

Mills Estruturas e Serviços de Engenharia S.A.

**Individual and consolidated quarterly
information as of
September 30, 2020**

*(A free translation of the original report in
Portuguese, as filed with the Brazilian Securities
and Exchange Commission (CVM), prepared in
accordance with the accounting practices adopted
in Brazil, rules of the CVM and of the International
Financial Reporting Standards - IFRS)*

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Report on the review of quarterly information – ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting policies adopted in Brazil, CVM rules and the International Financial Reporting Standards - IFRS)

To the Board of Directors and Management
Mills Estrutura e Serviços de Engenharia S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim accounting information, individual and consolidated, of Mills Estrutura e Serviços de Engenharia S.A. ("Company"), included in the Quarterly Information Form – ITR for the quarter ended September 30, 2020, which comprises the balance sheet as of September 30, 2020 and the respective statements of operations and comprehensive loss for the three and nine-month periods then ended, changes in shareholder's equity and cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of this individual and consolidated interim accounting information in accordance with CPC 21(R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of Quarterly Information Form - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of the review

We conducted our review in accordance with the Brazilian and International Standards for Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Information Performed by the Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim accounting information consists of making inquiries, primarily of management responsible for financial and accounting matters, and applying analytical procedures and other review procedures. The scope of a review is substantially less than an audit conducted in accordance with auditing standards and consequently, it did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the individual and consolidated interim information

Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with the CPC 21 (R1) and IAS 34, applicable to preparation of quarterly information – ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters - Statement of added value

The aforementioned interim accounting information includes the statements of added value (DVA), individual and consolidated, for the nine-months period ended September 30, 2020, prepared under the responsibility of the Company's management, presented as supplementary information for the purposes of IAS 34. These statements were submitted to the same review procedures followed together with the review of the Company's quarterly information form – ITR, in order to form our conclusion whether these statements are reconciled to interim accounting information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on the Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of added value were not prepared, in all material respects, according to the criteria defined in this standard and consistently in accordance with the individual and consolidated interim accounting information taken as a whole.

Rio de Janeiro, November 12, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Luis Claudio França de Araújo
Accountant CRC RJ-091559/O-4

Mills Estruturas e Serviços de Engenharia S.A.

Balance sheets as of September 30, 2020 and December 31, 2019

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Assets					
Current					
Cash and cash equivalents	3	170,874	73,656	262,218	124,910
Accounts receivable from third parties	4	64,930	68,005	88,697	116,803
Accounts receivable from related parties	16.c	4,077	1,451	-	-
Inventories	5	32,046	22,006	43,660	36,337
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) recoverable	6	964	2,376	6,201	7,367
Taxes recoverable	6	2,838	3,205	5,189	6,643
Advances to suppliers		1,018	797	3,851	3,670
Other assets		4,302	4,173	5,770	6,051
Assets held for sale	7	8,430	4,224	8,430	4,224
		<u>289,479</u>	<u>179,893</u>	<u>424,016</u>	<u>306,005</u>
Noncurrent					
Deferred taxes - IRPJ and CSLL	18	238,854	233,619	317,920	309,429
Taxes recoverable	6	1	-	292	-
Judicial deposits	19.a	11,891	12,182	12,172	12,463
Other assets		5	38	1,145	81
		<u>250,751</u>	<u>245,839</u>	<u>331,529</u>	<u>321,973</u>
Financial asset at fair value through other comprehensive income	8	50,579	50,579	50,579	50,579
Investments	9	341,124	406,529	-	-
Property, plant and equipment	10	379,280	397,791	469,819	576,575
Intangible assets	11	32,236	32,181	120,711	120,763
		<u>803,219</u>	<u>887,080</u>	<u>641,109</u>	<u>747,917</u>
Total assets		<u>1,343,449</u>	<u>1,312,812</u>	<u>1,396,654</u>	<u>1,375,895</u>

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Mills Estruturas e Serviços de Engenharia S.A.

Balance sheets as of September 30, 2020 and December 31, 2019

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Liabilities					
Current					
Accounts payable to third parties	12	19,458	16,389	28,051	26,670
Accounts payable to related parties	16.c	546	2,893	-	-
Borrowings and financing	13	-	1,940	5,708	6,543
Debentures	14	17,533	56,367	29,350	77,417
Leases payable	15	12,215	12,053	14,099	15,171
Payroll and related taxes		21,937	21,244	27,153	27,908
Tax debt refinancing program (REFIS)		1,694	1,434	1,694	1,434
Income taxes payable	20	-	-	663	278
Taxes payable	20	5,179	7,290	7,595	9,119
Provision for profit sharing	17	3,746	5,986	4,968	8,840
Dividends and interest on equity payable		-	3	-	3
Other liabilities		208	263	732	849
		<u>82,516</u>	<u>125,862</u>	<u>120,013</u>	<u>174,232</u>
Noncurrent					
Borrowings and financing	13	-	605	-	3,671
Debentures	14	80,937	-	90,751	3,926
Leases payable	15	37,250	41,123	37,437	43,484
Provision for tax, civil and labor risks	19	19,139	19,569	24,327	23,648
Tax debt refinancing program (REFIS)		4,097	5,122	4,097	5,122
Taxes payable	20	10,314	-	10,314	641
Provision for post-employment benefits	17	13,432	12,646	13,432	12,646
Other liabilities		431	512	950	1,152
		<u>165,600</u>	<u>79,577</u>	<u>181,308</u>	<u>94,290</u>
Total liabilities		<u>248,116</u>	<u>205,439</u>	<u>301,321</u>	<u>268,522</u>
Equity					
Share capital	21	1,089,642	1,089,379	1,089,642	1,089,379
Capital reserves	21	37,439	37,909	37,439	37,909
Earnings reserves	21	10,295	10,295	10,295	10,295
Treasury shares	21	(15,056)	(20,287)	(15,056)	(20,287)
Equity adjustments	21	(9,923)	(9,923)	(9,923)	(9,923)
Retained earnings (Accumulated losses)	21	(17,064)	-	(17,064)	-
Total equity		<u>1,095,333</u>	<u>1,107,373</u>	<u>1,095,333</u>	<u>1,107,373</u>
Total liabilities and equity		<u>1,343,449</u>	<u>1,312,812</u>	<u>1,396,654</u>	<u>1,375,895</u>

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of operations

Three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company				Consolidated (*)			
		7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Net revenue from sales and services	23	109,633	75,917	267,903	217,860	133,792	129,431	358,197	300,931
Cost of sales and services	24	(75,540)	(51,872)	(190,027)	(160,835)	(84,952)	(76,218)	(228,157)	(203,172)
Gross profit		34,093	24,045	77,876	57,025	48,840	53,213	130,040	97,759
Sales, general and administrative expenses	24	(30,992)	(38,259)	(89,347)	(99,343)	(44,950)	(65,982)	(132,642)	(134,802)
Allowance for (reversal of) expected credit losses		1,909	(3,447)	(2,524)	(4,744)	1,430	(2,828)	(5,595)	(5,624)
Share of profit in subsidiaries	9	113	(1,539)	2,648	266	-	-	-	-
Other operating income (expenses), net		594	153	928	884	1,336	247	1,947	(94)
Profit (Loss) before finance income (costs) and taxes		5,717	(19,047)	(10,419)	(45,912)	6,656	(15,350)	(6,250)	(42,761)
Finance income	25	1,626	2,055	5,751	7,998	3,562	3,847	11,497	10,372
Finance costs	25	(4,125)	(4,592)	(12,943)	(18,351)	(6,298)	(7,204)	(21,053)	(21,993)
Finance income (costs), net		(2,499)	(2,537)	(7,192)	(10,353)	(2,736)	(3,357)	(9,556)	(11,621)
Profit/(Loss) before taxes		3,218	(21,584)	(17,611)	(56,265)	3,920	(18,707)	(15,806)	(54,382)
Current income and social contribution taxes	18	-	(7,290)	-	(7,290)	(2,759)	(7,290)	(5,061)	(7,290)
Deferred income and social contribution taxes	18	(2,035)	9,440	5,235	21,251	22	6,563	8,491	19,368
Profit/(Loss) for the period		1,183	(19,434)	(12,376)	(42,304)	1,183	(19,434)	(12,376)	(42,304)
Basic and diluted earnings (loss) per share - R\$	22	0.01	(0.10)	(0.06)	(0.21)	0.01	(0.10)	(0.06)	(0.21)

(*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise nine months of the parent and five months (May to September 2019) of the subsidiary.

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of comprehensive (income) loss

Three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Parent Company				Consolidated (*)			
	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Profit/(Loss) for the period	1,183	(19,434)	(12,376)	(42,304)	1,183	(19,434)	(12,376)	(42,304)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	<u>1,183</u>	<u>(19,434)</u>	<u>(12,376)</u>	<u>(42,304)</u>	<u>1,183</u>	<u>(19,434)</u>	<u>(12,376)</u>	<u>(42,304)</u>

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

(*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise nine months of the parent and five months (May to September 2019) of the subsidiary.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of changes in shareholders' equity

Three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	<u>Capital reserves</u>			<u>Earnings reserves</u>		<u>Treasury shares</u>	<u>Equity adjustments</u>	<u>Retained earnings/ (accumulated losses)</u>	<u>Total Consolidated/ Parent Company</u>
	<u>Share capital subscribed</u>	<u>Stock options premium</u>	<u>Share premium</u>	<u>Legal</u>	<u>Retained earnings</u>				
At December 31, 2018	688,319	52,162	(18,448)	32,611	22,664	(20,287)	(6,712)	-	750,309
Capital increase - Issuance of shares (acquisition of Solaris Equipamentos)	400,405	-	-	-	-	-	-	-	400,405
Stock option premium	655	2,237	-	-	-	-	-	-	2,892
Loss for the period	-	-	-	-	-	-	-	(42,304)	(42,304)
At September 30, 2019	<u>1,089,379</u>	<u>54,399</u>	<u>(18,448)</u>	<u>32,611</u>	<u>22,664</u>	<u>(20,287)</u>	<u>(6,712)</u>	<u>(42,304)</u>	<u>1,111,302</u>
At December 31, 2019	<u>1,089,379</u>	<u>56,357</u>	<u>(18,448)</u>	<u>10,295</u>	<u>-</u>	<u>(20,287)</u>	<u>(9,923)</u>	<u>-</u>	<u>1,107,373</u>
Dividends/JCP	-	-	-	-	-	-	-	3	3
Stock option premium	263	(470)	-	-	-	5,231	-	(4,691)	333
Loss for the period	-	-	-	-	-	-	-	(12,376)	(12,376)
At September 30, 2020	<u>1,089,642</u>	<u>55,887</u>	<u>(18,448)</u>	<u>10,295</u>	<u>-</u>	<u>(15,056)</u>	<u>(9,923)</u>	<u>(17,064)</u>	<u>1,095,333</u>

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of cash flows

Three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reals - R\$)

	Parent Company		Consolidated (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Cash flows from operating activities				
Loss for the period	(12,376)	(42,304)	(12,376)	(42,304)
Adjustments:				
Depreciation and amortization	90,016	95,701	113,856	122,919
Deferred income and social contribution taxes	(5,235)	(21,251)	(8,491)	(19,368)
Provision for tax, civil and labor risks	(1,780)	921	(672)	1,925
Accrued expenses on stock options	2,288	2,237	2,288	2,237
Post-employment benefits	786	908	786	908
Residual value of property, plant and equipment and intangible assets sold and written off	16,764	8,091	17,990	8,261
Interest and monetary exchange gains and losses, net	10,735	15,515	12,473	16,442
Allowance for expected credit losses	2,524	4,744	5,595	5,624
Provision for impairment and fair value	151	-	151	-
Provision for slow-moving inventories	1,943	1,791	1,593	3,970
Adjustment CPC 48 / IFRS 9	-	44	-	44
Provision for profit sharing	3,615	3,144	4,318	4,137
Share of profit in subsidiaries	(2,648)	(266)	-	-
Other provisions (reversals)	(168)	(1,557)	(710)	(565)
(Increase)/decrease in assets and increase/(decrease) in liabilities:				
Trade receivables	(20,540)	(5,477)	3,500	(15,740)
Acquisitions of rental equipment	(400)	(134)	(490)	(1,903)
Inventories	(7,796)	(5,106)	(8,916)	(4,298)
Taxes recoverable	366	839	1,163	812
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	1,413	(1,906)	1,167	(2,044)
Judicial deposits	179	5,515	179	5,570
Other assets	(318)	147	(962)	(348)
Suppliers	2,475	2,855	6,572	3,021
Payroll and related taxes	693	9,304	(819)	7,998
Provision for profit sharing	(5,856)	(6,568)	(8,581)	(7,074)
Taxes payable	7,439	3,694	12,349	2,389
Other liabilities	(140)	369	(258)	343
Lawsuits settled	(1,915)	(8,378)	(2,054)	(8,378)
Income taxes paid	-	-	(4,298)	-
Interest paid	(25,700)	(28,121)	(27,461)	(29,830)
Net cash generated by operating activities	56,515	34,751	107,892	54,748
Cash flows from investing activities:				
Acquisition of cash due to merger of subsidiary	-	-	-	33,685
Acquisition of PP&E for own use and intangible assets	(6,920)	(3,242)	(7,078)	(4,747)
Net cash generated by (used in) investing activities	(6,920)	(3,242)	(7,078)	28,938
Cash flows from financing activities				
Capital increase	263	655	263	655
Restricted bank deposits	-	88,811	-	88,811
Borrowings and debentures raised	97,947	-	97,947	-
Amortization of borrowings and debentures	(38,897)	(105,402)	(46,710)	(112,275)
Leases paid	(11,690)	(11,265)	(15,006)	(11,712)
Net cash generated by (used in) financing activities	47,623	(27,201)	36,494	(34,521)
Net increase (decrease) in cash and cash equivalents	97,218	4,308	137,308	49,165
Cash and cash equivalents at the beginning of the period	73,656	60,635	124,910	60,635
Cash and cash equivalents at the end of the period	170,874	64,943	262,218	109,800
Net increase (decrease) in cash and cash equivalents	97,218	4,308	137,308	49,165

Until September 30, 2020 the Company wrote off bills that were past due up to five years, totaling R\$ 23,927, which are not recognized in the statement of cash flows because they do not reflect cash movements.

(*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise nine months of the parent and five months (May to September 2019) of the subsidiary.

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of added value

Three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated (*)	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Revenues:				
Sales of products and services	307,450	252,823	421,982	349,246
Cancelations and discounts	(13,698)	(12,333)	(24,879)	(16,291)
Other revenues	993	884	2,018	1,101
Recognition of impairment loss on trade receivables	(2,524)	(4,744)	(5,595)	(5,624)
	292,221	236,630	393,526	328,432
Inputs purchased from third parties:				
Cost of sales and services	(2,585)	(7,113)	6,747	18,096
Materials, energy, outside services and others	(73,805)	(73,374)	(103,759)	(91,736)
Write-off of assets	(16,764)	(8,091)	(18,040)	(8,261)
Gross added value	199,067	148,052	278,474	210,339
Depreciation, amortization and depletion	(90,016)	(95,701)	(113,856)	(122,919)
Net added value generated by the Company	109,051	52,351	164,618	87,420
Added value received in transfer				
Finance income	5,751	7,998	11,497	10,372
Share of profit (loss) of subsidiaries	2,648	266	-	-
Total added value for distribution	117,450	60,615	176,115	97,792
Distribution of added value:				
Personnel and payroll taxes	68,021	62,037	88,627	79,553
Salaries	52,987	48,418	67,702	62,050
Benefits	11,197	10,629	15,987	13,523
Unemployment benefits	3,837	2,990	4,938	3,980
Taxes and contributions	31,887	21,661	52,172	37,041
Federal	30,379	19,072	48,063	32,910
State	705	1,558	3,064	2,777
Municipal	803	1,031	1,045	1,354
Remuneration on third party capital	29,918	19,221	47,692	23,502
Interest and exchange gains (losses)	12,660	17,971	20,572	21,530
Rentals	17,258	1,250	27,120	1,972
Remuneration of shareholders	(12,376)	(42,304)	(12,376)	(42,304)
Loss for the period	(12,376)	(42,304)	(12,376)	(42,304)
Added value distributed	117,450	60,615	176,115	97,792

(*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise nine months of the parent and five months (May to September 2019) of the subsidiary.

The accompanying notes are an integral part of this individual and consolidated interim accounting information.

Notes to the quarterly information as of September 30, 2020

(In thousands of Brazilian Reals - R\$, unless otherwise stated)

1 Operations

Mills Estruturas e Serviços de Engenharia S.A. (“Mills” or “Company”) is a publicly-traded corporation with registered offices in the City of Rio de Janeiro - Brazil. The Company operates basically in the infrastructure, construction and manufacturing industries, engaging in the following main activities:

- (a) Rental and sale, including import and export, of steel and aluminum tubular structures, shoring and access equipment for construction works, as well as reusable concrete formworks, along with the development of related engineering projects, and the provision of supervisory and optional assembly services.
- (b) Sale, rental and distribution of aerial work platforms and telescopic handlers, as well as parts and components, and technical assistance and maintenance services for such equipment.
- (c) Holding of ownership interests in other companies, as partner or shareholder.

