Family Events and Theater	1.9	12.1	535%
Sports Events	2.0	0.1	-93%
Ticketing, F&B and Venues Operation	25.5	15.4	-40%
Sponsorship	38.1	18.9	-50%
Events Promotion	35.4	15.9	-55%
Ticketing, F&B and Venues Operation	2.7	3.0	8%
TOTAL	194.3	120.6	-38%

In 1Q19, net revenue totaled R\$120.6 million, down 38% from 1Q18.

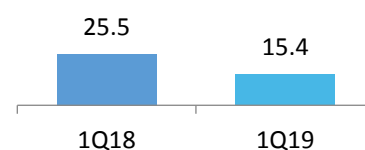
Net revenue in event promotion decreased 34% compared to 1Q18, due to the lower activity in live music, mainly because of the promotion of the Lollapalooza Brazil Festival in 2Q19, while in 2018 the festival was promoted in the first quarter.

Events Promotion
R\$ mn



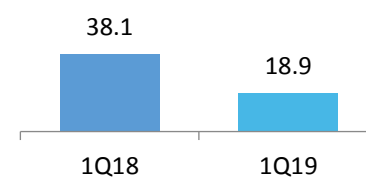
Net revenue of ticketing, F&B and venues operations decreased 40% in 1Q19 compared to 1Q18. While in 1Q18 we had 14 outdoor concerts on sale of further quarters (consequently recognizing service charge revenue), in 1Q19 we had 4 outdoor concerts on sale for 2Q19 (3 days of Lollapalooza Brazil and 1 concert of Arctic Monkeys). Besides that, Lollapalooza's F&B revenue will be recognized only in the second quarter.

Ticketing, F&B and Venues
R\$ mn



Net revenue of sponsorship totaled R\$18.9 million in 1Q19, down 50% from 1Q18, also because of the calendar effect of Lollapalooza festival, as a large part of sponsorship revenue will be registered only in April.

Sponsorship
R\$ mn



Gross Profit

Gross Profit (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Events Promotion	(8.2)	(1.4)	-84%
Ticketing, F&B and Venues Operation	5.1	2.0	-61%
Sponsorship	38.1	18.9	-50%
Gross Profit	35.0	19.5	-44%
<i>Gross Margin (%)</i>	<i>18.0%</i>	<i>16.2%</i>	<i>-1.8 p.p.</i>

Gross profit reached R\$19.5 million in 1Q19, down 44% from 1Q18, mainly due to the reduction in sponsorship line given the lower activity level in the period with the promotion of Lollapalooza Brazil Festival in 2Q19 and the lower number of shows on sale for further quarters.

Operating Expenses (Revenue)

SG&A (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Sales	(0.4)	(0.4)	-7%
General and Administrative	(17.3)	(11.6)	-33%
Management Compensation	(2.3)	(1.3)	-45%
SG&A	(20.0)	(13.3)	-34%
<i>% Total/Net Revenue</i>	<i>10.3%</i>	<i>11.0%</i>	<i>0.7 p.p.</i>
Other Results with Investments	-	(7.4)	n.a.
Other Operating Revenues (Expenses)	(0.4)	(18.2)	4366%
Total	(20.4)	(38.9)	91%

SG&A decreased 34% compared to 1Q18, mainly due to the non-payment and reversal of provision related to bonuses to the management in 1Q19 due to the non-achievement of the 2018 goals. Total expenses reached R\$38.9 million, mainly due to the non-recurring effects previously mentioned (i) termination of the incorporation agreement of Bizarro's operations in Chile reflected in "Other Results with Investments", and (ii) provision of probable loss regarding the lawsuit in Argentina, with impact of R\$16.7 million in "Other Operating Expenses".

EBITDA

EBITDA Reconciliation (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Net Result	4.9	(34.3)	n.a.
(+) Income Tax and Social Contribution	8.5	(10.8)	n.a.
(+) Net Financial Result	1.2	25.7	1977%
(+) Other Results with Investments	-	7.4	n.a.
(+) Depreciation	1.5	3.9	160%
=EBITDA	16.1	(8.1)	n.a.
<i>EBITDA Margin (%)</i>	<i>8.3%</i>	<i>-6.7%</i>	<i>-15.0 p.p.</i>
Adjusted EBITDA (excl. non-recurring effects)⁽¹⁾	16.1	8.6	-47%
<i>Adjusted EBITDA Margin (%) (excl. non-recurring effects)⁽¹⁾</i>	<i>8.3%</i>	<i>7.1%</i>	<i>-1.2 p.p.</i>

As a consequence, EBITDA in 1Q19 was negative in R\$8.1 million. Excluding the non-recurring effects, adjusted EBITDA was positive in R\$8.6 million, down 47% from 1Q18.

