

(Convenience Translation into English from the Original
Previously Issued in Portuguese)

Armac Locação, Logística e Serviços S.A.

Financial Statements for the
Three-month Period Ended
March 31, 2021 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of
Armac Locação, Logística e Serviços S.A.

Opinion

We have audited the accompanying financial statements of Armac Locação, Logística e Serviços S.A. ("Company"), which comprise the balance sheet as at March 31, 2021, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armac Locação, Logística e Serviços S.A. as at March 31, 2021, and its financial performance and its cash flows for the three-month period then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters - KAM are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from the provision of services and lease of machinery, notably in the accrual period or when the machinery lease services were actually provided

Why it is a KAM

We draw attention to note 19 to the financial statements, which states that the Company earns revenue primarily from the provision of machinery services and lease. The data used to recognize revenue are input into the system manually and revenue is recognized when a sales' invoice for the services provided is issued. This procedure requires robust Management controls for (i) determining the revenue adjustments required between the date a service is actually provided and the issue date of the relevant invoice; and (ii) verifying the amounts to be recognized in accordance with the underlying agreements.

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Due to the materiality of the amounts involved and the inherent characteristics of the revenue recognition process, including contract volumes and process used to capture the measurement of the service provided within the accrual period, we considered this matter a KAM matter in our audit work.

How the matter was conducted in our audit

Our audit procedures included, among others: (i) understanding the Company's internal processes for measuring and recognizing service revenues; (ii) assessing the systems and mechanisms used in the process with the participation of technology specialists; (iii) sample checking the documentation supporting the lease services provided in the period; (iv) testing the recognition of revenue on an accrual basis by checking supporting documentation, such as the measurement and termination of contracts with the customers within the correct accrual period; (v) reviewing revenue on a monthly basis using aggregate and broken down data to identify relationships or variations inconsistent with our expectations; and (vi) reviewing the disclosures made by the Company in financial statements.

Based on the evidence obtained through our procedures described above, we believe that the determination and recognition of revenue, its accounting, and its related disclosures in notes to financial statements are acceptable within the context of the financial statements taken as a whole.

Other matters

Statements of value added

The statement of value added - DVA for the three-month period ended March 31, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated whether this statement of value added is reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, the statement of value added was appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement CPC 09 and is consistent in relation to the financial statements taken as a whole.

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

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Management's responsibilities and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and IFRSs, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 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 taken on the basis of these 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 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 higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 significant doubt on the Company's ability to continue as a going concern. 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 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 conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the KAM. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, May 28, 2021

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Alessandro Costa Ramos
Engagement Partner

MANAGEMENT'S REPORT

Dear

Armac Locação, Logística e Serviços S.A. ("ARMAC" or "Company") is submitting its Management Report and corresponding Financial Statements together with our Independent Auditor's report for the three-month period ended March 31, 2021.

MESSAGE FROM MANAGEMENT

We are presenting our results for the first quarter of 2021. ARMAC operates through an asset sharing model, renting heavy machinery in the agribusiness, mining, forestry, and infrastructure sectors. Our business model leverages our expertise on heavy machinery to boost our customers' efficiency by reducing downtime and securing major gains on maintenance and operation.

Our Gross Revenue from rental reached R\$55.1 million, 150.2% growth from 1Q20. This growth was entirely organic and mainly due to our growing market share in the heavy machinery rental market, which reflects customers' rising trust in our operational capability and value proposition. We still have an incipient market share in this segment so we feel confident that there will be many opportunities for growth in the future.

Our EBITDA reached R\$27.1 million, 180.1% growth from 1Q20, while EBITDA margin was up from 48.8% in 1Q20 to 54.5%.

During 1Q21, we expanded our rental fleet from 1,046 to 1,403 machines. Our total investment expenditure was R\$140 million. The main sources of funds were our own cash flow and new financing obtained from our financial-system partners.

For the rest of 2021, we aspire to offer our value proposition to an increasing number of customers, who now own their own fleets or are under leasing contracts, with high maintenance costs and operational complexities. Customer needs are front and center on everything we do, so we look forward generating more and more value to our clients and society by offering a more efficient and sustainable way to use of heavy machinery.

Finally, we are grateful for the trust in our work shown by our customers, suppliers, and financial partners. We note that our desire to serve them as efficiently as possible is the impulse that drives our everyday work.

OPERATING AND FINANCIAL RESULTS

R\$ million	1Q 2021	1Q 2020	% Change
Rental fleet size	1,403	510	175.1%
Gross revenue	57.1	22.0	159.1%
Gross revenues from rental	55.1	22.0	150.2%
Gross revenue from asset sale	2.0	0.0	n.m.
Net revenue	51.8	19.8	161.0%
Net revenue from rental	49.8	19.8	151.1%
Net revenue from asset sale	2.0	0.0	n.m.
Gross profit	23.3	9.2	152.2%
% net revenue	45.0%	46.6%	-1.6 p.p.
EBIT	19.0	7.3	160.0%
% net revenue	36.7%	36.8%	-0.2 p.p.
EBITDA*	27.1	9.7	180.1%
% net revenue*	54.5%	48.8%	+5.6 p.p.
Cash-tax earnings	16.7	6.9	140.4%
% net revenue	32.3%	35.0%	-2.8 p.p.
Net income	7.7	3.0	151.5%
% net revenue	14.8%	15.4%	-0.6 p.p.

* Excludes proceeds from sale of fixed assets.

Gross Revenue

In 1Q21 gross revenue reached R\$57.1 million and was up 159.1% against 1Q20. Gross revenue from rental reached R\$55.1 million and was up 150.2% against 1Q20.

EBITDA

In 1Q21, EBITDA reached R\$27.1 million and was up 180.1% against 1Q20. Our EBITDA margin rose from 54.5% in 1Q20 to 54.5% in 1Q21.

R\$ million	1Q 2021	1Q 2020	% Change
Net income	7.7	3.0	151.5%
(+) Income tax and social security	4.3	1.9	
(+) Financial expenses	7.4	2.5	
(-) Financial income	(0.4)	(0.1)	
(+) Depreciation and amortization	8.1	2.4	
(+/-) Non-recurring earnings*	0.1	-	
EBITDA	27.1	9.7	180.1%
% EBITDA Margin	54.5%	48.8%	+5.6 p.p.

* result from sale of fixed assets.

Net Income and Cash-Tax Earnings

In 1Q21, Cash-Tax Earnings reached R\$16.7 million and was up 140.4% from 1Q20. As a percentage of net revenue, there was a fall from 35.0% in 1Q20 to 32.3% in 1Q21. This fall was mainly due to higher leverage.

In 1Q21, Net Income reached R\$7.7 million and was up 151.5% against 1Q20. Our net margin was down from 15.4% in 1Q20 to 15.4% in 1Q21.

R\$ million	1Q 2021	1Q 2020	% Change
Net income	7.7	3.0	151.5%
% net revenue	14.8%	15.4%	-0.6 p.p.
(+) Deferred taxes and use of tax credits when purchasing fixed assets	9.0	3.9	
Cash-Tax Earnings	16.7	6.9	140.4%
% net revenue	33.3%	35.0%	-2.8 p.p.

Indebtedness and Capital Investment

In 1Q21, we invested R\$140 million, of which R\$120 million was used to grow our rental fleet. As a result, our fleet's original equipment cost reached R\$438 million, which was up 36% against December 2010.

We financed 100% of equipment purchased in 1Q21 through new credit facilities from our financial partners. Total funding issued in the quarter was R\$145 million, while R\$32 million was repaid, of which R\$18 million refers to the pre-payment of selected obligations.

We ended 1Q21 with gross debt at R\$401 million and net debt at R\$282 million. Our leverage ratio reached 3.95x mainly due to our high growth rate and expansion capex.