The Company’s bylaws also establish the following activities:

- (d) Rental, assembly, and disassembling of access tubular scaffolding in industrial areas.
- (e) Performance of industrial painting, sandblasting, heat insulation, boilermaker and refractory services, as well as other services inherent in such activities.

The Company’s operations are segmented according to the new organization and management model approved by Management, divided into the following business units: Construction and Rental. The descriptions of the business unit are included in note 26.

The individual and consolidated interim information contained in this quarterly information was approved by the Company’s Board of Directors and authorized for issue on November 12, 2020.

1.1 Merger of Solaris Participações, Equipamentos e Serviços S.A.

The merger of Solaris Participações was approved at the General Extraordinary Meeting held on May 10, 2019. The effects of this acquisition affected the Company’s consolidated results of operations as from that date, with Solaris Equipamentos equity being appraised at its fair value as of April 30, 2019 based on a preliminary economic and financial report issued by an independent appraisal company.

The business combination consolidates the leading role of the two companies in the Brazilian rental market of aerial work platforms and results in a more attractive mix of products, with a total fleet of approximately 9 thousand equipment, which also generates a greater capacity to serve its more than 6 thousand active customers and potential customers from the most varied sectors of the economy and regions of Brazil.

Since May 10, 2019, Company holds the direct control of Solaris Equipamentos and all of its shares.

1.2 Covid-19 impacts

On March 20, 2020, the Federal Senate recognized a state of public emergency in Brazil due to the pandemic caused by COVID-19. The virus, which unfortunately had already affected and still affects thousands of people across the world, had also an impact on the global and Brazilian economies, interrupting their growth trend and probably leading to recession in 2020.

The economic and financial impacts caused by the COVID-19 pandemic began to be noted by the Company as from the end of March, causing, in the second quarter of 2020, a reduction in the consolidated net rental revenue of its Rental Business Unit compared to that in the first quarter (with no concentration in any specific economic sector), the major decrease in the rental activity occurring in May 2020. Since June, there has been recovery, which has continued throughout the third quarter with easing of the social distancing measures and reopening of industries, stores and other commercial establishments, albeit on a gradual basis. This recovery in the economic environment led to an increase of 15.3% in the consolidated net rental revenue of the Rental Business Unit compared to that in the second quarter, the major recovery in the rental activity in the quarter occurring in September 2020.

The Construction Business Unit, due to the characteristic of its equipment and contracts (which involve lower turnover), showed greater resilience in its rental activity, ending the third quarter with an increase of 12.1% in its net rental revenue compared to the second quarter of 2020 (28.1% increase compared to the third quarter of 2019).

Such performances have resulted from several actions that have been taken by Mills since March 2020 in order to mitigate the economic and financial impacts caused by COVID-19. As already disclosed, in response to the crisis, the Company has implemented a multidisciplinary Internal Committee exclusively to address the various aspects of the issue, it has also increased the periodicity of Management meetings and has implemented several actions, such as increasing work on a home office basis, suspending trips, events involving attendance by many people and adventitious agglomerations and intensifying cleaning procedures, among others, ensuring the health and safety of its employees, as well as the continuity of its operations and its financial health, highlighting in this respect: s to:

- Maintenance of commercial and operating activities of the branches spread throughout Brazil, guaranteeing services to customers.
- Receipts originated from operations in the third quarter of 2020 in the amount of approximately R\$ 137 million;
- Rescheduling of invoices receivable from customers offset by the rescheduling of trade payables, with a focus on balancing the Company's cash flow;
- Implementation of expenses matrix management, aiming to identify opportunities to reduce expenses, such as on leases, consultancies, travel, parts, freight and personnel, without compromising the Company's operations;
- Monitoring and adoption, when possible, of Federal Government measures, highlighting the postponement of payment of taxes due in the amount of approximately of R\$ 14 million in the first half of 2020;

- Temporary suspension of investments to preserve cash level, highlighting the adequacy and/or renewal of Rental equipment items in inventories and the integration of branches, with the latter having an additional limitation due to travel restrictions;
- Reassessment of the Company's debt profile, thereby resulting in extension of the payment term for Solaris debentures by one year, in the total amount of R\$ 22 million, and in the intention to issue further debentures, in the total amount of R\$ 84 million;
- Mapping of new opportunities to seek to offset, even if partially, the decrease in revenue and improve the Company's positioning when growth resumes;
- Cash balance of R\$ 262 million, representing R\$ 136 million of net cash (R\$ 102 million at 06/30/2020 and R\$ 60 million at 03/31/2020 and R\$ 33 million at 12/31/2019);

Owing to the foregoing and the several risks and uncertainties to which the Company is subject, Management carried out many stress tests of cash and cash equivalents and covenants considering various economic scenarios for the year 2020 and their possible impacts on the Company, also analyzing the accounting estimates and measurement of its assets and liabilities presented in the individual and consolidated interim financial information as of September 30, 2020, and has not identified to date any significant effects that could affect them.

1.3 Search and seizure procedure at the Company's headquarters

According to the material fact dated September 23, 2020, the Company's headquarters were subject to a search and seizure warrant, in compliance with the court order rendered by the Criminal Court of Police Investigations of Belo Horizonte, as a consequence of an in camera proceeding pending judgment that investigates possible irregularities in the construction of the Administrative City of Minas Gerais, specifically in the period from 2007 to 2010. The Company, which provided equipment items to such construction works and was unaware of the proceeding until then, was no longer required to provide any further information and remains at the disposal of the authorities to collaborate with any investigation, whenever necessary.

The Company's Executive Board and its Board of Directors reiterate hereby their commitment to ethics, integrity, transparency and collaboration with any and all actions aimed at the practice and maintenance of such values.

2 Summary of significant accounting policies

2.1 Basis of presentation

The Company's interim accounting information comprises the individual and consolidated interim accounting statements and has been prepared in accordance with Technical Pronouncement CPC 21 (R1), which addresses interim financial reporting, and in accordance with International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board - IASB.

This interim information does not include all the information and disclosures required in annual financial statements and should, therefore, be read in conjunction with the financial statements of Mills for the year ended December 31, 2019, which have been prepared in accordance with accounting policies adopted in Brazil and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Boards (IASB).

In compliance with Brazilian Securities and Exchange Commission (CVM) Circular 003/2011, of April 28, 2011, we present below the notes to the most recent annual financial statements (for the year ended December 31, 2019), which, in view of the lack of significant changes this quarter, are not being reproduced in full in this interim accounting information.

The notes not included in the period ended September 30, 2020 are the following: “Critical accounting judgments and key estimates and assumptions”, “Financial risk management” and “Tax debt refinancing program (REFIS)”, restated, in the disclosure of the financial statements for 2019, in notes 3, 4 and 26, respectively.

2.2 Basis of preparation

The accounting policies, calculation methods, significant accounting judgments, estimates and assumptions used in this interim accounting information are the same used in the financial statements for the year ended December 31, 2019, disclosed in notes 2 and 3. These financial statements were filed with CVM on March 18, 2020 and published on the newspaper Valor Econômico and the Official Gazette of the State of Rio de Janeiro on March 27, 2019.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Company obtains, direct or indirectly, most of the voting rights or is exposed or has rights to variable returns based on its involvement with the investee and has the ability to affect these returns through the power over the investee.

a. Investments in entities accounted for under the equity method of accounting

The Company’s investments in entities accounted for under the equity method of accounting comprise its interests in subsidiaries.

The details of the Company’s subsidiaries at the end of each reporting period are as follows:

Subsidiary	Core business	Interests - %	
		9/30/2020	12/31/2019
Solaris Equipamentos e Serviços S.A.	Equipment sale and rental and provision of maintenance and technical assistance services.	100%	100%

In the process of consolidation of the interim accounting information, the following eliminations are included:

- (i) Parent’s interests in capital, reserves and retained earnings (accumulated losses) of entities included in consolidation;
- (ii) Asset and liability accounts between entities included in consolidation; and
- (iii) Intragroup revenues and expenses arising from transactions between entities included in consolidation.

The amounts presented in the consolidated accounting information were prepared taking into consideration the amounts calculated on the date of merger of Solaris Participações, in May 2019, as mentioned in note 1.1.

3 Cash and cash equivalents

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>
Cash and banks	1,227	18	1,305	113
Short-term investments	<u>169,647</u>	<u>73,638</u>	<u>260,913</u>	<u>124,797</u>
	<u>170,874</u>	<u>73,656</u>	<u>262,218</u>	<u>124,910</u>

Cash and cash equivalents consist basically of deposits and highly liquid short-term investments, which are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

As at September 30, 2020, short-term investments consist of repurchase agreements and bank deposit certificates – CDB, bearing average interest of 97.50% of the interbank deposit certificate – CDI (94.80% as at December 31, 2019).

4 Accounts receivable from third parties

Business unit	Parent Company						Consolidated					
	9/30/2020		12/31/2019		9/30/2020		12/31/2019		9/30/2020		12/31/2019	
	Trade receivables Gross receivables	ECL	Trade receivables Net receivables	Trade receivables Gross receivables	ECL	Trade receivables Net receivables	Gross receivables	ECL	Net receivables	Gross receivables	ECL	Net receivables
Construction	70,596	(52,095)	18,501	88,304	(66,841)	21,463	70,596	(52,095)	18,501	88,304	(66,841)	21,463
Rental	86,939	(40,510)	46,429	89,088	(42,546)	46,542	135,092	(64,896)	70,196	163,823	(68,483)	95,340
	157,535	(92,605)	64,930	177,393	(109,387)	68,005	205,688	(116,991)	88,697	252,127	(135,323)	116,803
Current	95,507	(30,577)	64,930	86,948	(18,942)	68,005	124,397	(35,700)	88,697	141,903	(25,100)	116,803
Noncurrent	62,028	(62,028)	-	90,445	(90,445)	-	81,291	(81,291)	-	110,223	(110,223)	-

The aging of outstanding invoices issued is considered in the calculation.

The movements in the allowance for expected credit losses of trade receivables of the Company and its subsidiaries are as follows:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Balance at the beginning of the period	(109,387)	(124,389)	(135,323)	(124,389)
Solaris acquisition adjustment through April/2019	-	-	-	(24,685)
Net impact of ECL on P&L (i)	(2,524)	(8,799)	(5,595)	(11,474)
Write-offs	19,306	23,801	23,927	25,225
	<u>(92,605)</u>	<u>(109,387)</u>	<u>(116,991)</u>	<u>(135,323)</u>

- 1) In the period ended September 30, 2020, the allowance for expected credit losses amounted to R\$ 27,948 (at December 31, 2019 - R\$ 16,057) and the reversal of the allowance for expected credit losses amounted to R\$ 25,424 (at December 31, 2019 - R\$ 7,258), generating a net P&L negative effect of R\$ 2,524 (at December 31, 2019, net P&L negative effect of R\$ 8,799).

Aging schedule of gross receivables:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Not yet due	76,026	57,680	92,852	96,798
Not yet due (bills with original due dates extended)	967	1,709	967	1,709
1-60 days past due (*)	6,347	13,360	9,172	20,714
61-120 days past due (*)	2,301	4,086	4,357	7,860
121-180 days past due (*)	2,637	3,285	4,822	4,722
180-360 days past due (*)	7,229	6,828	12,227	10,114
Over 360 days past due (*)	62,028	90,445	81,291	110,210
	157,535	177,393	205,688	252,127

(*) The analysis above was performed considering the extended due dates of the bills.

5 Inventories

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Goods for resale	1,510	2,252	1,645	2,268
Spare parts and supplies	36,356	23,631	54,240	44,701
Provision for slow-moving inventories	(5,820)	(3,877)	(12,225)	(10,632)
	32,046	22,006	43,660	36,337

(*) Inventory items without movement for more than one year.

Inventories of spare parts consist mainly of access equipment. All inventories are stated at average cost.

6 Taxes recoverable

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) (*)	964	2,376	6,201	7,367
PIS and COFINS (taxes on revenue) (**)	2,210	2,522	3,755	4,981
ICMS (State VAT) (***)	262	320	1,127	988
Others	367	363	599	674
	3,803	5,581	11,682	14,010
Current	3,802	5,581	11,390	14,010
Noncurrent	1	-	292	-

(*) Refers to negative balance of income tax, arising from the withholding income tax on redemption of investments in 2020, which will be adjusted for inflation monthly according to the SELIC rate and offset against federal taxes during 2021.

- (**) PIS and COFINS credits refer basically to amounts recoverable on acquisition of property, plant and equipment offset at the rate of 1/48 per month against non-cumulative PIS and COFINS federal tax obligations.
- (***) Refers to ICMS (State VAT) levied on the Company's operations, arising from the purchase of goods for resale.

7 Assets held for sale

In April 2017, the Company signed contracts consisting of the exchange of receivables for properties which will not be used in its operations. These properties were put up for sale.

In accordance with Technical Pronouncement CPC 31, an asset shall be classified as asset held for sale if its carrying amount will be recovered through a sales transaction instead of continuous use. Consequently, the Company classified these assets received through exchange in the assets held for sale account.

In June 2020, under a delivery in accord and satisfaction private agreement following the in-court reorganization plan, the Company approved the receipt of chattels for the purpose of credit settlement in the amount of R\$ 18,906, based on the assumption that sale of said assets will take place within up to 90 days, as from the date of transfer of their ownership.

This transaction started in July 2020 and through the period ended September 30, 2020, the net amount of R\$ 4,357 was received.

	<u>Parent Company and Consolidated (*)</u>	
	9/30/2020	12/31/2019
Assets held for sale	11,385	7,028
Asset impairment loss (i)	(2,955)	(2,804)
	8,430	4,224

- (*) The balances presented at September 30, 2020 and December 31, 2019 fully refer to the parent company.

The provision for impairment, which was assessed and recorded at September 30, 2020 in the amount of R\$ 151, is the result of the difference between the book value and the market value of these assets, according to appraisal reports by specialists.

8 Financial asset at fair value through other comprehensive income

a. Non-controlling interest

On February 8, 2011, the Company acquired 25% of the capital of Rohr S.A. Estruturas Tubulares ("Rohr") for R\$ 90,000. Rohr is a privately-held company specialized in access engineering and civil construction solutions, which operates mainly in the heavy construction and industrial maintenance sectors.

In the fourth quarter of 2011, the stake in Rohr was increased from 25% to 27.47%, resulting from a buyback by Rohr of 9% of its shares, which are currently in its treasury and will be canceled or proportionally distributed to its shareholders.

The Company assessed that, as at September 30, 2020, it does not have significant influence in conformity with CPC 18 (R2) and there is no change in relation to the assessment as at December 31, 2019 and previous periods.

b. Fair value and impairment loss

In 2019, the Company reviewed the fair value of the financial instrument related to the investment in Rohr S.A. based on an internal study. The fair value of this asset was determined according to economic estimates made under the income approach by forecasting discounted cash flows over a ten-year term plus perpetuity, for evidencing the amount stated in the accounting records considering the long- term maturation of infrastructure and civil construction investments.

The fair value measurement is performed at year-end and since there were no material changes in the conditions previously analyzed, Management understands that there is no change in the estimated fair value of the investment in Rohr as at September 30, 2020 in relation to December 31, 2019, when it amounted to R\$ 50,579.

9 Investments

a. Assets accounted for under the equity method

As disclosed in note 1.1, Solaris Participações was the parent company of Solaris Equipamentos. On May 10, 2019, the acquisition of Solaris Participações by the Company was approved, and as a result of this Business Combination, the Company obtained control of 100% of Solaris Equipamentos.

Solaris Equipamentos is a non listed Company engaged in the sale, rental and distribution of aerial work platforms, telescopic handlers, generators, soil handling equipment, lightning tower, air compressors and other equipment, spare parts and components and provision of technical assistance and maintenance services.

Information on subsidiary	Solaris Equipamentos	
	9/30/2020	12/31/2019
Interests - %	100%	100%
Current assets	143,738	130,470
Noncurrent assets	138,290	223,279
Current liabilities	46,194	52,728
Noncurrent liabilities	15,708	14,713
Equity	220,126	286,307

Information on subsidiary	Solaris Equipamentos	
	9/30/2020	9/30/2019
Interests - %	100%	100%
Revenues	115,924	145,467
Expenses	(109,884)	(131,343)
Profit before taxes	3,675	14,214
Current and deferred income and social contribution taxes	(1,804)	(3,891)
Profit for the period	1,871	10,323

Movement of investments in subsidiaries	Parent Company
Balance at the beginning of the period (4/30/2019)	273,137
Identifiable assets measured at fair value on business combination	39,257
Goodwill	88,011
Decrease in investment (b)	(3,309)
Realization of assets measured at fair value (i)	(7,046)
Profit for the period	16,479
Balance at the end of the year (12/31/2019)	406,529
Decrease in investment (b)	(68,052)
Realization of assets measured at fair value (i)	776
Profit for the period	1,871
Balance at the end of the period (9/30/2020)	341,124

(i) Balances referring to the realization of the surplus value of assets determined in the business combination process.

b. Capital decrease in subsidiary

After the acquisition of Solaris, as part of the strategy to capture synergies, Management started to make capital decreases (see note 10) through the assignment of rental equipment, inventories, furniture and fixtures and leasehold improvements in the branches where the Company and its subsidiary had the same geographical activity.

