

Mills Estruturas e Serviços de Engenharia S.A.

**Presentation of Interim Financial
Information for the Quarter Ended
March 31, 2017 and Report on
Review of Interim Financial
Information**

**(A free translation of the original report
in Portuguese containing financial
statements prepared in accordance
with accounting practices adopted in
Brazil)**

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Independent Auditor's Review Report on Interim Financial 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 practices adopted in Brazil, rules of the CVM and the International Financial Reporting Standards - IFRS)

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

Introduction

We have reviewed the accompanying interim financial information of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), contained in the quarterly information - ITR for the quarter ended March 31, 2017, which comprises the balance sheet as at March 31, 2017, and the statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of interim financial information in accordance with standard 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 (CVM), applicable to the preparation of quarterly information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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



Conclusion on the interim financial information

Based on our review, we are not aware of any fact that might lead us to believe that the interim financial information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the 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 interim statements of added value (DVA) for the three-month period ended March 31, 2017, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IAS 34 purposes, have been subject to review procedures jointly performed with the review of the Company's quarterly information – ITR. In order to form our opinion, we assessed whether those statements are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria determined in the Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, we are not aware of any fact that might lead us to believe that the interim financial information included in the aforementioned quarterly information was not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

Rio de Janeiro, May 9, 2017

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Original 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 March 31, 2017 and December 31, 2016

(In thousands of Brazilian Reais – R\$)

	Notes	03/31/2017	12/31/2016
Assets			
Current			
Cash and cash equivalents	3	338,927	330,682
Trade receivables	4	60,588	65,834
Inventories	5	17,326	13,905
Inventories – other assets held for sale	6	7,667	-
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Profit)	7	8,734	12,376
Taxes recoverable	7	12,758	16,630
Advances to suppliers		1,139	2,192
Other receivables – sale of investee	8	23,231	22,558
Other assets		4,931	8,081
Assets held for sale	9	6,593	-
		<u>481,894</u>	<u>472,258</u>
Noncurrent			
Trade receivables	4	2,419	-
Deferred taxes - IRPJ and CSLL	18	106,985	87,984
Judicial deposits	19	10,778	10,820
		<u>120,182</u>	<u>98,804</u>
Investments			
Available-for-sale financial asset	10	75,052	75,052
Property, plant and equipment	11	757,289	821,192
Intangible assets	12	44,911	43,441
		<u>877,252</u>	<u>939,685</u>
Total assets		<u>1,479,328</u>	<u>1,510,747</u>

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Balance sheets as of March 31, 2017 and December 31, 2016

(In thousands of Brazilian Reais – R\$)

	Notes	03/31/2017	12/31/2016
Liabilities and equity			
Current			
Trade payables	13	13,875	13,058
Payroll and related taxes		16,922	17,670
Borrowings and financing	14	3,173	3,173
Debentures	15	162,380	156,562
Tax debt refinancing program (REFIS)		1,293	1,271
Taxes payable		1,127	1,748
Dividends and interest on capital payable	20	3	3
Other liabilities		731	270
		<u>199,504</u>	<u>193,755</u>
Noncurrent			
Borrowings and financing	14	8,008	8,792
Debentures	15	283,106	281,561
Provision for tax, civil and labor risks	19	20,503	20,125
Tax debt refinancing program (REFIS)		8,175	8,350
Other liabilities		200	215
		<u>319,992</u>	<u>319,043</u>
Total liabilities		<u>519,496</u>	<u>512,798</u>
Equity			
Subscribed capital	20	688,319	688,319
Capital reserves	20	31,740	30,935
Earnings reserves	20	289,840	289,840
Treasury shares	20	(20,287)	(20,287)
Equity adjustment	20	9,142	9,142
Accumulated losses	20	(38,922)	-
Total equity		<u>959,832</u>	<u>997,949</u>
Total liabilities and equity		<u>1,479,328</u>	<u>1,510,747</u>

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of operations

Three-month periods ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

	Notes	03/31/2017	03/31/2016
Net revenue from sales and services	22	66,120	130,083
Cost of sales and services	23	<u>(67,609)</u>	<u>(90,522)</u>
Gross profit (loss)		<u>(1,489)</u>	<u>39,561</u>
General and administrative expenses	23	(37,531)	(50,529)
Other operating income (expenses)	24	<u>(15,482)</u>	<u>(539)</u>
Loss before finance income (expenses) and taxes		<u>(54,502)</u>	<u>(11,507)</u>
Finance income	25	11,658	12,551
Finance expenses	25	(14,965)	(25,178)
Loss before taxes		(57,809)	(24,134)
Deferred income tax and social contribution	18	<u>18,887</u>	<u>6,331</u>
Loss for the period		<u><u>(38,922)</u></u>	<u><u>(17,803)</u></u>
Basic and diluted loss per share - R\$	21(a) and (b)	(0.24)	(0.14)

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of comprehensive income (loss)

Three-month periods ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

	Notes	03/31/2017	03/31/2016
Loss for the period		(38,922)	(17,803)
Total comprehensive income (loss) for the period		(38,922)	(17,803)

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of changes in shareholders' equity

