

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

# **Armac Locação, Logística e Serviços S.A.**

Financial Statements  
for the Year Ended  
December 31, 2019 and  
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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## INDEPENDENT AUDITOR'S REPORT

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

### **Qualified opinion**

We have audited the accompanying financial statements of Armac Locação, Logística e Serviços S.A. ("Company"), which comprise the balance sheet as at December 31, 2019, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects, if any, of the matters described in the "Basis for qualified opinion" section of our report, 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 December 31, 2019, and its financial performance and its cash flows for the year 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 qualified opinion**

The Company's financial statements for the year ended December 31, 2017 audited by us nor by other auditors. Accordingly, as the balances of the balance sheet accounts as at December 31, 2017 are used to determine profit or loss for the year and other information included in the financial statements for the year ended December 31, 2018, we were unable to determine if there would have been necessary to make adjustments to the statements of income, of comprehensive income, of changes in equity and of cash flows for the year ended December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 contained modification. Our opinion on the financial statements for the current year also contains modification in respect of the possible effect arising from this matter on the comparability of the amounts for the current year and the corresponding figures.

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 set out 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 qualified 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and, therefore, 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.

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 in our audit work.

### How the matter was conducted in our audit

Our audit procedures included, without limitation: (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 year; (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.

As a result of performing these procedures, we identified adjustments and control deficiencies relating to the service measuring and revenue recognition process in the appropriate period, which were reported and performed by the Company, and which changed our assessment regarding the nature, timing and extent of our initially planned substantive procedures.

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 the financial statements are acceptable within the context of the financial statements taken as a whole.

## **Other matters**

### *Statement of value added*

The statement of value added (“DVA”) for the year ended December 31, 2019, prepared under the responsibility of the Company’s Management and presented as supplemental information for purposes of the IFRS, was subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion thereon, we assess whether this statement of value added is reconciled with the financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria set forth in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added has been prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement 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. Such 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.

## **Responsibilities of Management 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 IFRS, 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, when 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 year and are therefore the key audit matters. 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, April 23, 2021



DELOITTE TOUCHE TOHMATSU  
Auditores Independentes



Alessandro Costa Ramos  
Engagement Partner

## MANAGEMENT'S REPORT

Dear,

Armac Locação, Logística e Serviços S.A. ("ARMAC" or the "Company") is submitting its Management Report and corresponding Financial Statements together with our Independent Auditor's report for the year ended December 31, 2019.

### MESSAGE FROM MANAGEMENT

We are presenting our results for the year of 2019. ARMAC operates through an asset sharing model, renting heavy equipment in the agribusiness, mining, forestry, and infrastructure sectors. Our business model leverages our expertise in heavy equipment to boost our customers' efficiency by reducing downtime and securing major gains on maintenance and operating activities.

The year 2019 was marked by important achievements. Our Gross Revenue from equipment rental reached R\$66.8 million, thus showing 45.6% growth against 2018. This growth was entirely organic and mainly due to our growing market share in the heavy equipment rental sector, which reflected our customers' rising trust in our operational capabilities and value proposition. We still have an incipient market share in this sector, so we are confident that there will be many opportunities for growth in the future.

Additionally, our profitability margins improved in 2019. Our EBITDA reached R\$30.0 million, a 54.1% increase against 2018, while our EBITDA Margin increased from 47.5% in 2018 to 50.1% in 2019.

During 2019, we expanded our rental fleet from 259 to 424 units. Our total investment was R\$48 million. The main sources of funding were our operating cash flow and new financing obtained from our financial partners.

In 2020, 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 to generating increasing value to our customers and to society by offering a more efficient and sustainable way to use heavy equipment.

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 (except units)          | 2019        | 2018        | % Change     |
|-------------------------------------|-------------|-------------|--------------|
| <b>Rental fleet size (in units)</b> | <b>424</b>  | <b>259</b>  | <b>63.7%</b> |
| <b>Gross revenue</b>                | <b>68.2</b> | <b>47.6</b> | <b>43.2%</b> |
| Gross revenue from rental           | 66.8        | 45.9        | 45.6%        |
| Gross revenue from asset sales      | 1,4         | 1.7         | (19.8%)      |
| <b>Net revenue</b>                  | <b>61.4</b> | <b>42.7</b> | <b>43.6%</b> |
| Net revenue from rental             | 60.0        |             | 46.2%        |
| Net revenue from asset sale         | 1,4         | 47.6        | (19.8%)      |
| <b>Gross profit</b>                 | <b>26.9</b> | <b>16.9</b> | <b>59.2%</b> |
| % net revenue                       | 43.8%       | 39.5        | +4.3 p.p.    |
| <b>EBIT</b>                         | <b>22.6</b> | <b>14.6</b> | <b>55.2%</b> |
| % net revenue                       | 36.8%       | 34.1        | +2.8 p.p.    |
| <b>EBITDA*</b>                      | <b>30.0</b> | <b>19.5</b> | <b>54.1%</b> |
| % net revenue*                      | 50.1%       | 47.5        | +2.5 p.p.    |
| <b>Cash-tax earnings</b>            | <b>21.1</b> | <b>13.8</b> | <b>52.2%</b> |
| % net revenue                       | 34.3%       | 32.4        | -1.9 p.p.    |
| <b>Net income</b>                   | <b>9.2</b>  | <b>6.3</b>  | <b>45.0%</b> |
| % net revenue                       | 14.9%       | 14.8        | +0.1 p.p.    |

\* Excludes proceeds from sale of fixed assets.

### Gross Revenue

Gross revenue reached R\$68.2 million in 2019, a 43.2% increase against 2018. Gross revenue from rental reached R\$66.8 million in 2019, a 45.6% increase against 2018.

### Net revenue

Net revenue reached R\$61.4 million in 2019, a 43.6% increase against 2018. Net revenue from rental reached R\$60.0 million in 2019, a 46.2% increase against 2018.

### Gross profit

Gross profit reached R\$26.9 million in 2019, a 59.2% increase against 2018. Our gross margin increased from 39.5% in 2018 to 43.8% in 2019.