Branch	Date	Rental equipment	Inventories	Furniture and fixtures and leasehold improvements	Total
São Luis	10/15/19	3,061	236	12	3,309
Serra	01/30/20	2,137	129	81	2,347
Maracanaú	03/11/20	5,125	308	10	5,443
Uberlândia	03/24/20	8,178	304	34	8,516
Cabo de Santo Agostinho	06/05/20	4,569	210	3	4,781
Cachoeirinha	07/09/20	3,855	253	2	4,110
Camaçari	08/03/20	6,646	578	27	7,252
Brasília	08/20/20	2,680	249	-	2,929
Curicica	08/26/20	4,478	605	327	5,410
Parauapebas	09/08/20	6,695	378	37	7,110
Contagem	09/14/20	12,871	814	23	13,708
Campinas	09/14/20	6,083	360	4	6,607
		63,316	4,187	549	68,052

10 Property, plant and equipment

	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Properties	Right- of-use Vehicles	Construction in progress	Total assets in use	Total Parent Company
Cost of PP&E, gross														
Balances at December 31, 2018	1,081,279	-	1,081,279	18,916	22,959	14,803	1,243	9,905	11,003	-	-	175	79,004	1,160,283
Acquisition	229	3,356	3,585	213	-	182	154	-	283	-	-	867	1,699	5,284
Addition due to capital decrease in subsidiary	13,214	-	13,214	-	-	-	-	-	12	-	-	-	12	13,226
Right-of-use	-	-	-	-	-	-	-	-	-	60,107	4,074	-	64,181	64,181
Write-offs/disposals and transfer to inventories held for sale	(61,774)	-	(61,774)	(765)	-	(231)	-	-	(45)	-	-	-	(1,041)	(62,815)
Adjustment for PIS and COFINS credits	(21)	-	(21)	-	-	-	-	-	-	-	-	-	-	(21)
Reclassification	-	-	-	330	-	-	-	3	-	-	-	-	333	333
Transfer	88	(3,073)	(2,985)	936	-	2	-	38	(89)	-	-	(974)	(87)	3,072
Balances at December 31, 2019	1,033,015	283	1,033,298	19,630	22,959	14,756	1,397	9,946	11,164	60,107	4,074	68	144,101	1,177,399
Acquisition	2,012	-	2,012	299	-	732	368	125	280	-	-	1,453	3,257	5,269
Right-of-use	-	-	-	-	-	-	-	-	-	3,737	749	-	4,486	4,486
Addition due to capital decrease in subsidiary	213,829	-	213,829	1,064	-	105	-	38	63	-	-	-	1,270	215,099
Write-offs/disposals	(31,371)	-	(31,371)	(342)	-	(448)	(349)	-	(7)	(199)	-	-	(1,345)	(32,716)
Adjustment for PIS and COFINS credits	(38)	-	(38)	-	-	-	-	-	-	-	-	-	-	(38)
Transfer	283	(283)	-	120	-	-	-	91	-	-	-	(211)	-	-
Balances at September 30, 2020	1,217,730	-	1,217,730	20,771	22,959	15,145	1,416	10,200	11,500	63,645	4,823	1,310	151,769	1,369,499

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	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Properties	Right- of-use Vehicles	Construction in progress	Total assets in use	Total Parent Company
Balances at December 31, 2018	(653,745)	-	(653,745)	(7,861)	(4,002)	(14,436)	(936)	(4,469)	(7,390)	-	-	-	(39,094)	(692,839)
Depreciation	(106,290)	-	(106,290)	(1,875)	(617)	(323)	(98)	(871)	(807)	(10,857)	(2,243)	-	(17,691)	(123,981)
Addition due to capital decrease in subsidiary	(10,153)	-	(10,153)	-	-	-	-	-	(1)	-	-	-	(1)	(10,154)
Write-offs/disposals and transfer to inventories held for sale	46,746	-	46,746	637	-	231	-	-	33	-	-	-	900	47,646
Adjustment for PIS and COFINS credits	-	-	-	(191)	-	-	-	(89)	-	-	-	-	(280)	(280)
Transfer	(47)	-	(47)	-	-	-	-	-	47	-	-	-	47	-
Balances at December 31, 2019	(723,489)	-	(723,489)	(9,290)	(4,619)	(14,529)	(1,034)	(5,429)	(8,118)	(10,857)	(2,243)	-	(56,119)	(779,608)
Depreciation	(74,248)	-	(74,248)	(1,505)	(463)	(145)	(118)	(660)	(593)	(8,137)	(1,744)	-	(13,365)	(87,613)
Addition due to capital decrease in subsidiary	(150,485)	-	(150,485)	(699)	-	(35)	-	(2)	(13)	-	-	-	(749)	(151,234)
Write-off	27,370	-	27,370	178	-	448	256	-	5	199	-	-	1,086	28,456
Adjustment for PIS and COFINS credits	-	-	-	(153)	-	-	-	(67)	-	-	-	-	(220)	(220)
Balances at September 30, 2020	(920,852)	-	(920,852)	(11,469)	(5,082)	(14,261)	(896)	(6,158)	(8,719)	(18,795)	(3,987)	-	(69,367)	(990,219)
Annual depreciation rates - %	10 - 12 - 15	-	-	10	4	20	20	10	10	20	33.3	-	-	-
Property, plant and equipment, net														
Balance at December 31, 2019	309,526	283	309,809	10,340	18,340	227	363	4,517	3,046	49,250	1,831	68	87,982	397,791
Balance at September 30, 2020	296,878	-	296,878	9,302	17,877	884	520	4,042	2,781	44,850	836	1,310	82,402	379,280

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	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Properties	Right- of-use Vehicles	Construction in progress	Total assets in use	Total Consolidated
Cost of PP&E, gross														
Balances at December 31, 2018	1,081,279	-	1,081,279	18,916	22,959	14,803	1,243	9,905	11,003	-	-	175	79,004	1,160,283
Addition due to acquisition of subsidiary	428,030	5,957	433,987	7,083	-	2,302	896	569	2,954	6,320	2,562	-	22,686	456,673
Surplus value of property, plant and equipment	39,091	-	39,091	-	-	-	166	-	-	-	-	-	166	39,257
Acquisition	1,350	4,843	6,193	213	-	413	154	33	351	-	-	867	2,030	8,223
Right-of-use	-	-	-	-	-	-	-	-	-	61,626	4,987	-	66,613	66,613
Write-offs/disposals and transfer to inventories held for sale	(70,301)	-	(70,301)	(932)	-	(271)	-	-	(68)	-	-	-	(1,271)	(71,572)
Adjustment for PIS and COFINS credits	(507)	-	(507)	-	-	-	-	-	-	-	-	-	-	(507)
Reclassification	-	-	-	330	-	-	-	3	-	-	-	-	333	333
Transfer	1,199	(4,196)	(2,997)	936	-	2	-	38	(77)	-	-	(974)	(75)	(3,072)
Balances at December 31, 2019	1,480,141	6,604	1,486,745	26,546	22,959	17,247	2,459	10,548	14,163	67,946	7,549	68	169,485	1,656,232
Acquisition	2,892	90	2,982	329	-	732	368	125	363	-	-	1,453	3,370	6,352
Right-of-use	-	-	-	-	-	-	-	-	-	3,943	246	-	4,189	4,189
Write-offs/disposals	(40,474)	-	(40,474)	(1,365)	-	(466)	(457)	(32)	(73)	(199)	-	-	(2,592)	(43,066)
Adjustment for PIS and COFINS credits	1,268	(265)	1,003	-	-	-	-	-	-	-	-	-	-	1,003
Transfer	2,911	(2,911)	-	120	-	-	-	91	-	-	-	(211)	-	-
Balances at September 30, 2020	1,446,738	3,518	1,450,256	25,630	22,959	17,513	2,370	10,732	14,453	71,690	7,795	1,310	174,452	1,624,708

**Mills Estruturas e Serviços
de Engenharia S.A.**
Individual and consolidated
quarterly information
as of
September 30, 2020

Accumulated depreciation	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Properties	Right-of- use Vehicles	Constructi on in progress	Total assets in use	Total Consolidated
Balances at December 31, 2018	(653,745)	-	(653,745)	(7,861)	(4,002)	(14,436)	(936)	(4,469)	(7,390)	-	-	-	(39,094)	(692,839)
Addition due to acquisition of subsidiary	(270,061)	-	(270,061)	(4,470)	-	(1,348)	(879)	(337)	(2,078)	(1,326)	(486)	-	(10,924)	(280,985)
Surplus value of property, plant and equipment	(7,046)	-	(7,046)	-	-	-	-	-	-	-	-	-	-	(7,046)
Depreciation	(131,211)	-	(131,211)	(2,445)	(617)	(549)	(102)	(898)	(939)	(13,751)	(3,105)	-	(22,406)	(153,617)
Write-offs/disposals and transfer to inventories held for sale	54,073	-	54,073	761	-	231	-	-	41	-	-	-	1,033	55,106
Adjustment for PIS and COFINS credits	-	-	-	(191)	-	-	-	(89)	-	-	-	-	(280)	(280)
Transfer	(48)	-	(48)	-	-	2	-	-	46	-	-	-	47	-
Balances at December 31, 2019	<u>(1,008,036)</u>	<u>-</u>	<u>(1,008,036)</u>	<u>(14,206)</u>	<u>(4,619)</u>	<u>(16,100)</u>	<u>(1,917)</u>	<u>(5,794)</u>	<u>(10,319)</u>	<u>(15,077)</u>	<u>(3,591)</u>	<u>-</u>	<u>(71,623)</u>	<u>(1,079,659)</u>
Surplus value of property, plant and equipment	776	-	776	-	-	-	-	-	-	-	-	-	-	776
Depreciation	(95,917)	-	(95,917)	(2,046)	(463)	(380)	(123)	(687)	(730)	(10,127)	(2,919)	-	(17,475)	(113,392)
Write-offs/disposals	35,515	-	35,515	1,009	-	457	364	8	52	199	-	-	2,089	37,604
Adjustment for PIS and COFINS credits	-	-	-	(153)	-	-	-	(67)	-	-	-	-	(220)	(220)
Balances at September 30, 2020	<u>(1,067,662)</u>	<u>-</u>	<u>(1,067,662)</u>	<u>(15,396)</u>	<u>(5,082)</u>	<u>(16,023)</u>	<u>(1,676)</u>	<u>(6,540)</u>	<u>(10,997)</u>	<u>(25,005)</u>	<u>(6,510)</u>	<u>-</u>	<u>(87,229)</u>	<u>(1,154,891)</u>
Annual depreciation rates - %	10 - 12 - 1	-	-	10	4	20	20	10	10	20	33.3	-	-	-
Property, plant and equipment, net														
Balance at December 31, 2019	472,106	6,605	478,711	12,340	18,340	1,147	542	4,754	3,845	52,867	3,958	68	97,863	576,575
Balance at September 30, 2020	379,076	3,518	382,594	10,234	17,877	1,490	694	4,192	3,456	46,685	1,285	1,310	87,223	469,819

Rental equipment can be summarized as follows: access scaffolding, formworks, shoring, aerial work platforms and telescopic handlers.

We present below the main acquisitions and reclassifications accumulated through September 30, 2020, by group of assets:

	Parent Company	Consolidated
Shoring	1,784	1,784
Aerial work platforms and telescopic handlers	-	953
Reusable concrete formworks	67	67
Machinery and equipment	46	63
Vehicles	368	368
Construction in progress	1,242	1,242
Facilities	216	216
Furniture and fixtures	279	362
Leasehold improvements	419	449
Computers and peripherals	732	732
Suspended scaffolding	116	116
	<u>5,269</u>	<u>6,352</u>

The depreciation for the period, allocated to cost of services and general and administrative expenses, amounts to R\$ 89,769 and R\$ 20,705 as at September 30, 2020 (R\$ 123,050 and R\$ 34,802 as at December 31, 2019), respectively.

Certain items of property, plant and equipment are pledged as collateral for borrowings (note 13).

The purchase and sale of rental equipment are being presented in the statement of cash flows as operating activity.

a. Review of estimated useful life

The Company has engaged specialized consultants to determine the useful lives of people lifts, aerial work platforms, telescopic handlers, handler accessories, lighting towers and compressors composing permanent assets of its Rental Business Unit, under the terms and for the purposes of compliance with CVM Resolution No. 583/09, which approved Technical Procedure CPC 27 – Property, Plant and Equipment and ICPC Instruction 10.

The results in the appraisal report of useful lives were used to adjust calculation of depreciation of permanent assets of the Rental Business Unit, based on the operational and technological reality of the Company, recorded in August 2020.

The technical procedures adopted in preparing said appraisal report are in accordance with the criteria established by NBR 14653-1:2001, NBR 14653-2:2001 and NBR 14653-5:2006 of the Brazilian Association of Technical Standards (ABNT).

The new useful lives determined by the specialized consultants, based on their technical analyses, are as follows:

Description	Estimated useful life/ years
People lift	15
Aerial work platform – electric powered	15
Aerial work platform – diesel powered	15
Aerial work platform-electric boom	10
Aerial work platform- diesel boom	10
Aerial work platform - big boom	10
Telescopic handler	12
Handler accessories	12
Lighting tower	10
Compressor	15

Management has assessed and understood that there is no need to review the useful lives of permanent assets of the Construction Business Unit, whose depreciation continued to be made on the basis of 10% p.a.

b. Provision for impairment of assets

Management did not identify indications of impairment for the Rental Business Unit (CGU) during 2019, and nor until the base date as of September 30, 2020, based on CPC 01. As a result, it did not perform tests nor apply impairment adjustments since it believes there are no adjustments to the provision for impairment of assets of this Business Unit to be set up. For the Construction Business Unit, management believes there are indications of impairment and performed an impairment test at December 31, 2019.

The recovery amount of this group of Construction assets was determined based on economic market projections, made under the income approach, by forecasting discounted cash flow for a period of ten years plus perpetuity, for the purpose of substantiating the amount recorded in the accounts, given the long-term maturity of investments in infrastructure and civil construction. Revenue was projected based on the Gross Domestic Product (GDP) plus the variation of the IGPM (General Market Price Index). Costs were projected based on a gross margin target, which stabilizes at 65%. The expenses were projected according to the variation of the IPCA (Extended Consumer Price Index). The need for working capital and investments to maintain the asset tested was also considered. The respective flows were discounted at a discount rate of 12.5% for the period 2020 and 2021 and 11.8% for the other years, plus perpetuity. A growth rate of 1% in actual terms in perpetuity was considered.

Management did not identify indications of impairment for the Construction and Rental Business Units during the nine-months of 2020.

11 Intangible assets

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total Parent Company
Balances at December 31, 2018	<u>53,221</u>	<u>3,156</u>	<u>183</u>	<u>13,376</u>	<u>69,936</u>
Acquisition	922	-	2,294	-	3,216
Reclassification	<u>-</u>	<u>-</u>	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Balances at December 31, 2019	<u>54,143</u>	<u>3,156</u>	<u>2,145</u>	<u>13,376</u>	<u>72,820</u>
Acquisition	967	-	2,648	-	3,615
Transfer	<u>1,661</u>	<u>-</u>	<u>(1,661)</u>	<u>-</u>	<u>-</u>
Balances at September 30, 2020	<u>56,771</u>	<u>3,156</u>	<u>3,132</u>	<u>13,376</u>	<u>76,435</u>
Accumulated amortization					
Balances at December 31, 2018	<u>(30,833)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(35,943)</u>
Amortization	(4,260)	-	-	-	(4,260)
Adjustment for PIS and COFINS credits	<u>(436)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436)</u>
Balances at December 31, 2019	<u>(35,528)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(40,639)</u>
Amortization	(3,230)	-	-	-	(3,230)
Adjustment for PIS and COFINS credits	<u>(330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330)</u>
Balances at September 30, 2020	<u>(39,088)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(44,199)</u>
Annual amortization rates - %	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intangible assets, net					
Balance at December 31, 2019	18,615	2,278	2,145	9,144	32,181
Balances at September 30, 2020	17,683	2,278	3,132	9,144	32,236

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total Consolidated
Balances at December 31, 2018	53,221	3,156	184	13,376	69,937
Addition due to acquisition of subsidiary	1,741	8	-	-	1,749
Goodwill due to acquisition of subsidiary	-	-	-	88,011	88,011
Acquisition	1,016	-	2,294	-	3,310
Reclassification	-	-	(334)	-	(334)
Balances at December 31, 2019	55,977	3,164	2,145	101,387	162,673
Acquisition	1,013	-	2,648	-	3,660
Transfer	1,661	-	(1,661)	-	-
Balances at September 30, 2020	58,651	3,164	3,131	101,387	166,333
Accumulated amortization					
Balances at December 31, 2018	(30,833)	(878)	-	(4,232)	(35,943)
Addition due to acquisition of subsidiary	(1,116)	-	-	-	(1,116)
Amortization	(4,415)	-	-	-	(4,415)
Adjustment for PIS and COFINS credits	(436)	-	-	-	(436)
Balances at December 31, 2019	(36,800)	(878)	-	(4,232)	(41,910)
Amortization	(3,382)	-	-	-	(3,382)
Adjustment for PIS and COFINS credits	(330)	-	-	-	(330)
Balances at September 30, 2020	(40,512)	(878)	-	(4,232)	(45,622)
Annual amortization rates - %	20	-	-	-	-
Intangible assets, net					
Balance at December 31, 2019	19,177	2,286	2,145	97,155	120,763
Balances at September 30, 2020	18,139	2,286	3,131	97,155	120,711

a. Impairment loss on goodwill

Goodwill recognized in the Parent Company arose on the acquisition of Jahu in 2008 and the acquisition of GP Sul in 2011, and is being considered as contribution of the Construction business unit, which represents a Cash-Generating Unit (CGU) to which the goodwill is allocated.

