UNICASA

Management Report
2019

BOARD OF DIRECTORS

Gelson Luis Rostirolla
Chairman

Alexandre Grendene Bartelle
Vice Chairman

Gustavo Dall Onder
Director

Daniel Ferreira Maia de Freitas
Director

Thiago Costa Jacinto
Independent Director

BOARD OF EXECUTIVE OFFICERS

Gustavo Dall Onder
Chief Executive, Financial and Investor Relations Officer

Alexandre Narvaes Figueira
Commercial Officer

Luciano André Merigo
Operations Officer

Ivanir Moro
Accountant
CRC/RS-053351/O-7

Disclaimer: *The forward-looking statements in this document related to the business prospects, projections of operating and financial results and growth prospects of Unicasa are merely estimates and as such are based exclusively on Management's expectations for the future of the business. These expectations depend substantially on market conditions, the performance of the Brazilian economy, industry and international markets, and are subject to known and unknown risks and uncertainties, which can cause such expectations not to materialize or cause actual results to differ materially from those expected and, therefore, are subject to change without prior notice.*

To the Shareholders,

In compliance with applicable laws and Bylaws of the company, the Management of **Unicasa Indústria de Móveis S.A.** hereby presents the **Management Report** and the **Financial Statements** prepared according to the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), the generally accepted accounting principles in Brazil and the rules issued by the Securities and Exchange Commission of Brazil (CVM). The Company adopted all the standards, revisions of standards and interpretations issued by IASB and which are effective for the Financial Statements ended on December 31, 2019.

MESSAGE FROM THE MANAGEMENT

Dear shareholders,

In the last quarter of 2019, the Company's net revenue grew 6.6%, the highest growth rate since we went public. This result was driven by the performance of our multibrand, corporate and export dealers. Regarding exclusive dealers, despite a positive Same Store Sales (SSS) rate almost all brands, store closures still had a significant impact. At the end of 4Q19, the distribution network was 16% smaller in relation to 4Q18. Excluding the effect of closed stores and the closure of own stores, our revenue would have grown 13.8%. If, nevertheless, we consider that the new stores match the closed stores and consider only SSS and other sales channels, our revenue would have grown 8.9%.

Also worth mentioning is the reduction of approximately 30% in operating expenses year on year. Much of this reduction is related to expenses with serving customers of closed stores, which has declined, mainly due to our decisions to change the dealer signup process. Today, new dealers are better aligned with the Company's philosophy, which helps to make store closures less damaging. Another factor that helps reduce these expenses is that fewer operations are concentrated in a single storeowner. We believe that expenses related to serving customers of closed stores are reaching an acceptable level for the business.

In recent years, we have been streamlining our distribution network. We refrain from replacing store closures in locations with low consumption potential (which would make sustaining these operations extremely challenging) and/or are changing the location of stores. We believe this process has ended (of course, some operations will be closed, but within the normal course of business) and we started focusing on opening stores in locations whose consumption potential is not being adequately met by the Company's brands. Thus, in the second half of 2019, we created an expansion area to attract new storeowners to said locations. This new structure led to an increase in our selling expenses.

We made changes in the Board of Executive Officers of the Company. We have a new CEO, Commercial Officer and Industrial Officer, all of them already holding executive positions at the organization.

The key performance indicators confirm the results of the abovementioned facts. Highlights include EBITDA Margin, which reached 19.2%, close to the margin registered before the 2012 crisis period, of 20.1%. Net margin came to 12%. ROIC was 12.2%, compared to 0% in 2018. Apart from the reduction in operating expenses, the other highlight is the 1 p.p. increase in gross margin year on year and 2.3 p.p. in the quarter.

Our investments in the export market also brought significant results, with the channel growing 62% in 2019. In light of our growth expectations for this channel, in July we opened an office in the United States. It will mainly provide support to the stores, besides strengthening our proximity to the local market. We still have various operational challenges to overcome to enable the Company employ a more appropriate model for this market. Early in 2020, we participated in the Kitchen & Bath Industry Show in Las Vegas, showcasing the Dell Anno brand. This is our second participation in the fair and this time we set up a bigger stand, manned by a bigger team. We received excellent feedback from dealers regarding our products.

In the last quarter of 2019, the Management decided to reduce the capital stock of the Company. Based on cash projections, estimated investments for the coming years and cash generation from the business, we concluded that the Company had excess cash and decided to reimburse approximately R$24.3 million to shareholders. Considering the accounting entries to absorb losses and reserves, the capital reduction totaled R$41 million.

The operating result, combined with strong cash generation of R$27.9 million in 2019, enabled the Company to distribute 100% of its adjusted net income totaling R$17.1 million, which, adding the capital refund, comes to a total distribution of R$41.4 million to shareholders. The date for the payment of interest on equity and proposed additional dividends will be deliberated at the shareholders meeting to be held on April 16, 2020.

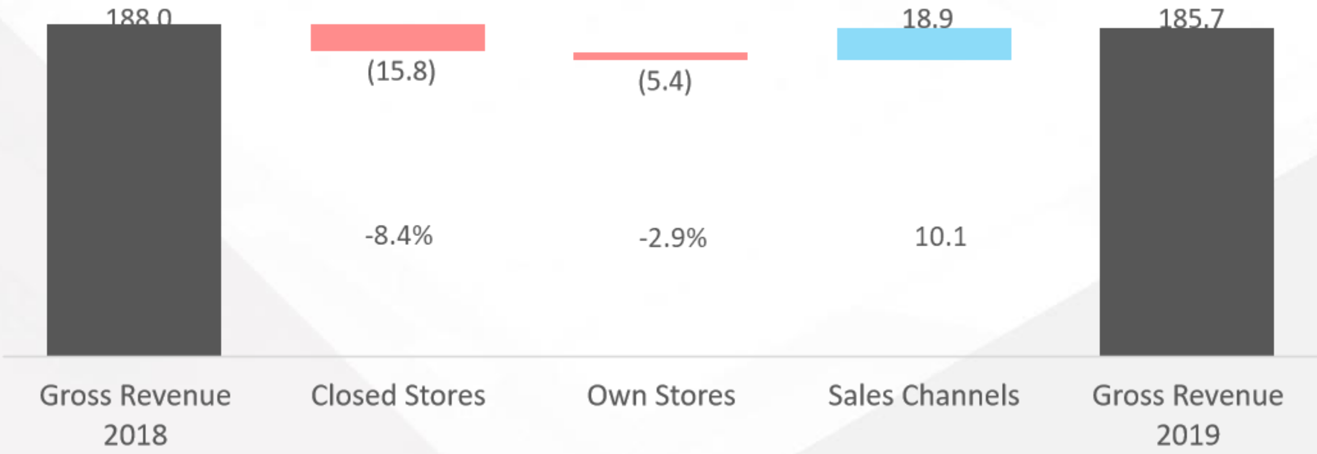
Our big thank you to everyone who contributed to Unicasa's results.

Executive Summary

Executive Summary	2018	2019	Δ
Gross Revenue ex-IPI	187,964	185,744	-1.2%
Net Revenue	**149,306**	**149,350**	**0.0%**
Cost of Goods Sold	(91,161)	(89,892)	-1.4%
Gross Income	**58,145**	**59,458**	**+2.3%**
Gross Margin	***38.9%***	***39.8%***	***+0.9p.p.***
Selling and Administrative Expenses	(59,847)	(42,259)	-29.4%
Other Revenues and Operating Expenses	3,099	2,792	-9.9%
Operating Income	**1,397**	**19,991**	**1331%**
Operating Margin	***0.9%***	***13.4%***	***+12.5p.p.***
Financial Income (Expenses) Net	5,172	5,185	+0.3%
Operating Income before Income Tax and Social Contribution	**6,569**	**25,176**	+283.3%
Income Tax and Social Contribution	(3,175)	(7,192)	+126.5%
Net Profit	**3,394**	**17,984**	+429.9%
Net Margin	***2.3%***	***12.0%***	***+9.7p.p.***
EBITDA	10,482	28,741	+174.2%
EBITDA Margin	***7.0%***	***19.2%***	***+12.2p.p.***

Sales Performance

Gross revenue in the year decreased 1.2%. This variation is due to: (i) the reduction in the distribution network, responsible for 8.4% decline; (ii) the shutdown of the own store operation, which accounted for about 2.9% of the decline, partially offset by the decrease in operating expenses arising from this business unit; and (iii) Growth of 10.1% in other sales channels, mainly driven by the performance of the Exports channel, the performance of same-store sales and the maturation of new stores opened in 2018 and 2019. The following chart presents the evolution of the Gross revenue(1):



(1)In millions

The Unicasa Corporate and Export Markets segments are affected by significant oscillations due to the specific characteristics of the projects sold in the period. The Export Markets segment is also impacted by exchange variation.

Dell Anno and Favorita – Exclusive and Own Stores	2018	2019	Δ
Gross Revenue. ex-IPI	95,191	87,051	-8.6%
Number of Modules Sold (thousand units)	244.4	210.7	-13.8%
New and Casa Brasileira Exclusive Dealers	**2018**	**2019**	**Δ**
Gross Revenue. ex-IPI	45,705	45,354	-0.8%
Number of Modules Sold (thousand units)	206.4	186.1	-9.8%
Multibrands	**2018**	**2019**	**Δ**
Gross Revenue. ex-IPI	23,338	24,783	+6.2%
Number of Modules Sold (thousand units)	118.8	124.2	+4.5%
Unicasa Corporate	**2018**	**2019**	**Δ**
Gross Revenue. ex-IPI	12,213	11,943	-2.2%
Number of Modules Sold (thousand units)	29.0	24.5	-15.5%
Export Market	**2018**	**2019**	**Δ**
Gross Revenue. ex-IPI	8,332	13,508	+62.1%
Number of Modules Sold (thousand units)	32.5	47.4	+45.8%

Consolidated Indicators - Unicasa

Unicasa Indústria de Móveis	2018	2019	Δ
Gross Revenue. ex-IPI	187,964	185,744	-1.2%
Number of Modules Sold (thousand units)	631.4	594.8	-5.8%

SALES AND DISTRIBUTION CHANNELS

Below is the breakdown of our distribution network by brand and channel:

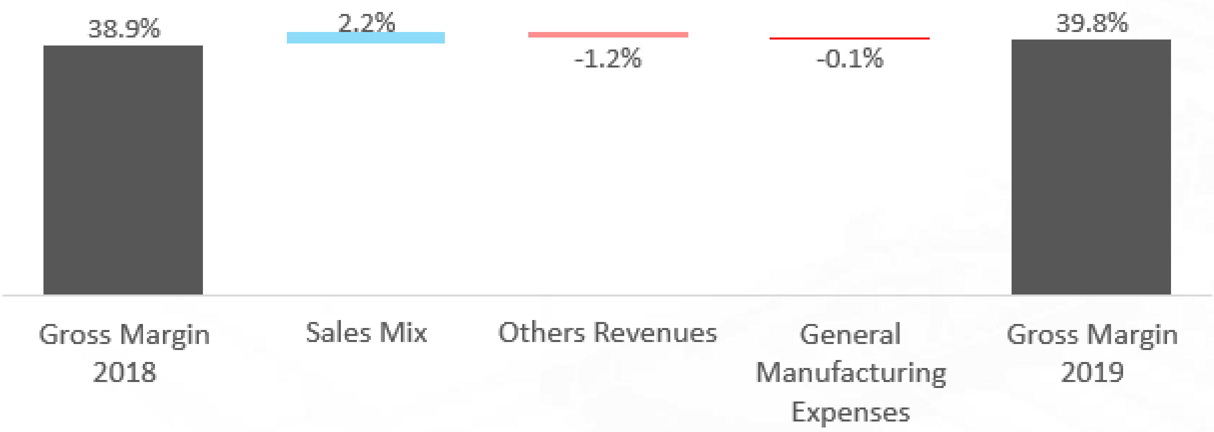
Period	4Q18	1Q19	2Q19	3Q19	4Q19	Δ
Exclusive and Own Stores	**220**	**202**	**192**	**193**	**185**	**(8)**
Dell Anno and Favorita	102	96	94	95	91	(4)
New and Casa Brasileira	118	106	98	98	94	(4)
Multibrand	**566**	**498**	**456**	**422**	**160**	**(262)**
New and Casa Brasileira Multibrand	566	498	456	422	160	(262)

Average productivity per Dell Anno and Favorita store in 2019 was R$75,200/month, 9.5% higher than in 2018. Average productivity per New and Casa Brasileira store in 2019 was R$35,700/month, 25% higher than in 2018, due to the closure of less productive operations and better Same-Store Sale (SSS) performance of stores. The reduction in multibrand stores mainly refers to the record cleanup process. The following chart shows annual historical productivity by store.