R\$ million	1Q2021	1Q2020	% Change
Capex	140.0	27.5	409.6%
New funding	144.9	28.7	405.4%
Gross Debt	401.4	94.9	
Short term	78.4	27.2	
Long term	323.0	67.7	
Cash and financial investments	109.0	4.4	
Net Debt	292.4	90.5	223.0%
Net Debt / EBITDA LTM	3.95x	2.68x	

CORPORATE GOVERNANCE

We believe that the Company has reached maturity based on gradually implementing the best corporate governance practices, which is essential for us to better serve all stakeholders. In 1Q21, our governance structure consisted of a Board of Directors, Executive Board and Investment Committee

HUMAN CAPITAL

ARMAC's greatest comparative advantage springs from our culture and the commitment of our teams and leaders. We are continually investing to drive this comparative advantage by training more and more mechanics, drivers, operators, engineers and managers who identify with our "graxa na caveira" approach to making things happen and serving our customers.

Our leadership developed through front-line training with support from ARMAC, so that they can develop and meet the new challenges that different careers will require.

At the end of 1Q21 we had 806 employees, against 603 at the end of 2020.

SUSTAINABILITY

Our business model is fully aligned with sharing-economy principles and generates efficiency for the chains in which we are operating by reducing idle time for machines and meticulously managing maintenance work.

In addition, we believe that our business model is the engine driving major social transformation for front-line staff who have largely not had a chance to gain from higher education. Mechanics, truck drivers and operators are core value adders for customers and shareholders, so ARMAC offers them unique career and personal development opportunities.

RELATIONS WITH INDEPENDENT AUDITORS

In the first quarter of 2021, we engaged the independent audit services of Deloitte Brasil Auditores Independentes Ltda. ("Deloitte") to review and issue reports on our financial statements. Our management notes that our policy does not include engaging independent auditors for consultancy services that may give rise to conflicts of interest. Management and the independent auditor believe that the aforementioned services do not give rise to conflicts of interest and therefore do not pose risks for their independence under rules currently in force in Brazil.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

BALANCE SHEETS

For the three-month period ended March 31, 2021 and 2020
(In thousands of Brazilian reais - R\$, except if otherwise indicated)

ASSETS

	Notes	03/31/2021	12/31/2020
Current assets			
Cash and cash equivalents	5	108,963	84,767
Trade receivables	6.1	38,497	23,866
Inventories	8	2,807	1,985
Recoverable taxes	7	13,637	9,649
Other assets		4,575	1,970
Total current assets		168,479	122,237
Noncurrent assets			
Recoverable taxes	7	295	318
Other assets		488	715
Property, plant and equipment	9.1	429,219	306,305
Intangible assets	10	520	453
Total noncurrent assets		430,522	307,791
Total assets		599,001	430,028

LIABILITIES AND EQUITY

LIABILITIES AND EQUITY

	Notes	03/31/2021	12/31/2020
Current liabilities			
Trade payables	11	10,947	12,781
Borrowings and financing	12.1	78,358	64,963
Lease payables for right of use	9.2	1,203	1,156
Payroll and related taxes	13	5,612	4,283
Taxes payable		406	250
Taxes in instalments	14	103	130
Dividends payable	16.3	-	5,500
Related parties	17	968	608
Other payables		375	169
Total current liabilities		97,972	89,840
Noncurrent liabilities			
Borrowings and financing	12.1	323,020	223,592
Lease payables for right of use	9.2	13,198	13,059
Taxes in instalments	16.3	552	557
Deferred taxes	18.2	22,099	17,920
Total noncurrent liabilities		358,869	255,128
Equity			
Capital	16.1	1,147	971
Capital reserve	16.1	119,325	70,066
Legal reserve	16.4	1,260	877
Earnings reserves	16.3	20,428	13,146
Total equity		142,160	85,060
Total liabilities and equity		599,001	430,028

The accompanying notes are an integral part of these financial statements.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

INCOME STATEMENTS

For the three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais - R\$, except if otherwise indicated)

	<u>Notes</u>	<u>03/31/2021</u>	<u>03/31/2020</u>
Net operating revenue	19	51,755	19,827
(-) Cost of services	20	(28,443)	(10,584)
(=) Gross profit		23,312	9,243
<u>Operating expenses</u>			
(-) Administrative and selling expenses	20	(4,338)	(1,944)
(=) Operating income before finance income (costs)		18,974	7,299
(-) Finance costs	22	(7,443)	(2,498)
(+) Finance income	21	447	125
(=) Finance income (costs), net		(6,996)	(2,373)
(=) Income before income tax and social contribution		11,978	4,926
<u>Income tax and social contribution</u>			
(-) Current	18.1	(134)	-
(-) Deferred	18.2	(4,179)	(1,878)
(=) Profit for the year		7,665	3,048
Basic and diluted earnings per share (in R\$)		6.68	4.32

The accompanying notes are an integral part of these financial statements.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME

For the three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais - R\$, except if otherwise indicated)

	<u>03/31/2021</u>	<u>03/31/2020</u>
Profit for the year	7,665	3,048
Comprehensive income for the year	<u>7,665</u>	<u>3,048</u>

The accompanying notes are an integral part of these financial statements.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

STATEMENTS OF CHANGES IN EQUITY

For the three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais - R\$, except if otherwise indicated)

	Notes	CAPITAL RESERVE				Earnings reserve	Equity
		Capital	Share premium	Share issuance costs	Legal reserve		
Balances as at December 31, 2019		230	-	-	-	22,879	23,109
Capital increase	16.1	475	-	-	-	-	475
Profit for the year		-	-	-	-	3,048	3,048
Recognition of reserves	16.4	-	-	-	(152)	152	-
Distributed dividends	16.3	-	-	-	-	(484)	(484)
Balances as at March 31, 2020		705	-	-	(152)	25,595	26,148
Balances as at December 31, 2020		971	75,234	(5,168)	877	13,146	85,060
Capital increase	16.1	176	50,228	-	-	-	50,404
Share issuance costs	16.1	-	-	(969)	-	-	(969)
Profit for the year		-	-	-	-	7,665	7,665
Recognition of reserves	16.4	-	-	-	383	(383)	-
Balances as at March 31, 2021		1,147	125,462	(6,137)	1,260	20,428	142,160

The accompanying notes are an integral part of these financial statements.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

STATEMENTS OF CASH FLOWS

For the three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais - R\$, except if otherwise indicated)

	<u>Notes</u>	<u>03/31/2021</u>	<u>03/31/2020</u>
Profit before income tax and social contribution		11,978	4,926
<u>Adjusted by:</u>			
Depreciation and amortization	9.1 and 10	8,083	2,383
Decommissioned assets' write-off costs	9.1	2,042	282
Accrued payables	17	360	-
Expected credit losses	6.3	140	206
Charges on leased right-of-use assets	9.2	242	16
Interest on borrowings and financing	12.2	6,625	2,329
<u>Changes in assets and liabilities:</u>			
Trade receivables		(16,651)	(4,041)
Recoverable taxes		(3,969)	(1,096)
Inventories		(822)	(5)
Other assets		(2,378)	(696)
Trade payables		(1,834)	(1,385)
Payroll and related taxes		1,329	664
Taxes payable		160	(21)
Other payables		206	319
Interest on financing	12.2	(6,947)	(2,181)
Interest on leased right-of-use assets	9.2	(241)	(16)
Interest on taxes in instalments		(8)	(5)
Purchase of property, plant and equipment	9.1	(106,279)	(2,500)
Income tax and social contribution paid in the year	18.1	(134)	-
Net cash generated by operating activities		<u>(108,098)</u>	<u>(821)</u>
<u>Cash flows from investing activities</u>			
Proceeds from the sale of property, plant and equipment	9.1	1,880	-
Purchase of intangible assets	10	(73)	(11)
Net cash used in investing activities		<u>1,807</u>	<u>(11)</u>
<u>Cash flows from financing activities</u>			
Borrowings and financing	12.2	118,715	5,687
Instalment plans		-	34
Capital increase	16.1	50,404	475
Payment of dividends	16.3	(5,500)	(959)
Repayment of borrowings and financing	12.2	(31,710)	(6,700)
Payment of right-of-use leases	9.2	(429)	(78)
Payment of tax instalments		(24)	(15)
Share issuance costs	16.1	(969)	-
Net cash provided by financing activities		<u>130,487</u>	<u>(1,556)</u>
Increase in cash and cash equivalents, net		<u>24,196</u>	<u>(2,388)</u>
Cash and cash equivalents at the beginning of the year		84,767	6,793
Cash and cash equivalents at the end of the year		108,963	4,405
<u>Main noncash transactions, recognized in balance sheet</u>			
Borrowings for the purchase of property, plant and equipment (FINAME and CDC)		(26,140)	(22,975)
PIS/COIFNS credits generated on the purchase of property, plant and equipment		(7,547)	(1,995)
First-time adoption CPC 06 (R2)/IFRS 16 Leases		(614)	(1,156)

The accompanying notes are an integral part of these financial statements.