Three-month periods ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

			Capital reserve		Earnings reserves			Treasury shares	Equity adjustment	Accumulated losses	Total
	Subscribed capital	Advance for future capital increase	Stock option premium	Shares issue premium	Legal	Expansion	Earnings retention				
At January 1, 2016	<u>563,319</u>	<u>-</u>	<u>45,020</u>	<u>(15,069)</u>	<u>32,611</u>	<u>63,649</u>	<u>292,988</u>	<u>(20,287)</u>	<u>-</u>	<u>-</u>	<u>962,231</u>
Stock option premium	-	-	1,363	-	-	-	-	-	-	-	1,363
Advance for future capital increase	-	124,569	-	-	-	-	-	-	-	-	124,569
Loss for the period	-	-	-	-	-	-	-	-	-	(17,803)	(17,803)
At March 31, 2016	<u>563,319</u>	<u>124,569</u>	<u>46,383</u>	<u>(15,069)</u>	<u>32,611</u>	<u>63,649</u>	<u>292,988</u>	<u>(20,287)</u>	<u>-</u>	<u>(17,803)</u>	<u>1,070,360</u>
At December 31, 2016	<u>688,319</u>	<u>-</u>	<u>49,383</u>	<u>(18,448)</u>	<u>32,611</u>	<u>63,649</u>	<u>193,580</u>	<u>(20,287)</u>	<u>9,142</u>	<u>-</u>	<u>997,949</u>
At January 1, 2017	<u>688,319</u>	<u>-</u>	<u>49,383</u>	<u>(18,448)</u>	<u>32,611</u>	<u>63,649</u>	<u>193,580</u>	<u>(20,287)</u>	<u>9,142</u>	<u>-</u>	<u>997,949</u>
Stock option premium	-	-	805	-	-	-	-	-	-	-	805
Loss for the period	-	-	-	-	-	-	-	-	-	(38,922)	(38,922)
At March 31, 2017	<u>688,319</u>	<u>-</u>	<u>50,188</u>	<u>(18,448)</u>	<u>32,611</u>	<u>63,649</u>	<u>193,580</u>	<u>(20,287)</u>	<u>9,142</u>	<u>(38,922)</u>	<u>959,832</u>

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of cash flow

Three-month periods ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

	03/31/2017	03/31/2016
Cash flows from operating activities		
Loss for the period	(38,922)	(17,803)
Adjustments:		
Depreciation and amortization	38,274	40,483
Deferred income tax and social contribution	(18,887)	(6,331)
Provision (reversal) for tax, civil and labor risks	(110)	1,346
Accrued expenses on stock options	805	1,363
Residual value of property, plant and equipment and intangible assets sold and written off	22,184	24,728
Interest and monetary exchange gains and losses, net	13,896	22,426
Allowance (reversal) for doubtful debts	(2,855)	9,031
Provision for impairment of inventories held for sale	2,985	-
Provision (reversal) for slow-moving inventories	(1,428)	119
Others	(170)	870
(Increase) decrease in assets and increase (decrease) in liabilities:		
Trade receivables	1,059	(910)
Acquisitions of rental equipment	(1,783)	(115)
Inventories	(1,993)	108
Taxes recoverable	3,872	5,073
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Profit)	3,642	4,893
Judicial deposits	88	621
Other assets	2,234	(1,558)
Trade payables	987	(930)
Payroll and related taxes	(748)	(1,497)
Taxes payable	(774)	(1,353)
Other liabilities	447	426
Lawsuits settled	(500)	(344)
Interest paid	(6,024)	(11,726)
Net cash generated by operating activities	<u>16,279</u>	<u>68,920</u>
Cash flows from investing activities:		
Acquisition of PP&E for own use and intangible assets	<u>(7,249)</u>	<u>(1,185)</u>

Mills Estruturas e Serviços de Engenharia S.A.

Statements of cash flow

Three-month period ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

	03/31/2017	03/31/2016
Net cash (used in) investing activities	<u>(7,249)</u>	<u>(1,185)</u>
Cash flows from financing activities		
Advance for future capital increase	-	124,569
Amortization of borrowings	(785)	(785)
Net cash generated by (used in) financing activities	<u>(785)</u>	<u>123,784</u>
Net increase in cash and cash equivalents	<u>8,245</u>	<u>191,519</u>
Cash and cash equivalents at the beginning of the period	<u>330,682</u>	<u>232,011</u>
Cash and cash equivalents at the end of the period	<u>338,927</u>	<u>423,530</u>
Net increase in cash and cash equivalents	<u>8,245</u>	<u>191,519</u>

Until March 31, 2017 the Company wrote off bills up to 5 years past due, totaling R\$ 2,355, and exchanged credits amounting to R\$ 6,593 for assets held for sale, which are not reflected in the statement of cash flows because they do not reflect cash movements.

The accompanying notes are an integral part of this interim financial information.

Mills Estruturas e Serviços de Engenharia S.A.

Statements of added value

Three-month periods ended March 2017 and 2016

(In thousands of Brazilian Reais – R\$)

	03/31/2017	03/31/2016
Revenues:		
Sales of products and services	92,526	158,057
Cancelations and discounts	(19,596)	(18,080)
Other revenues	3,277	(527)
(Set up)/Reversal of allowance for doubtful debts	2,855	(9,059)
	<hr/>	<hr/>
	79,062	130,391
Inputs purchased from third parties		
Cost of sales and services	(1,053)	(1,468)
Materials, energy, outside services and others	(47,713)	(28,079)
Write-off of assets	(3,600)	(23,785)
	<hr/>	<hr/>
Gross added value	26,696	77,059
Depreciation, amortization and depletion	(38,274)	(40,483)
Net added value produced by the Company	<hr/>	<hr/>
	(11,578)	36,576
Added value received in transfer		
Finance income	11,658	12,551
Total added value for distribution	<hr/>	<hr/>
	80	49,127
Distribution of added value		
Personnel and payroll taxes	25,649	27,293
Salaries	19,780	20,859
Benefits	4,466	4,944
Government Severance Indemnity Fund for Employees (FGTS)	1,403	1,490
Taxes and contributions	(6,136)	9,803
Federal	(6,882)	9,191
State	323	247
Municipal	423	365
Lenders and lessors	19,489	29,834
Interest and exchange gains (losses)	14,324	24,798
Rentals	5,165	5,036
Shareholders	(38,922)	(17,803)
Loss for the period	<hr/>	<hr/>
	(38,922)	(17,803)
Added value distributed	<hr/>	<hr/>
	80	49,127

The accompanying notes are an integral part of this interim financial information.

Notes to the quarterly information as of March 31, 2017

(In thousands of Brazilian Reais - 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 and construction markets, engaging in the following principal 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 supply of related engineering projects, supervision 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 provide:

- (a) Rental, assembly, and disassembling of access tubular scaffolding in industrial areas.
- (b) 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, already reflected in the financial statements as at December 31, 2016, approved by Management, containing the following business units: Construction and Rental. The descriptions of each business unit are mentioned in note 26.