FINANCIAL PERFORMANCE

Gross Profit and Gross Margin

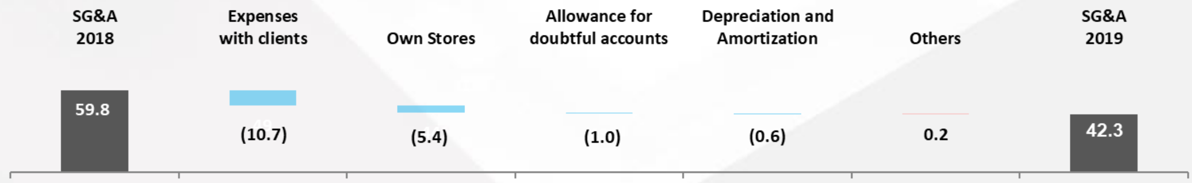
Gross Profit in the year was R$59.5 million. Gross margin increased 0.9 p.p., from 38.9% to 39.8%. Margin increase was mainly due to better sales mix, up 2.2 p.p. This increase was partially offset by the following factors: (i) the sale of raw materials of items that were discontinued due to product improvements, down 1.2 p.p. During the year, several products were modified and the balance in its inventory was sold. Though this sale does not generate losses for the Company, margin is significantly lower than in other sales channels; and (ii) general manufacturing costs (GGF) remained practically stable, contributing to the variation of 0.1 p.p.



Selling, General and Administrative Expenses (SG&A)

Selling General and Administrative Expenses	2018	2019	Δ
Total	**(59,847)**	**(42,259)**	**-29.4%**
Selling Expenses	**(35,679)**	**(26,931)**	**-24.5%**
% of Net Revenue	23.9%	18.0%	-5.9p.p.
Administrative Expenses	**(24,168)**	**(15,328)**	**-36.6%**
% of Net Revenue	16.2%	10.3%	-5.9p.p.
SG&A % of Net Revenue	40.1%	28.3%	-11.8p.p.

The following chart presents the evolution of Selling, General and Administrative Expenses in 2018 and 2019 [1]:



[1] In millions

Expenses with consumers were R$10.7 million lower than in 2018. These expenses include costs with merchandise, freight and assembly for final consumers who were not served by closed stores and whose orders are served directly by the factory, as well as lawsuits.

Expenses with own stores declined R$5.4 million due to the shutdown of the operation, as reported in the 4Q16 earnings release.

Expenses with allowance for doubtful accounts fell R$1.0 million from 2018.

The amortization of sales points decreased R$0.6 million due to the end of amortization of one of our sales points in May 2018.

The increase in other expenses is mainly due to costs with labor at the Company's new office in the United States and the new expansion department.

Other Operating Income and Expenses

The main changes in this group are: reduction in bank premium and the non-recurring effect of recognition of sale of the brand to storeowners in 2018.

Other Operating Income and Expenses	2018	2019	Δ
Total	**3,099**	**2,792**	**-9.9%**
Result from the sale of assets held for sale and of property, plant and equipment	(3,117)	(525)	-83.2%
Bank Premium	1,454	1,271	-12.6%
Trademark Rights	200	-	-100.0%
Other Operating Income	1,547	1,619	+4.7%
% of Net Revenue	**2.1%**	**1.9%**	**-0.2 p.p.**

Financial Result

Financial result remained practically stable in relation to 2018.

Financial Result	2018	2019	Δ
Net Financial Result	**5,172**	**5,185**	**0.3%**
Financial Expenses	**(1,295)**	**(2,392)**	**84.7%**
IOF charge and bank fees	(225)	(150)	-33.3%
Loans and financing expenses	-	-	n/a
Exchange variation expenses	(705)	(1,100)	56.0%
Present value adjustment - AVP	(152)	(600)	294.7%
Other financial expenses	(213)	(542)	154.5%
Financial Income	**6,467**	**7,577**	**17.2%**
Interest income	1,549	1,368	-11.7%
Discounts	204	371	81.9%
Yield from short-term investments	1,873	2,981	59.2%
Exchange variation income	868	1,006	15.9%
Other financial income	636	357	-43.9%

EBITDA and EBITDA Margin

EBITDA	2018	2019	Δ
Net Income for the Period	**3,394**	**17,984**	**+429.9%**
Income Tax and Social Contribution	3,175	7,192	+126.5%
Financial Result	(5,172)	(5,185)	+0.3%
EBIT	**1,397**	**19,991**	**+1331.0%**
Depreciation and Amortization	9,085	8,750	-3.7%
EBITDA	**10,482**	**28,741**	**+174.2%**
EBITDA Margin	***7.0%***	***19.2%***	***+12.2 p.p.***

Cash flow

This year, the main increase in cash generation is a result of the Company's operating activities combined with lower expenses with acquisition of inputs in the period, since the Company sourced cheaper inputs in 3Q18.

Cash Flow	2018	2019	Δ
Cash Flows from Operating Activities	20,405	31,742	+55.6%
Changes in Assets and Liabilities	(2,863)	392	-113.7%
Financial Investments	(12,810)	(11,563)	-9.7%
Cash generated by investment activities	(5,417)	(3,857)	-28.80%
Cash generated by financing activities	-	-	+0.0%
Effect of exchange variation on cash and cash equivalents	-	59	+0.0%
Cash flow (burn)	**(685)**	**16,773**	**-2548.6%**
Financial Investments	12,810	11,563	-9.7%
Cash flow and Financial Investments	**12,125**	**28,336**	**+133.7%**
At the Beginning of the Period	29,473	41,598	+41.1%
At the End of the Period	41,598	69,934	+68.1%
Cash flow and Financial Investments	**12,125**	**28,336**	**+133.7%**

Net Cash

Net Cash	2018	2019	Δ
Short Term Debt	-	-	n/a
Long Term Debt	-	-	n/a
Gross Debt	**-**	**-**	**n/a**
Cash and Cash Equivalents	28,788	45,561	+58.3%
Financial Investments	12,810	24,373	+90.3%
Net Debt/(Cash Surplus)	**(41,598)**	**(69,934)**	**+68.1%**

Return on Invested Capital (ROIC)

NOPLAT (Net Operating Profit Less Adjusted Taxes)	2019	2018	2017	2016
(=) EBITDA	**28,741**	**10,482**	**(4,107)**	**(19,824)**
Depreciation	8,750	9,085	10,489	10,944
(=) EBIT	**19,991**	**1,397**	**(14,596)**	**(30,768)**
Income Tax and Social Contribution	(7,192)	(3,175)	3,635	(1,317)
Financial Result Income Tax Reversal	1,763	1,758	1,565	2,659
(=) Operating Net Income (NOPLAT)	14,562	(20)	(9,396)	(29,426)
Invested Capital - LTM	119,502	131,093	140,322	121,361
ROIC - LTM	**12.2%**	**0.0%**	**-6.7%**	**-24.2%**
ROE (Return on Equity)	**2019**	**2018**	**2017**	**2016**
Net Profit	17,984	3,394	(6,357)	(24,264)
Shareholders' equity	160,042	171,266	167,872	174,229
ROE - LTM	**11.2%**	**2.0%**	**-3.8%**	**-13.9%**

ALLOCATION OF INCOME

The Board of Directors proposes to the Shareholders Meeting to be held on April 16, 2020, the distribution of 100% of adjusted net income.

Proposal for allocation of net income from the year	2019 R$
Net income from the period	17,983,960.65
Legal reserve (5%)	(899,198.03)
Adjusted net income	**17,084,762.62**
Proposed allocation	
Interest on equity	5,002,737.75
Additional proposed dividends	12,082,024.87
Total	**17,084,762.62**

Interest on equity was discussed and voted on at the Board of Directors Meeting held on December 11, 2019. The amount, net of income tax, is four million, three hundred ninety-two thousand, six hundred seventy-five reais and ninety-two centavos (R$4,392,675.92), equivalent to R$0.06647 per share. All common shareholders of record on December 16, 2019 will be entitled to interest on equity, with shares being traded ex-interest on equity starting from December 17, 2019. The payment date proposed is April 30, 2020.

All common shareholders of record on April 23, 2020 will be entitled to additional dividend at the ratio of R$0.18282 per share, with the shares being traded ex-dividend starting from April 24, 2020. The payment date proposed is April 30, 2020, without any remuneration or inflation adjustment.

The total amount to be distributed by the Company, considering interest on equity net of income tax and additional proposed dividend, is R$0.24929 per share.

HUMAN RESOURCES

Unicasa ended 2019 with 387 employees, a 3.5% reduction from the 2018 headcount of 401 employees.

ADMINISTRATIVE EVENTS

With the demise of the CEO in March 2019, we made changes to the Board of Executive Officers of the Company. The Board of Directors Meeting held on May 9, 2019 elected the following: Gustavo Dall Onder as CEO; Alexandre Narvaes Figueira as Commercial Officer; and Luciano André Merigo as Manufacturing Officer. Gustavo Dall Onder will hold the positions of CEO, Chief Financial Officer and Investor Relations Officer. All of them were already holding executive positions at the Company.

At the meeting held on November 13, 2019, the Board of Directors decided to reduce the capital stock of the Company. Based on cash projections, estimated investments for the coming years and cash generation from the business, the Board concluded that the Company had excess cash. Hence, the Company's capital stock was reduced by forty million, seven hundred eight thousand, nine hundred twenty reais and ninety-six centavos (R$40,708.920.96). Of this amount, thirteen million, seven hundred eighty-four thousand, seven hundred forty-two reais and fifty-eight centavos (R$13,784,742.58) will be used to absorb accumulated losses, two million, six hundred fifty-eight thousand, three hundred forty-three reais and ninety-two centavos (R$2,658,343.92) will be used to absorb the negative balance of capital reserve, and twenty-four million, two hundred sixty-five thousand, eight hundred thirty-four thousand and forty-six centavos (R$24,265,834.46) will be returned to shareholders at R$0.367183682 per share, paid on February 14, 2020.

CAPITAL MARKETS

At the end of fiscal year 2019, the Company's share UCAS3 was quoted R$5.05, which represents market capitalization of around R$333.7 million, 78% more than at the end of fiscal year 2018, when market capitalization was R$187.0 million and the Company's share was quoted at R$2.83. In the year, 56.6 million Company shares were traded in around 90,700 trades, with financial volume of R$244.9 million. A total of 366 trades were conducted on average daily, involving 232,000 shares, with financial volume of R$988,000.
Unicasa's UCAS3 stock is listed on the Novo Mercado segment of B3, which consists of companies with the highest corporate governance standards. It is divided into 66,086,364 shares, of which approximately 44.4% are outstanding. The book value per share at the end of 2019 was R$2.42.

INDEPENDENT AUDITORS

In compliance with article 2 of CVM Instruction 381/03, the Company informs that BDO RCS Auditores Independentes SS ("BDO") provided only services related to the audit of the Financial Statements in 2019, under the following terms:

- Full audit conducted in accordance with Brazilian and international audit standards of the parent company and consolidated Financial Statements of the Company, prepared in accordance with the accounting practices adopted in Brazil (parent company and consolidated) and with IFRS (consolidated), for the fiscal year ended December 31, 2019, and review of the Company's Quarterly Financial Information on March 31, June 30 and September 30, 2019, for total fees of R$173,714.29. Date of contract: February 26, 2018.

DECLARATION OF EXECUTIVE OFFICERS

In compliance with article 25 of CVM Instruction 480 of December 7, 2009, the Board of Executive Officers hereby declares that it reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Report on the Financial Statements and with the Financial Statements for the fiscal year ended December 31, 2019.