## EBITDA

EBITDA reached R\$30.0 million in 2019, a 54.1% increase against 2018. Our EBITDA Margin increased from 47.5% in 2018 to 50.1% in 2019.

| R\$ million                              | 2019        | 2018        | % Change     |
|--|-------------|-------------|--------------|
| <b>Net income</b>                        | <b>9.2</b>  | <b>6.3</b>  | <b>45.0%</b> |
| ( + ) Income tax and social contribution | 5.9         | 3.3         |              |
| ( + ) Financial expenses                 | 7.8         | 5.5         |              |
| ( - ) Financial income                   | (0.3)       | (0.6)       |              |
| ( + ) Depreciation and amortization      | 7.0         | 4.6         |              |
| ( +/- ) Non-recurring earnings*          | 0.4         | 0.4         |              |
| <b>EBITDA</b>                            | <b>30.0</b> | <b>19.5</b> | <b>54.1%</b> |
| % EBITDA Margin                          | 50.1%       | 45.6        | +4.4 p.p.    |

\* result from sale of fixed assets.

## Net Income and Cash-Tax Earnings

Cash-tax earnings reached R\$21.1 million in 2019, a 52.2% increase against 2018. As a percentage of net revenue, there was an increase from 32.4% in 2018 to 34.3% in 2019.

Net Income reached R\$9.2 million in 2019, a 45.0% increase against 2018. Our net margin increased from 14.8% in 2018 to 14.9% in 2019.

| R\$ million  | 2019        | 2018        | % Change     |
|--|-------------|-------------|--------------|
| <b>Net income</b>  | <b>9.2</b>  | <b>6.3</b>  | <b>45.0%</b> |
| % net revenue  | 14.9%       | 14.8%       | +0.1 p.p.    |
| ( + ) Deferred taxes and use of tax credits when purchasing fixed assets | 11.9        | 7.5         |              |
| <b>Cash-tax earnings</b>   | <b>21.1</b> | <b>13.8</b> | <b>52.2%</b> |
| % net revenue  | 34.3%       | 32.4%       | +1.9 p.p.    |

## Indebtedness and Capital Investment

In 2019, we invested R\$48 million, of which R\$45 million was used to grow our rental fleet. As a result, our fleet's original equipment cost reached R\$114 million, which represents an increase of 59% against 2018.

We financed 100% of equipment purchased in 2019 through new credit facilities from our financial partners. Total funding obtained in 2019 was R\$43 million, while R\$19 million was repaid.

We ended 2019 with gross debt of R\$73 million and net debt of R\$66 million, reaching a leverage ratio of 2.20x.

| R\$ million                           | 2019        | 2018        | % Change     |
|---------------------------------------|-------------|-------------|--------------|
| <b>Capex</b>                          | <b>18.1</b> | <b>37.5</b> | <b>28.1%</b> |
| <b>New funding</b>                    | <b>43.3</b> | <b>32.4</b> | <b>33.7%</b> |
| <b>Gross Debt</b>                     | <b>72.8</b> | <b>48.8</b> |              |
| Short term                            | 27.1        | 15.2        |              |
| Long term                             | 45.8        | 33.5        |              |
| <b>Cash and financial investments</b> | <b>6.8</b>  | <b>2.5</b>  |              |
| <b>Net Debt</b>                       | <b>66.0</b> | <b>46.3</b> | <b>42.5%</b> |
| Net Debt / EBITDA LTM                 | 2.20x       | 2.38x       |              |

## 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 2019, our governance structure consisted of a Board of Executive Officers.

## HUMAN CAPITAL

ARMAC's greatest comparative advantage springs from our culture and the commitment of our teams and leaders. We are continually investing to expand this comparative advantage by training an increasing number of mechanics, drivers, operators, engineers and managers who identify with our "*graxa na caveira*" approach, which consists of always doing what needs to be done 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 2019 we had 254 employees, compared to 203 at the end of 2018.

## 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 equipment and meticulously managing the maintenance that we perform.

In addition, we believe that our business model is the engine driving major social transformation for front-line employees who for the most part have not obtained a higher education degree. Mechanics, truck drivers and operators are core value adders for customers and shareholders, so ARMAC offers them unique career and personal development opportunities.

## **RELATIONSHIP WITH INDEPENDENT AUDITORS**

We engaged the independent auditing services of Deloitte Brasil Auditores Independentes Ltda. (“Deloitte”) to audit 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. Our management and Deloitte 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.

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**ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

**BALANCE SHEETS**

As at December 31, 2019 and 2018

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

**ASSETS**

|                                | Nota | 2019           | 2018          |
|--------------------------------|------|----------------|---------------|
| <b>Current assets</b>          |      |                |               |
| Cash and cash equivalents      | 5    | 6,793          | 2,460         |
| Trade receivables              | 6    | 8,468          | 5,611         |
| Recoverable taxes              | 7    | 1,809          | 2,361         |
| Other assets                   |      | 569            | 231           |
| <b>Total current assets</b>    |      | <b>17,639</b>  | <b>10,663</b> |
| <b>Noncurrent assets</b>       |      |                |               |
| Other assets                   |      | 229            | 203           |
| Property, plant and equipment  | 8    | 98,431         | 64,345        |
| Intangible assets              |      | 79             | 110           |
| <b>Total noncurrent assets</b> |      | <b>98,739</b>  | <b>64,658</b> |
| <b>Total assets</b>            |      | <b>116,378</b> | <b>75,321</b> |