The recoverable amount of this asset was determined according to the same assumptions described in note 10 and Management concluded that no provision for impairment of this asset is required.

b. Goodwill

The goodwill arising from the merger of Solaris Participações presented in the consolidated financial statements is initially measured as the excess of the consideration transferred over the net assets acquired (net identifiable assets acquired and liabilities assumed). Subsequent to initial recognition, in the amount of R\$ 88,011, goodwill, which has indefinite useful life, is measured at cost, less any accumulated impairment losses.

In the consolidated financial statements, the goodwill is classified in intangible assets, while in the Parent Company balance sheet, it is included in investments.

As this goodwill arises from a recent market transaction, which best represents the recoverable amount of this asset, Management has not identified any fact or event that would justify a provision for impairment of goodwill during the acquisition period, May 10, 2019, until the period ended December 31, 2019, and also for the period ended September 30, 2020.

12 Suppliers

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>
Domestic suppliers - Third parties	18,738	15,885	25,067	23,329
Foreign suppliers - Third parties	<u>720</u>	<u>504</u>	<u>2,984</u>	<u>3,341</u>
	<u>19,458</u>	<u>16,389</u>	<u>28,051</u>	<u>26,670</u>

As at September 30, 2020 and December 31, 2019, suppliers' balances refer basically to installment purchase of spare parts and supplies, services and PP&E.

13 Borrowings and financing

Borrowings were used to finance the expansion of the Company's investments and for its general use and expenses. They bear interest at the TLP (Long-term Interest Rate) and CDI (Interbank Deposit Certificate).

The Company entered into rental equipment financing agreements that bear interest of 3.10% to 3.63% p.a. plus CDI, with monthly amortization through September 2021.

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>
Current	-	1,940	5,708	6,543
Noncurrent	<u>-</u>	<u>605</u>	<u>-</u>	<u>3,671</u>
	<u>-</u>	<u>2,545</u>	<u>5,708</u>	<u>10,214</u>

The financial institutions with which the Company has borrowing and financing agreements as of September 30, 2020 are as follows:

Company	Financial institutions
Solaris Equipamentos	Banco do Brasil
Solaris Equipamentos	Banco ABC

The table below shows the pledged guarantees outstanding at the financial reporting dates:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Guarantees provided:				
Collateral assignment (*)	-	26,993	14,049	41,042

(*) Refers to equipment purchased under the Federal Equipment Financing Program (FINAME) and working capital.

The installments to fall due at the end of the period ended September 30, 2020 are shown below:

	Parent Company	Consolidated
2020	-	290
2021	-	5,418
	-	5,708

14 Debentures

Description	Series	Issued amount	Beginning	Maturity	Finance charges	Parent Company		Consolidated	
						9/30/2020	12/31/2019	9/30/2020	12/31/2019
1st issue – Solaris Equipamentos (i)	Single	80,000	March 2014	February 2022	100% of CDI + 4%	-	-	21,631	24,976
2nd issue - Mills (ii)	2nd series	109,060	August 2012	August 2020	IPCA + 7.00 p.a.	-	56,428	-	56,428
Issue cost						-	(61)	-	(61)
						-	56,367	21,631	56,367
4rd issue - Mills (iii)	Single	100,000	March 2020	March 2025	CDI + 2.35%	100,301	-	100,301	-
Issue cost						(1,831)	-	(1,831)	-
						98,470	-	98,470	-
Total Parent Company						98,470	56,367	-	-
Total Consolidated						-	-	120,101	81,343
Current						17,533	56,367	29,350	77,417
Noncurrent						80,937	-	90,751	3,926

(i) *1st issue of debentures (subsidiary – Solaris Equipamentos)*

On March 20, 2014, the subsidiary Solaris Equipamentos approved its first issue of simple, nonconvertible, registered, unsecured debentures, in a single series, totaling R\$80,000 and unit face value of R\$10 totaling 8,000 units issued. These debentures have final maturity on March 20, 2019 and bear interest equivalent to DI plus spread of 2.4% p.a., with monthly payments of interest and amortized in 49 monthly consecutive installments, commencing on March 20, 2015.

On June 3, 2017, the debenture holders approved the first amendment to the Private Indenture of Debentures, which includes the following main changes:

- (a) Change of the initial maturity of debentures, from March 20, 2019 to March 20, 2020.
- (b) Change of the amortization date of debentures and amortization percentages, in order to grant a 9-month grace period on the balance payment, that is, the installments of principal amortization from June 20, 2017 to January 20, 2018, became due beginning on February 20, 2018.
- (c) Change of the spread from 2.40% to 4.50%, beginning on June 20, 2017.
- (d) Change of the percentage of premium applicable to the total early redemption and extraordinary optional amortization of debentures.

On March 14, 2018, the debenture holders approved the second amendment to the Private Indenture of Debentures, which includes the following main changes:

- (a) Change of the maturity of debentures, from March 20, 2020 to February 20, 2021.
- (b) Change of the amortization of the nominal unit value of debentures, which started to be amortized on March 20, 2015 and will have a total of 63 monthly installments, with final maturity on February 20, 2021.
- (c) Waiver of debenture holders related to the accelerated maturity of debentures in 2017, since the Company presented a ratio obtained by the division of Net Debt by EBITDA greater than 2.5.
- (d) The ratio obtained by the division of Net Debt by EBITDA should not be greater than or equal to 3.0 in the year ended December 31, 2018 and should not be greater than or equal to 2.5 in the year ending December 31, 2019 (including), through the maturity date.
- (e) Change of the spread from 4.50% to 4.00%, beginning on March 21, 2018 through the maturity date.
- (f) Change of the percentage of premium applicable to the total early redemption and extraordinary optional amortization of debentures.

On March 25, 2019, the debenture holders granted previous approval for certain corporate transactions, among which one in which the Company became a wholly owned subsidiary of Mills as disclosed in the material fact of December 21, 2018.

At the Debenture Holders Meeting held on April 17, 2020, the debenture holders decided to enter into an amendment to the “Private Indenture of First Issue of Simple Debentures, Nonconvertible, Unsecured, in a Single Series, with Additional Guarantee Real, for Public Distribution, with Restricted Placement Efforts, of Solaris Equipamentos e Serviços S.A.”, of March 19, 2014, as amended between the Company, as issuer of the Debentures, and the Trustee, representing the communion of Debenture Holders, in order, mainly, to include a twelve-month grace period for the repayment of principal as from April 2020, maturing on February 20, 2022, also establishing a new remuneration surcharge of 5%.

In the periods ended September 30, 2020 and December 31, 2019, the Subsidiary has outstanding guarantees contracted in the amount of R\$ 32,466.

Covenants

The subsidiary's debenture indentures require compliance with debt and interest coverage ratios under preset parameters, as follows:

- (a) Maintenance of the financial ratio within the limit below established on the dates of its respective annual calculation.
- (b) The ratio obtained by the division of Net Debt by EBITDA should not be greater than or equal to 2.5 in the year ended December 31, 2019 and should not be greater than or equal to 2.5 in the year ending December 31, 2020 (including), through the maturity date.

As at December 31, 2019, the Subsidiary's net debt totaled R\$ 18,609 (R\$ 28,089 as at December 31, 2018), and the total Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA was R\$ 72,485 (R\$ 32,376 as at December 31, 2018), generating a financial ratio (net debt / EBITDA) of 0.26 (0.87 as at December 31, 2018).

Therefore, for the year ended December 31, 2019 the Parent Company achieved all covenants to which it was subject. The covenants are measured at the end of every fiscal year.

(ii) 2nd issue of debentures (Parent Company - Mills)

The second issue of Company debentures, of a total of 27,000 simple, nonconvertible, registered, unsecured debentures, in two series, was approved on August 3, 2012, totaling R\$270,000 and unit face value of R\$10. The transaction costs associated with this issue, in the amount of R\$ 1,810, are being recognized as borrowing costs, in accordance with the contractual terms of the issue.

2nd series - 10,906 second series debentures, totaling R\$109,060, with maturity on August 15, 2020, subject to adjustment for inflation based on the accumulated variation of the IPCA. The face value of the second series debentures will be amortized in three annual installments as from the sixth year of their issue and interest paid annually will correspond to 5.50% p.a. At a general meeting held on March 22, 2017 debenture holders decided that interest paid annually will correspond to 7.00% p.a. of the amount adjusted for inflation as described above.

The main decisions made at the general meeting held by debenture holders on March 22, 2017, were:

- (a) Replacement of EBITDA by Operating Cash Flow - OCF, for the calculation of covenants for the purpose of early maturity;
- (b) Pledge of collateral consisting of a fiduciary transfer made by the Company in up to 60 days as of March 22, 2017 by opening a restricted account, on behalf of debenture holders, in an amount equivalent to 50% of the outstanding balance, measured monthly;
- (c) Keeping of EBITDA in covenants for the purpose of clearance of restricted account and restrictions on dividend distribution and loans between related parties;
- (d) Renegotiation of the interest rates as described above;
- (e) Limitation of dividends above the minimum legal level of 25%;
- (f) Restriction on loans between related parties.

If the original covenants (EBITDA) are met for two consecutive quarters, the clearance of restricted account occurs. These indicators are now assessed as from this date. In the event of non-compliance therewith, the restricted account is reestablished by replacing EBITDA with Operating Cash Flow (OCF (iii)) for the calculation of covenants.

The main decisions made at the general meeting held by debenture holders on February, 22, 2019, were:

- (g) Prior consent for the merger, into the Company, of Solaris Participações, Equipamentos e Serviços S.A., in connection with the business combination disclosed in a material news release dated December 21, 2018;
- (h) Permission to carry out intercompany loan operations with its subsidiaries or affiliated companies in the amount of up to R\$ 25,000 (twenty-five million reais);
- (i) The change in the mechanism of the Debentures restricted account, provided for in the respective fiduciary assignment agreements, in order to allow the use of part of such funds in the repayment of the Debenture installments; and

Other related matters on the meeting agenda, according to the minutes of the debenture holders' meetings available, fully disclosed on the website www.mills.com.br/ri and on the CVM website.

Covenants

The debenture indentures require compliance with debt and interest coverage ratios under preset parameters, as follows:

- (1) Financial ratio resulting from the ratio of the Net Debt division (i) by EBITDA (iv), should be equal to or less than three (3);
- (2) Financial ratio resulting from the quotient of dividing EBITDA by Net Financial Expenses (ii), must be equal to or greater than two (2).

On August 17, 2020, the Company paid the last installment in the amount of R\$ 59,466.

(iii) *4th issue of debentures (Parent Company - Mills)*

The Company's Board of Directors approved on March 3, 2020 the 4th issue of simple, nonconvertible, secured, single-series debentures ("Issue" and "Debentures", respectively), maturing 60 months as from the issue date.

The Issue will be comprised of 100,000 Debentures with the unit value of R\$ 1,000.00, totaling R\$ 100,000, with the respective guarantees provided in the Issue documents, which will be offered with restricted placement efforts, under the terms of CVM Instruction 476 of January 16, 2009, as effective ("Restricted Offer"). The principal will be amortized quarterly, with interest corresponding to the CDI rate plus 2.35% per year.

The net proceeds raised by the Company through the Restricted Offer and the Issue will be used in the payment of debts, adjustment and/or renovation of the equipment fleet and improvement of the Company's cash, in the normal course of its business.

In the period ended September 30, 2020 the Company has outstanding guarantees contracted in the amount of R\$ 202,273.

Covenants

The debenture indentures require compliance with debt and interest coverage ratios under preset parameters, as follows:

- (1) Financial ratio resulting from the ratio of the Net Debt division (i) by EBITDA (iv), should be equal to or less than three (2);
- (2) For purposes of calculating the Fourth Issue covenants, calculations will be made disregarding the effects of IFRS 16.
 - (i) “Net Debt” means, based on the Company’s immediately preceding consolidated financial statements, (a) the sum of the Company’s onerous debts, on a consolidated basis, to companies, including borrowings from third parties and/or related parties and issue of fixed-income securities, whether convertible or not, in the local and/or international capital markets, as well as guarantees provided by the Company, excluding debts arising from tax installment payments; (b) less the sum of the Company’s cash and cash equivalents (cash and short-term investments), on a consolidated basis;
 - (ii) “Net Financial Expenses” mean, based on the Company’s four immediately preceding consolidated financial statements, the balance of the difference between the consolidated gross financial income and the consolidated gross financial expenses;
 - (iii) “OCF” means, based on the Company’s four immediately preceding consolidated financial statements, net cash generated by operating activities less interest and net inflation gains and losses, acquisitions of rental PP&E items and interest paid; and
 - (iv) “EBITDA” means, based on the Company’s four immediately preceding consolidated financial statements, profit or loss before income and social contribution, less income and plus expenses generated by financial and non-operating results, depreciation and amortization, and nonrecurring income and expenses.

Considering non-recurring expenses for the purpose of determining adjusted EBITDA, at the end of the period ended September 30, 2020, all original covenants have been met.

As at September 30, 2020, the balances of debentures including transaction costs are R\$ 29,765 in current liabilities and R\$ 92,167 in noncurrent liabilities. The net amounts of transaction costs are, respectively, R\$ 29,350 and R\$ 90,751 (as at December 31, 2019, the gross balance of debentures is R\$ 72,060 in current liabilities and R\$ 9,814 in noncurrent liabilities, and R\$ 71,976 and R\$ 9,814 net of transaction costs).

15 Leases

On initial adoption of CPC 06 (R2), the Company used the modified retrospective approach, since such approach does not require comparative information and the right-of-use asset is measured at the same amount of the lease liability. The standard defines that an arrangement is or contain a lease when it transfers the right to control the use of an identified asset for a certain period, in exchange for a consideration.

The Company also elected to adopt the recognition exemptions provided in the standard for short-term or low-value leases. The impact of the adoption of CPC 06 (R2) on the statement of operations is the replacement of the straight-line cost of leases (operating lease) by the straight-line cost of depreciation of the right-of-use asset included in these arrangements and by the interest expense on the lease liabilities calculated using the effective borrowing rates at the inception of these transactions.

During the period ended September 30, 2020, the Company and its subsidiaries obtained one-off discounts in the rents of its branches and adopted the practical expedient, according to changes included in CPC 06 (R2) - Leases, approved by CVM Resolution 859, in which the lessee may choose not to evaluate the rental discounts obtained related to Covid-19 as a modification of the lease.

As a result, these amounts were treated as variable part of the lease contract, with a direct effect on income statement without the need for remeasurement of assets and liabilities. The total amount of these discounts was R\$ 918 at the parent company and R\$ 938 in the consolidated.

The information on the recognition, measurement, presentation and disclosure of lease transactions used by the Company is presented below:

a. Recognition

The lease liability is initially measured at present value, discounted using the nominal incremental borrowing rate of the group, net of the following effects:

- (a) Variable lease payments based on an index or a rate;
- (b) Amounts paid by the lessee under a residual value guarantee;
- (c) Exercise price under a purchase option if the lessee is reasonably certain to exercise the option;

Right-of-use assets are measured according to the following items:

- (a) Initial amount of the lease liability;
- (b) Any lease payments made at or before the commencement date, less any lease incentives received; and
- (c) Any initial direct costs.

Payments of short-term leases and leases of low-value assets are recognized as cost or expense, since according to the standard they are exempt from the treatment as leases.

b. Critical judgments on the determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the exercise of an extension or termination option of a lease agreement. Extension options (or periods after termination options) are included in the lease term only when there is reasonable assurance that the lease will be extended (or will not be terminated). This assessment is reviewed whenever there is an event or significant change in circumstances that affects such assessment and is within the lessee's control. During the current year, the financial effect of the review of lease terms in order to reflect the effect of the exercise of extension options are shown below: in January 2019, IFRS 16/ CPC 06 (R2) became effective. The rights of use are recognized in assets, subject to depreciation and leases are recognized in liabilities, as are finance leases, subject to adjustment for inflation and amortized by the lease payment.