ARBITRATION CLAUSE

The Company, its shareholders, managers and members of the Audit Board undertake to resolve, through arbitration at the Market Arbitration Chamber, all and any dispute or controversy that may arise among them, related to or caused by, particularly, the application, validity, efficacy, interpretation, violation and effects of provisions of the Brazilian Corporations Law, the Bylaws of the Company, rules of the Brazilian Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as Listing Rules, Arbitration Rules, Sanction Rules and the Novo Mercado Listing Agreement.

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UNICASA INDÚSTRIA DE MÓVEIS S.A.

Independent Auditor’s report

Financial statements
On December 31, 2019

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UNICASA

UNICASA INDÚSTRIA DE MÓVEIS S.A.

Financial statements
On December 31, 2019

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

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INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS

The Shareholders, Board of Directors and Management
Unicasa Indústria de Móveis S.A.
Bento Gonçalves – Rio Grande do Sul

Opinion on the financial statements

We have audited the accompanying individual and consolidated financial statements of Unicasa Indústria de Móveis S.A. (“Company”), identified as Company and Consolidated, respectively, which comprise the individual and consolidated statements of financial position on December 31, 2019, and the related individual and consolidated statements of operations, comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Unicasa Indústria de Móveis S.A. as at December 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion on the financial statements

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities in accordance with those standards are described in the following section entitled “The Auditor’s Responsibilities in Relation to the Individual and Consolidated Financial Statement Audit”. We are independent of Unicasa Indústria de Móveis S.A. and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil’s National Association of State Boards of Accountancy (CPC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key audit matters

The main audit assumptions are those that, in our professional judgment, were the most significant in our audit of the current year. These issues were treated in the context of audit of the individual and consolidated financial statements as a whole and in the formation of our opinion on the individual and consolidated financial statements, and therefore, we do not express a specific opinion on these issues.

Allowance for loan losses - Parent Company and Subsidiaries	Auditor’s response
As described in Note 5 to the individual and consolidated financial statements, the Company recognizes estimated losses with doubtful accounts for trade accounts receivable, considering the following estimates, among others: payment capacity, current and prospective economic scenario, evaluation of delinquency levels and guarantees received, as well as evaluation of renegotiations made, and also involving a significant degree of judgment by the Company’s Management. Given the importance of the allowance for loan losses in relation to the total trade accounts receivable, and the significant degree of judgment required from the Company’s Management for correct evaluation, we consider this matter relevant for our audit.	Our audit procedures included an assessment of the assumptions adopted by the Management of the Company, including the reasonability of the accounting policy adopted, analysis of the balance of trade accounts receivable by age of maturity, including discussions with the Company’s Management regarding the analysis of guarantees received and agreements renegotiated with its main customers and the correct application of the Management’s judgment. In addition, we assessed the adequacy of the Company’s disclosures on this issue in Note 4 to the individual and consolidated financial statements. As a result of the evidence obtained through the aforementioned procedures, we consider acceptable the recognition and disclosure of estimated loan losses on trade accounts receivable, recognized in the individual and consolidated financial statements at R$ 10,485 thousand and R$ 10,626 thousand, respectively.

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Other matters

Statements of value added

The individual and consolidated statements of value added (SVA), for the year ended December 31, 2019, prepared under the responsibility of the Management of Unicasa Indústria de Móveis S.A., and presented as additional information for IFRS purposes, has been subject to audit procedures performed in conjunction with the audit of the Company's financial statements. In order to form our opinion, we assessed whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in the Brazilian FASB (CPC) Accounting Pronouncement CPC 9 – Statement of Value Added. In our opinion the statements of value added were properly prepared in all material respects in accordance with the criteria established in that Accounting Pronouncement and are consistent in relation to the individual and consolidated financial statements as a whole.

Audit of amounts corresponding to previous fiscal year

The amounts corresponding to the individual and consolidated financial statements of **UNICASA Indústria de Móveis S.A.** for the fiscal year ended December 31, 2018, presented for comparison purposes, were audited by us and we issued a report on March 14, 2019, without any change.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Company Management is responsible for this other information that comprises the management report.

Our opinion on the individual and consolidated financial statements does not include the management report and does not express any form of audit conclusion on that report.

In regard to the audit of the individual and consolidated financial statements, our responsibility is to read the management report and, in doing so, consider whether this report is significantly inconsistent with the financial statements or our knowledge obtained during the audit or otherwise, or whether it appears to be significantly distorted.

If, on the basis of the work performed, we conclude that there is significant inconsistency in management's report, we are required to communicate that fact. We do not have anything to report in this regard.

Responsibilities of Management and of those charged with Governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to its going concern and using the going concern basis of accounting, unless management either intends to liquidate **Unicasa Indústria de Móveis S.A.** or its subsidiaries, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of **Unicasa Indústria de Móveis S.A.** and its subsidiaries are those responsible for overseeing the individual and consolidated financial reporting process.

Auditor's Responsibilities for the Audit of Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian standards and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these individual and consolidated financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that posed by error, as fraud may involve circumvention of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control or that of its subsidiaries.

- Evaluate the appropriateness of accounting practices used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt on the ability of **Unicasa Indústria de Móveis S.A.** to continue as a going concern or that of its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or future conditions may cause **Unicasa Indústria de Móveis S.A.** or its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

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- Obtain adequate and sufficient audit evidence for entity financial information or business group activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the auditor's opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those responsible for governance with a statement that we complied with relevant ethical requirements, including the requirements of independence, and communicate all possible relationships or matters that could considerably affect, our independence, including, where applicable, respective safeguards.

Any matters that have been the subject of communication with those responsible for governance, we have determined those that were considered to be most significant in auditing the individual and consolidated financial statements of the current year and that, therefore, constitute the main assurance issues. We describe these issues in our auditor's report, unless law or regulation has outlawed public disclosure of the issue, or when, in extremely rare circumstances, we determine that the issue should not be stated in our report given that the adverse consequences of such a communication may, from a reasonable perspective, outweigh the benefits of communication in the public interest.

Porto Alegre, March 12, 2020.

BDO RCS Auditores Independentes SS
CRC 2 RS 005519/F

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 - S - RS

UNICASA INDÚSTRIA DE MÓVEIS S.A.

Statements of financial position
December 31, 2019 and 2018
(Amounts in thousands of reais)

		Company		Consolidated	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	3	**44,090**	28,664	**45,561**	28,788
Financial investments	4	**21,149**	9,774	**21,149**	9,774
Trade accounts receivable	5	**30,366**	28,085	**30,488**	28,485
Inventories	6	**20,129**	21,448	**20,198**	21,563
Loans granted	8	**1,055**	1,803	**1,055**	1,803
Taxes recoverable		**2,037**	875	**2,058**	892
Other assets	9	**2,979**	5,943	**3,841**	7,539
Total current assets		**121,805**	96,592	**124,350**	98,844
Noncurrent assets					
Long-term receivables					
Financial investments	4	**3,224**	3,036	**3,224**	3,036
Trade accounts receivable	5	**7,760**	8,326	**7,760**	8,326
Loans granted	8	**1,671**	1,439	**1,671**	1,439
Assets held for sale	7	**532**	750	**532**	750
Deferred income and social contribution taxes	13	**5,875**	13,063	**5,875**	13,063
Judicial deposits	14.b	**1,987**	2,736	**1,997**	2,830
Other assets	9	**961**	794	**1,179**	1,539
		22,010	30,144	**22,238**	30,983
Investments					
In subsidiary	10	**776**	362	**-**	-
Other investments		**20**	20	**20**	20
Property, plant and equipment	11	**74,730**	78,618	**74,762**	78,663
Intangible assets	12	**6,883**	8,472	**6,883**	8,472
		82,409	87,472	**81,665**	87,155
Total noncurrent assets		**104,419**	117,616	**103,903**	118,138
Total assets		**226,224**	214,208	**228,253**	216,982

See accompanying notes to the financial statements.

Statements of financial position
December 31, 2019 and 2018
(Amounts in thousands of reais)

		Company		Consolidated	
	Note	2019	2018	2019	2018
Liabilities					
Current					
Trade accounts payable		**1,434**	2,277	**1,584**	2,299
Tax obligations		**1,825**	1,123	**1,841**	1,179
Interest on equity		**4,393**	-	**4,393**	-
Salaries and social charges		**2,611**	2,622	**2,663**	2,876
Advances from customers		**15,329**	14,738	**17,063**	16,717
Provisions	14.c	**2,020**	5,485	**2,020**	5,485
Capital return to shareholders		**24,266**	-	**24,266**	-
Other current liabilities	15	**5,291**	5,228	**5,368**	5,691
Total current liabilities		**57,169**	31,473	**59,198**	34,247
Noncurrent liabilities					
Provisions	14.a	**8,801**	10,954	**8,801**	10,954
Tax obligations		**77**	208	**77**	208
Other noncurrent liabilities	15	**135**	307	**135**	307
Total noncurrent liabilities		**9,013**	11,469	**9,013**	11,469
Equity					
Capital	16.a	**147,000**	187,709	**147,000**	187,709
Capital reserve		**-**	(2,658)	**-**	(2,658)
Legal reserve		**899**	-	**899**	-
Additional proposed dividends		**12,082**	-	**12,082**	-
Accumulated losses		**-**	(13,785)	**-**	(13,785)
Cumulative translation adjustments		**61**	-	**61**	-
Total equity		**160,042**	171,266	**160,042**	171,266
Total liabilities and equity		**226,224**	214,208	**228,253**	216,982

See accompanying notes to the financial statements.

Statements of operations
Years ended December 31, 2018 and 2017
(In thousands of reais, except for loss per share)

		Company		Consolidated	
	Note	2019	2018	2019	2018
Sales revenue, net	17	**148,131**	144,193	**149,350**	149,306
Cost of sales	18	**(90,237)**	(90,615)	**(89,892)**	(91,161)
Gross profit		**57,894**	53,578	**59,458**	58,145
Operating income (expenses)					
Selling expenses	18	**(24,276)**	(28,410)	**(26,931)**	(35,679)
Administrative expenses	18	**(15,328)**	(24,168)	**(15,328)**	(24,168)
Other operating revenue	19	**2,422**	2,926	**2,922**	3,490
Other operating expenses		**(130)**	(391)	**(130)**	(391)
Equity pickup	10	**(401)**	(2,048)	**-**	-
		(37,713)	(52,091)	**(39,467)**	(56,748)
Income before financial income (expenses)		**20,181**	1,487	**19,991**	1,397
Financial income					
Financial expenses	20	**(2,379)**	(1,277)	**(2,392)**	(1,295)
Financial income	20	**7,374**	6,359	**7,577**	6,467
		4,995	5,082	**5,185**	5,172
Profit (loss) before income and social contribution taxes		**25,176**	6,569	**25,176**	6,569
Income and social contribution taxes					
Current	13	**(4)**	-	**(4)**	-
Deferred	13	**(7,188)**	(3,175)	**(7,188)**	(3,175)
		(7,192)	(3,175)	**(7,192)**	(3,175)
Profit (loss) for the year		**17,984**	3,394	**17,984**	3,394
Basic and diluted profit (loss) per share	16.e	**0.27213**	0.05136	**0.27213**	0.05136

See accompanying notes to the financial statements.

Statements of comprehensive income
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais)

	Company		Consolidated	
	2019	2018	2019	2018
Profit (loss) for the year	**17,984**	3,394	**17,984**	3,394
Other comprehensive income	**61**	-	**61**	-
Cumulative translation adjustments	**61**	-	**61**	-
Total comprehensive income for the year	**18,045**	3,394	**18,045**	3,394

See accompanying notes to the financial statements.

UNICASA INDÚSTRIA DE MÓVEIS S.A.