**LIABILITIES AND EQUITY**

|                                     | Nota | 2019           | 2018          |
|-------------------------------------|------|----------------|---------------|
| <b>Current liabilities</b>          |      |                |               |
| Trade payables                      | 9    | 6,729          | 2,138         |
| Borrowings and financing            | 10   | 27,070         | 15,247        |
| Payroll, benefits and taxes thereon | 11   | 1,772          | 921           |
| Taxes payable                       |      | 21             | 21            |
| Taxes in installments               | 12   | 60             | 62            |
| Dividends payable                   | 14.2 | 500            | -             |
| Other payables                      |      | -              | 110           |
| <b>Total current liabilities</b>    |      | <b>36,152</b>  | <b>18,499</b> |
| <b>Noncurrent liabilities</b>       |      |                |               |
| Trade payables                      | 9    | -              | 991           |
| Borrowings and financing            | 10   | 45,754         | 33,543        |
| Taxes in installments               | 12   | 389            | 454           |
| Deferred taxes                      | 16.2 | 10,974         | 5,155         |
| Other liabilities                   |      | -              | 47            |
| <b>Total noncurrent liabilities</b> |      | <b>57,117</b>  | <b>40,190</b> |
| <b>Equity</b>                       |      |                |               |
| Capital                             | 14.1 | 230            | 230           |
| Earnings reserves                   |      | 22,879         | 16,402        |
| <b>Total equity</b>                 |      | <b>23,109</b>  | <b>16,632</b> |
| <b>Total liabilities and equity</b> |      | <b>116,378</b> | <b>75,321</b> |

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

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

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

### STATEMENTS OF INCOME

As at December 31, 2019 and 2018

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

|   | <u>Notes</u> | <u>2019</u>    | <u>2018</u>    |
|---|--------------|----------------|----------------|
| <b>Net operating revenue</b>                                      | 17           | <b>61,374</b>  | <b>42,738</b>  |
| ( - ) Cost of services  | 18           | (34,481)       | (25,845)       |
| <b>( = ) Gross profit</b>   |              | <b>26,893</b>  | <b>16,893</b>  |
| <u>Operating expenses</u>   |              |                |                |
| ( - ) Administrative and selling expenses                         | 18           | (4,288)        | (2,330)        |
| <b>( = ) Operating income before finance<br/>income (costs)</b>   |              | <b>22,605</b>  | <b>14,563</b>  |
| ( - ) Finance costs   | 20           | (7,813)        | (5,473)        |
| ( + ) Finance income  | 19           | 296            | 563            |
| <b>( = ) Finance income (costs), net</b>                          |              | <b>(7,517)</b> | <b>(4,910)</b> |
| <b>( = ) Income before income tax and<br/>social contribution</b> |              | <b>15,088</b>  | <b>9,653</b>   |
| <u>Income tax and social contribution</u>                         |              |                |                |
| ( - ) Current   | 16.1         | (106)          | -              |
| ( - ) Deferred  | 16.2         | (5,818)        | (3,334)        |
| <b>( = ) Profit for the year</b>                                  |              | <b>9,164</b>   | <b>6,319</b>   |
| Basic and diluted earnings per share (in R\$)                     |              | 39.84          | 27.47          |

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

**ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

**STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31, 2019 and 2018

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

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|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Profit for the year</b>               | <b>9,164</b>        | <b>6,319</b>        |
| <b>Comprehensive income for the year</b> | <b><u>9,164</u></b> | <b><u>6,319</u></b> |

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

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**ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

**STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31, 2019 and 2018

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

|  | <u>Notes</u> | <u>Capital</u> | <u>Unrealized<br/>earnings<br/>reserve</u> | <u>Equity</u> |
|--|--------------|----------------|--|---------------|
| <b>Balance as at December 31, 2017</b> (unaudited) |              | <b>230</b>     | <b>10,362</b>                              | <b>10,592</b> |
| Profit for the year                                |              | -              | 6,319                                      | 6,319         |
| Distributed dividends                              |              | -              | (279)                                      | (279)         |
| <b>Balance as at December 31, 2018</b>             |              | <b>230</b>     | <b>16,402</b>                              | <b>16,632</b> |
| Profit for the year                                |              | -              | 9,164                                      | 9,164         |
| Distributed dividends                              | 14.2         | -              | (2,687)                                    | (2,687)       |
| <b>Balance as at December 31, 2019</b>             |              | <b>230</b>     | <b>22,879</b>                              | <b>23,109</b> |

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

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**ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2019 and 2018

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

|   | <u>Notes</u> | <u>2019</u>            | <u>2018</u>            |
|---|--------------|------------------------|------------------------|
| <b>Profit before income tax and social contribution</b>                       |              | <b>15,088</b>          | <b>9,652</b>           |
| <u>Adjusted by:</u>   |              |                        |                        |
| Depreciation and amortization   | 8 and 18     | 7,001                  | 4,557                  |
| Residual value of decommissioned property, plant and equipment                | 8            | 1,490                  | 531                    |
| Loss on receivables   | 18           | 49                     | 70                     |
| Allowance for doubtful debts  | 6 and 18     | 397                    | -                      |
| Interest on borrowings and financing  | 20           | 6,817                  | 4,723                  |
| <u>Changes in assets and liabilities:</u>                                     |              |                        |                        |
| Trade receivables   |              | (3,303)                | (2,000)                |
| Recoverable taxes   |              | 552                    | (334)                  |
| Other assets  |              | (364)                  | (255)                  |
| Trade payables  |              | 3,600                  | (1,001)                |
| Payroll and related taxes   |              | 850                    | 244                    |
| Taxes payable   |              | -                      | (158)                  |
| Other liabilities   |              | (47)                   | 47                     |
| Other payables  |              | (108)                  | (181)                  |
| Interest on financing   | 10           | (6,798)                | (4,201)                |
| Interest on taxes in installments   | 12.2         | (15)                   | (13)                   |
| Purchase of property, plant and equipment                                     | 8            | (2,837)                | (1,795)                |
| Income tax and social contribution paid in the year                           | 16.1         | (106)                  | -                      |
| <b>Net cash generated by operating activities</b>                             |              | <b><u>22,266</u></b>   | <b><u>9,886</u></b>    |
| <u>Cash flows from investing activities</u>                                   |              |                        |                        |
| Purchase of intangible assets   | 11           | -                      | (110)                  |
| Proceeds from the sale of property, plant and equipment                       | 8            | 1,368                  | 1,708                  |
| <b>Net cash used in investing activities</b>                                  |              | <b><u>1,368</u></b>    | <b><u>1,598</u></b>    |
| <u>Cash flows from financing activities</u>                                   |              |                        |                        |
| Borrowings  | 10           | 2,241                  | -                      |
| Installment plans   | 12.2         | -                      | 100                    |
| Payment of dividends  | 14.2         | (2,187)                | (819)                  |
| Repayment of borrowings and financing   | 10           | (19,302)               | (10,545)               |
| Payment of tax installments   | 12.2         | (52)                   | (50)                   |
| <b>Net cash used in financing activities</b>                                  |              | <b><u>(19,300)</u></b> | <b><u>(11,314)</u></b> |
| <b>Increase in cash and cash equivalents, net</b>                             |              | <b><u>4,334</u></b>    | <b><u>170</u></b>      |
| Cash and cash equivalents at the beginning of the year                        |              | 2,460                  | 2,290                  |
| Cash and cash equivalents at the end of the year                              |              | 6,794                  | 2,460                  |
| <u>Main noncash transactions, recognized in balance sheet</u>                 |              |                        |                        |
| Borrowings for the purchase of property, plant and equipment (FINAME and CDC) |              | (41,076)               | (32,404)               |
| PIS/COIFNS credits generated on the purchase of property, plant and equipment |              | (4,152)                | (3,137)                |