Financial Result

Financial Result (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Financial Income	3.6	3.0	-16%
Interest Income	0.5	0.4	-15%
Income over Financial Investments	3.0	2.2	-28%
Others	0.0	0.4	885%
Financial Expenses	(2.4)	(9.4)	296%
Interest Cost	(0.8)	(1.0)	25%
Interests with Borrowings - Debentures	(0.5)	(2.3)	331%
Tax on Financial Transactions	(0.8)	(0.5)	-43%
Others	(0.3)	(5.6)	2063%
Financial Income - Financial Expenses	1.2	(6.4)	n.a.
Exchange and Monetary Variations	(2.4)	(19.3)	698%
Exchange Variation	(1.0)	(0.2)	-83%
Monetary Variation	(1.4)	(19.1)	1260%
Net Financial Result	(1.2)	(25.7)	1977%

In 1Q19, net financial result was negative in R\$25.7 million, versus negative R\$1.2 million in 1Q18, due mainly to:

- (i) Accounting adjustment of hyperinflation in Argentina equivalent to R\$3.9 million in other financial expenses in 1Q19, whose accounting rules were not yet adopted in 1Q18; and
- (ii) Non-recurring effect of the provision of R\$17.3 million related to interest on arrears of the lawsuit in Argentina, which is registered in "Monetary Variation".

Excluding the effects mentioned above, net financial result would be negative in approximately R\$4.5 million.

Net Result

Net Result (R\$ million)	1Q18	1Q19	Chg. % 1Q19/1Q18
Result Before Taxes	13.4	(45.1)	n.a.
(-) Income Tax and Social Contribution (Current)	(8.5)	(0.0)	-100%
(-) Income Tax and Social Contribution (Deferred)	0.0	10.8	n.a.
Net Result	4.9	(34.3)	n.a.
<i>Net Margin (%)</i>	2.5%	-28.4%	-30.9 p.p.
Net Result (excl. non-recurring effects) ⁽¹⁾	4.9	(4.8)	n.a.
<i>Net Margin (%) (excl. nonrecurring effects)⁽¹⁾</i>	2.5%	-3.9%	-6.4 p.p.

Due to the aforementioned reasons, the quarter ended on March 31, 2019, posted negative net result of R\$34.3 million. Excluding non-recurring effects, net result would be negative in R\$4.8 million versus net income of R\$4.9 million in 1Q18.

Working Capital

Working Capital (R\$ million)	1Q18	4Q18	1Q19	Chg. % 1Q19/4Q18	Chg. % 1Q19/1Q18
Assets	184.1	208.7	144.6	-31%	-21%
Accounts Receivable	133.5	141.2	75.1	-47%	-44%
Inventories	0.9	1.5	1.3	-13%	40%
Advances to Suppliers and Anticipated Costs	49.6	66.0	68.2	3%	37%
Liabilities	237.3	184.2	164.6	-11%	-31%
Accounts Payable (Suppliers)	115.3	64.6	59.5	-8%	-48%
Advances from Clients	122.0	119.6	105.1	-12%	-14%
Net Working Capital	(53.2)	24.5	(20.0)	n.a.	-62%

We ended 1Q19 with negative working capital of R\$20.0 million versus R\$53.2 million in 1Q18 and positive working capital of R\$24.5 million in 4Q18. With that, we returned to the standard of negative working capital of our business model, in which we register sale of tickets and sponsorship in advance (in advances from clients), while payments to suppliers are mostly concentrated on dates close to the related events.