Statements of changes in equity
(In thousands of reais)

	Note	Capital	Capital reserve	Profit reserves: Legal reserve	Profit reserves: Additional proposed dividend	Accumulated losses	Other comprehensive income	Total
Balances as at December 31, 2017		187,709	(2,658)	-	-	(17,179)	-	167,872
Net income for the year		-	-	-	-	3,394	-	3,394
Balances as at December 31, 2018		187,709	(2,658)	-	-	(13,785)	-	171,266
Net income for the year		**-**	**-**	**-**	**-**	**17,984**	**-**	**17,984**
Allocation of net income:								
Legal reserve	16.b	**-**	**-**	**899**	**-**	**(899)**	**-**	**-**
Additional proposed dividends		**-**	**-**	**-**	**12,082**	**(12,082)**	**-**	**-**
Interest on equity	16.d	**-**	**-**	**-**	**-**	**(5,003)**	**-**	**(5,003)**
Capital reduction	16.a	**(40,709)**	**2,658**	**-**	**-**	**13,785**	**-**	**(24,266)**
Other comprehensive income:	16.c							
Translation adjustments for the year		**-**	**-**	**-**	**-**	**-**	**61**	**61**
Balances as at December 31, 2019		**147,000**	**-**	**899**	**12,082**	**-**	**61**	**160,042**

See accompanying notes to the financial statements.

Cash flow statements
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais)

	Company		Consolidated	
	2019	2018	2019	2018
Cash flow from operating activities:				
Profit before income and social contribution taxes	**25,176**	6,569	**25,176**	6,569
Adjustment to reconcile net income to cash and cash equivalents:				
Depreciation and amortization	**8,736**	9,066	**8,750**	9,085
Currency variation - Customers	**276**	(91)	**276**	(91)
Provision for risks - tax, labor, civil and end of business relationship	**(2,153)**	2,251	**(2,153)**	2,251
Provision for obsolescence	**(42)**	353	**(42)**	353
Allowance for doubtful accounts – Accounts Receivable and Loans Granted	**120**	925	**74**	963
Provision for losses with sureties	**-**	(1,441)	**-**	(1,441)
Other provisions	**(550)**	(26)	**(936)**	437
Write-offs of property, plant and equipment, net	**594**	1,981	**597**	2,279
Equity pickup	**401**	2,048	**-**	-
	32,558	21,635	**31,742**	20,405
Changes in assets and liabilities				
Trade accounts receivable	**(2,094)**	(1,975)	**(1,769)**	(2,315)
Inventories	**1,362**	(3,076)	**1,407**	(2,146)
Taxes recoverable	**548**	4,053	**565**	4,204
Loans granted	**498**	726	**498**	726
Other current and noncurrent assets	**3,546**	(619)	**4,893**	3
Noncurrent assets held for sale	**218**	2,128	**218**	2,128
Trade accounts payable	**(843)**	(911)	**(717)**	(967)
Advances from customers	**591**	3,029	**346**	(851)
Other current and noncurrent liabilities	**(2,464)**	(3,010)	**(2,704)**	(3,645)
Income tax and social contribution payment	**(1,714)**	-	**(1,735)**	-
Payment of withholding income tax on interest on equity	**(610)**	-	**(610)**	-
Net cash provided by operating activities	**31,596**	21,980	**32,134**	17,542
Cash flow from investing activities:	**(11,563)**	(12,810)	**(11,563)**	(12,810)
Financial investments	**(754)**	(4,330)	**-**	-
Capital increase at subsidiary	**-**	11	**-**	11
Investment write-off	**(3,031)**	(4,586)	**(3,035)**	(4,600)
Acquisition of property, plant and equipment	**(822)**	(828)	**(822)**	(828)
Acquisition of intangible assets	**(16,170)**	(22,543)	**(15,420)**	(18,227)
Net cash used in investing activities				
Effect from exchange variation on cash and cash equivalents	**-**	-	**59**	-
Increase/(decrease) in cash and cash equivalents	**15,426**	(563)	**16,773**	(685)
Statement of changes in cash and cash equivalents:				
At beginning of year	**28,664**	29,227	**28,788**	29,473
At end of year	**44,090**	28,664	**45,561**	28,788
Increase (decrease) in cash and cash equivalents	**15,426**	(563)	**16,773**	(685)

See accompanying notes to the financial statements.

Statements of value added
Years ended December 31, 2019 and 2018
(In thousands of reais)

	Company		Consolidated	
	2019	2018	2019	2018
Revenue from product sale, net of returns and adjustment to present value	**190,150**	187,583	**192,193**	194,955
Other revenues	**1,349**	(619)	**1,849**	(55)
Allowance for doubtful accounts	**(120)**	(925)	**(74)**	(963)
	191,379	186,039	**193,968**	193,937
Inputs acquired from third parties				
Cost of products and goods sold	**(81,712)**	(85,102)	**(81,796)**	(86,281)
Materials, electricity, third-party services	**(28,864)**	(30,745)	**(29,987)**	(33,737)
Recovery of idle inventories	**42**	-	**42**	-
Other	**(3,158)**	(9,743)	**(3,394)**	(9,949)
	(113,692)	(125,590)	**(115,135)**	(129,967)
Gross value added	**77,687**	60,449	**78,833**	63,970
Depreciation and amortization	**(8,736)**	(9,066)	**(8,750)**	(9,085)
Gross value added generated by the Company	**68,951**	51,383	**70,083**	54,885
Value added received in transfer				
Equity pickup	**(401)**	(2,048)	**-**	-
Financial income	**7,612**	6,564	**7,825**	6,678
	7,211	4,516	**7,825**	6,678
Total unpaid value added	**76,162**	55,899	**77,908**	61,563
Personnel				
Direct compensation	**17,651**	16,860	**18,098**	19,396
Benefits	**2,958**	2,826	**3,004**	2,954
Unemployment Compensation Fund (FGTS)	**1,693**	1,708	**1,910**	2,186
	22,302	21,394	**23,012**	24,536
Taxes, rates and contributions				
Federal	**23,681**	19,043	**24,113**	20,156
State	**10,117**	10,354	**10,342**	11,128
Municipal	**94**	97	**114**	174
	33,892	29,494	**34,569**	31,458
Debt remuneration				
Rent	**624**	776	**972**	1,316
Other	**1,360**	841	**1,371**	859
	1,984	1,617	**2,343**	2,175
Equity remuneration				
Dividends and interest on equity	**5,003**	-	**5,003**	-
Net loss for the year	**12,981**	3,394	**12,981**	3,394
	17,984	3,394	**17,984**	3,394
Total value added distributed	**76,162**	55,899	**77,908**	61,563

See accompanying notes to the financial statements.

1. Operations

The corporate purpose of Unicasa Indústria de Móveis S.A. ("Company"), is a corporation with registered office in the city of Bento Gonçalves, state of Rio Grande do Sul, with shares listed on the Novo Mercado segment of "B3 S.A. – Brasil, Bolsa e Balcão" (BM&FBovespa), under ticker UCAS3, since April 27, 2012. Established in 1985, the Company's corporate purpose is to manufacture, sell, import and export products related to the wood, iron and aluminum furniture segment, kitchens, and other articles related to household and commercial furniture.

The Company has resale agreements with agents authorized to explore our brands "Dell Anno", "Favorita", "New", "Casa Brasileira" and "Unicasa Corporate" through exclusive dealers and multibrand stores in Brazil and abroad.

The corporate purpose of Unicasa Comércio de Móveis Ltda. (subsidiary), included in the consolidated financial statements, is the retail sale of customized furniture.

The corporate purpose of Unicasa North America, LLC (subsidiary established in the United States), also included in the consolidated financial statements, is to disseminate the Dell Anno brand in North America. It was created on November 13, 2018 and started operating in July 2019. Its fully subscribed and paid-up capital stock is US$200,000.00.

The Management of the Company decided to reduce the number of own stores by transferring them to the direct management of authorized independent resellers. In the first quarter of 2018, its last operating reseller was transferred. Two stores were transferred in 2017 and four were transferred in 2016, out of an earlier total of seven own stores. The subsidiary remains open to serve the operation's holdover clients and as a support for clients of the parent company's Unicasa Corporate segment.

2. Summary of significant accounting practices

2.1 Basis of preparation and presentation of financial statements

The individual and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which include the provisions of Federal Law 6,404/76, amended by Federal Laws 11,638/07 and 11,941/09, the accounting standards, interpretations and guidelines issued by the Accounting Pronouncements Committee ("CPC"), approved by the Securities and Exchange Commission of Brazil ("CVM"), the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

While preparing these financial statements, the Company's Management followed the same accounting policies and calculation methods as applied to the individual and consolidated financial statements dated December 31, 2018.

The Company's Management understands that all relevant information related to the financial statements is presented herein and corresponds to the information used by the management. Note also that accounting practices considered immaterial were not included in the financial statements.

Approval of the individual and consolidated financial statements

The presentation of these financial statements was approved and authorized at the Board of Directors' Meeting held on March 12, 2020.

2. Summary of accounting policies--Continued

2.2 Basis of consolidation

The subsidiaries Unicasa Comércio de Móveis Ltda. and Unicasa North America, LLC are fully consolidated from the date of its incorporation. Their financial statements are prepared for the same disclosure fiscal year as that of the parent company using uniform accounting policies. All intra-group balances, revenues and expenses and unrealized profits and losses arising from intercompany transactions are entirely eliminated.

2.3 Functional currency and translation of balances denominated in foreign currency

The financial statements are presented in Brazilian Real (R$), the Company's functional currency. Transactions using foreign currencies are initially recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate on the balance sheet date. All variations are recorded in the statement of income.

2.4 Critical accounting judgements, estimates and premises

The preparation of the financial statements requires the use of certain accounting estimates and judgements by the Company's Management in applying its accounting policies. The settlement of transactions involving these estimates could result in amounts significantly different from those recorded in the financial statements, due to inaccuracies in the process of determining such amounts. The Company regularly revises its estimates and premises in a period not exceeding one year.

Information on critical judgements regarding accounting policies adopted that have effects on the amounts recognized in the individual and consolidated financial statements and the information about uncertainties, premises and estimates are included in the following notes: 5 - Trade accounts receivable, 8 - Loans granted, 13 - Income Tax and Social Contribution, 14 – Provisions and 22 – Financial instruments.

The accounting practices adopted by the Company and its subsidiary are described in the specific notes related to the items presented. Those applicable in general to different aspects of the financial statements and considerations about the use of estimates and judgements are presented in this section.

2.5 Impairment of non-financial assets

The Company's Management periodically revises the carrying amount of the assets for the purpose of evaluating events or changes in the economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value.

On December 31, 2018 and 2017, no risk factors were detected and, consequently, no provision for impairment of assets was necessary.

2.6 IFRS 9/CPC 48 Financial Instruments

2.6.1 Classification and measurement of financial instruments

Financial instruments are measured at amortized cost or fair value and classified in one of the three categories:

(a) measured at amortized cost;
(b) fair value through other comprehensive income; and
(c) fair value recorded through profit or loss for the year.

2. Summary of accounting policies--Continued

2.6 IFRS 9/CPC 48 Financial Instruments--Continued

2.6.1 Classification and measurement of financial instruments--Continued

The Company classifies its financial instruments in the following categories:

	Company and Consolidated
Financial assets	
Cash and cash equivalents (Note 3)	**Amortized cost**
Financial investments (Note 4)	**Amortized cost**
Trade accounts receivable (Note 5)	**Amortized cost**
Loans granted (Note 8)	**Amortized cost**
Other assets (Note 9)	**Amortized cost**
Financial liabilities	
Trade payables	**Amortized cost**
Advances from customers	**Amortized cost**
Other liabilities (Note 15)	**Amortized cost**

2.6.2 Subsequent measurement

Subsequent measurement occurs on each reporting date in accordance with the rules established for each type of classification of financial assets and liabilities.

The Company and its subsidiaries classify their financial assets and liabilities in the amortized cost category according to the purpose for which they were acquired or issued:

a. *Financial assets at amortized cost:* are measured under a business model whose purpose is to receive contractual cash flows in which their contractual terms originate cash flows that are exclusively payments and interest on the principal amount.

b. *Financial assets and liabilities at fair value through profit or loss:* any financial assets that cannot be classified as measured at amortized cost must be measured and recognized as at fair value through profit or loss. Financial assets that are held for trading and managed based on fair value are also included in this category.

c. *Financial liabilities:* the Company must classify all financial liabilities as measured at amortized cost, except for: (i) financial liabilities at fair value through profit or loss, (ii) financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition or when the continuing involvement approach is applicable, (iii) financial guarantee agreement, (iv) commitments to grant loans remunerated with interest rate below the market rate, (v) the contingent consideration recognized by the acquirer in a business combination, to which CPC 15 must be applied.