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

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

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### STATEMENTS OF VALUE ADDED

For the Years Ended December 31, 2019 and 2018

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

|  | <u>Notes</u> | <u>2019</u>   | <u>2018</u>   |
|--|--------------|---------------|---------------|
| <u>Revenues:</u>                                 |              |               |               |
| Lease, services, and other revenue               | 17           | 68,199        | 47,610        |
| Expected credit losses                           | 6            | (397)         | (69)          |
| <u>Third-party services and supplies</u>         |              |               |               |
| Third-party services, supplies, and other inputs |              | (15,964)      | (15,054)      |
| <b>Gross value added</b>                         |              | <b>51,838</b> | <b>32,487</b> |
| Depreciation and amortization                    | 18           | (7,001)       | (4,557)       |
| <b>Wealth created by the company</b>             |              | <b>44,837</b> | <b>27,930</b> |
| <u>Wealth received in transfer</u>               |              |               |               |
| Finance income                                   | 20           | 296           | 567           |
| Other  |              | (631)         | -             |
| <b>Wealth for distribution</b>                   |              | <b>44,502</b> | <b>28,497</b> |
| <u>Personnel</u>                                 |              |               |               |
| Wages  |              | 10,283        | 6,460         |
| Benefits   |              | 2,908         | 1,551         |
| Severance Pay Fund (FGTS)                        |              | 834           | 444           |
| Social Security Contribution (INSS)              |              | 2,094         | 1,183         |
| <u>Taxes, fees and contributions</u>             |              |               |               |
| Federal  |              | 10,768        | 6,435         |
| Municipal  |              | 638           | 633           |
| <u>Lenders and lessors</u>                       |              |               |               |
| Interest   |              | 7,813         | 5,472         |
| <u>Shareholders</u>                              |              |               |               |
| Dividends  |              | 2,687         | 279           |
| Retained earnings                                |              | 6,477         | 6,040         |
| <b>Wealth distributed</b>                        |              | <b>44,502</b> | <b>28,497</b> |

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

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

## **ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

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

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#### **1. GENERAL INFORMATION**

Armac Locação, Logística e Serviços Ltda. (“Company” or “Armac”) is a limited liability company, 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.

#### **2. PRESENTATION OF FINANCIAL STATEMENTS**

##### **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 relevance**

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.

##### **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 10.

##### **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 April 23, 2021.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

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#### 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 Group 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 8

The Company carries out an analysis of the useful lives of the property, plant and equipment items 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.

c) Realization of deferred income tax and social assets—note 16

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 8

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 December 31, 2019, 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.

## **ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

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

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e) Provision for civil, labor and tax risks and escrow deposits—note 13

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1. General revenue recognition principles and criteria**

Revenue is recognized in the statement of profit or loss 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 change 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) Other revenue from services rendered

Lease of lift platforms, trucks, and heavy equipment, with or without labor assignment, that allow meeting technical requirements of construction, infrastructure, and agribusiness 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.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

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#### b) Revenue on sale of assets

Revenue from the sale of assets (machinery and trucks) is an ancillary, complementary activity to the machinery lease operation. The Company sells machinery 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.

### 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 and financial liabilities under CPC 48/IFRS 9 is generally based on the business model within which financial assets are managed and on their contractual cash flow characteristics.

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. |
|---|---|

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 their financial statements.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

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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.

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. 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 into operation 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 an property, plant and equipment item are recognized in the statement of profit or loss.

##### 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 day construction is completed and the asset is available for use.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

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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 Company at the end of the lease term. Land is not depreciated.

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.

#### 3.7. 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 statement of profit or loss when the asset is derecognized.

#### 3.8. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

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

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**3.9. 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.

**3.10. Finance income and costs**

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

**3.11. 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.

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.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

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#### 3.12. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to shareholders by the weighted average number of shares outstanding in each period. The weighted average number of shares is calculated based on the periods in which the shares were outstanding.

#### 3.13. 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 individual and consolidated financial statements, will become effective as described below:

#### 4.1. Impact of the initial 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 individual and consolidated financial statements.

#### 4.2. New and revised standards and interpretations not yet adopted

New and revised standards and interpretations, in the context of the Company's individual and consolidated 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)) <i>Financial Statements</i>                        | Date not yet set by the IASB |
| Amendment to IAS 1 <i>Classification of Liabilities as Current or Non-current</i> (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 effective for annual periods beginning on or after January 1, 2018. Management is currently assessing the possible impact.

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

#### 5. CASH AND CASH EQUIVALENTS

|                              | <u>2019</u>         | <u>2018</u>         |
|------------------------------|---------------------|---------------------|
| Cash                         | -                   | 6                   |
| Banks - checking account     | -                   | 6                   |
| Short-term investments - CDB | 6,793               | 2,448               |
| <b>Total</b>                 | <b><u>6,793</u></b> | <b><u>2,460</u></b> |

Short-term investments consist basically of funds invested in Certificates of Bank Deposit (CDBs) with yield ranging from 95% to 105% in 2019 and 2018 of the Certificate of Interbank Deposits Rate (CDI) in 2017 (95% to 105% in 2016), subject to an insignificant risk of change in value and which can be redeemed at any time.