Cash and Indebtedness

Cash and Indebtedness (R\$ million)	1Q18	4Q18	1Q19	Chg. % 1Q19/4Q18	Chg. % 1Q19/1Q18
Operating Cash Flow	51.7	(17.2)	64.2	n.a.	24%
Investment Cash Flow	(0.4)	(5.2)	(3.4)	-35%	718%
Financing Cash Flow	(7.1)	112.0	(8.3)	n.a.	17%
Exchange Variance	0.8	2.6	6.4	149%	706%
Increase (Reduction) in Cash and Equivalents	45.0	92.2	58.9	-36%	31%
Balance in Cash and Financial Investments	243.0	202.0	260.9	29%	7%
Borrowings and Financing - Short Term	16.7	0.9	12.9	1339%	-23%
Borrowings and Financing - Long Term	-	120.0	145.0	21%	n.a.
Total Indebtedness	16.7	120.9	157.8	31%	843%
Net Cash (Debt)	226.3	81.1	103.0	27%	-54%

We ended 1Q19 with R\$260.9 million in cash (R\$263.5 million considering restricted cash), versus R\$243.0 million in 1Q18 and R\$202.0 million in 4Q18.:

- Operating cash: we generated R\$64.2 million due mainly to the tickets sales for Lollapalooza Festival, held in April, and for Paul McCartney's tour, which opened sales on December 2018 and whose artist fee had already been paid, for the most part, in 4Q18.
- Investments: we spent R\$370 thousand in maintenance capex and R\$3.0 million in goodwill on investments acquisitions.

- **Financing:** we spent R\$3.3 million with the payment of lease liabilities related to long term rental contracts of our venues and R\$5.0 million with related parties mainly due to exchange variation in the period.

It should be noted that, as of January 1st, 2019, according to the new standard CPC 06 / IFRS removes the distinction between operating and financial leases and requires the recognition of an asset (rights-of-use assets) and a related financial liability as rent payments for virtually all lease agreements. For this reason, borrowings and financing now reflect our lease agreements with a maturity of more than 12 months.

We thus concluded the quarter with total indebtedness of R\$157.8 million (+31% vs. 4Q18) and net cash of R\$103.0 million (+27% vs. 4Q18).

Events Pipeline

- **Live Music**

Outdoor

In April, we promoted 3 days of the 7th edition of Lollapalooza Brazil Festival with almost 70 attractions, of which we highlight: Arctic Monkeys, Sam Smith, Kings of Leon, Post Malone, Lenny Kravitz, Kendrick Lamar, Twenty One Pilots and Tribalistas. Also in April, we promoted a *sideshow* of Arctic Monkeys in Rio de Janeiro.

In July, we will present 2 days of the Villa Mix Festival at the Interlagos Circuit in Sao Paulo with Maroon 5 as headliner, as well as Alok, Jorge & Mateus, Gustavo Lima, Luan Santana, among others.

In November, we will promote the Popload Festival in Sao Paulo, whose attractions will be announced soon.

Indoor

In indoor music, we have already booked around 40 shows for 2Q19, including important local and international artists like Snow Patrol, Aurora, Djavan, Bruno & Marrone, Nando Reis, Lulu Santos, among others.

- **Family Events and Theater**

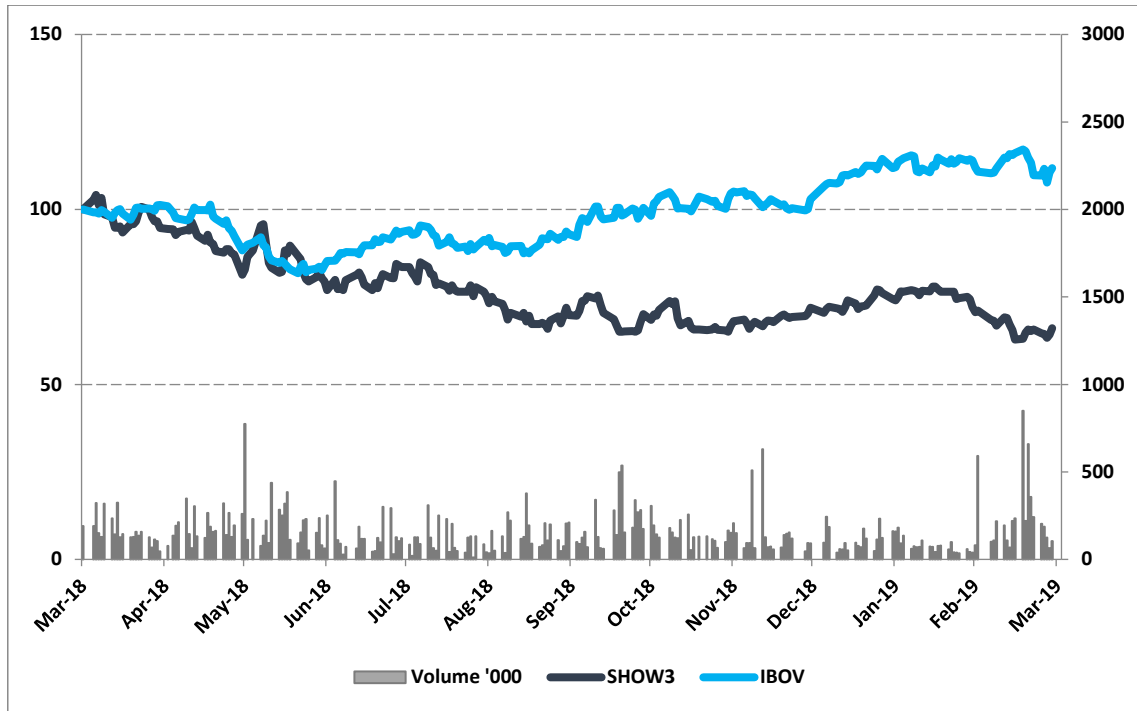
We will continue to promote the original Broadway musical The Phantom of the Opera until the end of 2019.