2.6.3 Derivative financial instruments and hedging

The Company does not operate with derivative financial instruments for hedge purposes.

2. Summary of accounting policies--Continued

2.6 IFRS 9/CPC 48 Financial Instruments--Continued

2.6.4 "Expected credit losses model" impairment

IFRS 9/CPC 48 adopts a model of expected losses that makes the evaluation on a minimum twelve-month basis or for the entire lifetime of the financial asset recording the effects when there are indications of expected credit losses in financial assets.

The Company already adopts an expanded loss model for its financial assets in which it evaluates their entire lifetime, that is, the entire balance, and recognizes the total loss in balances when applicable according to the risk of non-recovery. The asset maturity date in this model is indicative, but is not the only factor considered for provisioning. While assessing expected losses, the Company also considers the risks inherent to its business model.

2.7 Revenue recognition

Revenue is recognized in the agreement when its amount can be measured in a reliable manner and reflects the consideration that the Company expects to be entitled to in exchange for transfer of products to clients. Revenue is measured based on the fair value of consideration, excluding discounts, rebates and taxes or charges on the sale. The Company evaluates revenue transactions in accordance with specific criteria to determine if it acts as the agent or principal and, at the end, concluded that it is acting as the principal in all its revenue agreements. Revenue is not recognized if there is significant uncertainty about its realization.

2.7.1 Sales revenue

Revenue from sales of products is recognized in profit or loss, when the control of products is transferred to the client and the Company and its subsidiaries no longer have control or responsibility on the goods sold.

2.7.2 Financial income

Interest income is recognized using the effective interest method. Interest income is included under financial income in the income statement.

2.8 New standards and interpretations of standards with effect from January 1, 2019

2.8.1 IFRS 16/CPC 06 (R2) Leases

The IASB issued IFRS 16, which establishes principles for the recognition, measurement, presentation and disclosure of leases. Accounting requirements for lessors remain substantially the same compared to the standards currently in effect. However, there are significant changes for lessees in that IFRS 16 specifies a single model by eliminating the distinction between financial and operational leases, which leads to a balance sheet that reflects right-to-use assets and a corresponding financial liability.

During fiscal year 2018, the Company evaluated the potential impacts on its financial statements arising from the first-time adoption of the CPC 06 (R2)/IFRS 16 standard, and identified the existence of lease agreements for IT equipment, recognizing the liabilities assumed as well as their right to use in assets, adopting this pronouncement in advance during the fiscal year ended December 31, 2018.

In the Management's opinion, no pronouncement, interpretation or guideline was issued by CPC or IASB in the fiscal year that had a significant impact on the Company's financial statements.

2. Summary of accounting policies--Continued

2.8 New standards and interpretations of standards with effect from January 1, 2019--Continued

2.8.2 IFRS 3 / CPC 15 – Business definitions

This amendment refers to a revision in the definition of "business" to record the merger of corporate activities, which did not produce any effect on the Company.

2.9 Standards and interpretations and standards not in effect yet

Standards, revisions and interpretations issued by IASB but not yet adopted until the issue date of the Company's financial statements, are presented below:

2.9.1 IAS 1 / CPC 26 and IAS 8 / CPC23 – Definition of material (with effect from January 1, 2020)

Modifies the definition of "material", clarifying the aspects for application of materiality in the information disclosed.

2.9.2 CPC 00 – Conceptual framework for financial reports (with effect from January 1, 2020)

Conceptual framework that introduces changes in diverse standards and interpretations in order to clarify the application of new definitions of assets/liabilities and costs/revenue, in addition to concepts and guidelines on presentation and disclosure.

2.9.3 Review of technical pronouncements 14 (with effect from January 1, 2020)

Amends diverse pronouncements, interpretations and technical guidelines.

2.9.4 Review of technical pronouncements 15 (with effect from January 1, 2020)

Amendments to technical pronouncements due to the definition of the term "Reference Interest Rate Reform," regarding hedge accounting.

2.9.5 IFRS 17 / CPC 50 – Insurance contracts (with effect from January 1, 2021)

IFRS 17 replaces IFRS 4 / CPC 11 – Insurance contracts. The purpose of this change is to ensure that the entity provides relevant information that represents in a reliable manner the essence of these contracts through a consistent accounting model.

The Company plans to adopt new standards on the effective date and, in accordance with Management's priori assessment, will not have a significant impact on its financial statements.

There are no other standards and interpretations issued and not yet adopted that may, in Management's opinion, have a significant impact on the Company's profit or loss or equity.

(All amounts in thousands of Reais, unless otherwise stated)

3. Cash and cash equivalents

	Index	Average weighted rate p.a.	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Cash and cash equivalents						
Cash and banks			**4,772**	2,173	**5,186**	2,174
Cash equivalents						
CDB	**CDI**	**99.05%**	**39,287**	24,516	**40,344**	24,516
Repo	**CDI**	**0.00%**	**-**	1,200	**-**	1,200
Automatic investment	**CDI**	**10.00%**	**31**	775	**31**	898
			44,090	28,664	**45,561**	28,788

Cash and cash equivalents do not have restrictions for use, have short-term original maturity, are highly liquid and easily convertible into a known cash amount and are subject to an insignificant risk of change in value.

4. Financial investments

	Index	Average weighted rate p.a.	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Financial investments						
CDB	**CDI**	**102.40%**	**24,373**	12,810	**24,373**	12,810
			24,373	12,810	**24,373**	12,810
Current assets			**21,149**	9,774	**21,149**	9,774
Non-current assets			**3,224**	3,036	**3,224**	3,036
			24,373	12,810	**24,373**	12,810

Financial investments are made in prime banks (among the ten largest institutions in Brazil), whose yield is linked to the Interbank Deposit Certificate (CDI).

5. Trade accounts receivable

	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Domestic market				
Third parties	**43,853**	51,867	**44,157**	52,628
Related parties (Note 21)	**1,091**	230	**1,050**	57
Foreign market				
Third parties	**2,997**	2,604	**2,997**	2,604
Check receivables	**1,195**	6,672	**1,195**	6,672
	49,136	61,373	**49,399**	61,961
(-) Allowance for doubtful accounts	**(10,485)**	(24,605)	**(10,626)**	(24,793)
(-) Present Value Adjustment (PVA)	**(525)**	(357)	**(525)**	(357)
	38,126	36,411	**38,248**	36,811
Current assets	**30,366**	28,085	**30,488**	28,485
Non-current assets	**7,760**	8,326	**7,760**	8,326
	38,126	36,411	**38,248**	36,811

The amounts classified under non-current assets refer to novation of credits to clients of the chain. In general, such novation has a term of more than one year and the balances are adjusted for inflation, plus interest compatible with market practices.

Days sales outstanding, weighted by the average maturity of invoices, at December 31, 2019 and 2018, were 34 and 31 days, respectively.

(All amounts in thousands of Reais, unless otherwise stated)

5. Trade accounts receivable--Continued

The changes in allowance for loan losses are as follows:

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Balance at beginning of year	**(24,605)**	(27,187)	**(24,793)**	(27,464)
Additions	**(1,794)**	(1,792)	**(1,804)**	(1,933)
Recovery / realizations	**1,691**	961	**1,748**	1,064
Write off due to losses	**14,223**	3,413	**14,223**	3,540
Balance at end of year	**(10,485)**	(24,605)	**(10,626)**	(24,793)

At December 31, 2019 and 2018, the breakdown of trade accounts receivable by maturity is as follows:

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Falling due	**28,782**	31,157	**29,045**	31,695
Overdue:				
From 1 to 30 days	**3,021**	2,142	**3,021**	2,192
From 31 to 60 days	**1,040**	788	**1,040**	788
From 61 to 90 days	**475**	582	**475**	582
From 91 to 180 days	**994**	2,385	**994**	2,385
Over 181 days	**14,824**	24,319	**14,824**	24,319
	49,136	61,373	**49,399**	61,961

The allowance for loan losses is based on the individual analysis of total trade accounts receivable overdue for more than 90 days, considering the clients' payment capacity, the current and prospective economic scenario, the evaluation of delinquency levels and guarantees received, as well as evaluation of renegotiations made. Specific cases not yet overdue, but with risk of loss in the Management's opinion, is also included in the allowance.

6. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Costs incurred to take each product to its current location and condition are recorded as follows:

(i) Raw materials – cost of acquisition according to average cost.
(ii) Finished products and products under production – cost of materials and direct labor and proportional portion of indirect general expenses based on the normal operating capacity.

The net realizable value corresponds to the sale price in the normal course of business, less estimated costs for conclusion and sale.

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Finished products	**45**	74	**58**	189
Products under production	**1,558**	1,702	**1,558**	1,702
Goods for resale	**291**	467	**347**	467
Raw material	**15,644**	18,043	**15,644**	18,043
Advances to suppliers	**1,728**	341	**1,728**	341
Sundry materials	**1600**	1,601	**1,600**	1,601
Provision for obsolescence	**(737)**	(780)	**(737)**	(780)
	20,129	21,448	**20,198**	21,563

(All amounts in thousands of Reais, unless otherwise stated)

6. Inventories--Continued

Provisions for low inventory turnover or obsolete inventories are constituted when deemed necessary by the Management. The changes in provision for obsolescence are as follows:

	Parent Company and Consolidated	
	2019	**2018**
Balance at beginning of year	**(780)**	(427)
Additions	**(1,109)**	(506)
Recoveries / realizations	**1,152**	153
Balance at end of year	**(737)**	(780)

7. Assets held for sale

At December 31, 2019, assets held for sale totaling R$532 (R$750 at December 31, 2018) are largely composed of apartments and other real estate received from debt renegotiations with clients and are available for immediate sale. Assets are held at their book value, which are lower than their fair values, less selling expenses.

8. Loans granted

	Parent Company and Consolidated	
	2019	**2018**
Loans granted	**3,819**	4,317
(-) Allowance for loan losses	**(1,093)**	(1,075)
	2,726	3,242
Current assets	**1,055**	1,803
Non-current assets	**1,671**	1,439
	2,726	3,242

These refer to loans granted by the Company to clients to finance the expansion of the network of authorized resellers and exclusive stores, measured at amortized cost method in accordance with contractual terms (fixed rates and payment conditions), net of the allowance for losses. Loans bear average interest of 10.86% p.a. (16.44% in 2018). The Company has first-degree mortgage guarantees for most of operations.

(All amounts in thousands of Reais, unless otherwise stated)

9. Other assets

	Parent Company		Consolidated	
	2019	2018	2019	2018
Other current assets:				
Prepaid expenses	**1,855**	1,992	**1,886**	1,992
Advances and prepayments	**414**	354	**416**	399
Sundry debtors (*)	**616**	1,063	**616**	1,063
Other accounts receivable – sale of own stores (**)	**94**	450	**923**	2,001
Other accounts receivable – future sales (**)	**-**	1,169	**-**	1,169
Foreign exchange orders	**-**	915	**-**	915
	2,979	5,943	**3,841**	7,539
Other non-current assets:				
Other accounts receivable – sale of own stores (**)	**933**	782	**1,111**	1,527
Other	**28**	12	**68**	12
	961	794	**1,179**	1,539

(*) Refer mainly to the expenses with cooperative advertising receivable from resellers for marketing campaigns.
(**) Refer to receivables from third parties for the sale of part of its own stores held by the subsidiary Unicasa Comércio Ltda., as mentioned in Note 1. This transaction is covered by collateral as set forth in the agreements. Receivables are expected as follows:

Year	Parent Company R$	Consolidated R$
2020	**94**	**940**
2021	**526**	**687**
2022	**207**	**207**
2023	**171**	**171**
2024 a 2025	**29**	**29**
Total receivables	**1,027**	**2,034**

10. Investments

The investment in subsidiary is valued based on the equity income method, according to CPC 18 (R2). The main balances of the subsidiary are:

	Unicasa Comércio de Móveis Ltda.		Unicasa North America, LLC	
	2019	2018	2019	2018
Current assets	**2,172**	2,454	**429**	-
Non-current assets	**216**	884	**44**	-
Current and non-current liabilities	**1,931**	2,948	**146**	-
Shareholders' equity	**457**	390	**327**	-
Capital stock	**20,430**	20,430	**755**	-

	Unicasa Comércio de Móveis Ltda.		Unicasa North America, LLC	
	2019	2018	2019	2018
Net revenue	**3,124**	7,755	**372**	-
Profit (Loss) for the year – subsidiary	**67**	(2,191)	**(489)**	-
% Ownership interest	**99.99%**	99.99%	**100.0%**	-
Equity income (loss) before eliminations	**67**	(2,191)	**(489)**	-
Effect of unrealized income	**21**	143	**-**	-
Equity income (loss)	**88**	(2,048)	**(489)**	-

(All amounts in thousands of Reais, unless otherwise stated)

10. Investments--Continued

The changes in investments in subsidiaries are as follows:

	Parent Company	
	2019	**2018**
Investment balance / (unsecured liability) at beginning of year	**362**	(1,920)
Capital payment – subsidiary	**754**	4,330
Equity income (loss)	**(401)**	(2,048)
Other comprehensive income	**61**	-
Investment balance at end of year	**776**	362

11. Property, plant and equipment

These are registered at acquisition or construction cost. Depreciation of assets is calculated using the straight-line method at depreciation rates and take into consideration the estimated useful lives of these assets. The depreciation methods, useful lives and residual values are reviewed at the end of the fiscal year and any adjustments are recognized as changes in accounting estimates. Property, plant and equipment are net of PIS/COFINS and ICMS credits and the contra entry is recorded as recoverable taxes. A property, plant and equipment item is written off when sold or when no future economic benefit is expected from its use or sale. Gain or loss from the write-off of an asset, calculated as the difference between net sale value and book value of the asset, is included in the statement of operations for the year in which the asset was written off.