ARMAC LOCACAO, LOGISTICA E SERVICOS S.A.

STATEMENTS OF VALUE ADDED

For the three-month period ended March 31, 2021 and 2020

(In thousands of Brazilian reais - R\$, except if otherwise indicated)

		<u>03/31/2021</u>	<u>03/31/2020</u>
<u>Revenue:</u>			
Lease, services, and other revenue	19	57,120	104,287
Expected credit losses	6.3	(140)	(828)
<u>Third-party services and supplies</u>			
Third-party services, supplies, and other inputs		(10,720)	(24,154)
Gross value added		46,260	79,305
Depreciation and amortization	9 and 10	(8,083)	(16,642)
Wealth created by the company		38,177	62,663
<u>Wealth received in transfer</u>			
Finance income	21	447	365
Other		(2)	(501)
Wealth for distribution		38,622	62,527
<u>Personnel</u>			
Wages		6,805	13,504
Benefits		5,566	4,254
Severance Pay Fund (FGTS)		559	1,105
Social Security Contribution (INSS)		1,372	3,088
<u>Taxes, fees and contributions</u>			
Federal		8,804	15,525
Municipal		408	1,011
<u>Lenders and lessors</u>			
Interest	22	7,443	10,278
<u>Shareholders</u>			
Dividends	16.3	-	(484)
Retained earnings		7,665	14,246
Wealth distributed		38,622	62,527

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ARMAC LOCAÇÃO, LOGÍSTICA E SERVIÇOS S.A.

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended March 31, 2021 and 2020

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Armac Locação, Logística e Serviços S.A. (“Company” or “Armac”) is a privately-held corporation, with registered head office in the municipality of Cotia, São Paulo.

Armac is primarily engaged in the lease of machinery, vehicles, and equipment used to load, unload, and handle agricultural and construction supplies.

COVID-19

The Company has been closely monitoring the unfolding of the COVID-19 pandemic, declared by the World Health Organization (WHO), as well as its impacts on the economy.

Since the beginning of the pandemic, the Company immediately adopted the measures recommended by the competent authorities to protect the health of its employees and try to prevent any disruption of its operations. The main measures taken are: boosting hygiene protocols; spreading information on the matter in its internal communication channels; cancelling internal events and trips; making working hours more flexible to avoid crowds; implementing telecommuting for several positions; adopting the provisional measures implemented by the Federal Government to postpone the payment of taxes and levies, among others. The Company emphasizes that there were no renegotiations or termination of contracts with significant customers without the Company obtaining a consideration deemed adequate by Management, and that there were no asset returns due to early contract terminations, material defaults in trade receivables and/or material discounts agreed with customers.

As the Company's operations are closely tied to the agribusiness industry, it has not yet been possible to identify adverse impacts on our operations.

2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL INFORMATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Brazilian Securities and Exchange Commission (“CVM”), and the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”).

2.2. Statement of materiality

Management applied in the preparation of the financial statements the Brazilian accounting guidance OCPC 7 and CVM Resolution 727/14, for the purpose of disclosing only relevant information that assists the users of the financial statements in making decisions, while meeting all the existing minimum requirements. In addition, Management asserts that all information related to the financial statements is being evidenced and corresponds to the information used the management of the business.

ARMAC LOCAÇÃO, LOGÍSTICA E SERVIÇOS S.A.

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended March 31, 2021 and 2020

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

2.3. Basis of preparation

The financial statements have been prepared based on the historical cost, unless otherwise stated. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Management takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will be able to discharge its payment obligations arising from bank loans within the maturities disclosed in note 12.

2.4. Authorization for issue of financial statements

The Board of Directors approved the completion and disclosure of these financial statements at the meeting held on May 28, 2021.

2.5. Functional and presentation currency

The items in the financial statements are measured in Brazilian reais (R\$), the currency of the economic environment in which the Company operates, and which is adopted as the Company's functional and presentation currency.

2.6. Use of estimates and judgments

Estimates and judgments are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Company makes forward-looking estimates. By definition, the resulting accounting estimates may differ from the respective actual results. The estimates and assumptions that have a significant impact on the amounts recognized in the financial statements are discussed below:

a) Residual value and depreciation and amortization rate of assets—note 9

The Company carries out an analysis of the useful lives of assets and estimates the residual sales value of light and heavy vehicles and machinery and equipment, so that their residual carrying amount is close to their residual sales value.

b) Expected credit losses—note 6

The Company estimates losses on trade receivables based on the history of customer losses on trade receivables and expected credit losses based on the analysis of impairment of the customers' credit risks monitored by the credit and collection department.

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c) Realization of deferred income tax and social contribution assets—note 18

The Company tested the balances of deferred tax assets for impairment annually, based on a projection of future taxable income and only recognizes tax assets for the portion of tax loss carryforwards and temporary differences which the Company expects to utilize within a reasonable period. Management uses significant assumptions for these tests by projecting its revenue, costs, and expenses based on information in current contracts and long-term contracts with customers.

d) Analysis of indications of depreciation and impairment of property, plant and equipment—note 9

The Company assesses, at least annually, if any events or changes have occurred that indicate that the carrying amount of certain assets might not be recoverable. If indications are identified, an impairment test is conducted at the Cash-generating Unit (CGU) level, i.e., machinery and equipment. For impairment test purposes, the Company uses key assumptions to determine the projected cash flows.

In the year ended March 31, 2021, Management did not identify any indications that the property, plant and equipment items might be impaired. Intangible assets are immaterial in the Company's valuation and do not make up any cash-generating unit.

e) Provision for civil, labor and tax risks and escrow deposits—note 15

The Company is a party to civil, labor, and tax lawsuits and administrative proceedings.

Provisions are recognized for all claims made in lawsuits for which it is probable that an outflow of funds will be required to settle the contingency/obligation and a reliable estimate can be made. The likelihood of loss is assessed based on available evidence, the hierarchy of laws, available case rulings, most recent court decisions, their relevance within the legal system, and the assessment made by our outside legal counsel. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits, or additional exposures identified based on new matters or court rulings.

f) Right-of-use assets and lease liabilities—note 9.1

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right of use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain measurements of lease liabilities. Lease liabilities are measured initially at the present value of lease payments that have not been paid at the inception date, discounted using a discount rate measured by Management and adjusted to the Company's reality (credit spread). The Company makes relevant assumptions in determining the discount rate for measuring the present value of lease payments.

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3. SIGNIFICANT ACCOUNTING POLICIES

3.1. General revenue recognition principles and criteria

Revenue is recognized in the income statement when the performance obligation is satisfied. Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the normal course of the Company's activities. Revenue is stated net of taxes, returns, abatements, and discounts.

Revenue is recognized when all the following criteria are met:

- When the parties to the agreement approve it (in writing, verbally, or pursuant to other usual business practices) and are committed to satisfying their obligations;
- When the Company is capable of identifying the rights of each party regarding the goods or services to be transferred;
- When the Company is capable of identifying the payment terms for the goods or services to be transferred;
- When the agreement has business substance (i.e., it is expected that the risk, the timing or value of the Company's future cash flows remain unchanged as a result of the agreement); and
- When it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

a) Revenue from lease and services rendered

Lease of lift platforms, trucks, and heavy equipment, with or without labor assignment, that allow meeting technical requirements of agribusiness and infrastructure companies. The invoices are issued at the end of the month, after the service is provided. Payments are made after the issue of the invoices.