#### 6. TRADE RECEIVABLES

##### 6.1. Breakdown of balances

|                        | <u>2019</u>         | <u>2018</u>         |
|------------------------|---------------------|---------------------|
| Trade receivables      | 8,865               | 5,611               |
| Expected credit losses | (397)               | -                   |
| <b>Total</b>           | <b><u>8,468</u></b> | <b><u>5,611</u></b> |

Revenue from lease contracts whose lease or service provision is in progress at the end of the month and will be invoiced in a subsequent period, 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>2019</u>         | <u>2018</u>         |
|----------------------------|---------------------|---------------------|
| <u>Past due:</u>           |                     |                     |
| 1-30 days                  | 1,074               | 521                 |
| 31-60 days                 | 679                 | 68                  |
| 91-180 days                | 61                  | 14                  |
| Over 180 days              | 487                 | 49                  |
| <b>Subtotal – past due</b> | <b><u>2,301</u></b> | <b><u>662</u></b>   |
| <u>Current:</u>            |                     |                     |
| 1-30 days                  | 4,726               | 3,901               |
| 31-90 days                 | 1,838               | 1,027               |
| 91-180 days                | -                   | 31                  |
| Over 180 days              | -                   | -                   |
| <b>Subtotal – current</b>  | <b><u>6,564</u></b> | <b><u>4,959</u></b> |
| <b>Total</b>               | <b><u>8,865</u></b> | <b><u>5,611</u></b> |

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

#### 6.3. Movements in expected credit losses

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

|                 | <u>2019</u>         |
|-----------------|---------------------|
| Opening balance | -                   |
| ( - ) Increases | <u>(397)</u>        |
| Closing balance | <u><b>(397)</b></u> |

#### 7. RECOVERABLE TAXES

|                                    | <u>2019</u>         | <u>2018</u>         |
|------------------------------------|---------------------|---------------------|
| Taxes on revenue (PIS and COFINS)  | 1,593               | 2,171               |
| Income tax and social contribution | 118                 | 109                 |
| Other                              | <u>99</u>           | <u>81</u>           |
| <b>Total</b>                       | <u><b>1,809</b></u> | <u><b>2,361</b></u> |

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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

#### 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2019 and 2018 is broken down as follows:

|   | Leasehold<br>improvements | Machinery      | Manufacturing,<br>road, and tool<br>implements | Light and<br>heavy vehicles | Furniture and<br>IT equipment | Construction in<br>progress | Total          |
|---|---------------------------|----------------|--|-----------------------------|-------------------------------|-----------------------------|----------------|
| <b><u>Acquisition cost</u></b>                  |                           |                |  |                             |                               |                             |                |
| <b>Balance at December 31, 2017</b> (unaudited) | <b>25</b>                 | <b>36,350</b>  | <b>1,280</b>                                   | <b>1,970</b>                | -                             | <b>14</b>                   | <b>39,639</b>  |
| ( + ) Additions (i)                             | -                         | 34,269         | 1,412  | 1,470                       | 94                            | 91                          | 37,336         |
| ( - ) Recoverable taxes (ii)                    | -                         | (3,137)        | -  | -                           | -                             | -                           | (3,137)        |
| ( - ) Write-off of assets (iii)                 | -                         | (2,111)        | -  | (301)                       | -                             | -                           | (2,412)        |
| <b>Balance at December 31, 2018</b>             | <b>25</b>                 | <b>65,371</b>  | <b>2,692</b>                                   | <b>3,139</b>                | <b>94</b>                     | <b>105</b>                  | <b>71,426</b>  |
| ( + ) Additions (i)                             | 296                       | 44,887         | 1,401  | 1,329                       | 100                           | 52                          | 48,065         |
| ( □ ) Recoverable taxes (ii)                    | -                         | (4,152)        | -  | -                           | -                             | -                           | (4,152)        |
| ( - ) Transfers                                 | 91                        | -              | -  | -                           | -                             | (91)                        | -              |
| ( - ) Write-off of assets (iii)                 | -                         | (3,108)        | -  | (104)                       | -                             | -                           | (3,212)        |
| <b>Balance at December 31, 2019</b>             | <b>412</b>                | <b>102,998</b> | <b>4,093</b>                                   | <b>4,364</b>                | <b>194</b>                    | <b>66</b>                   | <b>112,127</b> |

(i) In 2019 and 2018, part of the purchases 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. Such asset purchases totaled R\$41,076 and R\$32,404 in 2019 and 2018, respectively. 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 in 2019 and 2018 resulted in changes in the Company's cash of R\$1,368 in 2019 and R\$1,708 in 2018.

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|   | Leasehold improvements | Machinery       | Manufacturing, road, and tool implements | Light and heavy vehicles | Furniture and IT equipment | Construction in progress | Total           |
|---|------------------------|-----------------|--|--------------------------|----------------------------|--------------------------|-----------------|
| <b><u>Accumulated depreciation</u></b>          |                        |                 |  |                          |                            |                          |                 |
| <b>Balance at December 31, 2017 (unaudited)</b> | <b>(12)</b>            | <b>(2,482)</b>  | <b>(72)</b>                              | <b>(133)</b>             | -                          | -                        | <b>(2,699)</b>  |
| ( + ) Additions                                 | (12)                   | (4,175)         | (166)                                    | (199)                    | (4)                        | -                        | (4,557)         |
| ( - ) Write-off of assets (iii)                 | -                      | 149             | -  | 25                       | -                          | -                        | 174             |
| <b>Balance as at December 31, 2018</b>          | <b>(24)</b>            | <b>(6,508)</b>  | <b>(237)</b>                             | <b>(308)</b>             | <b>(4)</b>                 | -                        | <b>(7,081)</b>  |
| ( + ) Additions                                 | -                      | (6,310)         | (352)                                    | (280)                    | (27)                       | -                        | (6,970)         |
| ( - ) Write-off of assets (iii)                 | -                      | 335             | -  | 19                       | -                          | -                        | 354             |
| <b>Balance at December 31, 2019</b>             | <b>(24)</b>            | <b>(12,483)</b> | <b>(590)</b>                             | <b>(569)</b>             | <b>(31)</b>                | -                        | <b>(13,696)</b> |
| <b><u>Net balances</u></b>                      |                        |                 |  |                          |                            |                          |                 |
| As at December 31, 2018                         | 1                      | 58,863          | 2,454                                    | 2,832                    | 90                         | 105                      | 64,345          |
| As at December 31, 2019                         | 388                    | 90,515          | 3,503                                    | 3,796                    | 163                        | 66                       | 98,431          |
| <b><u>Annual depreciation rate</u></b>          |                        |                 |  |                          |                            |                          |                 |
| 2018  | 29%                    | 10%             | 14%                                      | 10%                      | 10%                        |                          |                 |
| 2019  | 29%                    | 10%             | 14%                                      | 10%                      | 10%                        |                          |                 |