The interim information contained in this quarterly information was approved by the Company's Board of Directors and authorized for issue on May 8, 2017.

2 Summary of significant accounting policies

2.1 Basis of presentation

The Company's interim financial information comprises the interim financial 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 financial 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, 2016, which have been prepared in accordance with accounting practices adopted in Brazil and 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, 2016), which, in view of the lack of significant changes this quarter, are not being reproduced in full in this interim financial information:

The notes not included in the period ended March 31, 2017 are “Critical accounting judgments and key estimates and assumptions”, “Financial risk management”, “Capital management”, “Tax debt refinancing program (REFIS)”, “Dividends and interest on capital proposed”, “Impairment losses”, restated, in the financial statements for 2016, in notes 3, 4, 5, 22, 25 and 29, respectively.

2.2 Basis of preparation

The accounting policies, calculation methods, significant accounting judgments, estimates and assumptions used in this interim financial information are the same used in the financial statements for the year ended December 31, 2016, disclosed in Notes 2 and 3. These financial statements were filed with CVM on March 14, 2017 and published on the newspaper Valor Econômico and the Official Gazette of the State of Rio de Janeiro on March 21, 2017.

2.2.1 New standards and interpretations

A series of new standards or amendments to standards and interpretations will be effective for the years beginning on or after January 1, 2016. The Company has not adopted these amendments in the preparation of these financial statements. The Company does not plan to adopt the standards earlier.

CPC 48 / IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the guidance existing in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new model of expected credit loss to calculate the impairment of financial assets and new requirements on hedge accounting. The standard also retains the existing guidance on recognition and derecognition of financial instruments of IAS 39. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has defined the methodology to establish credit ratings for its clients, which will be the index of the change of the calculation of PDD, the effect of which will be recognized in the opening balance sheet of 2018, to comply with IFRS 9 – Financial Instruments.

CPC 47 / IFRS 15 - Revenue from Contracts with Customers

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control of these assets or services. The new standard will replace most of the detailed guidance on revenue recognition currently existing in the IFRSs and on the generally accepted accounting principles in the USA (“U.S. GAAP”) when adopted. The new standard is effective on or after January 1, 2018. The standard may be adopted on a retrospective basis, using a cumulative effect approach. The Company engaged a specialized consulting firm to diagnose the need for adequacy to the standard IFRS 15 – Revenues from Contracts with Customers. The expectation is to have such diagnosis and action plan concluded in 2017.

IFRS 16 - Leases

IFRS 16 introduces a single model of lease accounting in the balance sheet for lessees. A lessee recognizes a right-of-use asset which represents its right to use the leased asset and a lease liability which represents its obligation to make lease payments. Optional exemptions are available for short-term leases and leases of low value assets. The lessor accounting remains similar to the current standard, that is, lessors continue to classify leases as finance or operating. The new standard will replace the existing lease standards, including CPC 06 (IAS 17) – Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) – Complementary Aspects of Lease Transactions. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRSs and only for entities that apply IFRS 15 – Revenue from Contracts with Customers beginning on or after the initial application date of IFRS 16. The Company will perform studies related to the implementation of IFRS 16 as of the fourth quarter of 2017 and expects to conclude them up to the second quarter of 2018, in order to be fully prepared for the definitive implementation of the new standard as of January 1, 2019.

The Accounting Pronouncements Committee has not yet issued accounting pronouncements or amendments to accounting pronouncements corresponding to all new IFRSs. Therefore, the early adoption of these IFRSs is not permitted for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

3 Cash and cash equivalents

	03/31/2017	12/31/2016
Cash and banks	646	41
Short-term investments	338,281	330,641
	338,927	330,682

Cash and cash equivalents refer basically to 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 March 31, 2017, short-term investments refer to repurchase agreements bearing average interest of 100.7% of the interbank deposit certificate (CDI) (101.3% of the CDI as at December 31, 2016).

4 Trade receivables

Business unit	03/31/2017			12/31/2016		
	Gross receivables	Allowance for doubtful debts	Net receivables	Gross receivables	Allowance for doubtful debts	Net receivables
Construction	107,816	(73,441)	34,375	117,496	(79,385)	38,111
Rental	85,439	(56,807)	28,632	83,640	(55,917)	27,723
Industrial Services (*)	3,036	(3,036)	-	3,192	(3,192)	-
Total	196,291	(133,284)	63,007	204,328	(138,494)	65,834
Current	193,872	(133,284)	60,588	204,328	(138,494)	65,834
Noncurrent	2,419	-	2,419	-	-	-

(*) Remaining amount receivable from customers of the Industrial Services business unit, which was discontinued on November 30, 2013.

The allowance for doubtful debts is calculated based on the amount considered sufficient to cover potential losses on the realization of receivables, considering an individual analysis of the major customers.

Movement in the allowance for doubtful debts:

	03/31/2017	12/31/2016
Balance at the beginning of the year	138,494	128,156
Allowance for doubtful debts – net P&L effect (i)	(2,855)	21,217
Write-offs	(2,355)	(10,879)
Balance at the end of the year	<u>133,284</u>	<u>138,494</u>

(i) At the end of the quarter ended March 31, 2017, the recognition of the allowance for doubtful debts was R\$15,286 (quarter ended December 31, 2016 – R\$ 79,150) and the reversion of the allowance for doubtful debts was R\$ 18,141 (quarter ended December 31, 2016 – R\$ 57,933), generating a net P&L positive effect of R\$ 2,855 for the quarter ended March 31, 2017 (R\$ 21,217 negative P&L effect for the quarter ended December 31, 2016).

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated and, therefore, no customer or corporate group accounts for 10% or more of the trade receivables.