Revenue is recognized over time, as machinery and equipment are used by the customer.

b) Revenue on sale of assets

Revenue from the sale of assets (machinery and trucks) is an ancillary, complementary activity to the equipment lease operation. The Company sells equipment through its sales consultants, who use advertising platforms to advertise the assets.

Revenue from the sale of assets is recognized at the time control over an asset is transferred to the customer, generally when the goods are delivered. Such sale is settled in cash, on the invoice due date.

The Company does not provide any type of warranty for the assets sold.

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3.2. Financial instruments

CPC 48/IFRS 9 retains most of the requirements existing in CPC 38/IAS 39 on the classification and measurement of financial liabilities. However, it eliminates the former categories determined under CPC 38/IAS 39 for financial assets: held-to-maturity, loans and receivables and available-for-sale.

The classification of financial assets according to CPC 48/IFRS 9 is generally based on the business model within which a financial asset is managed and the features of its contractual cash flows.

Under CPC 48/IFRS 9, upon initial recognition a financial asset is classified as: measured at amortized cost; fair value through other comprehensive income (FVTOCI); or fair value through profit or loss (FVTPL).

The following accounting policies are applicable to the subsequent measurement of the Company's financial assets:

Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is written down for impairment. Interest income, exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss arising on derecognition is also recognized in profit or loss.
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Under CPC 48/IFRS 9, a financial asset is measured at amortized cost provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.3. Statement of value added

This statement is intended to disclose the wealth created by the Company and its distribution during a given year, and is presented as required by Brazilian corporate law, as part of its financial statements.

The statement of value added has been prepared using information obtained in the same accounting records used to prepare the financial statements and supplementary records, and pursuant to the provisions of CPC 09 - Statement of Value Added.

3.4. Cash and cash equivalents

Consist of cash balances, bank deposits and short-term investments redeemable within 90 days from the investment date.

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Short-term investments are basically represented by Certificates of Bank Deposits (CDBs) and are recognized at their cost amounts plus income earned through the end of the reporting period that do not exceed their realizable values.

3.5. Trade receivables and allowance for expected credit losses

Trade receivables correspond to the amounts receivable for the provision of equipment lease services and the sale of assets, and are recognized at the nominal amounts of the invoices, less the allowance for expected credit losses. The Company has two criteria for recognizing an allowance for expected credit losses: (i) receivables overdue by more than 90 days; and (ii) customers from where Management has decided to withdraw equipment due to default. Both criteria need to be met for the allowance to be recognized. In addition, the Company conducts a case-by-case analysis, as a result of which receivables may be added or excluded based on Management's best judgment about the recoverability of these receivables.

3.6. Inventories

Measured at acquisition cost and other costs incurred in bringing them to their existing locations and conditions. Inventories are measured at cost and deducted from estimated losses, where applicable.

Inventories are valued at weighted average cost, less estimated loss, where applicable.

3.7. Property, plant and equipment

a) Recognition and measurement

Property, plant and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, where applicable.

Cost includes expenditures directly attributable to the purchase of an asset. The cost of assets acquired for lease includes the direct costs to bring the asset in the location and condition necessary for them to be capable of operating in the manner intended by Management. The cost of company-built assets includes the cost of materials and direct labor used.

Any gains and losses on the disposal of a property, plant and equipment item are recognized in the income statement.

b) Subsequent costs

Capitalized only when it is probable that economic benefits added to the component will flow into the Company and its cost can be reliably measured. Recurring maintenance costs are recognized in profit or loss when incurred.

c) Depreciation

Property, plant and equipment items are depreciated as from the date they are available for use or, in the case of internally built assets, as from the date construction is completed and the asset is available for use.

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Depreciation is calculated to amortize the cost of property, plant and equipment items, less their estimated residual values, on a straight-line basis, based on the estimated useful life of the assets. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of an asset's estimated useful life and the lease term, unless it is reasonably determined that the ownership of the leased asset will be transferred to the companies at the end of the lease term.

The estimated useful lives of significant property, plant and equipment items in the current year and the comparative year is as follows:

	<u>Useful life</u>
Leasehold improvements	3.4 years
Right of use of leased assets	1.8-10 years
Machinery	10 years
Manufacturing, road, and tool implements	7.1 years
Light and heavy vehicles	10 years
Furniture, fixtures, and IT equipment	10 years
System and applications	3-5 years

The estimated useful lives of property, plant and equipment assets are reviewed annually at the closing date of the financial statements. When applicable, effects arising from changes in the remaining useful lives are accounted for on a prospective basis.

3.8. Intangible assets

Separately acquired intangible assets with finite useful lives are stated at cost less amortization and impairment losses. Amortization is recognized on a straight-line basis based on the estimated useful lives of the assets.

Estimated useful lives and the amortization method are reviewed at the end of each annual reporting period, and the effect of any changes in estimates is accounted for on a prospective basis. Separately acquired intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses, which are annually measured. Gains and losses arising from the derecognition of an intangible asset are measured as the difference between the net selling price and its carrying amount, and are recognized in the income statement when the asset is derecognized.

3.9. Right of use and leases

Right to use leased properties represented by the present value of the flow of fixed or minimum lease payments prescribed by the lease contracts of the Company's real estate, yard, warehouse, and offices. It is recognized in assets as an item of property, plant and equipment and in liabilities as lease payables for right of use.

The recognized assets are depreciated over the lease term, including an automatic renewal for an equal period.

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Interest are allocated to determine the present value, at the discount rates shown in note 9.1 over the lease term, including an automatic renewal for the same period to lease liabilities calculated. The right of use is remeasured annually using the indices and terms defined in the contract for lease readjustment purposes.

3.10. Impairment

Management analyzes on an annual basis whether there is evidence that the carrying amount of an asset might be impaired. If there is any evidence of impairment, the Company estimates the recoverable amount of the asset, which is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. The value in use is equivalent to pretax discounted cash flows arising from the continuing use of the asset. When the residual value of the asset exceeds its recoverable amount, an impairment loss is recognized.

3.11. Provisions

Recognized when:

- The Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and its amount can be reliably estimated.
- Provisions are quantified at present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks. Provisions are adjusted through the end of the reporting period for the probable loss amount, according to the nature of each contingency and based on the opinion of the Company's legal counsel.

3.12. Finance income and costs

Finance income is comprised of interest, which is recognized in profit or loss using the effective interest method. Finance costs comprise banking expenses, which are recognized in profit or loss using the effective interest method.

3.13. Current and deferred income tax and social contribution

Current and deferred income tax is calculated at the rate of 15%, plus a 10% surtax levied on the taxable income exceeding R\$240, and current and deferred social contribution is calculated at the rate of 9% on taxable income; this calculation takes into consideration the offset of tax loss carryforwards, limited to 30% of taxable income.

Income tax and social contribution expenses comprise current and deferred taxes, which are recognized in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to taxes payable in relation to prior years.

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The deferred tax is recognized on temporary differences and tax loss carryforwards between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax purposes. Deferred taxes are measured at the rates that are expected to be applied on temporary differences and tax loss carryforwards when they are realized, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset when there is a legal right to set off the current tax assets against current tax liabilities and when they relate to income tax imposed by the same tax authority on the same entity subject to taxation.

A deferred income tax and social contribution asset is recognized for all unutilized deductible tax losses, tax credits, and temporary differences to the extent that it is probable that future taxable income will be available against which those deductible tax losses, tax credits, and temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at the end of the reporting period and will be reduced to the extent their realization is no longer probable.

3.14. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to the owners of the Company by the weighted average number of outstanding shares (including adjustments for bonuses and issues of rights).

b) Diluted earnings per share

The diluted earnings per share are calculated by adjusting the profit and the weighted average number of shares taking into account the conversion of all potential shares with dilutive effect. Potential shares are equity instruments or contracts that can result in the issuance of shares, such as convertible bonds and options, including employees' stock options.