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#### 8.1. 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.

#### 8.2. 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.

### 9. 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>2019</u>         | <u>2018</u>         |
|------------------------|---------------------|---------------------|
| Domestic suppliers     | 6,729               | 3,129               |
| <b>Total</b>           | <b><u>6,729</u></b> | <b><u>3,129</u></b> |
| Current liabilities    | 6,729               | 2,138               |
| Noncurrent liabilities | -                   | 991                 |
| <b>Total</b>           | <b><u>6,729</u></b> | <b><u>3,129</u></b> |

### 10. BORROWINGS AND FINANCING

#### 10.1. Breakdown of balances

| <u>Type</u>            | <u>% rate per year</u>                  | <u>Curren<br/>cy</u> | <u>Maturity</u> | <u>2019</u>          | <u>2018</u>          |
|------------------------|---|----------------------|-----------------|----------------------|----------------------|
| Finame (i)             | Fixed at 7.0-15.3% /<br>TJLP + 4.7-6.0% | R\$                  | 2021-2022       | 6,170                | 7,862                |
| CDC (ii)               | Fixed at 9.4-23.7%                      | R\$                  | 2021-2024       | 59,641               | 36,984               |
| Leasing (iii)          | Fixed at 10.4-16.1%                     | R\$                  | 2022-204        | 4,662                | 3,129                |
| Working capital (iv)   | CDI + 4.3-5.3%                          | R\$                  | 2022-2024       | 2,300                | 769                  |
| Consortiums            | 0%                                      | R\$                  |                 | 51                   | 46                   |
| <b>Total</b>           |   |                      |                 | <b><u>72,824</u></b> | <b><u>48,790</u></b> |
| Current liabilities    |   |                      |                 | 27,070               | 15,247               |
| Noncurrent liabilities |   |                      |                 | 45,754               | 33,543               |

(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.

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

#### 10.2. Movements in borrowings and financing

|                           | <u>2019</u>          | <u>2018</u>          |
|---------------------------|----------------------|----------------------|
| <b>Opening balance</b>    | <b>48,790</b>        | <b>26,411</b>        |
| ( + ) Borrowings          | 43,317               | 32,402               |
| ( + ) Accrued interest    | 6,817                | 4,723                |
| ( - ) Principal repayment | (19,302)             | (10,545)             |
| ( - ) Interest paid       | (6,798)              | (4,201)              |
| <b>Closing balance</b>    | <b><u>72,824</u></b> | <b><u>48,790</u></b> |

#### 10.3. Repayment schedule

As at December 31, 2019, the maturities of the amounts classified in noncurrent liabilities are as follows:

| <b>Year</b>         | <b><u>2019</u></b>   |
|---------------------|----------------------|
| 2020                | 27,070               |
| 2021                | 24,410               |
| 2022                | 15,879               |
| 2023 and thereafter | <u>5,465</u>         |
| <b>Total</b>        | <b><u>72,824</u></b> |

#### 10.4. Collaterals

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

As at December 31, 2019 and 2018, the Company is compliant with all obligations required by the loan and financing agreements, and there are no financial and operating covenants to be complied as at these dates.

### 11. PAYROLL AND RELATED TAXES

|                                     | <u>2019</u>         | <u>2018</u>       |
|-------------------------------------|---------------------|-------------------|
| Payroll                             | 468                 | 289               |
| Severance Pay Fund (FGTS)           | 82                  | 71                |
| Social Security Contribution (INSS) | 262                 | 204               |
| Withholding income tax (IRRF)       | 43                  | 10                |
| Accrued vacation pay                | <u>918</u>          | <u>347</u>        |
| <b>Total</b>                        | <b><u>1,772</u></b> | <b><u>921</u></b> |

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#### 12. TAXES IN INSTALLMENTS

|                        | <u>2019</u>       | <u>2018</u>       |
|------------------------|-------------------|-------------------|
| Law 11941/09 – REFIS   | 145               | 170               |
| Law 14256/06 – PAT     | -                 | 2                 |
| Law 13496/17 – PERT    | <u>304</u>        | <u>344</u>        |
| <b>Total</b>           | <b><u>449</u></b> | <b><u>516</u></b> |
| Current liabilities    | 60                | 62                |
| Noncurrent liabilities | <u>389</u>        | <u>454</u>        |
|                        | <u>449</u>        | <u>516</u>        |

##### 12.1. 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.

##### 12.2. 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.

##### 12.3. Movements in the taxes in installment plans

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| <b>Balance at the beginning of the year</b> | <b>516</b>        | <b>479</b>        |
| ( + ) New installment plans                 | -                 | 100               |
| ( - ) Payments – principal                  | (52)              | (50)              |
| ( - ) Payments – interest                   | (15)              | (13)              |
| <b>Balance at the end of the year</b>       | <b><u>449</u></b> | <b><u>516</u></b> |

#### 13. PROVISIONS FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

As at December 31, 2019 and 2018, 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:

## ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.

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|                | <u>2019</u>       | <u>2018</u>       |
|----------------|-------------------|-------------------|
| Civil          | 255               | 255               |
| Labor lawsuits | <u>36</u>         | <u>6</u>          |
| <b>Total</b>   | <b><u>291</u></b> | <b><u>261</u></b> |