Age of trade receivables:

	03/31/2017	12/31/2016
Not yet due	41,904	41,693
Not yet due (bills with original due dates extended)	8,991	6,554
1-60 days past due (*)	12,731	16,880
61-120 days past due (*)	8,250	11,739
121-180 days past due (*)	7,928	11,591
Over 180 days past due (*)	<u>116,487</u>	<u>115,871</u>
 Total	 <u>196,291</u>	 <u>204,328</u>

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

5 Inventories

	03/31/2017	12/31/2016
Raw materials	1,790	861
Goods for resale	3,780	3,761
Spare parts and supplies	13,777	12,732
Provision for slow-moving inventories (*)	<u>(2,021)</u>	<u>(3,449)</u>
 Total	 <u>17,326</u>	 <u>13,905</u>

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

Inventories of raw materials refer to toll manufacturing processes to meet the demands of the Company and its customers. Inventories of spare parts refer mainly to access equipment. All inventories are stated at average cost.

6 Inventories - Other assets held for sale

On August 6, 2015, the Board of Directors approved the sale of aerial work platforms and telescopic handlers of the Rental business unit, until December 31, 2017, the total amount of which represents up to ten (10%) percent of the residual book value of such unit's asset, as verified in the Company's balance sheet as of June 30, 2015.

On March 15, 2017, a contract in US Dollars was signed to sell to export 170 cargo handling equipment of the Company's rental assets which were transferred to inventories – other assets held for sale. The equipment delivery schedule will extend up to December 2017. With the transfer of the rental equipment from PP&E to inventories, depreciation was ceased. The acquisition cost of these assets amounted to R\$ 24,690 and the accumulated depreciation was R\$ 14,038, as mentioned in Note 11. The proceeds from the sale transaction is recognized only when the items are delivered.

For this sale agreement, the Company contracted a foreign exchange hedge through a derivative instrument (NDF – Non-Deliverable Forward).

In accordance with technical pronouncement CPC 16, inventories shall be measured at their cost value or net realizable value, whichever is lower. The calculation of the realizable value was performed based on the total sale value, less the cost value of the assets transferred to inventories, including expenses on maintenance and internal freight to be incurred. Consequently, due to the amounts involved and estimated expenses for sale, there was the need to set up a provision for impairment amounting to R\$ 2,985.

	03/31/2017	12/31/2016
Inventories – Other assets held for sale	10,652	-
Provision for impairment	<u>(2,985)</u>	<u>-</u>
	<u>7,667</u>	<u>-</u>

7 Taxes recoverable

	03/31/2017	12/31/2016
PIS and COFINS (taxes on revenue) (*)	11.727	15.403
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Profit) (**)	8.734	12.376
ICMS (State VAT) (***)	685	844
Others	<u>346</u>	<u>383</u>
	<u>21.492</u>	<u>29.006</u>
Current	<u>21.492</u>	<u>29.006</u>

(*) PIS and COFINS credits refer basically to amounts recoverable on purchases of property, plant and equipment offset at the rate of 1/48 per month against non-cumulative PIS and COFINS federal tax obligations which are expected to be realized by March 31, 2018.

(**) Refers to IRPJ and CSLL balances calculated as at December 31, 2016, which will be adjusted for inflation monthly based on the SELIC rate and offset against taxes of the same nature during 2017.

(***) Refers to ICMS (State VAT) levied on the Company's operations.

8 Other trade receivables – Sale of investee

As at March 31, 2017, the amount of R\$ 23,231 (R\$ 22,558 as at December 31, 2016) refers to the last installment receivable from the sale the Industrial Services business unit to Fundo de Investimento em Participação (FIP) Leblon Equities Partners V, managed by Leblon Equities Gestão de Recursos Ltda., in November 2013, with maturity on July 10, 2017.

9 Assets held for sale

In the quarter ended March 31, 2017, the Company signed a contract amounting to R\$ 6,593 referring to exchange of credits from trade receivables for properties, which will not be used in its operation. 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 sale transaction instead of continuous use. Consequently, the Company classified these assets received through exchange, in the account assets held for sale, and concluded that the sale value is higher than the carrying amount.

10 Available-for-sale financial asset

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, there was an increase in the stake in Rohr 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 March 31, 2017, 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, 2016.

b. Impairment loss

In 2016, 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 based on economic projections to determine its fair value, under the income approach, through the discounted cash flow projection, over a ten-year term for purposes of evidencing the amount stated in the accounting records considering the long period of maturation of the investments in infrastructure and civil construction. The fair value measurement is performed at the end of each year 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 March 31, 2017 in relation to December 31, 2016, in which it is R\$ 75,052. The change in fair value was recorded in the Company’s Shareholders’ Equity as equity adjustment, net of deferred income tax and social contribution effects, in the year ended December 31, 2016.