As a result of the initial adoption of the standard, the Company and Subsidiary recorded R\$ 66,669 related to right-of-use assets and lease liabilities at January 1, 2019.

The movement in the right-of-use asset and lease liability during the period ended September 30, 2020 was as follows:

c. Movement in the right-of-use – Asset

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Right-of-use				
Vehicles				
Balance at January 1	1,831	-	3,959	-
Initial adoption	-	3,649	-	6,211
Remeasurement (*)	-	43	-	(1,158)
Additions/updated of agreements	870	500	870	2,613
Write-offs	(121)	(118)	(624)	(123)
Accumulated depreciation	<u>(1,744)</u>	<u>(2,242)</u>	<u>(2,919)</u>	<u>(3,583)</u>
Net PP&E	836	1,831	1,285	3,959
	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Properties				
Balance at January 1	49,250	54,137	52,867	60,458
Remeasurement (*)	-	5,539	-	7,358
Additions/updated of agreements	4,508	2,214	4,950	2,521
Write-offs	(771)	(1,783)	(1,005)	(2,391)
Accumulated depreciation	<u>(8,137)</u>	<u>(10,858)</u>	<u>(10,127)</u>	<u>(15,079)</u>
Net PP&E	44,850	49,250	46,685	52,867

d. Movement in lease – Liabilities

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Lease liabilities				
Vehicles				
Balance at January 1	1,890	3,649	3,746	6,211
Remeasurement (*)	-	43	69	(1,158)
Updating of agreements	870	500	870	1,914
Write-offs	(121)	(118)	(624)	(118)
Payments	(1,856)	(2,396)	(3,057)	(3,946)
Finance charges	72	212	140	842
	855	1,890	1,143	3,745
Properties				
Balance at January 1	51,286	54,137	54,908	60,458
Remeasurement (*)	-	5,539	-	7,358
Updating of agreements	4,508	2,214	4,950	2,521
Write-offs	(771)	(1,770)	(1,005)	(2,391)
Payments	(9,834)	(13,958)	(11,949)	(18,512)
Finance charges	3,421	5,123	3,491	5,474
	48,610	51,286	50,394	54,908
Total leases payable	49,465	53,176	51,536	58,653
Current	12,215	12,053	14,099	15,171
Noncurrent	37,250	41,123	37,437	43,484

(*) Remeasurement calculated in the 4th quarter of 2019 based on CVM guidance through Circular Letter CVM/SNC/SEP 02/2019, where the Parent Company and the Subsidiary adjusted the amount of initial recognition, which was net of PIS and COFINS, to be presented gross of such taxes.

e. Contractual flows by terms and discount rates

The discount rates were calculated based on the nominal basic interest rate readily observable, adjusted by the Company's credit risk, to the lease terms. The table below shows the rates used and the agreement terms.

Agreement terms	Rate p.a.	
	Properties	Vehicles
2020	7.90%	7.94%
2021	8.02%	8.05%
2022	8.52%	8.40%
2023	8.98%	-
2024	9.42%	-
2025	9.63%	-
2026	9.81%	-
2029	10.07%	-

The Company presents in the table below the analysis of the maturity of lease liabilities based on nominal and actual flows during the period ended September 30, 2020:

Payment terms	Projected inflation (*)	Parent Company		Consolidated	
		Properties	Vehicles	Properties	Vehicles
2020	3.04%	4,222	281	5,052	765
2021	3.44%	13,412	530	14,404	1,026
2022	4.08%	12,284	84	12,351	84
2023	4.23%	8,911	-	8,911	-
2024	4.43%	7,753	-	7,753	-
2025 to 2027	4.56%	13,652	-	13,652	-
2028 to 2029	4.69%	3,081	-	3,081	-
Nominal rate flow		63,315	895	65,204	1,875
Implicit finance charges		(14,705)	(39)	(14,812)	(732)
Actual rate flow		48,610	856	50,394	1,143
Current		11,503	712	13,099	1,000
Noncurrent		37,107	144	37,293	143

(*) Rate obtained according to IPCA projection for NTN-Bs.

The Company has the potential right for PIS/COFINS recoverable embedded in the consideration for real estate and vehicles, with the potential effects of PIS/COFINS shown in the following table:

	Tax rate	Parent Company		Consolidated	
		Nominal	Present value	Nominal	Present value
Consideration	-	64,210	49,465	67,079	51,536
Potential PIS/COFINS	9.25%	5,939	4,576	6,205	4,767

16 Related parties

a. Transactions and balances

There were no loans between the Company and its officers during the periods ended September 30, 2020 and December 31, 2019.

As at September 30, 2020 and December 31, 2019, the Company had no consulting service agreements with members of the Board of Directors.

b. Management compensation

The amounts relating to compensation paid to members of the Company's management are as follows:

	Parent Company				Consolidated			
	9/30/2020		9/30/2019		9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period
Salaries and payroll charges - officers	1,855	7,263	1,372	4,382	1,952	8,046	5,696	5,696
Fees paid to Board of Directors members	960	3,048	1,072	2,610	960	3,048	2,610	2,610
Profit sharing and bonus	126	1,881	-	1,712	840	2,977	1,712	1,712
Share-based payments	-	6,068	200	461	-	6,068	661	661
	<u>2,941</u>	<u>18,260</u>	<u>2,644</u>	<u>9,165</u>	<u>3,752</u>	<u>20,139</u>	<u>10,679</u>	<u>10,679</u>

c. Related-party transactions

The amounts related to intercompany transactions refer to the sublease of equipment among companies, as shown below:

Company	Nature	9/30/2020			
		Trade receivables	Trade payables	Sublease income	Sublease expense
Solaris Equipment	Sublease of equipment	4,077	546	16,516	9,114

17 Employee benefits

a. Post-employment benefits

The post-employment benefits granted and to be granted to former employees related to health care are provisioned based on an actuarial calculation prepared by an independent actuary, using future projections related to various parameters of the benefits evaluated, such as inflation and interest, among other aspects. The actuarial assumptions adopted for the calculation were determined considering the long term of the projections to which they refer. Actuarial gains and losses are recognized in other comprehensive income in the "Equity adjustments" account and presented in equity.

The amounts related to these benefits were calculated based on a valuation prepared by an independent actuary as at December 31, 2019, and are recognized in the financial statements in accordance with IAS 19 (CPC 32 R1). For the period ended September 30, 2020, we did not identify any significant changes in the assumptions that would require the reperformance of the actuarial calculations.

	Parent Company and Consolidated (*)	
	9/30/2020	12/31/2019
Post-employment benefit	<u>13,432</u>	<u>12,646</u>

(*) The balances presented at September 30, 2020 and December 31, 2019 fully refer to the parent company.

b. Stock option and restricted stock plan

The Company has stock option plans approved by shareholders at their general meeting aimed at integrating its executives in the Company development process in the medium and long terms. These plans are managed by the Company and the grants are approved by the Board of Directors.

Share options in thousands							
Plans	Grant date	Final exercise date	Share options granted	Share options exercised	Share options canceled	Outstanding share options	
2010 Program	5/31/2010	5/31/2016	1,475	(1,369)	(106)	-	
2011 Program	4/16/2011	4/16/2017	1,184	(597)	(587)	-	
2012 Program	6/30/2012	5/31/2018	1,258	(402)	(856)	-	
2013 Program	4/30/2013	4/30/2019	768	(91)	(677)	-	
2014 Program	4/30/2014	4/30/2020	260	-	(260)	-	
2016 Program	4/28/2016	4/28/2024	1,700	(311)	(831)	558	

In order to price the cost of the Top Mills Special Plan relating to its equity component, the applicable volatilities were determined at the risk-free rates and stock prices based on valuations of 6.6 times the EBITDA, less net debt, and the Company used the Black-Sholes model to calculate the fair value.

On March 31, 2014, the Company approved at the Board of Directors meeting:

- (v) the creation of the 1/2014 Stock Option program;
- (vi) the definition of the criteria to set the strike price of options and their payment terms;
- (vii) the definition of the terms and conditions of exercise of options;
- (viii) and (iv) the authorization for the Executive Officers to grant the stock options to the beneficiaries eligible under the 2014 Program.

At the Board of Directors meeting held on May 21, 2015, the Company decided to sell the Company's shares held in treasury in order to exercise the option to purchase the profit-sharing bonds under the 2010, 2011, 2012, 2013 and 2014 Stock Option Programs (see note 23.b).

On April 28, 2016, the Company decided at the Board of Directors meeting to approve the Company's new stock option plan, according to the 1/26 program.

The plans granted as from 2010 were classified as equity instruments and the weighted average fair value of the options granted was determined according to the Black-Scholes valuation model, considering the following assumptions:

Program	Grant	Weighted average fair value by option - R\$	Weighted average price of the share at the grant date - R\$	Strike price at the grant date - R\$	Volatility at the grant date	Dividend yield at the grant date	Annual risk free interest rate at the grant date	Maximum strike period at the grant date
2010	First	3.86	11.95	11.50	31.00%	1.52%	6.60%	6 years
2010	Second	5.49	14.10	11.50	31.00%	1.28%	6.37%	6 years
2011	Single	6.57	19.15	19.28	35.79%	1.08%	6.53%	6 years
2012	Basic	21.75	27.60	5.86	37.41%	0.81%	3.92%	6 years
2012	Discretionary	12.57	27.60	19.22	37.41%	0.81%	3.92%	6 years
2013	Basic	24.78	31.72	6.81	35.34%	0.82%	3.37%	6 years
2013	Discretionary	11.92	31.72	26.16	35.34%	0.82%	3.37%	6 years
2014	Basic	22.46	28.12	7.98	33.45%	0.75%	12.47%	6 years
2014	Discretionary	11.16	28.12	30.94	33.45%	0.75%	12.47%	6 years
2016	Discretionary	2.63	4.31	2.63	71.45%	1.51%	14.25%	8 years

The strike price of the shares granted under the Plan is set by the Company's Board of Directors.

The table below presents the accumulated balances of the plans in the balance sheet and the effects on the statements of operations.

	9/30/2020	12/31/2019
2002 Plan:		
Capital reserve	1,446	1,446
Number of shares exercised (thousands)	<u>3,920</u>	<u>3,920</u>
Top Mills, Special CEO and ex-CEO Plans:		
Capital reserve	1,148	1,148
Number of shares exercised (thousands)	<u>1,055</u>	<u>1,055</u>
Mills Rental Executive Plan:		
Capital reserve	4,007	4,007
Number of shares exercised (thousands)	<u>391</u>	<u>391</u>
2010 Plan:		
Capital reserve	5,693	5,693
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	1,369	1,369
Number of shares canceled (thousands)	<u>106</u>	<u>106</u>
2011 Program (2010 Plan):		
Capital reserve	7,329	7,329
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	597	597
Number of shares canceled (thousands)	<u>587</u>	<u>587</u>
2012 Program (2010 Plan):		
Capital reserve	14,162	14,162
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	402	402
Number of shares canceled (thousands)	<u>856</u>	<u>856</u>
2013 Program (2010 Plan):		
Capital reserve	11,900	11,900
Number of exercisable options (thousands)	-	513
Number of shares exercised (thousands)	91	91
Number of shares canceled (thousands)	<u>677</u>	<u>164</u>
2014 Program (2010 Plan):		
Capital reserve	4,701	4,701
Number of exercisable options (thousands)	-	158
Number of shares exercised (thousands)	-	-
Number of shares canceled (thousands)	<u>260</u>	<u>102</u>
2016 Program:		
Capital reserve	2,417	2,111
Number of exercisable options (thousands)	558	649
Number of shares exercised (thousands)	311	220
Number of shares canceled (thousands)	<u>831</u>	<u>831</u>
Total recognized as equity (nine-month period)	<u>52,803</u>	<u>52,497</u>
Profit (loss) effect	<u>306</u>	<u>412</u>

As of September 30, 2020, the capital reserve balances attributable to the stock option plans already closed until 2014 were transferred to retained earnings in the amount of R\$ 4,691.

c. Restricted shares incentive program

The Company has a restricted shares incentive program approved by shareholders at their general meeting aimed at integrating its executives in the Company's development process in the medium and long terms. These plans are managed by the Company and the grants are approved by the Board of Directors.

Plans	Grant date	Final exercise date	Shares in thousands			
			Share options granted	Shares options exercised	Shares options canceled	Share options
2018 Program	11/19/2018	11/18/2021	868	590	278	-
2019 Program	8/14/2019	12/31/2021	858	-	-	858

In order to price the cost of the restricted stock plan relating to its equity component, the applicable volatilities were determined at the risk-free rates, the dividend yield and the stock prices, with the Black-Sholes model being used to calculate the fair value.

On June 18, 2018, the Company approved at the Board of Directors meeting the proposal to create a Restricted Stock Incentive Plan of the Company, with the subsequent call to the Company's Extraordinary General Meeting to resolve on its approval.

At the Extraordinary General Meeting held on July 18, 2018, the Company approved the Restricted Stock Incentive Plan, as proposed by the Board of Directors.

On August 18, 2018, the Company decided at a Board of Directors meeting to adopt the Company's Restricted Stock Incentive Program, within the scope of the Company's Restricted Shares Incentive Plan approved by the Extraordinary General Meeting held on July 18, 2018.

At the Board of Directors meeting held on November 18, 2018, the Company approved the restricted stock granting to the beneficiaries of the Company's Restricted Stock Incentive Program, approved at the Board of Directors Meeting held on August 3, 2018, within the scope of the Company's Restricted Stock Incentive Plan approved by the Company's Extraordinary General Meeting held on July 18, 2018.

At the Board of Directors meeting held on August 14, 2019, the Company approved the restricted stock granting to the beneficiaries of the Company's Restricted Stock Incentive Program, approved at the Board of Directors Meeting held on August 14, 2019, within the scope of the Company's Restricted Stock Incentive Plan approved by the Company's Extraordinary General Meeting held on July 18, 2018.

The plans granted were classified as equity instruments and the weighted average fair value of the options granted was determined according to the Black-Scholes valuation model, considering the following assumptions:

Program	Weighted average fair value by share - R\$	Weighted average price of the share at the grant date - R\$	Strike price at the grant date - R\$	Volatility at the grant date	Dividend yield at the grant date	Annual risk free interest rate at the grant date	Maximum strike period at the grant date
2018	3.17	3.18	0.00	54.56%	0.00%	5.04%	36 months

Program	Weighted average fair value by share - R\$	Weighted average price of the share at the grant date - R\$	Strike price at the grant date - R\$	Volatility at the grant date	Dividend yield at the grant date	Annual risk free interest rate at the grant date	Maximum strike period at the grant date
2019	7.43	7.44	0.00	55.71%	0.00%	2.36%	29 months

9/30/2020 12/31/2019

2018 Plan:

Capital reserve	-	2,759
Number of exercisable options (thousands)	-	868
Number of shares exercised (thousands)	590	-
Number of shares canceled (thousands)	278	-

2019 Plan:

Capital reserve	3,083	1,101
Number of exercisable options (thousands)	858	858
Number of shares canceled (thousands)	-	-

Total recognized as equity (nine-month period) 3,083 3,860

Profit (loss) effect 1,982 3,783

By resolution of the Board of Directors, on 08/14/2019, the Company anticipated the settlement of the Company's restricted shares program, referring to the 2018 fiscal year, to January 2020.

The total number of planned actions related to the 2018 ILP was 867,798 shares. 54,371 shares were canceled, due to the loss of rights by some beneficiaries, remaining 813,427 shares. Considering the value of the share on the date of delivery to the beneficiaries was R\$ 9.92 per share, the basic calculation amount for social security charges applicable to this type of benefit was R\$ 8,069. From this total, the amount of 223,692 equivalent to income tax at source was deducted, and the beneficiaries received a net amount of 589,735 shares. Considering the average value of treasury shares, of R\$ 8.87 per share, the result written off from the treasury stock account was R\$ 5,231, as it is payment via equity instrument, with no cash effect for the Company. The amount of R\$ 4,691 was recognized on accumulated losses and the amount of R\$ 2,759 previously constituted as a capital reserve was also absorbed.

d. Profit sharing program

The provision for profit sharing is recorded on an accrual basis, as an expense. The determination of the amount, which is paid in the year following the recording of the provision, is made according to the Profit Sharing Agreement negotiated annually with the category union, in accordance with Law 10,101/00, as amended by Law 12,832/13.

The Company's Profit Sharing Program is based on the achievement of Adjusted EBITDA. All Mills and subsidiary employees with at least 90 days worked are eligible.

As at September 30, 2020, the liability amount is R\$ 3,746 in the parent company and R\$ 4,968 in the consolidated (R\$ 5,986 and R\$ 8,840, respectively, as at December 31, 2019).