Property, plant and equipment is broken down as follows:

(All amounts in thousands of Reais, unless otherwise stated)

11. Property, plant and equipment--Continued

Parent Company

Cost of property, plant and equipment	Land	Buildings	Improvements and facilities	Machinery and equipment	Furniture and fixtures	IT equipment	Construction in progress	Total
Balances at 12.31.2017	2,285	21,575	13,502	101,579	2,331	3,749	2,442	147,463
Acquisitions	-	-	4	225	60	18	4,279	4,586
Write-offs	(907)	(477)	(1,646)	(429)	(65)	(213)	-	(3,737)
Transfers	-	64	677	4,104	12	3	(4,860)	-
Balances at 12.31.2018	1,378	21,162	12,537	105,479	2,338	3,557	1,861	148,312
Acquisitions	**-**	**5**	**-**	**112**	**48**	**16**	**2,850**	**3,031**
Write-offs	**-**	**-**	**-**	**(4,034)**	**(76)**	**(85)**	**(2)**	**(4,197)**
Transfers	**-**	**32**	**127**	**2,312**	**16**	**129**	**(2,616)**	**-**
Balances at 12.31.2019	**1,378**	**21,199**	**12,664**	**103,869**	**2,326**	**3,617**	**2,093**	**147,146**

Accumulated depreciation	Land	Buildings	Improvements and facilities	Machinery and equipment	Furniture and fixtures	IT equipment	Construction in progress	Total
Balances at 12.31.2017	-	(6,442)	(5,353)	(50,464)	(1,337)	(1,816)	-	(65,412)
Depreciation	-	(343)	(720)	(4,379)	(152)	(444)	-	(6,038)
Write-off	-	24	1,098	380	51	203	-	1,756
Balances at 12.31.2018	-	(6,761)	(4,975)	(54,463)	(1,438)	(2,057)	-	(69,694)
Depreciation	**-**	**(341)**	**(632)**	**(4,661)**	**(169)**	**(522)**	**-**	**(6,325)**
Write-off	**-**	**-**	**-**	**3,446**	**73**	**84**	**-**	**3,603**
Balances at 12.31.2019	**-**	**(7,102)**	**(5,607)**	**(55,678)**	**(1,534)**	**(2,495)**	**-**	**(72,416)**

Property, plant and equipment, net								
Balances at 12.31.2017	2,285	15,133	8,149	51,115	994	1,933	2,442	82,051
Balances at 12.31.2018	1,378	14,401	7,562	51,016	900	1,500	1,861	78,618
Balances at 12.31.2019	**1,378**	**14,097**	**7,057**	**48,191**	**792**	**1,122**	**2,093**	**74,730**

Consolidated

Cost of property, plant and equipment	Land	Buildings	Improvements and facilities	Machinery and equipment	Furniture and fixtures	IT equipment	Construction in progress	Total
Balances at 12.31.2017	2,285	21,575	13,520	101,619	2,602	3,895	2,442	147,938
Acquisitions	-	-	4	225	63	29	4,279	4,600
Write-offs	(907)	(477)	(1,663)	(429)	(331)	(313)	-	(4,120)
Transfers	-	64	677	4,104	12	3	(4,860)	-
Balances at 12.31.2018	1,378	21,162	12,538	105,519	2,346	3,614	1,861	148,418
Acquisitions	**-**	**5**	**-**	**112**	**48**	**20**	**2,850**	**3,035**
Write-offs	**-**	**-**	**-**	**(4,034)**	**(76)**	**(87)**	**(2)**	**(4,199)**
Transfers	**-**	**32**	**127**	**2,312**	**16**	**129**	**(2,616)**	**-**
Balances at 12.31.2019	**1,378**	**21,199**	**12,665**	**103,909**	**2,334**	**3,676**	**2,093**	**147,254**

Accumulated depreciation	Land	Buildings	Improvements and facilities	Machinery and equipment	Furniture and fixtures	IT equipment	Construction in progress	Total
Balances at 12.31.2017	-	(6,442)	(5,355)	(50,498)	(1,381)	(1,864)	-	(65,540)
Depreciation	-	(343)	(720)	(4,381)	(157)	(455)	-	(6,056)
Write-off	-	24	1,099	380	98	240	-	1,841
Balances at 12.31.2018	-	(6,761)	(4,976)	(54,499)	(1,440)	(2,079)	-	(69,755)
Depreciation	**-**	**(341)**	**(632)**	**(4,666)**	**(170)**	**(530)**	**-**	**(6,339)**
Write-off	**-**	**-**	**-**	**3,444**	**73**	**85**	**-**	**3,602**
Balances at 12.31.2019	**-**	**(7,102)**	**(5,608)**	**(55,721)**	**(1,537)**	**(2,524)**	**-**	**(72,492)**

Property, plant and equipment, net								
Balances at 12.31.2017	2,285	15,133	8,165	51,121	1,221	2,031	2,442	82,398
Balances at 12.31.2018	1,378	14,401	7,562	51,020	906	1,535	1,861	78,663
Balances at 12.31.2019	**1,378**	**14,097**	**7,057**	**48,188**	**797**	**1,152**	**2,093**	**74,762**
Average useful life – in years	-	67.76	22.09	16.62	10.00	5.00	-	

The main nature of assets that make up property, plant and equipment in progress refers to the acquisition and renovation of machines.

(All amounts in thousands of Reais, unless otherwise stated)

12. Intangible assets

Intangible assets with a defined life are measured at cost, less amortization accrued over the economic useful life and evaluated for impairment whenever there is indication of loss of economic value of the asset. The amortization period and method for an intangible asset with defined life are reviewed at least at the end of each fiscal year. The amortization of these intangible assets is recognized in the statement of operations.

Parent Company

	Software	Trademarks and patents	Commercial goodwill	Total
Balances at 12.31.2017	1,436	43	9,193	10,672
Acquisitions	786	42	-	828
Amortization	(560)	(18)	(2,450)	(3,028)
Balances at 12.31.2018	1,662	67	6,743	8,472
Acquisitions	**648**	**174**	**-**	**822**
Amortization	**(595)**	**(26)**	**(1,790)**	**(2,411)**
Balances at 12.31.2019	**1,715**	**215**	**4,953**	**6,883**

Consolidated

	Software	Trademarks and patents	Commercial goodwill	Total
Balances at 12.31.2017	1,437	43	9,193	10,673
Acquisitions	786	42	-	828
Amortization	(561)	(18)	(2,450)	(3,029)
Balances at 12.31.2018	1,662	67	6,743	8,472
Acquisitions	**648**	**174**	**-**	**822**
Amortization	**(595)**	**(26)**	**(1,790)**	**(2,411)**
Balances at 12.31.2019	**1,715**	**215**	**4,953**	**6,883**
Average useful life in years	5.00	10.00	9.11	

Research and development

Since research and development costs of the Company's new products do not meet the capitalization criteria, they were recognized in Parent Company and Consolidated profit or loss for the year, at December 31, 2019, in the amount of R$1,372 (R$1,513 at December 31, 2018).

13. Income and social contribution taxes

Income and social contribution taxes are calculated based on the tax rate in effect. Current and deferred taxes are recognized in profit or loss for the year.

The recognition of deferred taxes is based on the temporary differences between the book value and the tax value of assets and liabilities, on tax losses calculated and the negative calculation basis for social contribution on income, as their realization is deemed probable as an entry to future taxable income. Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and are related to taxes levied by the same tax authority on the same entity subject to taxation.

(All amounts in thousands of Reais, unless otherwise stated)

13. Income and Social Contribution Taxes--Continued

Deferred income tax and social contribution

The breakdown of deferred income and social contribution taxes is as follows:

	Parent Company				Consolidated			
	Balance sheet		P&L		Balance sheet		P&L	
	2019	2018	2019	2018	2019	2018	2019	2018
On temporary differences:								
Assets								
Allowance for loan losses	**3,937**	8,731	**(4,794)**	(846)	**3,937**	8,731	**(4,794)**	(846)
Provision for obsolete inventories	**251**	265	**(14)**	120	**251**	265	**(14)**	120
Provisions for losses with sureties	**884**	884	**-**	(490)	**884**	884	**-**	(490)
Provision for labor, tax, civil and termination of commercial relationship risks	**3,679**	5,589	**(1,910)**	(626)	**3,679**	5,589	**(1,910)**	(626)
Present value adjustment (AVP)	**186**	151	**35**	(50)	**186**	151	**35**	(50)
Other provisions and temporary differences	**369**	510	**(141)**	(357)	**369**	510	**(141)**	(357)
	9,306	16,130	**(6,824)**	(2,249)	**9,306**	16,130	**(6,824)**	(2,249)
On tax loss carryforwards	**6,136**	6,138	**(2)**	132	**6,136**	6,138	**(2)**	132
	15,442	22,268	**(6,826)**	(2,117)	**15,442**	22,268	**(6,826)**	(2,117)
Liabilities								
Tax and corporate depreciation difference	**(9,567)**	(9,205)	**(362)**	(1,058)	**(9,567)**	(9,205)	**(362)**	(1,058)
Total	**5,875**	13,063	**(7,188)**	(3,175)	**5,875**	13,063	**(7,188)**	(3,175)

Management estimates that deferred tax assets arising from temporary differences will be realized as projected contingencies, losses and obligations are realized.

At December 31, 2019, the subsidiary Unicasa Comércio de Móveis Ltda. has balance of R$17,267 related to accumulated balance of income tax and social contribution and arising from temporary differences for which the corresponding tax assets were not recognized.

Year	**Parent Company and Consolidated**
2020	5,091
2021	3,222
2022	2,136
2023	2,194
2024	753
2025 a 2027	2,046
Total – Deferred tax assets	**15,442**

(All amounts in thousands of Reais, unless otherwise stated)

13. Income and Social Contribution Taxes--Continued

Reconciliation of tax expense with official tax rates

The reconciliation of tax expense with the result of the multiplication of taxable income with the local tax rate is as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Income before taxes	25,176	6,569	25,176	6,569
Income tax (25%) and social contribution (9%) at nominal rate	(8,560)	(2,233)	(8,560)	(2,233)
Adjustments for presentation of effective rate:				
Interest on equity	1,701	-	1,701	-
Equity pickup	(136)	(696)	-	-
Non-deductible expenses	(277)	(569)	(277)	(569)
Constitution/reversal of income tax on non-operational losses– IN RFB 1700/2017, Article 205	-	388	-	388
Tax credits of subsidiary not constituted	-	-	-	(696)
Reversal tax loss base – Unicasa Comércio LTDA	-	-	(136)	-
Other permanent exclusions/additions	80	(65)	80	(65)
Total income and social contribution taxes:	(7,192)	(3,175)	(7,192)	(3,175)
Current income and social contribution tax expense	(4)	-	(4)	-
Deferred income and social contribution taxes related to:				
Recording and reversal of temporary differences	(7,186)	(3,307)	(7,186)	(3,307)
Recording and reversal in tax loss	(2)	132	(2)	132
	(7,192)	(3,175)	(7,192)	(3,175)
Effective rate	29%	48%	29%	48%

14. Provisions

a) Provision for labor, tax and civil risks

A provision is recognized, in view of a past event, if the Company has a legal or constructive obligation that may be reliably estimated, and it is probable that an economic resource be required to settle the obligation.