11 Property, plant and equipment

	Equipment for rental and operational use	Rental equipment in progress	Total rental and operational use equipment	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Construction in progress	Total assets in use	Total PP&E
Cost of PP&E, gross												
Balance at December 31, 2015	1,499,502	1,431	1,500,933	31,297	24,211	16,511	1,437	8,711	10,966	-	93,133	1,594,066
Acquisition	2,165	115	2,280	107	-	13	180	631	70	27	1,028	3,308
Write-offs/disposals	(102,140)	-	(102,140)	(3,070)	-	(1,333)	(88)	-	(43)	-	(4,534)	(106,674)
Adjustment for PIS and COFINS credits	(276)	-	(276)	-	-	-	-	-	-	-	-	(276)
Transfer to inventories held for sale	25,609	-	25,609	-	-	-	-	-	-	-	-	25,609
Transfers	1,479	(1,405)	74	24	(73)	-	-	(25)	-	-	(74)	-
Provision for impairment	-	-	-	(3,926)	-	-	-	-	-	-	(3,926)	(3,926)
Balance at December 31, 2016	1,426,339	141	1,426,480	24,432	24,138	15,191	1,529	9,317	10,993	27	85,627	1,512,107
Acquisition	1,525	1,017	2,542	49	-	-	96	288	92	3,118	3,643	6,185
Write-offs/disposals	(64,330)	-	(64,330)	(216)	-	(9)	(206)	-	(3)	-	(434)	(64,764)
Adjustment for PIS and COFINS credits	(108)	-	(108)	-	-	-	-	-	-	-	-	(108)
Transfer to assets held for sale	(24,690)	-	(24,690)	-	-	-	-	-	-	-	-	(24,690)
Balance at March 31, 2017	1,338,736	1,158	1,339,894	24,265	24,138	15,182	1,419	9,605	11,082	3,118	88,836	1,428,730
Accumulated depreciation												
Balance at December 31, 2015	(555,547)	-	(555,547)	(12,528)	(2,826)	(11,300)	(812)	(2,017)	(4,969)	-	(34,452)	(589,999)
Depreciation	(145,240)	-	(145,240)	(4,134)	(670)	(2,019)	(280)	(772)	(857)	-	(8,732)	(153,972)
Write-offs/disposals	66,187	-	66,187	1,731	-	1,333	12	-	13	-	3,089	69,276
Adjustment for PIS and COFINS credits	-	-	-	(421)	-	-	-	(79)	-	-	(500)	(500)
Transfer to inventories held for sale	(15,720)	-	(15,720)	-	-	-	-	-	-	-	-	(15,720)
Transfers	-	(39)	(39)	31	-	-	-	8	-	-	39	-
Balance at December 31, 2016	(650,320)	(39)	(650,359)	(15,321)	(3,496)	(11,986)	(1,080)	(2,860)	(5,813)	-	(40,556)	(690,915)
Depreciation	(34,969)	-	(34,969)	(945)	(167)	(463)	(60)	(203)	(214)	-	(2,052)	(37,021)
Write-offs/disposals	42,359	-	42,359	75	-	7	131	-	2	-	215	42,574
Adjustment for PIS and COFINS credits	-	-	-	(96)	-	-	-	(21)	-	-	(117)	(117)
Transfer to inventories held for sale	14,038	-	14,038	-	-	-	-	-	-	-	-	14,038
Balance at March 31, 2017	(628,892)	(39)	(628,931)	(16,287)	(3,663)	(12,442)	(1,009)	(3,084)	(6,025)	-	(42,510)	(671,441)
Annual depreciation rates - %	10	-	-	10	4	20	20	10	10	-	-	-
Property, plant and equipment, net												
Balance at December 31, 2016	776,019	102	776,121	9,111	20,642	3,205	449	6,457	5,180	27	45,071	821,192
Balance at March 31, 2017	709,844	1,119	710,963	7,978	20,475	2,740	410	6,521	5,057	3,118	46,326	757,289

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

We present below the main acquisitions accumulated through March 31, 2017, by group of assets:

Shoring	1.442
Aerial platforms and telehandlers	341
Machinery and equipment for operational use	759
Facilities	288
Construction work in progress	3.118
Others	<u>237</u>
Total of acquisitions	<u><u>6.185</u></u>

The depreciation for the period, allocated to cost of services and general and administrative expenses, amounts to R\$ 34,240 and R\$ 2,781 as at March 31, 2017 (March 31, 2016 R\$ 36,158 and R\$ 3,080), respectively.

Certain items of property, plant and equipment are pledged as collateral for borrowings (Note 14).

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

Review of estimated useful life

There was no change in the remaining estimated useful life of the fixed assets, and, thus, there was no change in the depreciation rate for the period ended March 31, 2017.

Provision for impairment of goodwill

Management identified indicators of impairment for the Construction and Rental business units in 2016, based on CPC 01, and, accordingly performed the applicable impairment tests. The recoverable amount of this group of assets was determined based on market economic projections to determine its value, under the income approach, through projection of the discounted cash flow for a ten-year period for purposes of determination of the value in use, considering the long period of maturation of the investments in infrastructure and civil construction.

Due to this study, Management concluded that there was no need to set up a provision for impairment of assets of the Construction and Rental Business Units for the year ended December 31, 2016.

The Management did not identify impairment indicators in the Construction and Rental Business Units during the first quarter of 2017.

12. Intangible assets

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total intangible assets
Cost of intangible assets, gross					
Balance at December 31, 2015	49,165	3,156	1,484	13,376	67,181
Acquisition	2,144	-	77	-	2,221
Disposals	(503)	-	-	-	(503)
Transfers	1,561	-	(1,561)	-	-
Balance at December 31, 2016	52,367	3,156	-	13,376	68,899
Acquisition	795	-	2,052	-	2,847
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at March 31, 2017	53,162	3,156	2,052	13,376	71,746
Accumulated amortization					
Balance at December 31, 2015	(15,535)	(643)	-	(4,232)	(20,410)
Amortization	(4,879)	(174)	-	-	(5,053)
Disposals	503	-	-	-	503
Adjustment for PIS and COFINS credits	(498)	-	-	-	(498)
Balance at December 31, 2016	(20,409)	(817)	-	(4,232)	(25,458)
Amortization	(1,210)	(43)	-	-	(1,253)
Disposals	-	-	-	-	-
Adjustment for PIS and COFINS credits	(123)	-	-	-	(123)
Balance at March 31, 2017	(21,742)	(860)	-	(4,232)	(26,834)
Annual amortization rates - %	20	10	-	-	-
Intangible assets, net					
Balance at December 31, 2016	31,958	2,339	-	9,144	43,441
Balance at March 31, 2017	31,420	2,296	2,052	9,144	44,912

Provision for impairment of goodwill

Goodwill arose on the acquisitions of Jahu in 2008 and 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 based on the same assumptions described in Note 11.

Based on this study, Management concluded that there was no need to set up a provision for impairment of goodwill for the year ended December 31, 2016.

12 Trade payables

	03/31/2017	12/31/2016
Domestic suppliers	13,479	12,635
Foreign suppliers	<u>396</u>	<u>423</u>
	<u><u>13,875</u></u>	<u><u>13,058</u></u>

As at March 31, 2017 and December 31, 2016, trade payables refer basically to services provided and installment purchase of materials and PP&E.

13 Borrowings and financing

Borrowings were used for financing the expansion of the Company's investments and for its general use and expenses, being indexed to the CDI (Interbank Deposit Certificate) and TJLP (Long-term Interest Rate).

Rental equipment financing were contracted with charges based on the TJLP plus interest of 0.2% to 0.90% per year, with monthly amortization through June 2021.