3.15. Operating segments

The operating segment is presented in a manner consistent with internal reports provided to the Company's key decision makers (Executive Committee and Board of Directors) responsible for allocating resources and assessing the performance of the operating segment.

4. NEW AND REVISED STANDARDS AND INTERPRETATIONS

New and revised standards and interpretations, in the context of the Company's financial statements, will become effective as described below:

4.1. Impact of the first-time application of Covid-19-Related Rent Concessions Amendment to IFRS 16—practical expedient

Management assessed the practical expedient issued by the IASB in May 2020 and concluded that there were no impacts on the financial statements.

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4.2. New and revised standards and interpretations not yet adopted

New and revised standards and interpretations, in the context of the Company's financial statements, will become effective as described below:

<u>New and revised standards and interpretations</u>	<u>Effective beginning</u>
Amendment to IFRS 10 (CPC 36 (R3)) - Financial Statements	Date not yet set by the IASB
Amendment to IAS 1 - Classification of Liabilities as Current or Non-current (i)	January 1, 2023

(i) Revision of other standards

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the balance sheet and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of settlement to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applicable retrospectively for annual periods beginning on or after January 1, 2023. Management is still assessing the impacts arising from adopting this standard.

5. CASH AND CASH EQUIVALENTS

	<u>03/31/2021</u>	<u>12/31/2020</u>
Cash	21	19
Banks - checking account	2,941	1,571
Short-term investments - CDB	106,001	83,177
Total	108,963	84,767

Short-term investments consist basically of funds invested in Certificates of Bank Deposit (CDBs) with yield ranging from 95% to 105% in 2021 and 2020 of the Certificate of Interbank Deposits Rate (CDI), subject to an insignificant risk of change in value and which can be redeemed at any time.

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6. TRADE RECEIVABLES

6.1. Breakdown of balances

	<u>03/31/2021</u>	<u>12/31/2020</u>
Trade receivables	37,041	22,837
Unbilled leases and services	2,273	1,706
Expected credit losses	<u>(817)</u>	<u>(677)</u>
Total	<u>38,497</u>	<u>23,866</u>

Revenue from lease contracts whose lease or service provision is in progress at the end of the month will be invoiced in a subsequent period and is calculated on a daily pro rata basis and recognized as unbilled revenue in trade receivables.

6.2. Aging list

The aging list of trade receivables is as follows:

	<u>03/31/2021</u>	<u>12/31/2020</u>
<u>Past due</u>		
1-30 days	3,548	2,165
31-90 days	1,413	1,622
91-180 days	302	275
Over 180 days	<u>716</u>	<u>476</u>
Subtotal – past due	5,979	4,538
<u>Current:</u>		
1-30 days	17,592	9,782
31-90 days	14,411	9,167
91-180 days	1,283	994
Over 180 days	<u>49</u>	<u>62</u>
Subtotal – current	33,335	20,005
Total	<u>39,314</u>	<u>24,543</u>

6.3. Variations in expected credit losses

The variations in the allowance for expected credit losses are as follows:

	<u>03/31/2021</u>	<u>12/31/2020</u>
Opening balance	(677)	(397)
(-) Recognition	<u>(140)</u>	<u>(280)</u>
Closing balance	<u>(817)</u>	<u>(677)</u>

(Convenience Translation into English from the Original Previously Issued in Portuguese)

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7. RECOVERABLE TAXES

	<u>03/31/2021</u>	<u>12/31/2020</u>
Taxes on revenue (PIS and COFINS)	13,127	9,299
Income tax and social contribution	305	305
Social security contribution (INSS)	290	156
Other (*)	210	206
Total	<u>13,932</u>	<u>9,967</u>
Current assets	13,637	9,649
Noncurrent assets	295	318
Total	<u>13,932</u>	<u>9,967</u>

(*) Current income tax and social contribution amounts were offset against the same taxes levied on short-term investments and services provided.

8. INVENTORIES

Beginning April 2020, the Company adopted a policy of stocking spare parts and supplies used in the maintenance of its fleet of machinery and vehicles. The goal is to reduce the risk of delays and price hikes.

ARMAC LOCAÇÃO, LOGÍSTICA E SERVIÇOS S.A.

NOTAS EXPLICATIVAS ÀS DEMONSTRAÇÕES FINANCEIRAS

Para o período de três meses findo em 31 de março de 2021 e 2020
(Em milhares de reais - R\$, exceto quando indicado de outra forma)

9. PROPERTY, PLANT AND EQUIPMENT

9.1. Property, plant and equipment

Variations in the three-month periods ended March 31, 2021 and December 31, 2020

	Leasehold improvements	Right of use of leased assets	Machinery	Manufacturing, road, and tool implements	Light and heavy vehicles	Furniture and IT equipment	Construction in progress	Total
<u>Acquisition cost</u>								
Balance as at December 31, 2019	412	-	102,998	4,093	4,364	194	66	112,127
(+) Additions (i)	868	14,920	191,971	8,652	21,480	723	2,801	241,415
(-) Recoverable taxes (ii)	-	-	(15,912)	-	-	-	-	(15,912)
(-) Write-off of assets (iii)	-	-	(1,817)	(153)	-	(5)	-	(1,975)
Balance as at December 31, 2020	1,280	14,920	277,240	12,592	25,844	912	2,867	335,655
(+) Additions (i)	-	614	104,897	7,796	22,526	738	4,009	140,580
(-) Recoverable taxes (ii)	-	-	(7,547)	-	-	-	-	(7,547)
(-) Write-off of assets (iii)	-	-	(2,205)	(13)	-	(68)	-	(2,286)
Balance as at March 31, 2021	1,280	15,534	372,385	20,375	48,370	1,582	6,876	466,402

- (i) Part of the acquisitions of property, plant and equipment were made using FINAME and CDC financing facilities with payment directly to the supplier, with no cash flow involved in the initial transaction and direct recognition of the corresponding liabilities. Thus, the purchases of these of assets are not being disclosed in the statement of cash flows. These asset acquisitions totaled R\$26,140 as at March 31, 2021 (R\$22,975 as at March 31, 2020). Under all the Company's Finame agreements, the financed asset is assigned as collateral of the financing.
- (ii) Refers to PIS and COFINS credits claimed on the purchase cost of machinery intended for leasing and/or the provision of services.
- (iii) The assets that were decommissioned resulted in changes in the Company's cash of R\$1,880 as at March 31, 2021.

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NOTAS EXPLICATIVAS ÀS DEMONSTRAÇÕES FINANCEIRAS

Para o período de três meses findo em 31 de março de 2021 e 2020
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	Leasehold improvements	Right of use of leased assets	Machinery	Manufacturing , road, and tool implements	Light and heavy vehicles	Furniture and IT equipment	Constructio n in progress	Total
<u>Accumulated depreciation</u>								
Balance as at December 31, 2019	(24)	-	(12,483)	(590)	(568)	(31)	-	(13,696)
(+) Additions	(109)	(837)	(13,366)	(968)	(737)	(77)	-	(16,094)
(-) Write-off of depreciation	-	-	414	26	-	-	-	440
Balance as at December 31, 2020	(133)	(837)	(25,435)	(1,532)	(1,305)	(108)	-	(29,350)
(+) Additions	(59)	(524)	(6,245)	(524)	(679)	(47)	-	(8,077)
(-) Write-off of depreciation	-	-	244	-	-	-	-	244
Balance as at March 31, 2021	(192)	(1,361)	(31,436)	(2,056)	(1,984)	(155)	-	(37,183)
<u>Net residual amount</u>								
As at December 31, 2020	1,147	14,083	251,805	11,060	24,539	804	2,867	306,305
As at March 31, 2021	1,088	14,173	340,949	18,319	46,386	1,427	6,876	429,219
<u>Annual depreciation rate</u>								
As at December 31, 2020	29%	10% to 57%	10%	14%	10%	10%		
As at March 31, 2021	29%	10% to 57%	10%	24%	10%	19%		

(iv)

ARMAC LOCAÇÃO, LOGÍSTICA E SERVIÇOS S.A.