- **Sports Events**

In 2Q19 we will promote 4 series of the 12 races of Stock Car and 3 of 8 series of Stock Car Light.

SHOW3 Performance

SHOW3 closing price on March 31, 2019 was R\$6.71, which represented a decrease of 8.1% YTD and of 34.0% in the last 12 months.



Income Statement

(R\$ 000)

	1Q18	1Q19
NET OPERATING REVENUE	194,347	120,604
COST OF SERVICES PROVIDED AND PRODUCTS SOLD	(159,320)	(101,066)
GROSS PROFIT	35,027	19,538
OPERATING INCOME (EXPENSES)		
Sales	(418)	(387)
General and administrative	(17,268)	(11,623)
Management compensation	(2,337)	(1,279)
Other results with investments	-	(7,425)
Other operating income (expenses), net	(408)	(18,220)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL (EXPENSES) INCOME	14,596	(19,396)
FINANCIAL RESULT		
Financial expenses	(2,375)	(9,401)
Financial income	3,553	2,982
Net exchange rate and monetary variation	(2,415)	(19,273)
OPERATING PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	13,359	(45,088)
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	(8,521)	(11)
Deferred	17	10,814
NET RESULT	4,855	(34,285)

	LTM (Apr/17 - Mar/18)	LTM (Apr/18 - Mar/19)
NET OPERATING REVENUE	709,725	524,640
COST OF SERVICES PROVIDED AND PRODUCTS SOLD	(568,702)	(443,200)
GROSS PROFIT	141,023	81,440
OPERATING INCOME (EXPENSES)		
Sales	(1,491)	(1,176)
General and administrative	(62,755)	(53,173)
Management compensation	(7,768)	(8,619)
Other Results with Investments	-	(7,425)
Other operating income (expenses), net	4,168	(12,869)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL (EXPENSES) INCOME	73,177	(1,822)
FINANCIAL RESULT		
Financial expenses	(12,895)	(28,393)
Financial income	15,003	10,421
Net exchange rate and monetary variation	(3,136)	(10,844)
OPERATING PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	72,149	(30,638)
INCOME TAX AND SOCIAL CONTRIBUTION		
Current	(16,879)	62
Deferred	(10,956)	2,059
NET RESULT	44,314	(28,517)

Balance Sheet

(R\$ 000)