Borrowings and financing are as follows:

	03/31/2017	12/31/2016
Borrowings and financing (*)	<u>11,181</u>	<u>11,965</u>
Current	3,173	3,173
Noncurrent	<u>8,008</u>	<u>8,792</u>
	<u><u>11,181</u></u>	<u><u>11,965</u></u>

The financial institutions with which the Company has borrowing and financing as at March 31, 2017 are as follows:

- Banco do Brasil
- Itaú BBA
- The table below shows the contracted guarantees outstanding at the dates:

	03/31/2017	12/31/2016
Guarantees provided:		
Collateral sale (*)	<u>27,103</u>	<u>27,103</u>
Total guarantees	<u><u>27,103</u></u>	<u><u>27,103</u></u>

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

The installments to fall due at the end of the period ended March 31, 2017 are shown below:

2017	2,388
2018 to 2021	<u>8,793</u>
	<u><u>11,181</u></u>

The Company's borrowings contain covenants, the requirements of which are in line with those presented in the debenture indenture and are detailed in note 15.

14 Debentures

Description	Series	Issued amount	Beginning	Maturity	Financial charges	03/31/2017	12/31/2016
2nd issue	1st series	160,940	Aug/2012	Aug/2017	100% CDI + 1,20% p.a.	81,680	84,809
2nd issue	2nd series	109,060	Aug/2012	Aug/2020	IPCA + 7.00 p.a.	155,360	151,721
Issue cost						<u>(403)</u>	<u>(480)</u>
						<u>236,637</u>	<u>236,050</u>
3rd issue	Single	200,000	May/2014	May/2019	116.00% CDI	209,180	202,443
Issue cost						<u>(331)</u>	<u>(370)</u>
						<u>208,849</u>	<u>202,073</u>
Total debentures						<u>445,486</u>	<u>438,123</u>
Current						162,380	156,562
Noncurrent						283,106	281,561

2nd issue of debentures

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.

The debentures have their maturities according to the issue of each series, as follows:

- **1st series** - 16,094 first series debentures, totaling R\$160,940, with maturity on August 15, 2017, not subject to adjustment for inflation. The face value of the first series debentures will be amortized in two annual installments as from the fourth year of their issue and interest paid semiannually will correspond to a surcharge of 0.88% p.a. levied on 100% of the accumulated variation of the DI rate. As of the decision of the Debenture Holders General Meeting of March 22, 2017, surcharge is 1.2% per year. The first of these installments was paid on August 15, 2016.

- **2nd series** - 10,906 second series debentures series, 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 semiannually will correspond to 5.50% p.a. As of the decision of the Debenture Holders General Meeting held on March 22, 2017, interest paid annually will correspond to 7.00% per year of the amount adjusted for inflation as described above.

3rd issue of debentures

The third issue of Company debentures, of a total of 20,000 simple, nonconvertible, registered, unsecured debentures, in a single series, was approved on May 30, 2014, totaling R\$200,000 and unit face value of R\$10.00. These debentures mature on May 30, 2019 and pay interest equivalent to 108.75% of the CDI, payable semiannually, and amortized in three annual, consecutive installments, commencing on May 30, 2017. As of the decision of the Debenture Holders General Meeting held on March 22, 2017, the interest is 116.00% of CDI. The transaction costs associated with this issue, in the amount of R\$745, are being recognized as borrowing costs, in accordance with the contractual terms of the issue.

As at March 31, 2017, the balances of debentures including transaction costs are R\$ 162,713 in current liabilities and R\$283,507 in noncurrent liabilities and R\$ 162,380 and R\$ 283,106 less transaction costs respectively (as at December 31, 2016, the gross balance of debentures is R\$ 156,950 in current liabilities and R\$ 282,022 in noncurrent liabilities, and R\$ 156,562 and R\$ 281,561 less transaction costs).

The main decisions made at the Debenture Holders General Meetings held on March 22, 2017, were:

- Replacement of EBITDA (i) by Operating Cash Flow - FCO (ii), for the calculation of covenants for the purpose of early maturity;
- Keeping of EBITDA in covenants for the purpose of clearance of restricted account and restrictions on dividend distribution and loans between related parties;
- Constitution of collateral guarantee of fiduciary transfer through opening of restricted account, in up to 60 days as of March 22, 2017, from the Company on behalf of debenture holders, in an amount equivalent to 50% of the outstanding balance, measured monthly;
- Change of interest percentages as described above;
- Limitation of dividends above the minimum legal level of 25%;
- Restriction on loans between related parties.

Covenants

The debenture indentures require the compliance with debt and interest coverage ratios under preset parameters, which were altered by the Debenture Holders General Meeting of March 22, 2017, as follows:

- (1) Financial ratio from the quotient of the division of the Net Financial Debt (iii) by FCO shall be equal to or lower than 3; and
- (2) Financial ratio from the quotient of the division of FCO by Net Finance Expense (iv) shall be equal to or higher than 2.
 - (i) “EBITDA” means, based on the Company’s four immediately preceding consolidated financial statements, net profit or loss before income tax and social contribution, less income and plus expenses generated by finance income and expenses and nonoperating income and expenses, depreciation and amortization, and nonrecurring income and expenses; and
 - (ii) “FCO” means, based on the Company’s four immediately preceding consolidated financial statements, net cash generated by operating activities less interest and net monetary gains and losses, acquisitions of rental PP&E items and interest paid; and
 - (iii) “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 and financing with third parties and/or related parties and issue of fixed-income securities, convertible or not, in the local and/or international capital market, as well as guarantees provided by the Company, but 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; and
 - (iv) “Net Finance Expense” means, based on the Company’s four immediately preceding consolidated financial statements, the balance of the difference between the consolidated gross finance income and the consolidated gross finance expense.

Considering the changes in covenants approved by the Debenture Holders General Meetings of March 22, 2017, at the closing of the period ended March 31, 2017, all covenants have been complied with.

15 Related parties

a. Transactions and balances

There were no loans between the Company and its officers during the three-month period ended March 31, 2017 and the year 2016.