18 Income tax and social contribution

a. Reconciliation of the income tax and social contribution benefit (expense)

The reconciliation of income and social contribution tax expense between statutory and effective rates is as follows:

	Parent Company				Consolidated			
	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020	7/1/2019 to 9/30/2019	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Loss for the period before income and social contribution	3,218	(21,584)	(17,611)	(56,265)	3,920	(18,707)	(15,806)	(54,382)
Statutory income and social contribution tax rate	34%	34%	34%	34%	34%	34%	34%	34%
Income and social contribution taxes at statutory rate	(1,094)	7,339	5,988	19,130	(1,333)	6,361	5,374	18,490
Nondeductible provisions (*) and permanent differences	(1,089)	(653)	(1,389)	(633)	(1,404)	405	(1,944)	1,237
Lease disallowance adjustments (**)	-	(4,536)	-	(4,536)	-	(4,536)	-	(4,536)
Prior years adjustments	-	-	-	-	-	(163)	-	(47)
Share of profit (loss) of subsidiaries	148	-	636	-	-	(2,794)	-	(3,066)
Total current and deferred income and social contribution taxes	<u>(2,035)</u>	<u>2,150</u>	<u>5,235</u>	<u>13,961</u>	<u>2,737</u>	<u>(727)</u>	<u>3,430</u>	<u>12,078</u>
Effective rate	63%	10%	30%	25%	70%	-4%	22%	22%

(*) Non-deductible expenses comprise expenses on the accrual of cancellations, gifts, debt waivers and non-compensatory fines.

b. Movement in deferred income and social contribution taxes during the period, not considering the offset of balances:

Description	Parent Company			Consolidated		
	12/31/2019	Additions	Write-offs	9/30/2020	12/31/2019	9/30/2020
GP Andaimes Sul Locadora goodwill	(672)	-	-	(672)	(672)	(672)
Jahu goodwill	(2,437)	-	-	(2,437)	(2,437)	(2,437)
Adjustment IFRS 9 – Cash and cash equivalents	(30)	-	-	(30)	(30)	(30)
Finance leases	2,543	-	(1,108)	1,435	(11,422)	(7,384)
Adjustment for inflation of judicial deposits	(1,900)	-	66	(1,834)	(1,900)	(1,834)
Debentures	(21)	(698)	97	(622)	(21)	(623)
Accelerated depreciation	(2,259)	-	564	(1,695)	(2,595)	(2,055)
Property, plant and equipment hedge	(288)	-	97	(191)	(288)	(191)
Exchange gain - accrual basis	(516)	(217)	-	(733)	(516)	(734)
SCG III goodwill	-	-	-	-	4,194	2,241
Fair value adjustment (Rohr)	3,612	-	-	3,612	3,612	3,612
Adjustment IFRS 9 – Cash and cash equivalents (initial adoption)	36	-	-	36	36	36
ECL adjustment on initial adoption of CPC 48/IFRS 9	588	-	-	588	1,219	1,219
IFRS 16 Leases	706	335	-	1,041	660	941
Post-employment benefit	771	267	-	1,038	771	1,038
Post-employment benefit (initial adjustment)	3,529	-	-	3,529	3,529	3,529
Bonus payable	875	381	-	1,256	875	1,256
Other provisions	-	-	-	-	1,413	990
Impairment losses	953	51	-	1,004	953	1,005
Impairment allowance (Rohr)	8,906	-	-	8,906	8,906	8,906
Tax losses	188,726	4,912	-	193,638	267,450	271,652
Provision for profit sharing	2,035	-	(761)	1,274	2,310	1,520
Provision for slow-moving inventories	1,318	661	-	1,979	3,614	4,156
Provision for discounts and cancellations	693	1,136	(1,194)	635	693	635
Allowance for expected credit losses	7,736	1,034	-	8,770	8,974	11,052
Provision for realization of ICMS tax credit	29	-	-	29	29	29
Provision for costs and expenses	162	26	-	188	162	188
Provision for tax, civil and labor risks	6,654	1,884	(2,030)	6,508	8,041	8,273
Stock options	11,292	-	(382)	10,910	11,292	10,910
Exchange loss	579	113	-	692	579	692
	233,619	9,885	(4,650)	238,854	309,429	317,920

c. Deferred taxes that are recognized directly in shareholders' equity

The balance of deferred taxes recognized in shareholders' equity as at September 30, 2020 is R\$ 5,736.

d. The bases and expectations for realization of the deferred income tax and social contribution are presented below:

Nature	Bases for realization
<i>Stock option</i>	Exercise of options
Discount to present value	Tax realization of the loss/gain
Property, plant and equipment hedge	Depreciation of the asset
Provision for slow-moving inventories	Write-off or sale of the asset
Provision for impairment	Realization of the provision
Fair value adjustment - Rohr	Sale of stake in the investment
Provision for costs and expenses	Payment
Provision for loss on lawsuit Murilo Pessoa	Receipt of the amount
Allowance for expected credit losses	Filing of lawsuits and past-due receivables
Leases	Realization of assets over the straight-line depreciation period
Provision for tax, civil and labor risks	Tax realization of the loss or settlement of the lawsuit
Provision for realization of tax credit	Realization of tax credit
Provision for discounts and cancellations	Reversal/realization of the provision
Taxes with required payment suspended	Payment or reversal of the provision
Accelerated depreciation	Tax depreciation over five years
GP Andaimes Sul Locadora goodwill	Disposal/impairment of the asset
Jahu goodwill	Disposal/impairment of the asset
Adjustment for inflation of judicial deposits	Withdrawal of the deposit
Exchange differences	Payment of the borrowing
Tax losses	Expectation of future taxable profits (i)
Bonus payable	Payment
Debentures	Amortization of the borrowing cost
Impairment	Reversal/realization of the provision
Hedge provision (sale)	Derivative contracting/settlement
Provision for post-employment benefits	Reversal/realization of the provision

The Company prepared the impairment analysis of the deferred tax asset recognized as at December 31, 2019 and concluded that there are sufficient evidences that taxable profits will be generated against which the recognized tax losses and other temporary additions can be utilized, within a period lower than 10 years. The determination of the amount of future taxable profits is based on projections of revenues, costs and finance income and costs, which reflect the Company's economic and operational environments. For the base date as of September 30, 2020, there were no significant changes regarding expectations of future profitability for offset of tax losses and other temporary additions in less than ten years.

The actions aiming at generating taxable profit are those already in course through the implementation of the commercial strategy focused on the recovery of price, extended market coverage with the diversification of the customer base and increase in profitability, in the Rental business unit, and focus on the adjustment of products and efforts to markets where the Company always had a higher differential: larger and higher complexity works, in the Construction business unit.

19 Provisions for tax, civil and labor risks and judicial deposits

The Company is a party to tax, civil and labor proceedings that have arisen in the normal course of business and is discussing the related matters both at the administrative and judicial levels. These proceedings are backed by judicial deposits, when applicable.

Based on the opinion of the Company's outside legal counsel, management understands that the appropriate legal measures already taken in each situation are sufficient to cover potential losses and preserve the Company's equity, being reassessed periodically.

The Company does not have any contingent assets recognized.

Breakdown of the provision for tax, civil and labor risks:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax (1)	4,772	5,030	5,101	5,030
Civil (2)	1,214	1,547	2,000	2,311
Labor (3)	10,797	10,489	14,870	13,804
Success fees (4)	2,356	2,503	2,356	2,503
	19,139	19,569	24,327	23,648

- 1) Refers to the writ of mandamus filed for by the Company when challenging the increase in the PIS and COFINS rates (established by the non-cumulative regime of these contributions, with the enactment of Laws 10,637/2002 and 10,833/2003). The Company maintains a judicial deposit for this provision, related to the differences in rates;
- 2) The Company has lawsuits filed against it relating to civil liability and compensation claims. Some of these lawsuits were settled through agreements in an amount below the provision.
- 3) The Company is a defendant in various labor lawsuits. Most of the lawsuits involve claims for compensation due to occupational diseases, overtime, hazardous duty premium and equal pay.
- 4) Contingent fees are generally set at up to 10% of the amount of the claim, payable to outside legal counsel according to the success achieved in each claim. Payment is contingent upon an outcome of the lawsuits favorable to the Company.

Movement in the provision for tax, civil and labor risks:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Balance at January 1	19,569	25,142	23,648	25,142
Solaris Equipamentos acquisition adjustment through April/2019	-	-	-	4,795
Provision	2,929	4,107	4,733	5,599
Adjustment for inflation	1,351	1,988	1,352	1,988
Reversals/write-off	(4,710)	(11,668)	(5,406)	(13,876)
	19,139	19,569	24,327	23,648

The main movement in 2019 is related to the unfavorable decision to the Company in regard to a civil contingency, as mentioned in item ("2") above.

e. Breakdown of judicial deposits

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax (i)	8,607	8,734	8,646	8,771
Labor (ii)	3,284	3,448	3,425	3,591
Civil (iii)	-	-	101	101
	11,891	12,182	12,172	12,463

- (i) As at September 30, 2020, the composition of judicial deposits of a tax nature totaled R\$ 8,607. The reconciliation of this amount basically refers to challenging the constitutionality of the increase in the PIS and COFINS rates, totaling R\$ 4,653, as stated below in tax contingencies item “i”, (sub item “a”), and, also, judicial deposits made in favor of certain municipalities associated with the interpretation of our legal counsel as regards the levy of Service Tax (ISS) on asset rental income. The balance recognized under this item is R\$ 3,347. Since 2003, with the enactment of Supplementary Law 116 and based on the opinion of its legal counsel, the Company has not made judicial deposits of this nature.
- (ii) Judicial deposits are linked to lawsuits in which the Company is defendant in several labor claims. Most of the lawsuits involve claims for compensation resulting from occupational diseases, overtime, hazardous duty and equal pay.
- (iii) Judicial deposits related to a lawsuit for property damages and pain and suffering for which the Company is the defendant.

The Company is a party to tax, civil and labor lawsuits involving risks of loss classified by management as possible according to the assessment of its legal counsel, for which no provision was recognized as estimated below:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Tax (i)	61,136	63,929	73,636	76,818
Civil (ii)	15,113	13,152	15,560	13,596
Labor (iii)	9,229	11,332	10,052	12,480
	85,478	88,414	99,248	102,894

- (i) **Tax (main items):**
- (a) Tax Assessment Notice of ICMS (State VAT) received by subsidiary Sullair, of approximately R\$ 59,000 of principal which amounts to R\$ 200,000 including fine and interest. In summary, this tax assessment notice challenges the payment of ICMS levied on the transportation of rental assets in 2012 and 2013. After administrative defense, the possible loss amount was reduced to R\$ 4,000, as it was recognized that most of the assets included in the Tax Assessment Notice were for lease and not for inventories and that no ICMS tax is levied on the transaction. The other lawsuits refer basically to collection proceedings of tax credits overdue, INSS offsets on termination amounts paid and motions against the tax collection proceeding filed by the Federal Government, for the collection of differences of COFINS and tax credits arising from the increase in tax rate from 1% to 3%.
- (b) Disallowance of allegedly nondeductible expenses, included in PIS and COFINS, by the Brazilian Federal Revenue Service, involving former Mills Formas, due to agreements entered into with various customers, under which Mills Formas was responsible for carrying out the services that were previously carried out by the employees of the former Mills do Brasil;

- (c) Assessment of deficiency by the Finance Department of the State of Rio de Janeiro consisting of ICMS and fine allegedly due on transfers of goods without the payment of the related tax.
 - (d) Non-recognition by the INSS (National Institute of Social Security) of the possibility of offsetting payments improperly made as social security contribution, based on the method established by Law 9,711/98;
 - (e) Imposition by the Brazilian Federal Revenue of fine allegedly due on installment payment of credits derived from voluntary reporting;
 - (f) Assessment by the Brazilian Federal Revenue Service of alleged deficiency in Tax on Profit (ILL), judged unconstitutional by the STF (Federal Supreme Court).
 - (g) Non-approval of the credits of the negative balance compensation statements originated from the rectification of the DIPJ for the calendar year 2012. The Brazilian Federal Revenue Service considered these compensation statements not declared, according to article 74, paragraph 3, item VI of Law 9,430/96. The Company filed for a writ of mandamus seeking to guarantee its net and certain right to have the compensation statements analyzed, since these do not fit into any of the legal assumptions alleged by the Brazilian Federal Revenue Service.
- (ii) **Civil**
Lawsuits filed against the Company relating to compensation for pain and suffering and property damages.
- (a) The change was mainly caused by the change in the likelihood of loss from remote to possible, related to a lawsuit for pain and suffering and property damages.
- (iii) **Labor**
The Company is a defendant in various labor lawsuits. Most of the lawsuits involve collection of termination amounts, compensation for pain and suffering, inclusion of premium in the compensation, reinstatement and salary adjustments, and related effects.

20 Taxes payable

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
IRPJ/CSLL (income tax and social contribution)	-	-	663	278
IRRF (withholding income tax) (*)	6,019	943	6,029	955
PIS and COFINS (taxes on revenue) (*)	8,587	5,564	10,589	7,168
Deferred PIS and COFINS	-	-	-	588
INSS (Social Security Contribution)	50	-	70	31
ICMS (State VAT)	290	198	623	328
ISS (Service Tax)	136	178	160	234
Others	411	408	438	457
	15,493	7,290	18,572	10,038
Current	5,179	7,290	8,258	9,397
Noncurrent	10,314	-	10,314	641

- (*) Non-approval of the credits of the negative balance compensation statements originated from the rectification of the DIPJ for the calendar years 2012 and 2013 and ECF for 2014. At the time of the offset, the credit was recorded as a credit to current income tax and social contribution expenses. The disallowance was then recorded as a debit to profit or loss in the same line item and the corresponding entry was a tax liability whose offset was considered improper, mainly PIS and COFINS and withholding taxes.

21 Equity

a. Share capital

The Company's fully subscribed and paid-in capital as at September 30, 2020 is R\$ 1,089,642 (R\$ 1,089,379 in December 31, 2019), comprising 251,954 thousand (251,866 thousand in December 31, 2019) registered ordinary shares without par value. Each ordinary share entitles to one vote in the shareholders' meetings.

The table below shows the shareholding structure at the reporting dates:

Shareholders	9/30/2020		12/31/2019	
	Number of shares (in thousands)	Percentage	Number of shares (in thousands)	Percentage
Andres Cristian Nacht (1)	13,817	5.48%	13,817	5.49%
Snow Petrel LLC	23,677	9.40%	23,677	9.40%
Other signatories of the Company shareholders agreement (4)	23,044	9.15%	23,044	9.15%
Nacht Family (total)	60,538	24.03%	60,538	24.04%
SCG III Fundo de Investimento em Participações (6)	51,556	20.46%	51,556	20.47%
Sullair Argentina S.A. (5)	22,096	8.77%	22,096	8.77%
Fundo de Investimento em participações Axxon				
Brazil Private Equity Fund II (2)	12,294	4.88%	12,294	4.88%
Fama Investimentos Ltda. (3)	9,123	3.62%	9,123	3.62%
Others	96,347	38.24%	96,259	38.22%
	<u>251,954</u>	<u>100.00 %</u>	<u>251,866</u>	<u>100.00 %</u>

- (1) On December 19, 2017, it became the holder of a material ownership interest from 11.79% to 7.87%, divided among Antonia Nacht, Pedro Nacht and Tomas Nacht, resulting in 2,295,736 shares for each of them. On April 13, 2016, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- (2) On July 20, 2016, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- (3) On March 25, 2019, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- (4) Signatories to the Shareholders' Agreement, excluding Andres Cristian Nacht and Snow Petrel S.L. Considers the position on 12/28/2016, already reported to the CVM, in accordance with CVM Instruction 358/02.
- (5) On May 10, 2019, the Shareholders' Agreement was signed after the Business Combination with Solaris Equipamentos and Sullair Argentina became the holder of 22,096,641 shares of the Company.
- (6) On May 10, 2019, a Shareholders' Agreement was signed after the Business Combination with Solaris Equipamentos and SCG III Fundo de Investimentos em Participações became the holder of 51,556,496 shares of the Company.

b. Earnings reserves

b.1 Legal reserve

The legal reserve is set up annually by allocating 5% of the profit for the year until it reaches a ceiling of 20% of share capital. The purpose of the legal reserve is to ensure the integrity of the capital and it can be used only to offset losses and increase capital.

b.2 Retained earnings

Consists of the retention of the remaining balance of retained earnings in order to fund the business growth project set out in the Company's investment plan, according to the capital budget proposed by the Company's management, to be submitted for approval at the General Meeting, pursuant to Article 196 of the Brazilian Corporation Law.

c. Capital reserve

The capital reserve includes the transaction costs incurred in capital funding amounting to R\$ 15,069, net of taxes, relating to the primary public offering of shares, the stock option premium reserve amounting to R\$ 55,887, the stock option plans for employees, and the share issue cost in May 2016 of R\$ 3,379, totaling a capital reserve of R\$ 37,439 as at September 30, 2020 (R\$ 37,909 as at December 31, 2019).

d. Treasury shares

The balance of treasury shares as at September 30, 2020 is 1,688,687 shares totaling R\$ 15,056 (2,278,422 shares totaling R\$ 20,287 as at December 31, 2019) and includes the cost of the canceled shares amounting to R\$ 557, the amount of the buyback of shares in 2015 of R\$ 19,777, the amount of the sale of shares of R\$ 47, and the payment of the long-term incentive program 2018 in the amount of R\$ 5,231 (note 17.c).