The Company is a defendant in certain labor, tax and civil lawsuits. The estimated loss was provisioned based on the opinion of its legal counsel, in an amount considered sufficient by the Management to cover probable losses that may arise from unfavorable court decisions. The provision is broken down as follows:

	Parent Company and Consolidated	
	2019	2018
Provision for labor risks	1,186	1,223
Provision for tax risks	791	828
Provision for civil risks	6,824	8,903
	8,801	10,954

Labor – the Company is party to labor lawsuits basically related to overtime.

Tax – the Company is party to tax lawsuits basically related to import tax and INSS.

Civil – the Company is party to civil lawsuits involving store owners and end consumers, in which the Company may be considered jointly and severally liable.

(All amounts in thousands of Reais, unless otherwise stated)

14. Provisions--Continued

On December 31, 2019, civil, labor and tax lawsuits classified as possible loss totaled R$12,771, R$489 and R$3,013, respectively.

The changes in provision for labor, tax and civil risks are as follows:

	Parent Company and Consolidated	
	2019	2018
Balance at beginning of year	**10,954**	9,575
Additions	**4,643**	11,740
Recoveries / realizations	**(6,796)**	(10,361)
Balance at end of year	**8,801**	10,954

b) Judicial deposits

The Company maintains judicial deposits linked to several tax, labor and civil lawsuits, as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Labor judicial deposits	**338**	492	**338**	492
Tax judicial deposits	**536**	536	**536**	536
Civil judicial deposits	**1,113**	1,708	**1,123**	1,802
	1,987	2,736	**1,997**	2,830

c) Provision for termination of commercial relation with resellers

The Company recorded provision to cover obligations assumed on orders taken from consumers that were pending delivery and assembling by resellers. The changes in the provision are as follows:

	Parent and Consolidated	
	2019	2018
Balance at beginning of year	**5,485**	8,703
Additions	**-**	872
Realizations	**(3,465)**	(4,090)
Balance at end of year	**2,020**	5,485

14. Provisions--Continued

d) Contingent asset

In April 2000, the Company filed a Writ of Mandamus at the Federal Court of Rio Grande do Sul (JFRS) to exclude ICMS on sales from the PIS/Cofins calculation base. The case was ruled groundless in all appellate courts and reached an unappealable ruling in April 2006. Subsequently, the Company filed a new Writ of Mandamus at the JFRS based on the ruling by the Federal Supreme Court (STF), in the Extraordinary Appeal 240.785-2, which saw voting for excluding ICMS from the PIS/Cofins calculation base although at the time there was still no decision with general repercussion on the matter. The lawsuit was dismissed without a decision on the merit, in May 2017 as *lis alibi pendens* in connection with the lawsuit judged in April 2006. The company filed an Appeal, which was denied. Accordingly, an extraordinary Appeal was filed that is still pending trial.

In September 2018, the Company filed another Writ of Mandamus before the JFRS, this time based on the fact that Federal Law no. 12,973/14 brought new provisions applicable to the matter, requiring the exclusion of ICMS from the PIS/COFINS calculation base only for operations occurring as from 2015, at which time it went into effect for the Company. This lawsuit was dismissed without prejudice, with a claim on the *lis pendens* of this case in relation to the Writ of Mandamus terminated in May 2017.

Although the applicable appeal was filed, the Office of the General Counsel to the National Treasury stated in the case records that it did not oppose the dismissal of the *lis alibi pendens*. As such, the trial court reconsidered the decision that dismissed the case without prejudice and the case proceeded. Subsequently, a decision was announced rejecting the injunction, against which the Company filed an interlocutory appeal. Then, a judgment on the merits was held valid. As such, considering the grant of the claim, the interlocutory appeal to discuss the provisional remedy became moot and became final and unappealable.

With this decision, the Federal Government filed an appeal and the Company filed an appellate brief. Subsequently, the appeal was assigned to the 1st Bench of the Regional Federal Appellate Court of the 4th Region. After being notified, the Federal Prosecution Office filed its report informing that it does not see a situation that justifies intervention and for this reason it is no longer providing opinion on the merits. Therefore, the case was held by the appellate judge-rapporteur under advisement and awaits inclusion on the agenda for judgment.

Given the aforementioned facts, there are no effects related to this issue in the Financial Statements. The Company deems the probability of a favorable outcome in this case as remote.

(All amounts in thousands of Reais, unless otherwise stated)

15. Other liabilities

	Parent Company		Consolidated	
	2019	2018	2019	2018
Other liabilities – current:				
Other provisions	**840**	1,390	**917**	1,853
Billable contracts (*)	**2,304**	1,169	**2,304**	1,169
Leases	**228**	215	**228**	215
Foreign exchange orders	**1,247**	915	**1,247**	915
Other liabilities (**)	**672**	1,539	**672**	1,539
	5,291	5,228	**5,368**	5,691
Other liabilities – non-current:				
Leases	**135**	307	**135**	307
	135	307	**135**	307

(*) On December 31, 2019, the amount of contracts with future performance obligations – Unicasa Corporate is 2,304.

(**) Of the amount related to other liabilities, R$597 (R$1,450 at December 31, 2018) refers to advertising obligations.

16. Shareholder' equity

a) Capital stock

The capital stock of the Company is R$147,000 at December 31, 2019 and R$187,709 at December 31, 2018, divided into 66,086,364 registered common shares without par value. A capital reduction of R$40,709 was approved by the Board of Directors and registered in minutes No. 39 on November 13, 2019. Negative balances of Capital Reserve (R$2,658) and Accumulated Losses (R$13,785) and Return of Capital to Shareholders (R$24,266), paid on February 13, 2020, were absorbed.

b) Profit reserves

Legal reserve

Recorded on December 31, 2019 in the amount of R$899, based on 5% of net income from the fiscal year, limited to 20% of the paid-in capital.

c) Other comprehensive income

Corresponds to the cumulative effect of exchange translation of functional currency to the original currency of the financial statements of the foreign subsidiary, calculated on the company's investments abroad, assessed using the equity method. This cumulative effect will be reverted to profit or loss for the year as gain or loss upon the sale or write-off of the investment.

(All amounts in thousands of Reais, unless otherwise stated)

16. Shareholder' equity--Continued

d) Dividends and interest on equity

According to the bylaws, minimum mandatory dividend is calculated at 25% of net income from the year after the allocation to reserves established by law.

Of the net income from the year ended December 31, 2019 and based on the Company's operating cash generation, the Management proposed to the Annual Shareholders Meeting the distribution of dividend above the minimum mandatory amount, as shown below:

	2019
Net income for the year	17,984
Legal reserve (5%)	(899)
Basis for calculation of minimum mandatory dividends	17,085
Minimum mandatory dividends (25%)	**4,271**
Proposed distribution	
Interest on equity (R$4,393 net of IRRF)	5,003
Additional proposed dividends	12,082
Total distribution proposed	**17,085**
Dividends distributed above the minimum amount	12,082
Dividends above the minimum amount per share	0.18282 1

Dividends proposed and not paid are subject to approval by the Annual Shareholders Meeting and are not recognized as liability on December 31, 2019.

Withholding income tax was deducted on interest on equity at 15% (R$610), except for shareholders that are proven to be exempt, or shareholders domiciled in countries or jurisdictions whose laws establish a different rate.

e) Dividends and interest on equity -- Continued

The Company calculated interest on equity based on the long-term interest rate (TJLP) in effect in the year as payment of dividends. Interest on equity is registered under liabilities and its tax effect in the income statement.

f) Earnings per share

As required by IAS 33/CPC 41 – Earnings per share, the tables below recognize profit to amounts used to calculate basic earnings per share.

16. Shareholder' equity--Continued

f) Earnings per share--continued

Basic earnings per share

On December 31, 2019 and 2018, the Company registered basic earnings per share, calculated by dividing the net income from the year by the weighted average of outstanding shares, as shown below:

	Parent Company and Consolidated	
	2019	2018
Net income for the period	**17,984**	3,394
Weighted average of outstanding common shares (in thousands)	**66,086**	66,086
Earnings / (loss) per share – basic (R$)	**0.27213**	0.05136

Diluted earnings per share: The Company did not present the calculation of diluted earnings per share as required by IAS 33/CPC 41 – Earnings per share because there are no potential common shares for dilution or other convertible instruments that can cause dilution of earnings per share, and hence the basic and diluted earnings per share are the same.

17. Net revenue from sales

Revenue is recognized in profit or loss upon the fulfilment of performance with dealers at the moment determined by the transfer of ownership of the products. Contractual performance obligations with final consumers are the responsibility of resellers. Sales are made at sight, in the form of prepayments or in installments, and are financed with the Company's own funds.

Net revenue from sales are broken down as follows:

	Parent Company		Consolidated	
	2019	2018	**2019**	**2018**
Gross revenue from sales	**191,784**	188,883	**193,827**	196,255
IPI on sales	**(8,083)**	(8,291)	**(8,083)**	(8,291)
Gross revenue from sales (-) IPI	**183,701**	180,592	**185,744**	187,964
ICMS on sales	**(18,873)**	(19,649)	**(19,321)**	(20,732)
Other taxes on sales (PIS/COFINS)	**(15,063)**	(15,450)	**(15,439)**	(16,626)
Sales returns	**(636)**	(261)	**(636)**	(261)
Present value adjustment (AVP)	**(998)**	(1,039)	**(998)**	(1,039)
	148,131	144,193	**149,350**	149,306

(All amounts in thousands of Reais, unless otherwise stated)

18. Expenses by function and nature

	Parent Company		Consolidated	
	2019	2018	**2019**	2018
Expenses by function				
Cost of goods sold and/or services	**(90,237)**	(90,615)	**(89,892)**	(91,161)
Selling expenses	**(24,276)**	(28,410)	**(26,931)**	(35,679)
Administrative expenses	**(15,328)**	(24,168)	**(15,328)**	(24,168)
	(129,841)	(143,193)	**(132,151)**	(151,008)
Expenses by nature				
Input expenses	**(63,440)**	(63,868)	**(63,099)**	(64,436)
Personnel expenses	**(27,830)**	(28,296)	**(29,232)**	(31,381)
Third-party service expenses	**(12,872)**	(14,651)	**(13,627)**	(16,747)
Expenses with civil lawsuits	**(5,086)**	(9,127)	**(5,098)**	(9,226)
Depreciation and amortization expenses	**(8,736)**	(9,066)	**(8,750)**	(9,085)
Advertising expenses	**(5,700)**	(5,252)	**(5,887)**	(5,430)
Provision reversal / (expenses)	**2,308**	(2,062)	**2,741**	(2,563)
Travel expenses	**(2,706)**	(2,600)	**(2,775)**	(2,713)
Electric power expenses	**(2,714)**	(2,364)	**(2,716)**	(2,393)
Expenses with commissions	**(1,755)**	(974)	**(1,755)**	(974)
Other expenses	**(1,310)**	(4,933)	**(1,953)**	(6,060)
	(129,841)	(143,193)	**(132,151)**	(151,008)

19. Other operating revenues

	Parent Company		Consolidated	
	2019	2018	**2019**	2018
Bank premium (*)	**1,271**	1,454	**1,271**	1,454
Exploration right of brands	-	200	**-**	200
Gain from sale of property, plant and equipment	**32**	273	**32**	289
Other operating revenues	**1,119**	999	**1,619**	1,547
Other operating revenues	**2,422**	2,926	**2,922**	3,490

(*) Refers to amounts received from financial institution by volume of financing conducted made the network of stores served by the Company, with the other assets account being the contra entry.