As at March 31, 2017 and December 31, 2016, the Company had no consulting service agreements with members of the Board of Directors.

Management compensation

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

	03/31/2017	03/31/2016
Salaries and payroll charges - officers	1,315	998
Fees of the Board of Directors	454	204
Bonus	-	639
Share-based payments	336	852
Total	2,105	2,693

16 Employee benefits

a. Stock option plan

The Company has stock option plans approved by the 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.

Plans	Grant date	Final exercise date	Shares options in thousands			
			Shares options granted	Shares options exercised	Shares options canceled	Outstanding Shares 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)	(166)	421
2012 Program	6/30/2012	5/31/2018	1,258	(402)	(366)	490
2013 Program	4/30/2013	4/30/2019	768	(91)	(164)	513
2014 Program	4/30/2014	4/30/2020	260	-	(67)	193
2016 Program	4/28/2016	4/28/2024	1,700	-	(115)	1,585

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:

(i) the creation of the 1/2014 Stock Option program; (ii) the definition of the criteria to set the strike price of options and their payment terms; (iii) the definition of the terms and conditions of exercise of options; 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 beneficiary's shares under the 2010, 2011, 2012, 2013 and 2014 Stock Option Programs (see note 19 (a.1)).

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 program 1/26.

The plans granted as from 2010 were classified as equity instruments and the weighted average fair value of the options granted was determined based on 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 statement of operations.

	03/31/2017	12/31/2016
2002 Plan		
Capital reserve	1,446	1,446
Number of shares exercised (thousands)	3,920	3,920
Top Mills, Special CEO and EX-CEO Plans		
Capital reserve	1,148	1,148
Number of shares exercised (thousands)	1,055	1,055
Mills Rental Executives Plan		
Capital reserve	4,007	4,007
Number of shares exercised (thousands)	391	391
2010 Plan		
Capital reserve	5,693	5,693
Number of exercisable options (thousands)	106	106
Number of shares exercised (thousands)	1,369	1,369
Number of shares canceled (thousands)	106	73
2011 Program (2010 Plan)		
Capital reserve	7,329	7,329
Number of exercisable options (thousands)	587	587
Number of shares exercised (thousands)	597	597
Number of shares canceled (thousands)	166	157
	03/31/2017	12/31/2016

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2012 Program (2010 Plan)		
Capital reserve	14,161	14,162
Number of exercisable options (thousands)	856	856
Number of shares exercised (thousands)	402	402
Number of shares canceled (thousands)	366	345
2013 Program (2010 Plan)		
Capital reserve	11,757	11,326
Number of exercisable options (thousands)	677	677
Number of shares exercised (thousands)	91	91
Number of shares canceled (thousands)	164	139
2014 Program (2010 Plan)		
Capital reserve	3,928	3,739
Number of exercisable options (thousands)	260	260
Number of shares canceled (thousands)	67	53
2016 Program		
Capital reserve	719	533
Number of exercisable options (thousands)	1,700	1,700
Number of shares canceled (thousands)	115	-
Total recognized as equity (accumulated)	50,188	49,383
Effect on profit (loss)	(805)	(4,363)

17 Income tax and social contribution

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

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

	03/31/2017	03/31/2016
Loss for the period before income tax and social contribution	(57,809)	(24,134)
Statutory income tax and social contribution rate	34%	34%
Income tax and social contribution at statutory rate	19,655	8,205
Non-deductible provisions (*) and permanent differences	(768)	(1,874)
Others	-	-
Total deferred income tax and social contribution	<u>18,887</u>	<u>6,331</u>
Effective rate	33%	27%

(*) Non-deductible expenses comprise expenses on provision for cancellations, gifts, debt waivers, and non-compensatory fines.

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

Description	December 31, 2016	Additio ns	Write- offs	March 31, 2017
Stock options	7,575	273	-	7,848
Discount to present value	6	-	(3)	3
Property, plant and equipment hedge	(682)	(111)	144	(649)
Provision for costs and expenses	746	-	(702)	44
Provision for slow-moving inventories	1,172	-	(484)	688
Allowance for doubtful debts	15,157	4,985	(7,730)	12,412
Provision for impairment - Rohr	8,906	-	-	8,906
Fair value adjustment - Rohr	(4,710)	-	-	(4,710)
Provision for impairment – leasehold improvements	1,335	-	-	1,335
Finance leases	(1,691)	-	241	(1,450)
Provision for tax, civil and labor risks	6,843	441	(313)	6,971
Provision for loss on lawsuit Murilo Pessoa	42	-	-	42
Provision for discounts and cancelations	960	972	(606)	1,326
Tax losses - 2016	59,141	21,118	-	80,259
Provision for realization of tax credit	30	-	-	30
Taxes with required payment suspended	633	58	-	691
Accelerated depreciation	(3,011)	(188)	-	(3,199)
GP Andaimes Sul Locadora goodwill	(672)	-	-	(672)
Jahu goodwill	(2,437)	-	-	(2,437)
Adjustment for inflation of judicial deposits	(1,476)	(43)	28	(1,491)
Exchange loss	(185)	440	185	440
Exchange gain	(52)	(251)	-	(303)
Bonus payable	643	-	(508)	135
Debentures	(289)	-	39	(250)
Impairment	-	1,016	-	1,016
	<u>87,984</u>	<u>28,710</u>	<u>(9,709)</u>	<u>106,985</u>

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

The balances of deferred taxes recognized at March 31, 2017 and December 31, 2016 have bases and realization expectations.