22 Earnings per share

a. Basic

Basic earnings (loss) per share are calculated by dividing the profit (loss) attributable to owners of the Company by the weighted average number of ordinary shares issued during the period.

	Parent Company and Consolidated*			
	9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Earnings (loss) for the period	1,183	(12,376)	(19,434)	(42,304)
Weighted average number of ordinary shares issued (thousands)	207,493	207,493	198,678	198,678
Basic earnings (loss) per share from continuing operations	0.01	(0.06)	(0.10)	(0.21)

b. Diluted

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: stock options. For stock options, a calculation is made to determine the number of shares that would be acquired at fair value (determined as the average annual market price of the Company's share), based on the monetary value of the subscription rights linked to the outstanding stock options. The number of shares calculated as described above is compared with the number of shares issued, assuming the exercise of the stock options.

	Parent Company and Consolidated			
	9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period
Earnings (loss) attributable to owners of the Company	1,183	(12,376)	(19,434)	(42,304)
Weighted average number of ordinary shares issued (thousands)	207,493	207,493	198,678	198,678
Diluted earnings (loss) per share from continuing operations	0.01	(0.06)	(0.10)	(0.21)

(*) The stock options did not influence the calculation above as at September 30, 2020 and December 31, 2020 because the potential ordinary shares are antidilutive.

23 Net revenue from rental, sales and services

The information on net revenue from sales and services below refers only to the nature of the revenue per type of service:

	Parent Company				Consolidated			
	9/30/2020		9/30/2019		9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period
Rentals	97,471	265,247	71,710	206,327	114,610	342,614	125,124	286,485
Sales of new equipment	2,295	5,146	1,604	12,407	5,251	13,381	6,926	21,273
Sales of semi new equipment	7,824	13,324	3,359	5,991	12,400	21,074	5,679	9,378
Sales of semi new equipment (others)	1,136	1,635	3,848	8,784	1,138	1,641	3,848	8,784
Technical assistance	1,728	3,067	2,015	5,874	5,393	20,341	2,511	6,713
Indemnities	10,231	12,279	2,286	8,154	10,231	12,279	2,287	9,700
Others (i)	3,059	6,752	2,595	5,287	3,879	8,011	4,439	7,130
Total gross revenue	123,744	307,450	87,417	252,823	152,902	419,341	150,814	349,463
Taxes on sales and services	(9,782)	(25,849)	(7,461)	(22,630)	(12,426)	(36,265)	(15,055)	(32,241)
Cancelations and discounts	(4,329)	(13,698)	(4,040)	(12,333)	(6,684)	(24,879)	(6,328)	(16,291)
	109,633	267,903	75,917	217,860	133,792	358,197	129,431	300,931

1) Refers to revenue from recovery of expenses of equipment or machinery damaged by the lessee (customer).

24 Cost of sales and services and sales, general and administrative expenses (by nature)

Cost of sales and services consist mainly of expenses on

- (i) Personnel for supervising the works, technical assistance, assembly, handling, maintenance of equipment and designers;
- (ii) Freight for equipment transportation, when the responsibility lies with the Company, and for equipment transfer;
- (iii) Rental of third parties' equipment;
- (iv) Expenses directly related to warehouse management, storage, handling and maintenance of rental and resale assets, comprising expenses on personal protective equipment (PPE) used in operating activities (handling, storage and maintenance), inputs (gas of pilers, gases for welding, wood, paints, among others) and maintenance of machinery and equipment (pilers, welding machines, hydroblasting equipment, carving equipment and tools in general);
- (v) Provision for slow-moving inventories and provision for impairment;

Sales, general and administrative expenses refer to current expenses, such as, salaries, benefits, travels, representations of various departments, including Sales, Marketing, Engineering and Administrative Backoffice (HR and Investor Relations); and corporate expenses of the head office and the various branches (rents, fees, security, upkeep and cleaning, mainly); provision for stock option programs, provision for contingencies, and some non- permanent disbursements.

Parent Company

Nature	As at September 30, 2020 - Three-month period			As at September 30, 2020 - Nine-month period			As at September 30, 2019 - Three-month period			As at September 30, 2019 - Nine-month period		
	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total
Personnel	(10,926)	(16,642)	(27,568)	(30,366)	(44,271)	(74,637)	(11,202)	(13,517)	(24,719)	(32,759)	(37,988)	(70,747)
Third parties	(424)	(4,916)	(5,340)	(1,423)	(18,502)	(19,925)	(758)	(10,048)	(10,806)	(1,650)	(20,655)	(22,305)
Freight	(2,973)	(270)	(3,243)	(7,990)	(561)	(8,551)	(2,374)	(241)	(2,615)	(6,630)	(627)	(7,257)
Construction/maintenance and repairs	(17,042)	(1,101)	(18,143)	(39,264)	(2,990)	(42,254)	(9,705)	(1,387)	(11,092)	(26,089)	(2,826)	(28,915)
Equipment rental and others	(6,051)	(388)	(6,439)	(16,423)	(835)	(17,258)	(265)	(215)	(480)	(659)	(588)	(1,247)
Travel	(838)	(459)	(1,297)	(2,105)	(1,608)	(3,713)	(985)	(999)	(1,984)	(3,096)	(2,406)	(5,502)
Cost of sales	(1,189)	-	(1,189)	(2,585)	-	(2,585)	(802)	-	(802)	(7,113)	-	(7,113)
Depreciation/amortization	(21,067)	(5,763)	(26,830)	(72,618)	(17,397)	(90,015)	(25,832)	(5,735)	(31,567)	(78,312)	(17,389)	(95,701)
Write-off of assets	(14,726)	245	(14,481)	(16,300)	432	(15,868)	(981)	(140)	(1,121)	(3,823)	(140)	(3,963)
Cost of sales of semi new equipment (others)	(112)	-	(112)	(574)	-	(574)	(1,881)	-	(1,881)	(3,982)	-	(3,982)
Stock option	-	(763)	(763)	-	(2,288)	(2,288)	-	(1,570)	(1,570)	-	(2,237)	(2,237)
Provisions	-	(754)	(754)	-	(135)	(135)	-	803	803	-	(921)	(921)
Provision for profit sharing	-	(1,254)	(1,254)	-	(3,615)	(3,615)	-	(1,418)	(1,418)	-	(3,144)	(3,144)
Others	(193)	1,074	883	(379)	2,423	2,044	2,913	(3,792)	(879)	3,278	(10,422)	(7,144)
	<u>(75,540)</u>	<u>(30,991)</u>	<u>(106,530)</u>	<u>(190,027)</u>	<u>(89,347)</u>	<u>(279,374)</u>	<u>(51,872)</u>	<u>(38,259)</u>	<u>(90,131)</u>	<u>(160,835)</u>	<u>(99,343)</u>	<u>(260,178)</u>

Consolidated

Nature	As at September 30, 2020 - Three-month period			As at September 30, 2020 - Nine-month period			As at September 30, 2019 - Three-month period			As at September 30, 2019 - Nine-month period		
	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total	Direct project and rental costs	Sales, general and administrative and other expenses	Total
Personnel	(13,596)	(20,800)	(34,396)	(39,984)	(58,489)	(98,473)	(16,263)	(19,999)	(36,262)	(41,520)	(48,998)	(90,518)
Third parties	(622)	(6,386)	(7,008)	(1,753)	(24,060)	(25,813)	(924)	(13,828)	(14,752)	(2,007)	(24,609)	(26,616)
Freight	(3,882)	(376)	(4,258)	(11,451)	(981)	(12,432)	(3,510)	(1,248)	(4,758)	(8,219)	(2,340)	(10,559)
Construction/maintenance and repairs	(21,431)	(1,716)	(23,147)	(53,474)	(4,532)	(58,006)	(15,493)	(2,305)	(17,798)	(37,771)	(3,936)	(41,707)
Equipment rental and others	438	(440)	(2)	(418)	(1,233)	(1,651)	(76)	(487)	(563)	(577)	(968)	(1,545)
Travel	(1,187)	(632)	(1,819)	(3,232)	(2,419)	(5,651)	(1,489)	(1,745)	(3,234)	(3,923)	(3,477)	(7,400)
Cost of sales	(2,128)	-	(2,128)	(5,993)	-	(5,993)	(3,499)	-	(3,499)	(11,411)	-	(11,411)
Depreciation/amortization	(26,563)	(7,291)	(33,854)	(93,151)	(20,705)	(113,856)	(34,907)	(17,537)	(52,444)	(93,531)	(29,389)	(122,920)
Write-off of assets	(15,567)	245	(15,322)	(17,276)	432	(16,844)	(1,062)	(140)	(1,202)	(3,993)	(140)	(4,133)
Cost of sales of semi new equipment (others)	(162)	-	(162)	(625)	-	(625)	(1,881)	-	(1,881)	(3,982)	-	(3,982)
Stock option	-	(763)	(763)	-	(2,288)	(2,288)	-	(1,570)	(1,570)	-	(2,237)	(2,237)
Provisions	-	(931)	(931)	-	(1,381)	(1,381)	-	(35)	(35)	-	(1,925)	(1,925)
Provision for profit sharing	-	(1,535)	(1,535)	-	(4,318)	(4,318)	-	(2,114)	(2,114)	-	(4,138)	(4,138)
Others	(250)	(4,325)	(4,575)	(800)	(12,668)	(13,468)	2,886	(4,974)	(2,088)	3,762	(12,645)	(8,883)
Total	(84,952)	(44,950)	(129,902)	(228,157)	(132,642)	(360,799)	(76,218)	(65,982)	(142,200)	(203,172)	(134,802)	(337,974)

25 Finance income and costs

a. Finance income

	Parent Company				Consolidated			
	9/30/2020		9/30/2019		9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest income	478	1,462	582	1,551	696	2,164	1,141	2,297
Investment income	960	3,356	1,257	5,723	1,360	4,732	1,928	6,644
Discounts obtained	118	338	20	144	299	559	40	169
Exchange and inflation gains	70	595	196	580	724	1,728	446	1,055
Others	-	-	-	-	483	2,314	292	207
	<u>1,626</u>	<u>5,751</u>	<u>2,055</u>	<u>7,998</u>	<u>3,562</u>	<u>11,497</u>	<u>3,847</u>	<u>10,372</u>

b. Finance costs

	Parent Company				Consolidated			
	9/30/2020		9/30/2019		9/30/2020		9/30/2019	
	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period	Three-month period	Nine-month period
Interest on borrowings	(219)	(900)	(1,000)	(1,331)	(326)	(1,252)	(1,514)	(2,032)
Exchange and inflation losses	(394)	(1,768)	(609)	(1,769)	(1,420)	(6,097)	(1,405)	(2,566)
Interest on debentures	(1,945)	(5,830)	(1,235)	(10,033)	(2,329)	(7,092)	(1,960)	(11,252)
Commissions and bank fees	(61)	(237)	(76)	(185)	(279)	(1,091)	(164)	(440)
IOF (tax on financial transactions)	(1)	(15)	(3)	(8)	(50)	(120)	(47)	(56)
Lease charges	(1,044)	(3,287)	(1,237)	(3,892)	(1,077)	(3,477)	(1,451)	(4,219)
Others	(461)	(906)	(432)	(1,133)	(817)	(1,924)	(663)	(1,428)
	<u>(4,125)</u>	<u>(12,943)</u>	<u>(4,592)</u>	<u>(18,351)</u>	<u>(6,298)</u>	<u>(21,053)</u>	<u>(7,204)</u>	<u>(21,993)</u>

26 Segment information

Information by operating segment is being presented in accordance with CPC 22 Operating Segments (IFRS 8).

The Company's reportable segments are business units that offer different products and services and are managed separately since each business requires different technologies and market strategies. The main information used by management to assess the performance of each segment is as follows: total property, plant and equipment since these are the assets that generate the Company's revenue and the profit before finance income and costs reported by each segment to evaluate the return on these investments. The information on liabilities by segment is not being reported since it is not used by the Company's chief decision makers to manage the segments. Management does not use analyses by geographic area to manage its businesses.

The Company's segments have completely different activities, as described below, and therefore their assets are specific to each segment. The assets were allocated to each reportable segment according to the nature of each item.

On September 28, 2015, aimed at obtaining synergy gains and greater productivity, the Company consolidated the commercial management of the Heavy Construction and Construction business units. The result of such consolidation was the creation of the new business unit Construction. From that date, segment information is presented according to this new structure.

a. Construction business unit

The Construction business unit operates in the heavy construction market and provides formworks, shoring, non-mechanized access equipment, mast climbing platforms and scaffolds to the residential and office building construction sector, using cutting edge technology in formworks, shoring and special equipment systems to do construction works, and it has the largest product and service portfolio with customized solutions that meet the specific needs of each project and generate efficiency and cut costs. With presence in several states, this business unit draws on a team of engineers and specialized technicians who play an advisory and support role to meet deadlines and optimize costs and safety, providing technical assistance and helping planning works, detailing projects, and overseeing the assembly.

b. Rental business unit

The Rental business unit operates in the aerial work platforms and telescopic handlers rental and sales market, for height works in all sectors of the construction, trade, and manufacturing industries. The BU ensures productivity, profitability and safety, has the most advanced product line for lifting people and cargo, and offers its customers operation training certified by the IPAF (world areal access authority). Its presence in several Brazilian cities not only reinforces the agility of its commercial service but it also broadens the technical assistance through certified professionals.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company assesses the performance by segment based on pretax profit or loss as well as on other operating and financial indicators.

Statement of operations by business segment - Nine-month period

	<u>Construction</u>		<u>Rental</u>		<u>Others (*)</u>		<u>Parent Company</u>	
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Net revenue	65,938	58,440	201,965	159,436	-	(16)	267,903	217,860
(-) Costs	(35,867)	(29,141)	(81,541)	(53,383)	-	-	(117,408)	(82,524)
(-) Expenses	(22,934)	(28,127)	(48,754)	(52,982)	(263)	(844)	(71,951)	(81,953)
(-) Allowance for expected credit losses	4,933	(3,333)	(7,457)	(1,411)	-	-	(2,524)	(4,744)
(-) Depreciation and amortization	(36,158)	(31,499)	(53,857)	(64,202)	-	-	(90,015)	(95,701)
(+) Other revenues	521	425	407	459	-	-	928	884
(+) Share of profit (loss) of subsidiaries	-	-	2,648	266	-	-	2,648	266
Profit (Loss) before finance income (costs) and taxes	<u>(23,567)</u>	<u>(33,235)</u>	<u>13,411</u>	<u>(11,817)</u>	<u>(263)</u>	<u>(860)</u>	<u>(10,419)</u>	<u>(45,912)</u>
Finance income	3,204	4,202	2,592	3,732	(45)	64	5,751	7,998
Finance costs	(6,140)	(9,129)	(6,513)	(8,908)	(290)	(314)	(12,943)	(18,351)
Profit (loss) before IRPJ/CSL	(26,503)	(38,161)	9,490	(16,993)	(598)	(1,110)	(17,611)	(56,265)
(-) IRPJ/CSL	<u>7,201</u>	<u>9,882</u>	<u>(2,142)</u>	<u>3,846</u>	<u>176</u>	<u>233</u>	<u>5,235</u>	<u>13,961</u>
Profit (loss) for the period	<u>(19,302)</u>	<u>(28,280)</u>	<u>7,348</u>	<u>(13,147)</u>	<u>(422)</u>	<u>(877)</u>	<u>(12,376)</u>	<u>(42,304)</u>