#### 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.

## 14. EQUITY

### 14.1. Capital

As at December 31, 2020 and 2019, the Company's subscribed capital is R\$230, represented by 230,000 common shares without par value, held as follows:

|                              | <u>Number of<br/>shares</u> | <u>Equity<br/>interest - %</u> |
|------------------------------|-----------------------------|--------------------------------|
| José Augusto Carvalho Aragão | 218,500                     | 95%                            |
| Lúcia Rosa Pereira Aragão    | 11,500                      | 5%                             |
| <b>Total</b>                 | <b><u>230,000</u></b>       | <b><u>100%</u></b>             |

### 14.2. Dividend distribution policy

In 2019, the amounts of dividends paid totals R\$2,187 (R\$279 in 2018), referring to the retained earnings until the balance sheet of 2019, and the balance payable of R\$500 to be paid in 2020.

## 15. RELATED-PARTY BALANCES AND TRANSACTIONS

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

|                        | <u>2019</u>  | <u>2018</u>  |
|------------------------|--------------|--------------|
| Personnel expenses (*) | <u>1,800</u> | <u>1,662</u> |

(\*) The related party provided services regarding labor outsourcing in the maintenance and administrative sectors until August 31, 2019. As of this date, all JPAR employees were transferred to ARMAC and the impacts of this transaction were duly recognized in profit for the year.

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#### 16. INCOME TAX AND SOCIAL CONTRIBUTION

##### 16.1. Reconciliation of income tax and social contribution expenses

The reconciliation of income tax and social contribution tax expenses calculated by applying the combined statutory tax rates and the income tax and social contribution expenses recorded in profit or loss is as follows:

|   | <u>2019</u>    | <u>2018</u>    |
|---|----------------|----------------|
| <b>Profit before income tax and social contribution</b> | <b>15.088</b>  | <b>9.653</b>   |
| Statutory tax rate                                      | 34%            | 34%            |
| <b>Income tax and social contribution expenses</b>      | <b>(5.130)</b> | <b>(3.282)</b> |
| <u>Effect of permanent add-backs on tax bases:</u>      |                |                |
| (-) Tax depreciation for the disposal of assets         | (458)          | -              |
| (-) Nondeductible costs and expenses                    | (336)          | (52)           |
| <b>Income tax and social contribution expenses</b>      | <b>(5.924)</b> | <b>(3.334)</b> |
| Current   | (106)          | -              |
| Deferred  | (5.818)        | (3.334)        |
| <b>Total</b>  | <b>(5.924)</b> | <b>(3.334)</b> |
| Effective tax rate                                      | 39%            | 34%            |

##### 16.2. 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>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|
| <u>Assets</u>   |               |               |
| Accrued payables  | -             | 1,112         |
| Estimated credit losses                                 | 397           | -             |
| Tax loss carryforwards                                  | 874           | 1,078         |
| <b>Total</b>  | <b>1,271</b>  | <b>2,204</b>  |
| Statutory rate  | 34%           | 34%           |
| <b>Deferred tax assets</b>                              | <b>432</b>    | <b>749</b>    |
| <u>Liabilities</u>                                      |               |               |
| Tax and economic depreciation difference                | 33,547        | 17,367        |
| <b>Total</b>  | <b>33,547</b> | <b>17,367</b> |
| Statutory rate  | 34%           | 34%           |
| <b>Deferred tax liabilities</b>                         | <b>11,406</b> | <b>5,904</b>  |
| <b>Deferred income tax and social contribution, net</b> | <b>10,974</b> | <b>5,156</b>  |

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#### 17. NET REVENUE FROM SERVICES

|   | <u>2019</u>           | <u>2018</u>           |
|---|-----------------------|-----------------------|
| Provision of services                             | 66,829                | 45,902                |
| Sales of used property, plant and equipment items | 1,370                 | 1,709                 |
| <b>Gross operating revenue</b>                    | <b><u>68,199</u></b>  | <b><u>47,610</u></b>  |
| ( – ) Taxes on sales                              | (6,825)               | (4,872)               |
| <b>Net operating revenue</b>                      | <b><u>61,374</u></b>  | <b><u>42,738</u></b>  |
| Tax on revenue (COFINS)                           | (5,087)               | (3,488)               |
| Tax on revenue (PIS)                              | (1,104)               | (757)                 |
| Service tax (ISS)                                 | (634)                 | (628)                 |
| <b>Total taxes on sales</b>                       | <b><u>(6,825)</u></b> | <b><u>(4,872)</u></b> |

#### 18. EXPENSES BY NATURE

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

|   | <u>2019</u>            | <u>2018</u>            |
|---|------------------------|------------------------|
| Amortization  | (31)                   | -                      |
| Fuel  | (6,424)                | (5,377)                |
| Property, plant and equipment selling or write-off expenses | (1,809)                | (2,091)                |
| Depreciation  | (6,970)                | (4,557)                |
| Sublease of assets  | (641)                  | (609)                  |
| Other   | (1,923)                | (930)                  |
| Parts and maintenance                                       | (4,073)                | (3,696)                |
| Loss of receivables   | (49)                   | (70)                   |
| Personnel expenses  | (15,986)               | (10,244)               |
| Allowance for expected credit losses                        | (397)                  | -                      |
| Insurance of property, plant and equipment                  | (155)                  | (180)                  |
| Telecommunications  | (313)                  | (421)                  |
| <b>Total</b>  | <b><u>(38,771)</u></b> | <b><u>(28,175)</u></b> |
| Cost of leases and services                                 | (34,481)               | (25,845)               |
| General, administrative, and selling expenses               | (4,288)                | (2,330)                |
| <b>Total</b>  | <b><u>(38,769)</u></b> | <b><u>(28,175)</u></b> |