NOTAS EXPLICATIVAS ÀS DEMONSTRAÇÕES FINANCEIRAS

Para o período de três meses findo em 31 de março de 2021 e 2020
(Em milhares de reais - R\$, exceto quando indicado de outra forma)

9.2. Rights of use and leases payable for rights of use

The Company's Management reviewed its contracts and concluded that they qualify as leases and the Company is a party to 11 contracts entered into with third parties.

Variable lease payments, from short-term or low-value contracts that have not been recognized as right-of-use assets for the period, are recognized in line item 'Lease of assets' shown in note 20, totaling R\$254 as at March 31, 2021 (R\$228 as at March 31, 2020).

The lease amounts are recognized in the right of use line item, in the property, plant and equipment line item, which are being depreciated over the contract term.

The lease term was determined based on the contract term. If the contract contains a clause that specifies automatic renewal for the same or another period, and the Company wishes to remain in the property, the calculation of the lease term will be the sum of both terms. If the contract does not specify, or specifies that the renewal will be extended only with the consent of both parties, the lease term will be the term set forth in the contract. Furthermore, the Company does not have contracts entered into for an indefinite term.

Variations in the lease payables for right of use are as follows:

	Related-party properties (note 17)	Amount	Total
As at December 31, 2019	-	-	-
(+) New transactions	12,411	2,497	14,908
(+) Interest incurred	147	121	268
(-) Repayment of principal	(241)	(452)	(693)
(-) Interest payment	(147)	(121)	(268)
As at December 31, 2020	12,174	2,041	14,215
(+) New transactions	-	614	614
(+) Interest incurred	205	37	242
(-) Repayment of principal	(250)	(179)	(429)
(-) Interest payment	(205)	(36)	(241)
As at March 31, 2021	11,924	2,477	14,401
Current			677
Noncurrent			13,724
Total			14,401

The corresponding amounts are recognized in lease liabilities and the balance will be repaid in the monthly payments. The future payments were brought to present value at a weighted average rate of 7% per year, where the contract ends in the year 2030.

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As at March 31, 2021, the lease liability has the following disbursement schedule (per year):

Calendar:	
2021	827
2022	1,165
2023	1,278
2024	1,403
2025	1,299
2026	1,273
2027	1,473
2028	1,731
2029	2,021
2030	1,931
Total	14,401

9.3. Review of useful lives

The depreciation rates of property, plant and equipment were reviewed during the year, as required by IAS 16/CPC 27 - Property, Plant and Equipment, and the Company did not identify the need to adjust the depreciation rates/useful lives used in the prior year.

9.4. Impairment of assets

In accordance with IAS 36/CPC 1 - Impairment of Assets, the Company's property, plant and equipment items are tested for impairment at least annually, whenever there are indications that certain assets might be recognized at amounts that exceed their recoverable amounts.

Based on the earnings recorded for the quarter and expected earnings for the year, the Company's Management concluded that there is no indication of the need to record the impairment of its assets.

10. INTANGIBLE ASSETS

	Systems and applications	Trademarks and patents	Total
Balance as at December 31, 2019	79	-	79
(+) Additions	110	300	410
(-) Amortization	(36)	-	(36)
Balance as at December 31, 2020	153	300	453
(+) Additions	73	-	73
(-) Amortization	(6)	-	(6)
Balance as at March 31, 2021	220	300	520

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11. TRADE PAYABLES

The balance refers to payables for goods or services acquired from domestic suppliers in the normal course of business. Recognized at fair value on purchase date:

	<u>03/31/2021</u>	<u>12/31/2020</u>
Domestic suppliers	10,947	12,781
Total	<u>10,947</u>	<u>12,781</u>

12. BORROWINGS AND FINANCING

12.1. Breakdown of balances

<u>Type</u>	<u>% rate per year</u>	<u>Currency</u>	<u>Maturity</u>	<u>03/31/2021</u>	<u>12/31/2020</u>
Finame fixed 2020	TJLP + 4.7 - 6.0%	R\$	2021	126	15,592
Finame 2020 and 2021	Fixed at 11.9 – 12.6% / SELIC + 4.0 – 5.3%	R\$	2024-2026	37,347	7,382
CDC fixed 2020	Fixed at 9.4-14.9%	R\$	2021-2024	15,412	22,638
CDC 2020 and 2021	Fixed at 8.7-11.6%	R\$	2024-2025	94,018	103,021
Lease	Fixed at 10.4 – 11.6%	R\$	2022-2024	4,653	5,005
Working capital	Fixed at 12.2 - 14.6% CDI + 4.1 – 5.3%	R\$	2022-2024	252,241	136,268
Consortiums	0%	R\$		-	10
Subtotal				<u>403,797</u>	<u>289,916</u>
(-) Unamortized costs				(2,419)	(1,361)
Total				<u>401,378</u>	<u>288,555</u>
Current liabilities				78,358	64,963
Noncurrent liabilities				323,020	223,592

(i) **Finame:** financing facilities for investments in machinery and equipment used in operations. The agreements have a grace period for principal repayment that may last up to one year. Under all the Company's Finame agreements, the financed asset is assigned as collateral of the financing.

(ii) **CDC:** financing facilities for investments in machinery and equipment used in operations. The agreements have a grace period for principal repayment that may last up to one year. Under all the Company's CDC agreements, the financed asset is assigned as collateral of the financing.

(iii) **Leases:** lease agreements for investments in machinery and equipment used in operations. The agreements have a grace period for principal repayment that may last up to one year.

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- (iv) **Working capital:** refer to Bank Credit Notes obtained with financial institutions for the purpose of funding the Company's working capital and to purchase machinery and equipment used in operations.

12.2. Variations in borrowings and financing

	<u>Amount</u>
Balance as at December 31, 2019	72,824
(+) Borrowings (*)	247,266
(+) Accrued interest	14,802
(-) Principal repayment (**)	(31,904)
(-) Interest paid	(12,756)
(-) Issues costs (*)	(1,677)
Balance as at December 31, 2020	288,555
(+) Borrowings (*)	146.151
(+) Accrued interest	6.625
(-) Principal repayment (**)	(31.710)
(-) Interest paid	(6.947)
(-) Issues costs (*)	(1.296)
Balance as at March 31, 2021	401,378

(*) Of the borrowings, a portion of R\$26,140 (R\$22,975 in March 2020) refers to financing for acquisition of property, plant and equipment using Finame and CDC. Net effect of borrowings, considering issue costs amounted to R\$144,855 and R\$28,662 as at March 31, 2021 and 2020.

(**) Of principal repayment, a portion of R\$18,397 refers to old debt prepayments.

12.3. Repayment schedule

As at March 31, 2021, the amortization schedule is shown below, by maturity year:

Year	<u>03/31/2021</u>
2021	55,781
2022	110,489
2023	106,753
2024	75,517
2025	44,688
2026	10,570
	<u>403,797</u>

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12.4. Covenants

Part of the borrowings and financing agreements with financial institutions are subject to accelerated maturity clauses that include, among others:

- i. the Company's obligation to submit annual financial statements, duly audited by an independent auditor;
- ii. restriction to capital reductions;
- iii. restriction to change of control, direct or indirect;
- iv. a covenant providing for that the net debt-to-EBITDA ratio for the last twelve months should be equal or lower than 3.50x in 2021, 3.25x in 2022, and 3.0x in 2023 and thereafter; and
- v. restriction to the distribution of dividends above 25% of profit for the previous year if the net debt-to-EBITDA ratio of the last twelve months of the current year is higher than 3.0x. This ratio is checked annually and does not apply to the dividends declared in 2020.

As at March 31, 2021, the Company was in compliance with these covenants.

12.5. Collaterals

Borrowings and financing are collateralized by the financed assets, lease agreements with customers, and sureties from the Company's shareholders.