20. Financial income (expense)

	Parent Company		Consolidated	
	2019	2018	**2019**	2018
Financial expenses				
IOF charge and bank fees	**(138)**	(209)	**(150)**	(225)
Exchange variation expenses	**(1,100)**	(705)	**(1,100)**	(705)
Present value adjustment (AVP)	**(600)**	(152)	**(600)**	(152)
Discounts granted	**(491)**	(102)	**(492)**	(103)
Other financial expenses	**(50)**	(109)	**(50)**	(110)
	(2,379)	(1,277)	**(2,392)**	(1,295)
Financial income				
Interest income	**1,271**	1,440	**1,368**	1,549
Yield from short-term investments	**2,875**	1,877	**2,981**	1,873
Exchange variation income	**1,006**	868	**1,006**	868
Present value adjustment (AVP)	**1,494**	1,337	**1,494**	1,337
Other financial income	**728**	837	**728**	840
	7,374	6,359	**7,577**	6,467
Net financial result	**4,995**	5,082	**5,185**	5,172

(All amounts in thousands of Reais, unless otherwise stated)

21. Transactions and balances with related parties

Related-party transactions are those between the Company and its subsidiaries, other companies controlled by shareholders of the Company, key management professionals and other related parties. During fiscal years ended December 31, 2019 and 2018, the Company conducted the following transactions with related parties:

		Parent Company				Consolidated			
	Term	Assets		Profit or Loss		Assets		Profit or Loss	
		2019	2018	2019	2018	2019	2018	2019	2018
Subsidiaries									
Unicasa North America, LLC									
Commission expenses		**-**	-	**(309)**	-	**-**	-	**-**	-
Unicasa Comércio de Móveis Ltda.									
Trade receivables	**84 days**	**41**	173	**-**	-	**-**	-	**-**	-
Sales of furniture		**-**	-	**1,969**	2,642	**-**	-	**-**	-
Subsidiaries by shareholders pf Unicasa Indústria de Móveis S.A									
Even Construtora e Incorporadora S.A.									
Trade receivables	**137 days**	**211**	57	**-**	-	**211**	57	**-**	-
Sales of furniture		**-**	-	**4,075**	1,985	**-**	-	**4,075**	2,078
Telasul Indústria de Móveis S.A.									
Trade receivables	**701 days**	**499**	-	**-**	-	**499**	-	**-**	-
Sales of furniture				**13**				**13**	
Resale of items		**-**	-	**14**	-	**-**	-	**14**	-
Sale of property, plant and equipment		**-**	-	**496**	-	**-**	-	**496**	-
Related parties and key Management professionals									
Trade receivables	**1.183 days**	**340**	-	**-**	-	**340**	-	**-**	-
Sales of furniture		**-**	-	**349**	3	**-**	-	**349**	3
		1,091	230	**6,607**	4,630	**1,050**	57	**4,947**	2,081

The transactions involving the Company and its related parties are conducted as agreed by the parties under normal market conditions.

In June, the Company sold an obsolete item of property, plant and equipment to Telasul with payment term of 24 months and a 12-month grace period.

There were no guarantees granted or received in relation to any accounts receivable or payable involving related parties. All balances will be settled in domestic currency.

Management Compensation

The Company paid its managers (Statutory Board of Executive Officers, Board of Directors and Audit Board) compensation in the amount of R$1,588 in the fiscal year ended December 31, 2019 (R$993 at December 31, 2018). The Company does not offer to its key personnel compensation benefits in the following categories: (i) post-employment benefits; (ii) long-term benefit; (iii) employment termination benefit; and (iv) share-based compensation.

(All amounts in thousands of Reais, unless otherwise stated)

22. Financial Instruments

The Company determines the classification of its financial assets and liabilities upon their initial recognition in accordance with the business model used to manage the assets and their respective contractual cash flow characteristics, pursuant to CPC 48 / IFRS 9.

The Company's financial instruments measured at their amortized cost are held for the purpose of receiving or payment of contractual cash flows, which consist of principal and interest, recorded at their original value less allowance for losses and present value adjustment when applicable. The financial instruments and their outstanding balances at December 31, 2019 and 2018, are shown below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial assets				
Cash and cash equivalents (Note 3)	**44,090**	28,664	**45,561**	28,788
Financial investments (Note 4)	**24,373**	12,810	**24,373**	12,810
Trade accounts receivable (Note 5)	**38,126**	36,411	**38,248**	36,811
Loans granted (Note 8)	**2,726**	3,242	**2,726**	3,242
Other assets (Note 9)	**3,940**	6,737	**5,020**	9,078
Financial liabilities				
Trade accounts payable	**(1,434)**	(2,277)	**(1,584)**	(2,299)
Advances from clients	**(15,329)**	(14,738)	**(17,063)**	(16,717)
Other current and non-current liabilities (Note 15)	**(5,426)**	(5,535)	**(5,503)**	(5,998)
Net financial instruments	**91,066**	65,314	**91,778**	65,715

23. Financial risk management

The Company's operations expose it to financial risks: market risks (including interest and exchange rates and commodity prices), credit and liquidity. The risks of financial instruments are managed through financial positioning strategies and systems to limit exposures, all registered in equity accounts, which are aimed at meeting its operational requirements.

The Company does not have a formal risk policy. The Board of Executive Officers is responsible for monitoring risks, and the Board of Directors follows up in order to mitigate the main risks.

No operations with derivative instruments or any other type of operation for speculative purposes are conducted.

- **Market risk**

  Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to variations in market prices. Market prices encompass three types of risk: interest rate, exchange, and price, which could be of a commodity, among others. Financial instruments affected by market risks include loans receivable and trade accounts payable.

  I. Interest rate risk

  Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to variations in market interest rates. The Company's exposure to risk of changes in market interest rates is mainly due to long-term obligations subject to variable interest rates.

  The Company's main exposure is loans receivable. The Company has neither conducted loan operations or their payments, nor registered previous balances in the reporting period. The Company uses shareholder's equity to finance its operating and investing activities and dividend payment. Thus, this risk is mitigated in the Company's transactions.

23. Financial risk management --Continued

- **Market risk**--Continued

II. Exchange risks

The Company's results are susceptible to variations arising from the effects of exchange rate volatility on foreign currency transactions, mainly in export operations. The Company adjusts its structure of costs and selling prices in order to assimilate exchange oscillations. At December 31, 2019, the Company records accounts receivable from exports equivalent to US$743 (equivalent to US$673 at December 31, 2018).

In order to neutralize the effects of the fluctuation in the U.S. dollar on future exports, the Management executed a foreign exchange contract in November, maturing in May 2020, in the total amount of US$600. The hedge position on December 31 is US$503, with the exchange rate fixed for the release of funds contracted at four reais and twenty-five centavos (R$4.25) per U.S. dollar. The U.S. dollar was at four reais and three centavos (R$4.03).

Sensitivity to exchange rates

In order to verify the sensitivity of indexes of assets and liabilities in foreign currency, with representativeness, two different scenarios were defined to analyze the sensitivity on exchange rate oscillations. This analysis considers depreciation of exchange rate by 25% and 50% over the exchange rate of R$4.03, on December 31, 2019. These scenarios envisage a reduction in accounts receivable from R$2,996 to R$2,247 and R$1,498, respectively, with negative effects on profit before taxation of R$749 and R$1,498. These assumptions were defined based on the Management's expectations for variations in the exchange rate on the maturity dates of respective agreements subject to these risks.

III. Commodity price risk

This risk is related to the possibility of oscillation in prices of raw materials and other inputs used in the production process. Since the Company uses commodities as raw material (MDF and MDP boards), its cost of goods sold may be affected by changes in the prices of these materials. To minimize this risk, the Company permanently monitors price oscillations and, as applicable, builds strategic inventories to maintain its business activities.

- **Credit risk**

This risk arises from the possibility of incurring losses due to delinquency of other parties or financial institutions depositing resources or of financial investments. To mitigate these risks, the Company adopts the practice of analyzing financial and equity conditions of its counterparties, as well as defining credit limits and monitoring permanently their outstanding positions. With regard to financial institutions, the Company only carries out operations with low-risk institutions, as evaluated by its Management. For trade accounts receivable, the Company has not recorded allowance for loan losses yet, as mentioned in Note 5.

(All amounts in thousands of Reais, unless otherwise stated)

23. Financial risk management --Continued

- **Credit risk**--Continued

Accounts receivable

Risk of credit to client is managed by the financial department and is subject to specific procedures, controls and policies established by the Company. Credit limits are established for all clients based on internal rating criteria. At December 31, 2019, the Company had 25 clients (29 clients at December 31, 2018), representing 50.63% (50.07% at December 31, 2018) of all receivables due. These clients operate with several stores in Brazil. No client individually represents more than 10% of the sales. The Company has security interest and monitors its exposure.

The need for a provision for impairment is analyzed every reporting period on an individual basis by clients. Allowance for loan losses is constituted at an amount considered sufficient by Management to cover losses in recovering credits and is based on criteria such as balances of clients with delinquency risk.

Bank deposits

Credit risk on balances with banks and financial institutions is considered low and is managed by the financial department and monitored by executive officers. Surplus funds are invested only in prime financial institutions authorized by the Board of Executive Officers, being monitored in order to minimize risk concentration.

- **Liquidity risk**

Liquidity control is monitored by the Company through the management of its cash flows, to ensure that its funds are available in sufficient amounts to maintain its commitments on schedule. The Company holds balances in financial investments that are redeemable at any moment to cover any gaps between the maturity of its contractual obligations and its cash generation.

The consolidated financial liability at December 31, 2019 consisted of trade payables amounting to R$1,434, of which R$1,197 falling due in up to 90 days. The Company does not have loans and financing facilities contracted and, accordingly, effects of future interest are virtually nonexistent.

- **Capital stock management**

The Company manages its capital structure and adjusts it considering the changes in economic conditions. The capital structure arises from choosing between shareholders' equity (capital injections and retained earnings) and loan capital to finance its operations. Management adopts as a financing practice the shareholders' equity generated by its operations, and monitors its debt in such a way as to optimize its cash flows and its present value. In 2019, there were changes as shown in Note 16 – Shareholders' Equity.

The Company's net debt is shown below

	Parent Company		**Consolidated**	
	2019	**2018**	**2019**	**2018**
Trade accounts payable	**1,434**	2,277	**1,584**	2,299
(-) Cash and cash equivalents	**(44,090)**	(28,664)	**(45,561)**	(28,788)
(-) Financial investments	**(24,373)**	(12,810)	**(24,373)**	(12,810)
Surplus cash	**(67,029)**	(39,197)	**(68,350)**	(39,299)
Shareholder' equity	**160,042**	171,266	**160,042**	171,266
Shareholders' equity and surplus cash	**93,013**	132,069	**91,692**	131,967

(All amounts in thousands of Reais, unless otherwise stated)

24. Insurance

The Company has insurance policies that were taken based on guidance from specialists and which take into consideration the type and value of risk involved. The main insurance categories are shown below:

Coverage	Coverage period		Currency	Amount insured
	From	To		
Fire, Lightning Strike, Explosion and Implosion	2020	2021	BRL	153,000
Loss of profits	2020	2021	BRL	12,000
General civil liability				
National	2020	2021	BRL	4,000
Foreign products USA	2020	2021	USD	10,000
Foreign products overall	2020	2021	BRL	20,000
Civil liability for management – D&O	2020	2021	BRL	12,500

25. Information by segment

The Company's operations involve the manufacturing and sale of customized furniture. Despite targeting several client segments, the Company's products are not controlled and managed by the Management as independent segments, and the Company's results are managed, monitored and evaluated in an integrated manner as one sole operating segment.

Gross revenue is shown below, broken down by brand and sales channel:

	Consolidated	
	2019	2018
Domestic market		
Dell Anno and Favorita - exclusive and own stores	**91,046**	99,318
New and Casa Brasileira – exclusive stores	**47,539**	47,964
New and Casa Brasileira – multibrand	**26,020**	24,510
Unicasa Corporate	**12,481**	12,823
Other revenues	**3,233**	3,308
	180,319	187,923
Export market	**13,508**	8,332
Total gross revenue from sales	**193,827**	196,255