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**19. FINANCE INCOME**

|                                   | <u>2019</u>       | <u>2018</u>       |
|-----------------------------------|-------------------|-------------------|
| Income from short-term investment | 199               | 122               |
| Interest receivable               | 92                | 28                |
| Financial discounts obtained      | 5                 | 3                 |
| Fine and interest                 | -                 | 101               |
| Other                             | -                 | 308               |
| <b>Total</b>                      | <b><u>296</u></b> | <b><u>563</u></b> |

**20. FINANCE COSTS**

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| Interest and fines   | (45)                  | (73)                  |
| Discounts granted  | (27)                  | -                     |
| Bank fees, IOF (financial transactions tax) and TAC (credit fee) | (920)                 | (663)                 |
| Interest on borrowings and financing                             | (6,817)               | (4,723)               |
| Other  | (4)                   | (14)                  |
| <b>Total</b>   | <b><u>(7,813)</u></b> | <b><u>(5,473)</u></b> |

**21. EARNINGS PER SHARE**

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Profit for the year</b>                           | <b>9,164</b>        | <b>6,319</b>        |
| <u>Basic denominator:</u>                            |                     |                     |
| Weighted average number of shares in the period      | 230                 | 230                 |
| <b>Basic and diluted earnings per share (in R\$)</b> | <b><u>39.84</u></b> | <b><u>27.47</u></b> |

**22. FINANCIAL INSTRUMENTS****22.1. Categories of financial instruments**

| <b>Amortized cost</b>        | <u>2019</u>          | <u>2018</u>          |
|------------------------------|----------------------|----------------------|
| <u>Financial assets</u>      |                      |                      |
| Cash and cash equivalents    | 6,793                | 2,460                |
| Trade receivables            | 8,468                | 5,611                |
| <b>Total</b>                 | <b><u>15,261</u></b> | <b><u>8,071</u></b>  |
| <u>Financial liabilities</u> |                      |                      |
| Trade payables               | 6,729                | 2,322                |
| Borrowings and financing     | 72,824               | 49,597               |
| Dividends payable            | 500                  | -                    |
| <b>Total</b>                 | <b><u>80,053</u></b> | <b><u>51,919</u></b> |

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#### 22.2. 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.

#### 22.3. Foreign exchange risk

The Company does not conduct transactions with foreign suppliers; thus, as at December 31, 2019, the company is not exposed to foreign exchange risks.

#### 22.4. 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 December 31, 2019, R\$2,300 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 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 at the end of 2021, according to the Focus Report dated March 26, 2021.

|                                      | <u>Scenario I</u> | <u>Scenario II</u> | <u>Scenario III</u> |
|--------------------------------------|-------------------|--------------------|---------------------|
| CDI increase                         | 2.76%             | 4.14%              | 5.52%               |
| Financing exposed to CDI fluctuation | 2,300             | 2,300              | 2,300               |
| Projected amount                     | 2,300             | 2,395              | 2,437               |
| Impact of CDI fluctuation            | -                 | 95                 | 127                 |

Borrowings exposed to the TJPL (a long-term benchmark rate) fluctuation as at December 31, 2019 total R\$6,170, and Management believes that the exposure to changes in this rate are immaterial even considering a 50% increase, the possible effect of which would be an increase of approximately R\$258. As at December 31, 2019, TJPL was 5.57%.

##### 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 year ended December 31, 2019, two customers accounted for more than 10% of net operating revenues, with 12% and 11% respectively.

##### Liquidity risk management

It is the risk that the Company may not have sufficient funds to honor its financial commitments as a result of mismatching of terms or volumes between expected amounts collectible and payable.

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To manage cash liquidity, future disbursements and cash inflows assumptions are established and monitored on a daily basis by Management.

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

|                          | Up to<br>1 year | Up to<br>2 years | 2-5 years | Total  |
|--------------------------|-----------------|------------------|-----------|--------|
| Trade payables           | 6,729           | -                | -         | 12,781 |
| Borrowings and financing | 27,070          | 24,410           | 21,344    | 72,824 |
| Dividends payable        | 500             | -                | -         | 500    |

### 23. 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 December 31, 2019, the Company's property, plant and equipment was insured for R\$112,127, and insurance policies are effective until September 2021.

### 24. 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.

### 25. NONCASH TRANSACTIONS

| Classification in the<br>financial statements | Line item                        | Note | Type of transaction   | 2019   | 2018   |
|---|----------------------------------|------|---|--------|--------|
| Assets  | Property, plant and<br>equipment | 9    | Leases entered into to<br>purchase property,<br>plant and equipment | 41,076 | 32,404 |
| Liabilities                                   | Borrowings and financing         | 12   |   | 41,076 | 32,404 |

### 26. EVENTS AFTER THE REPORTING PERIOD

#### Corporate reorganization

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).

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

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In June 2020, the Company issued 266,101 new common shares under a subscription and share purchase 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.

In August 2020, SPEED Fundo de Investimento em Participações Multiestratégia notified the Company that it would exercise the option to contribute an additional R\$50,000 to its capital in 2021.

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\$126,610. All the new common shares were subscribed by SPEED Fundo de Investimento em Participações Multiestratégia.

#### Capital reserve: share issue premium

The capital reserve as at December 31, 2020 is R\$75.234, relating to the premium generated by the issuance of 266,101 new registered shares, without par value, subscribed and paid in by SPEED Fundo de Investimento em Participações Multiestratégia, for a unit price of R\$284.

#### Dividend distribution

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).

In March 2020, the Company approved the distribution of R\$26,389 in dividends from retained earnings recognized until the balance sheet as at February 29, 2020. In 2019, approved dividends totaled R\$2,687.

In 2020, the amounts paid in dividends are R\$20,889 and R\$500 related to 2019, and the balance payable as at December 31, 2020 totaling R\$5,500, paid in January 2021.

#### Impacts of 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.

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 in April, May, and June, among others.

## **ARMAC LOCACAO, LOGISTICA E SERVICOS LTDA.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

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

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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 receivable and/or material discounts agreed with customers.

Based on our best knowledge, there is no material fact or contingency that has not been reported and that may (i) prevent the Company's ordinary course of business, and/or (ii) materially affect the Company's financial position and impact its evaluation as a going concern. Accordingly, the financial statements were prepared taking into account under the going concern assumption.

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.

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