13. PAYROLL AND RELATED TAXES

	<u>03/31/2021</u>	<u>12/31/2020</u>
Payroll	1,507	1,094
Severance Pay Fund (FGTS)	204	195
Social Security Contribution (INSS)	617	604
Withholding income tax (IRRF)	252	186
Accrued vacation pay and 13 th salary	3,032	2,205
Total	<u>5,612</u>	<u>4,283</u>

14. TAXES IN INSTALLMENTS

	<u>03/31/2021</u>	<u>12/31/2020</u>
Law 11941/09 – REFIS	110	117
Law 13496/17 – PERT	292	299
Simplified INSS	253	271
Total	<u>655</u>	<u>687</u>
Current assets	103	130
Noncurrent assets	552	557
Total	<u>655</u>	<u>687</u>

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14.1. Law 11941/09 - REFIS

On October 27, 2009, the Company joined the Federal Government's tax debt refinancing program for payment of tax debts in 180 installments. The tax debts refer to PIS, COFINS, IRRF, IRPJ, and CSLL.

On November 29, 2009, the Company obtained the consolidation of the debt balance outstanding upon joining installment plan, carried out by the Federal Revenue Service and the impacts of this consolidation were duly recognized at the time.

14.2. PERT

During 2017, the Company elected to join the PERT program related to Social Security and Other debts, which allowed to settle outstanding debts. In light of the program's terms and conditions, the Company elected to guarantee the 80% discount on interest and 40% discounts on late payment fines provided for by Art. 2, III, b of Provisional Act (MP) 783.

In 2019, the Company obtained the consolidation of the debt balance outstanding upon joining said Social Security and Other Debts installment plans, carried out by the Federal Revenue Service.

14.3. Simplified INSS

In 2020, the Company elected to join the Simplified INSS, which made it possible to settle outstanding social security debts in 60 installments.

14.4. Variations in taxes in installments

	<u>03/31/2021</u>	<u>12/31/2020</u>
At the beginning of the period	687	449
(+) New installment plans	-	317
(-) Principal repayment	(24)	(57)
(-) Interest paid	(8)	(22)
At the end of the period	<u>655</u>	<u>687</u>

15. PROVISIONS FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

As at March 31, 2021 and December 31, 2020, the Company's Management did not consider to be necessary to recognize a provision for losses on ongoing lawsuits amounting since according to its legal counsel the likelihood of unfavorable outcome is possible, as follows:

	<u>03/31/2021</u>	<u>12/31/2020</u>
Civil	381	395
Tax	49	-
Labor	269	45
Total	<u>650</u>	<u>440</u>

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Labor

The labor lawsuits filed against the Company are related primarily to requests for payment of overtime, health hazard premiums, and salary differences, and the actions are being carried out by former employees.

Civil

The civil lawsuits refer mainly to indemnity claims against the Company, related to breach of contracts and accidents involving machinery and trucks.

16. EQUITY

16.1. Capital

As at March 31, 2021, the Company's subscribed capital is R\$126,609, represented by 1,147,265 common shares without par value (R\$76,205 represented by 2971,039 shares as at December 31, 2020). As at March 31, 2021, Company shares were held as follows:

	Number of shares	Equity interest %
Owners of the Company	689,078	60.06%
SPEED FIP Multiestratégia	458,187	39.94%
	1,147,265	100.00%

All shares have the same rights with respect to the residual assets of the Company. In addition, holders of common shares are entitled to receive the declared dividends and are entitled to one vote per share at the Company's shareholders' meetings.

In March 2020, the Company's shareholders carried out a capital increase of R\$475 by issuing 474,938 new shares, with a par value of R\$1.00 per share. Subsequently, the Company's shareholders approved the transformation of the Company from a limited liability company to a privately-held corporation, to be governed according to the provisions of Law 6404, of December 15, 1976, as amended (Brazilian Corporate Law).

In June 2020, the Company issued 266,101 new common shares under a subscription and share purchase and sale agreement, for an overall price of R\$75,500, allocated to the Company's capital. All the new common shares were subscribed by new shareholder SPEED Fundo de Investimento em Participações Multiestratégia. On this occasion the Company recognized the amount R\$5,168 as share issuance costs paid to the bank, lawyers and consultants involved in the transaction. Additionally, this agreement contains indemnity clauses by the original Company shareholders or the new shareholder, common in this type of transaction, on the existence of certain events listed in annex 7.1. (iii), for a five-year period from the date of execution of the agreement.

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In February 2021, the Company issued 176,266 new common shares for an overall price of R\$50,404, allocated to the Company's capital. As a result, the Company's fully subscribed, paid-in capital increased to R\$126,609. All the new common shares were subscribed by SPEED Fundo de Investimento em Participações Multiestratégia. On this occasion the Company recognized the amount R\$969 as share issuance costs paid to the bank involved in the transaction.

16.2. Capital reserve: share issue premium

The capital reserve as at March 31, 2021 is R\$125,462 (R\$75,234 as at December 31, 2020), relating to the premium generated by the issuance of 442,327 new registered shares, without par value, subscribed and paid in by SPEED Fundo de Investimento em Participações Multiestratégia.

16.3. Dividend distribution policy

Distribution of mandatory minimum dividends, in a percentage to be set at a shareholders' meeting, in accordance with the prevailing laws and regulations (minimum of 25% of profit for the year, after the recognition of the legal reserve).

Based on the period ended March 31, 2021, the Company proposed dividends for distribution, which can be approved at its next Annual General Meeting, in the amount of R\$20,428; this decision is intended to distribute the total earnings reserve for the period.

In January 2021, R\$5,500 were paid relating to dividends approved in 2020.

16.4. Legal reserve

Recognized in accordance with the Brazilian Corporate Law and the Company's Bylaws, as 5% of profit for the year, limited to 20% of capital. The objective of the legal reserve is to ensure the integrity of capital and it can only be utilized to offset losses or increase capital.

17. RELATED-PARTY BALANCES AND TRANSACTIONS

The balances and transactions conducted between the Company and its related parties are summarized as follows:

	<u>03/31/2021</u>
Interest on guarantees provided (i)	968
Lease right of use (ii)	455
Total	<u>1,423</u>

- (i) Refers to the interest paid on guarantees provided (surety) by part of the owners of the Company in borrowings and financing agreements. The guarantor is different for each financing and a guarantee can be provided by all controlling shareholders or only by one or two controlling shareholders. The contractual interest rate is 1% per year of the average balance for the period, in line with the market interest for a bank guarantee letter or guarantee insurance. The expense recorded in profit or loss for the period was R\$360 (note 22).

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- (ii) The balance refers to the payment of rentals for properties where the machinery maintenance center operates, which are owned by part of the Company's controlling shareholders (note 9.1).

The overall compensation of the Company's officers in 2021 was R\$450 (no compensation in the first quarter of 2020), which is considered a short-term benefit, recognized in line item 'General and administrative expenses' in profit for the year.

18. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of income tax and social contribution tax expenses calculated by applying the statutory tax rates and the income tax and social contribution expenses recorded in profit or loss, is shown below.

18.1. Reconciliation of income tax and social contribution expenses

In 2021 and 2020, income tax and social contribution were calculated based on the taxable income. The table below shows the reconciliation of income tax and social contribution at the statutory rate:

	<u>03/31/2021</u>	<u>03/31/2020</u>
Profit before income tax and social contribution	11,978	4,926
Statutory tax rate	34%	34%
Income tax and social contribution expenses	(4,073)	(1,675)
<u>Effect of permanent add-backs on tax bases:</u>		
(-) Tax depreciation for the disposal of assets	(223)	-
(-) Nondeductible costs and expense	(163)	(102)
(+) Share issuance costs - CPC 08 (R1)	329	-
(-) Other	(184)	(101)
Income tax and social contribution expenses	(4,313)	(1,878)
Current	(134)	-
Deferred	(4,179)	(1,878)
Total	(4,313)	(1,878)
Effective rate	36%	38%

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18.2. Deferred income tax and social contribution

Deferred income tax and social contribution are recognized to reflect the future tax effects attributable to temporary differences. Deferred income tax and social contribution are broken down as follows:

	<u>03/31/2021</u>	<u>12/31/2020</u>
Assets		
Accrued payables	360	608
Allowance for expected credit losses	140	280
Income tax and social contribution losses	6.741	7.329
Adjustment to leases, CPC 06	671	961
Total	7,912	9.178
Statutory rate	34%	34%
Deferred tax assets	2,690	3.121
Liabilities		
Adjustment to leases, CPC 06	750	1,105
Tax and economic depreciation difference	72.159	60,778
Total	72,909	61.883
Statutory rate	34%	34%
Deferred tax liabilities	24,789	21.040
Deferred income tax and social contribution, net	22.099	17,920

19. NET REVENUE

	<u>03/31/2021</u>	<u>03/31/2020</u>
Equipment leases and services	55,140	22,042
Sales of used property, plant and equipment items	1,980	5
Gross operating revenue	57,120	22.047
(–) Taxes on sales	(5,365)	(2,220)
Net operating revenue	51,755	19,827
Tax on revenue (COFINS)	(4,086)	(1.674)
Tax on revenue (PIS)	(887)	(365)
Service tax (ISS)	(392)	(181)
Total taxes on sales	(5,365)	(2,220)

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20. EXPENSES BY NATURE

The Company's income statement is presented based on a classification of expenses according to their function. The information on the nature of these expenses recognized in the income statement is as follows:

	<u>03/31/2021</u>	<u>03/31/2020</u>
Amortization	(5)	-
Fuel	(2,232)	(1,743)
Property, plant and equipment selling or write-off expenses	(2,042)	(5)
Depreciation	(8,077)	(2,384)
Lease of assets	(254)	(228)
Other	(2,146)	(702)
Parts and maintenance	(6,021)	(1,580)
Loss of receivables	(29)	(39)
Personnel expenses	(11,555)	(5,380)
Expected credit losses	(140)	(368)
Insurance of property, plant and equipment	(211)	(31)
Telecommunications	(69)	(68)
Total	<u>(32,781)</u>	<u>(12,528)</u>
Cost of leases and services	(28,443)	(10,584)
General, administrative, and selling expenses	(4,338)	(1,944)
Total	<u>(32,781)</u>	<u>(12,528)</u>

21. FINANCE INCOME

	<u>03/31/2021</u>	<u>03/31/2020</u>
Income from short-term investments	379	35
Fine and interest	67	90
Financial discounts obtained	1	-
Total	<u>447</u>	<u>125</u>

22. FINANCE COSTS

	<u>03/31/2021</u>	<u>03/31/2020</u>
Interest on borrowings and financing	(6,625)	(2,329)
Interest and fines	(10)	(25)
Other	-	(36)
Discounts granted	(158)	(59)
Bank fees, IOF (financial transactions tax) and TAC (credit fee)	(48)	(33)
Commission on guarantees and sureties (note 17)	(360)	-
Interest on right-of-use lease	(242)	(16)
Total	<u>(7,443)</u>	<u>(2,498)</u>

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23. EARNINGS PER SHARE

	<u>03/31/2021</u>	<u>03/31/2020</u>
Profit for the period	7,665	3,048
<u>Basic denominator:</u>		
Weighted average number of shares in the period	1,147	705
Earnings per share - basic and diluted (R\$)	<u>6.68</u>	<u>4.32</u>

24. FINANCIAL INSTRUMENTS

24.1. Categories of financial instruments

Amortized cost	<u>03/31/2021</u>	<u>12/31/2020</u>
<u>Financial assets</u>		
Cash and cash equivalents	108,963	84,767
Trade receivables	38,497	23,866
Total	<u>147,460</u>	<u>108,633</u>
<u>Financial liabilities</u>		
Trade payables	10,947	12,781
Borrowings and financing	401,378	288,555
Related parties	968	608
Dividends payable	-	5,500
Lease of right of use	14,401	14,215
Total	<u>427,693</u>	<u>321,659</u>

24.2. Financial risks

The Company's activities are exposed to financial risks: credit and liquidity. Management monitors the continuous forecasts of the Company's liquidity to ensure it has sufficient cash to meet its operational needs.

24.3. Foreign exchange risk

The Company does not conduct transactions with foreign suppliers; thus, as at March 31, 2021, the Company is not exposed to foreign exchange risks.

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24.4. Sensitivity analysis

Interest rate risk

The Company obtains borrowings and financing from the major financial institutions to meet its investment and growth cash requirements. As a result, the Company is exposed to interest rate risks from payables pegged to the CDI, SELIC and TJLP rates.

As at March 31, 2021, R\$278,766 of the Company's borrowings and financing balance is indexed either to CDI (interbank deposit rate) or SELIC (Central Bank's policy rate).

The table below shows the sensitivity analysis for the risk of an increase in CDI (interbank deposit rate) and SELIC (Central Bank's policy rate) that would affect the Company's finance costs. Two scenarios were considered, with increases of 50% and 100% of CDI, respectively, based on a 5% increase projection for SELIC (Central Bank's policy rate) at the end of 2021, according to the Focus Report dated April 30, 2021.

	Balance			
	03/31/2021	Scenario I	Scenario II	Scenario III
Average CDI rate for the next 12 months		4.5%	5.5%	6.5%
Finance costs for borrowings and financing	403,797	47,351	49,722	52,073
Finance costs for borrowings and financing indexed to CDI and SELIC	278,766	18,479	20,021	21,550

Total borrowings exposed to the TJPL fluctuation as at March 31, 2021 amounts to R\$126, and in Management's opinion, the exposure to such rate fluctuation is immaterial.

Credit risk management

The credit policies established by Management are intended to minimize customer default risks.

Management, aiming at minimizing the credit risks linked to financial institutions, also seeks to diversify its transactions among prime institutions.

In the period ended March 31, 2021 and year ended December 31, 2020, there were no customer that accounted for more than 10% of net operating revenues.

Liquidity risk management

It is the risk that the Company and its subsidiaries may not have sufficient funds to honor their financial commitments as a result of mismatching of terms or volumes between expected amounts collectible and payable. To manage cash liquidity, future disbursements and cash inflows assumptions are established and monitored on a daily basis by Management.

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The table below shows in detail the maturity of financial liabilities contracted:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade payables	10,947	-	-	-	10,947
Borrowings and financing	80,755	114,091	99,112	109,839	403,797
Due to related parties	968	-	-	-	968
Lease of right of use	1,203	1,208	1,279	10,711	14,401

25. INSURANCE

The Company has the policy of obtaining insurance coverage for assets subject to risks in amounts considered sufficient by Management to cover possible losses, considering the nature of its activities.

As at March 31, 2021, the Company's property, plant and equipment was insured for the amount of R\$429,219, and insurance policies are effective until September 2021 and December 2022.

26. NONCASH TRANSACTIONS

The transactions that did not affect cash are stated in the table below:

Classification in the financial statements	Line item	Note	Type of transaction	03/31/2021	03/31/2020
Assets	Property, plant and equipment	9.1	Leases entered into to purchase property, plant and equipment	26,140	22,975
Liabilities	Borrowings and financing	12		26,140	22,975
Assets	Property, plant and equipment – right of use	9.1	Adoption of IFRS 16	614	1,156
Liabilities	Lease of right of use	9.2		614	1,156

27. SEGMENT REPORTING

The Company has only one operating segment, defined as equipment leasing. The Company is organized and its performance is assessed as, a single business unit for commercial and management purposes. Information is presented on a consistent basis for the Company's chief decision maker, who responsible for allocating resources and assessing operations. Management assesses the Company's full performance, i.e., sales, managerial and administrative results, considering that the entire cost and expense structure is shared by all product categories.

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28. EVENTS AFTER THE REPORTING PERIOD

In April 2021, the Company carried out its first issue of simple, non-convertible debentures, with real guarantee, in a single series, in the total amount of R\$200,000, for public distribution, with restricted placement efforts. Of this amount, R\$100,000 were disbursed in May de 2021, of which R\$40,000 were used to prepay the Company's debts. Up to the date of issuance of these financial statements, R\$100,000 were not settled. Accordingly, up to the date of issuance of these financial statements, the net effect of the issue of debentures on the Company's liabilities amounted to R\$60,000.