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	Construction		Rental		Others (*)		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Net revenue	65,938	58,440	292,259	242,691	-	(201)	358,197	300,930
(-) Costs	(35,867)	(29,139)	(99,139)	(80,403)	-	-	(135,006)	(109,541)
(-) Expenses	(22,934)	(28,126)	(88,740)	(76,531)	(263)	(845)	(111,937)	(105,503)
(-) Allowance for expected credit losses	4,933	(3,333)	(10,528)	(2,300)	-	-	(5,595)	(5,633)
(-) Depreciation and amortization	(36,158)	(31,499)	(77,698)	(91,420)	-	-	(113,856)	(122,919)
(+) Other revenues	521	425	1,426	(520)	-	-	1,947	(95)
Profit (Loss) before finance income (costs) and taxes	<u>(23,567)</u>	<u>(33,233)</u>	<u>17,580</u>	<u>(8,484)</u>	<u>(263)</u>	<u>(1,046)</u>	<u>(6,250)</u>	<u>(42,761)</u>
Finance income	3,204	4,202	8,338	6,106	(45)	40	11,497	10,348
Finance costs	(6,140)	(9,129)	(14,623)	(12,550)	(290)	(290)	(21,053)	(21,969)
Profit (loss) before IRPJ/CSL	(26,503)	(38,161)	11,295	(14,927)	(598)	(1,296)	(15,806)	(54,382)
(-) IRPJ/CSL	<u>7,201</u>	<u>9,882</u>	<u>(3,947)</u>	<u>1,963</u>	<u>176</u>	<u>233</u>	<u>3,430</u>	<u>12,078</u>
Profit (loss) for the period	<u><u>(19,302)</u></u>	<u><u>(28,279)</u></u>	<u><u>7,348</u></u>	<u><u>(12,963)</u></u>	<u><u>(422)</u></u>	<u><u>(1,062)</u></u>	<u><u>(12,376)</u></u>	<u><u>(42,304)</u></u>

Statement of operations by business segment - Three-month period

	<u>Construction</u>		<u>Rental</u>		<u>Others (*)</u>		<u>Parent Company</u>	
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Net revenue	32,606	22,310	77,027	53,606	-	-	109,633	75,917
(-) Costs	(20,967)	(10,698)	(33,505)	(15,341)	-	-	(54,472)	(26,040)
(-) Expenses	(7,835)	(9,464)	(17,113)	(22,405)	(284)	(655)	(25,232)	(32,524)
(-) Allowance for expected credit losses	3,957	(2,881)	(2,048)	(566)	-	-	1,909	(3,447)
(-) Depreciation and amortization	(11,736)	(4,408)	(15,093)	(27,160)	-	-	(26,829)	(31,567)
(+) Other revenues	271	26	323	127	-	-	594	153
(+) Share of profit (loss) of subsidiaries	-	-	113	(1,539)	-	-	113	(1,539)
Profit (Loss) before finance income (costs) and taxes	<u>(3,704)</u>	<u>(5,115)</u>	<u>9,704</u>	<u>(13,279)</u>	<u>(284)</u>	<u>(655)</u>	<u>5,716</u>	<u>(19,048)</u>
Finance income	820	1,117	790	932	17	6	1,627	2,055
Finance costs	(1,934)	(2,273)	(2,041)	(2,171)	(150)	(148)	(4,125)	(4,592)
Profit (loss) before IRPJ/CSLL	(4,818)	(6,272)	8,453	(14,517)	(417)	(797)	3,218	(21,584)
(-) IRPJ/CSL	51	(442)	(2,202)	2,460	116	132	(2,035)	2,150
Profit (loss) for the period	<u>(4,767)</u>	<u>(6,713)</u>	<u>6,251</u>	<u>(12,057)</u>	<u>(301)</u>	<u>(664)</u>	<u>1,183</u>	<u>(19,434)</u>

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	Construction		Rental		Others (*)		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Net revenue	32,606	22,310	101,186	107,306	-	(185)	133,792	129,431
(-) Costs	(20,967)	(10,698)	(37,422)	(30,519)	-	-	(58,389)	(41,217)
(-) Expenses	(7,835)	(9,464)	(29,540)	(38,421)	(284)	(655)	(37,659)	(48,540)
						-		
(-) Allowance for expected credit losses	3,957	(2,881)	(2,527)	53	-	-	1,430	(2,828)
(-) Depreciation and amortization	(11,736)	(4,408)	(22,117)	(48,035)	-	-	(33,853)	(52,443)
(+) Other revenues	271	26	1,065	221	-	-	1,336	247
Profit (Loss) before finance income (costs) and taxes	(3,704)	(5,115)	10,645	(9,395)	(284)	(840)	6,656	(15,350)
Finance income	820	1,117	2,724	2,700	17	6	3,562	3,823
Finance costs	(1,934)	(2,273)	(4,214)	(4,760)	(150)	(147)	(6,298)	(7,180)
Profit (loss) before IRPJ/CSLL	(4,818)	(6,272)	9,155	(11,455)	(417)	(980)	3,920	(18,707)
(-) IRPJ/CSLL	51	(442)	(2,904)	(417)	116	132	(2,737)	(727)
Profit (loss) for the period	(4,767)	(6,713)	6,251	(11,872)	(301)	(849)	1,183	(19,434)

Assets by business segment

	<u>Construction</u>		<u>Rental</u>		<u>Others (*)</u>		<u>Parent Company</u>	
	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>
Property, plant and equipment								
Acquisition cost	438,716	458,877	930,783	718,522	-	-	1,369,499	1,177,399
(-) Accumulated depreciation	<u>(325,037)</u>	<u>(308,260)</u>	<u>(665,182)</u>	<u>(471,348)</u>	<u>-</u>	<u>-</u>	<u>(990,219)</u>	<u>(779,608)</u>
	113,679	150,617	265,601	247,174	-	-	379,280	397,791
Other assets	<u>280,942</u>	<u>214,391</u>	<u>655,832</u>	<u>674,178</u>	<u>27,395</u>	<u>26,452</u>	<u>964,169</u>	<u>915,020</u>
Total assets	<u>394,621</u>	<u>365,008</u>	<u>921,433</u>	<u>921,352</u>	<u>27,395</u>	<u>26,452</u>	<u>1,343,449</u>	<u>1,312,812</u>
	<u>Construction</u>		<u>Rental</u>		<u>Others (*)</u>		<u>Consolidated</u>	
	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>	<u>9/30/2020</u>	<u>12/31/2019</u>
Property, plant and equipment								
Acquisition cost	438,716	458,877	1,185,486	1,197,367	-	-	1,624,204	1,656,244
(-) Accumulated depreciation	<u>(325,037)</u>	<u>(308,260)</u>	<u>(829,346)</u>	<u>(771,412)</u>	<u>-</u>	<u>-</u>	<u>(1,154,383)</u>	<u>(1,079,672)</u>
	113,679	150,617	356,140	425,955	-	-	469,819	576,572
Other assets	<u>280,942</u>	<u>214,391</u>	<u>618,498</u>	<u>558,481</u>	<u>27,397</u>	<u>26,452</u>	<u>926,835</u>	<u>799,323</u>
Total assets	<u>394,621</u>	<u>365,008</u>	<u>974,638</u>	<u>984,436</u>	<u>27,397</u>	<u>26,452</u>	<u>1,396,654</u>	<u>1,375,895</u>

(*) Refer to the remaining operations of the former business units Manufacturing Services and Events.

27 Financial instruments

27.1 Category of financial instruments

The classification of financial instruments, by category, can be summarized as follows:

	Classification	Level	Parent Company carrying amount		Consolidated carrying amount	
			9/30/2020	12/31/2019	9/30/2020	12/31/2019
Financial assets						
Cash and cash equivalents	Fair value through profit or loss	1	170,874	73,656	262,218	124,910
Swap	Fair value through profit or loss	1	-	-	1,141	43
Rohr Investment	Fair value through other comprehensive income	3	50,579	50,579	50,579	50,579
Accounts receivable from third parties	Amortized cost	-	64,930	68,005	88,697	116,803
Accounts receivable from related parties	Amortized cost	-	4,077	1,451	-	-
Financial liabilities						
Borrowings and financing	Amortized cost	-	-	2,545	5,708	10,214
Debentures	Amortized cost	-	98,470	56,367	120,101	81,343
Accounts payable to third parties	Amortized cost	-	19,458	16,389	28,051	26,670
Accounts payable to related parties	Amortized cost	-	546	2,893	-	-
Stock option plans	Amortized cost	-	55,887	56,357	55,887	56,357

27.2 Fair value of financial instruments

A number of the Company's accounting policies and disclosures require a fair value measurement, for both financial and non-financial assets and liabilities. Fair value for measurement and/or disclosure purposes is determined according to the methods below. When applicable, additional information on the assumptions used to calculate the fair values is disclosed in specific notes applicable to such asset or liability.

The Company applies CPC 40/IFRS 7 for financial instruments measured in the balance sheets at fair value, which requires disclosure of fair value measurements at the level of the following fair value measurement hierarchy:

Level 1 - quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (e.g. as prices) or indirectly (e.g. derived from prices).

Level 3 - inputs, for the asset or liability, but which are not based on observable market inputs (non-observable inputs).

a. Fair value of cash and cash equivalents

Cash and cash equivalents consist of short-term investments with first-tier financial institutions and are indexed to the variation of the Interbank Deposit Certificates (CDI). Considering that the CDI rate already reflects the interbank market position, it is assumed that the carrying amounts of the investments approximate their fair values.

b. Fair value of Rohr investment

As at September 30, 2020, the Company has an investment measured at fair value through other comprehensive income - Investment Rohr in the amount of R\$ 50,579 (R\$ 50,579 as at December 31, 2019), as presented in note 8. This financial instrument is classified in level 3.

The fair values of trade receivables and trade payables, considered for applying the discounted cash flow method, are substantially similar to their carrying amounts.

27.3 Financial instrument at amortized cost

a. Borrowings and financing

Amortized cost of a financial asset or financial liability is the amount by which the financial asset or financial liability is measured at the initial recognition less capital repayments, any changes in amortization or interest and impairment.

The fair values of financial liabilities, considering the discounted cash flow methodology as the calculation criterion, are substantially similar to the respective carrying amounts.

b. Debentures

Debt	Indicator	Consolidated carrying amount	
		9/30/2020	12/31/2019
1st issue of debentures - Solaris Equipamentos	CDI	21,631	24,976
2nd issue of debentures:			
2nd series	IPCA	-	56,428
4th issue of debentures	CDI	100,301	-
		121,932	81,403

27.4 Sensitivity analysis

The following table shows a sensitivity analysis of the financial instruments, describing the interest rate risks that could generate material losses to the Company, with the most probable scenario (scenario I) according to management's assessment, considering a one- year time horizon. Additionally, other two scenarios are presented, pursuant to CVM Instruction 475/2008, in order to show a 25% and 50% deterioration in the risk variable considered, respectively (scenarios II and III):

				<u>Parent Company</u>	
				<u>Profit (loss) effect</u>	
Short-term investments	Indicator	Accounting	Probable	25%	50%
Short-term investments		169,647	3,145	2,359	1,572
				<u>Parent Company</u>	
				<u>Profit (loss) effect</u>	
Debt	Indicator	Accounting	Probable	25%	50%
4th issue of debentures		98,470	4,410	4,924	5,437
				<u>Consolidated</u>	
				<u>Profit (loss) effect</u>	
Short-term investments	Indicator	Accounting	Probable	25%	50%
Short-term investments		260,913	5,086	3,816	2,544
				<u>Consolidated</u>	
				<u>Profit (loss) effect</u>	
Debt	Indicator	Accounting	Probable	25%	50%
1st issue of debentures - Solaris Equipamentos		21,631	1,536	1,649	1,763
Working capital		5,708	456	486	516
4th issue of debentures		98,470	4,410	4,924	5,437
		125,809	6,402	7,059	7,716

	9/30/2020		
Scenarios	Probable I	Scenario II 25%	Scenario III 50%
Rates			
Active CDI (%)	2.00%	1.50%	1.00%
Passive CDI (%)	2.00%	2.50%	3.00%
IPCA (%)	3.40%	4.25%	5.10%

Source: Focus Report of October 16, 2020.

The sensitivity analysis presented above takes into account changes in a certain risk, keeping steady the other variables, associated with other risks.

27.5 Liquidity risk

The table below analyzes the main financial liabilities by maturity bracket, corresponding to the remaining period in the balance sheet through the contractual maturity date, when the Company expects to make the payment.

The interest rates (CDI and TLP) estimated for future commitments reflect the market rates in each period.

	Past due	Up to one month	More than one month and less than three months	More than three months and less than one year	Between one and two years	Between two and five years	Total Parent Company
At September 30, 2020							
Borrowings and financing	-	-	-	-	-	-	-
Debtentures	-	-	1,040	20,626	27,817	73,887	123,370
Leases payable - Properties	-	1,181	3,041	10,116	12,518	24,945	51,801
Leases payable - Vehicles	-	94	187	458	157	-	896
Accounts payable to third parties	1,101	12,435	5,883	39	-	-	19,458
Accounts payable to related parties	-	-	-	546	-	-	546
At December 31, 2019							
Borrowings and financing	-	279	450	1,324	-	618	2,671
Debtentures	-	-	-	60,423	-	-	60,423
Leases payable - Properties	-	1,047	2,078	7,012	21,518	30,563	62,218
Leases payable - Vehicles	-	196	392	1,049	141	-	1,778
Accounts payable to third parties	7,185	10,207	1,918	29	-	-	19,339
Accounts payable to related parties	-	-	-	2,893	-	-	2,893

	Past due	Up to one month	More than one month and less than three months	More than three months and less than one year	Between one and two years	Between two and five years	Total Consolidated
At September 30, 2020							
Borrowings and financing	-	102	302	4,941	-	-	5,345
Debtentures	-	116	1,406	33,268	37,799	73,887	146,476
Leases payable - Properties	-	1,408	4,001	10,820	13,022	24,945	54,196
Leases payable - Vehicles	-	218	434	1,013	176	-	1,841
Accounts payable to third parties	3,937	14,494	9,224	396	-	-	28,051
At December 31, 2019							
Working capital	-	112	1,778	2,466	-	3,876	8,232
Borrowings and financing	-	279	450	1,324	-	618	2,671
Debtentures	-	842	2,975	78,890	-	3,949	86,656
Leases payable - Properties	-	1,344	2,625	8,842	22,498	30,563	65,872
Leases payable - Vehicles	-	338	676	2,328	523	-	3,865
Accounts payable to third parties	1,685	19,511	4,977	309	-	-	26,482

27.6 Credit quality of financial assets

(i) Cash and cash equivalents and restricted bank deposits

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Bank account				
Bank (i)	1,227	18	1,305	113
Short-term investments				
Bank (i)	169,647	73,638	260,913	124,797
Restricted bank deposits (i)	-	-	-	-
Total cash and cash equivalents and restricted bank deposits	170,874	73,656	262,218	124,910

- 2) Major financial institutions widely operating in Brazil, among the ten banks with the largest total assets in Brazil.

27.7 Capital management

The purpose of managing the Company's desirable capital structure is to protect its equity, allow for business continuity, offer good conditions for its employees and stakeholders and a satisfactory return for shareholders. The Company's general strategy has remained unchanged since 2010.

In order to maintain or adjust the capital structure, the Company may, for example, in accordance with its bylaws, increase its capital, issue new shares, and approve the issue of debentures and the buyback of its shares.

The Company uses as the main performance indicator to assess its gearing ratio between the total net debt ratio (total bank debt less total cash and cash equivalents) and the Operating Cash Flow accumulated in the last 12 months.

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Total bank debt	98,470	58,911	125,809	91,557
Borrowings and financing	-	2,545	5,708	10,215
Debentures (see note 14)	98,470	56,367	120,101	81,342
Cash and cash equivalents	170,874	73,656	262,218	124,910
Restricted bank deposits	-	-	-	-
Net cash	72,404	14,745	136,409	33,353
Equity	1,095,333	1,107,373	1,095,333	1,107,373
Net debt to equity	0.10	0.01	0.12	0.03

The Company is not subject to any external capital requirement.

Credit facilities available

	Parent Company	
	9/30/2020	12/31/2019
Unsecured bank credit facilities, reviewed annually and with payment upon request:		
Used	-	14,843
Not used	87,200	203,200
Secured bank credit facilities with varying maturity dates that can be extended by common agreement:		
Used	3,200	14,843
Not used	-	-

27.8 Derivative financial instruments

The Subsidiary contracts, in certain situations, derivative financial instruments to manage its exposure to exchange rate risk.

							<u>Consolidated</u>
							<u>9/30/2020</u>
	Reference	Receivable	Payable		Long	Short	Balance
	in 2018	(long position)	(short position)	Maturity	position	position	swap
Banco do Brasil	8,678	Exchange variation + 7.75% p.a.	100% CDI + 3.63%	8/13/2021	4,143	(3,002)	1,141

28 Insurance

The Company and its subsidiaries have insurance contracts taking into account the nature and degree of risks, in amounts considered sufficient to cover any losses on their assets and/or liabilities.

Nature	<u>Parent Company</u>		<u>Consolidated</u>	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Operational risks	1,875,162	1,339,943	3,106,292	2,219,677
Property damages	480,142	480,642	613,678	613,678
Civil liability	110,000	110,000	110,500	110,500

29 Subsequent events

At the Extraordinary General Meeting on October 6, 2020, the shareholders approved a capital reduction by Solaris in Cravinhos branch (State of São Paulo) in the amount of R\$ 6,607, with the capital reducing from the current R\$ 170,791 to R\$ 164,184.

At the Extraordinary General Meeting on October 13, 2020, the shareholders approved a capital reduction by Solaris in São José dos Pinhais branch (State of Paraná) in the amount of R\$ 10,145, with the capital reducing from the current R\$ 164,184 to R\$ 154,039.