ASSETS	1Q18	4Q18	1Q19
CURRENT			
Cash and Cash Equivalent	242,991	196,951	255,869
Financial Investments	-	5,035	5,000
Restricted Cash	2,669	4,137	2,676
Accounts Receivables	133,544	141,243	75,117
Inventories	931	1,503	1,301
Recoverable Taxes	24,502	18,057	16,712
Advances to Suppliers	14,437	36,121	11,092
Anticipated Costs	35,195	29,842	57,063
Other Receivables	23,499	31,597	4,918
Total Current Assets	477,768	464,486	429,748
NON-CURRENT			
Deferred Income Tax and Social Contribution	59,705	53,851	61,373
Judicial Deposits	24,478	10,477	10,810
Related Parties	5,043	7,389	15,448
Total Long Term Assets	89,226	87,104	103,018
Fixed Assets (Property, Plant and Equipment)	15,176	15,991	49,968
Intangible:			
Goodwill on investments acquisition	112,861	111,177	127,676
Other intangibles	3,781	3,113	2,752
Total Non-Current Assets	221,044	217,385	283,414
TOTAL ASSETS	698,812	681,871	713,162
LIABILITIES AND SHAREHOLDERS' EQUITY	1Q18	4Q18	1Q19
CURRENT			
Suppliers	115,328	64,575	59,485
Borrowings, financing and debentures	16,740	896	12,891
Payroll, Provisions and Social Contributions	6,889	5,457	2,853
Taxes Payable	27,945	9,831	16,095
Advances from Clients	121,993	119,644	105,103
Sponsorships - Culture Incentive Law (Rouanet Act)	2,004	-	1,061
Dividends Payable	21,068	2,001	2,001
Other Payables	30,549	5,492	7,732
Total Current Liabilities	342,516	207,896	207,221
NON-CURRENT			
Borrowings, financing and debentures	-	120,000	144,955
Provision for Tax, Civil and Labor Contingencies	26,609	9,288	43,420
Deferred Income Tax and Social Contribution	198	3,892	159
Taxes Payable	5,550	5,379	5,247
Other Payables	3,282	936	829
Total Non-Current Liabilities	35,639	139,495	194,610
SHAREHOLDERS' EQUITY			
Capital Stock	243,022	243,022	243,022
Costs with Shares Issuance	(9,665)	(9,665)	(9,665)
Capital Reserve	5,305	6,056	6,237
Revaluation Reserve	912	776	732
Earnings Retention Reserve	64,012	78,460	44,179
Treasury Stocks	(1,007)	(2,131)	(2,131)
Comprehensive Results	13,906	12,651	28,798
Controlling Shareholders' Stake	316,485	329,169	311,172
Non-controlling Interests in Equity of Subsidiaries	4,172	5,311	159
Total Consolidated Shareholders' Equity	320,657	334,480	311,331
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	698,812	681,871	713,162

Cash Flow

(R\$ 000)

	1Q18	4Q18	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	4,855	(12,753)	(34,285)
Adjustments to reconcile profit for the period to net cash provided by (used in) generated by operating activities:			
Depreciation and amortization	1,502	1,174	3,905
Result on the merger of the subsidiary company Aurolights	-	-	35
Residual value of property, plant and equipment written-off	(308)	1,033	70
Deferred income tax and social contribution	(17)	5,393	(10,814)
Financial charges and exchange differences on balances with subsidiaries, financing, borrowings and taxes payable	(731)	810	463
Share-based payments	452	259	181
Recognition (reversal) of tax, civil and labor contingencies	2,939	(218)	34,274
Constitution (reversal) of allowance for doubtful accounts	(18)	(272)	(1,085)
(Increase) Decrease in operating assets and liabilities:			
Trade accounts receivables	40,466	(35,110)	55,692
Inventories	52	1	128
Recoverable taxes	(739)	10,354	(1,918)
Advances to suppliers	(3,077)	(17,025)	22,085
Other receivables	(4,702)	(8,415)	3,074
Escrow deposits	212	(344)	(348)
Prepaid expenses	2,184	86,525	(29,074)
Trade payables	47,242	(14,455)	15,475
Taxes payable	12,925	1,486	11,269
Accrued payroll and related taxes	1,612	(997)	(2,490)
Advances from customers	(73,966)	(37,091)	(13,202)
Payments of tax, civil and labor lawsuits	(435)	186	(215)
Other payables	21,281	2,218	2,898
Payments of income tax and social contribution	-	-	-
Lease payments - interest	-	-	706
Cash generated by (used in) operating activities	51,729	(17,241)	64,249
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial Investments	-	(5,000)	-
Goodwill on acquisition of investments	-	-	(3,000)
Acquisition of property, plant and equipment and intangible assets	(412)	(152)	(370)
Net cash generated y (used in) investing activities	(412)	(5,152)	(3,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of own shares	(744)	-	-
Related parties	3,085	726	(4,982)
Payment of dividends	-	10	-
Issuance of Debentures	-	120,000	-
Payment of debentures - principal	(8,333)	(8,333)	-
Payment of debentures - interests	(1,140)	(363)	-
Lease payments - principal	-	-	(3,357)
Net cash generated by (used in) financing activities	(7,132)	112,040	(8,339)
Exchange Variance on Cash and Cash Equivalents	791	2,564	6,378
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,976	92,211	58,918
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	198,015	104,740	196,951
Cash and cash equivalents at end of period	242,991	196,951	255,869
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,976	92,211	58,918