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

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

Based on the opinion of its 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

	03/31/2017	12/31/2016
Tax (i)	4,488	4,428
Civil (ii)	3,038	3,502
Labor (iii)	8,900	8,392
Success fees (iv)	3,052	2,795
Legal fees and costs (v)	<u>1,025</u>	<u>1,008</u>
Total	<u><u>20,503</u></u>	<u><u>20,125</u></u>

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

	03/31/2017	12/31/2016
Balance at January 1	<u>20,125</u>	<u>16,612</u>
Provision	808	5,186
Adjustment for inflation	490	2,830
Reversals	(920)	(4,503)
Write-offs	<u>-</u>	<u>-</u>
Balance for the period	<u><u>20,503</u></u>	<u><u>20,125</u></u>

- (i) Refers basically to a writ of mandamus filed 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.
- (ii) The Company has lawsuits filed against it relating to civil liability and compensation claims. The main event that caused the increase in civil contingencies in comparison with the amount provided for as at December 31, 2015 was the change in the external lawyer's risk assessment from possible to probable for one case where pain and suffering and property damages is demanded as a result of a labor accident, occurred in 1991.
- (iii) 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 salary equalization.
- (iv) 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 a favorable outcome of the lawsuits.
- (v) Refers to the provision for legal fees and costs incurred in lawsuits, with probable risk of unfavorable outcome to the Company.

a. Breakdown of judicial deposits

	03/31/2017	12/31/2016
Tax (i)	7,585	7,496
Labor (ii)	3,193	3,324
	10,778	10,820

- (i) As at March 31, 2017, judicial deposits for tax lawsuits totaled R\$ 7,585. The reconciliation of this amount refers basically to the challenge of the increase in the PIS and COFINS rates, in the total amount of R\$ 4,028, as informed below in tax contingencies item “i”, (sub item “a”, and, also, judicial deposits made on behalf of certain municipalities due to the understanding of our legal counsel as regards the levy of the ISS (service tax) on asset rental income. The balance recognized in this line items is R\$ 2,990. Since 2003, with the enactment of the Supplementary Law 116 and based on the opinion of its legal counsel, the Company has not made judicial deposits of this nature.
- (ii) The judicial deposits are linked to various labor lawsuits in which the Company is the defendant. Most of the lawsuits involve claims for compensation due to occupational diseases, overtime, hazardous duty premium and salary equalization.

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

	03/31/2017	12/31/2016
Tax (i)	38,273	35,203
Civil (ii)	7,450	8,477
Labor (iii)	15,142	17,230
Total	60,865	60,910

- (i) **Tax (main items):**
- (a) Disallowance of allegedly nondeductible expenses by the Brazilian Federal Revenue, 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;
- (b) Requirement of the Finance Department of the State of Rio de Janeiro relating to ICMS and fine allegedly due arising from transfers of goods without the payment of the related tax.
- (c) 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;
- (d) Requirement by the Brazilian Federal Revenue of fine allegedly due on installment payment of credits derived from voluntary reporting;
- (e) Requirement by the Brazilian Federal Revenue of alleged debts of Tax on Profit (ILL), judged unconstitutional by the STF (Federal Supreme Court).
- (ii) **Civil**
- Lawsuits filed against the Company relating to compensation 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.

19 Equity

a. Subscribed capital

The Company's fully subscribed and paid-in capital as at March 31, 2017 is R\$688,319 (December 31, 2016 - R\$ 688,319), comprising 175,586,000 (December 31, 2016 – 175,586,000) registered common shares without par value. Each common share entitles to one vote in the shareholders resolutions.

Under the bylaws, the Board of Directors can increase the capital up to a ceiling of 200,000,000 shares.

a.1 Capital contribution – issue of new shares

On April 19, 2016, the Board of Directors decided to approve the Company capital increase, through private subscription of new shares, approved at the Company's Board of Directors Meeting held on February 5, 2016 (“Capital Increase”).

a.2 Share issue

The Company's share issue has been made as approved by the Company's Board of Directors due to the exercise of stock options by beneficiaries.

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

Shareholders	03/31/2017		12/31/2016	
	Number of shares (in thousands)	Percentage	Number of shares (in thousands)	Percentage
Andres Cristian Nacht	20,704	11.79%	20,704	11.79%
Snow Petrel S.L.	23,677	13.48%	23,677	13.48%
Fundo de Investimento em participações Axxon				
Brazil Private Equity Fund II ⁴	12,294	7.00%	12,294	7.00%
HSBC Bank Brasil S.A.	-	-	-	-
Fama Investimentos Ltda. ²	7,705	6.02%	7,705	6.02%
BTG Pactual WM Gestão de Recursos Ltda. ³	7,039	5.50%	7,039	5.50%
Other signatories of the Company Shareholders Agreement ¹	16,157	9.20%	16,157	9.20%
Others	88,010	47.01%	88,010	47.01%
	<u>175,586</u>	<u>100.00 %</u>	<u>175,586</u>	<u>100.00 %</u>

1. Signatories of the Company's Shareholders Agreement, excluding Andres Cristian Nacht e Snow Petrel S.L., considers the position related to December 31, 2016, already reported to CVM, pursuant to CVM Instruction No. 358/02.
2. On March 4, 2016, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
3. 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.

4. 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.

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 the 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 Expansion reserve

The purpose of the expansion reserve is to provide funds to finance additional investments in fixed and working capital and expand corporate activities. Under the Company's bylaws, the ceiling of the expansion reserve is 80% of the Company's subscribed capital.

b.3 Earnings retention reserve

Refers to 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\$ 50,188, related to the stock option plans for employees, the cost of issue of shares in May 2016 of R\$ 3,379 totaling a capital reserve of R\$ 31,740 as at March 31, 2017 (R\$ 30,935 as at December 31, 2016).

d. Treasury shares

The balance of treasury shares as at March 31, 2017 and December 31, 2016 is 2,278,422 shares totaling R\$ 20,287 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, and the amount of the sale of shares of R\$ 47.

e. Equity adjustments

Refers to the fair value adjustment of the financial instrument relating to the investment in Rohr, as detailed in note 12.

f. Minimum mandatory dividends

The Company's bylaws provide for the payment of minimum mandatory dividends equivalent to 25% of the profit for the year, after the respective allocations, pursuant to art. 202 of the Brazilian Corporation Law (Law 6,404/76).

20 Loss 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 common shares issued during the year.

	03/31/2017	03/31/2016
Profit (loss) attributable to owners of the Company	(38,922)	(17,803)
Weighted average number of common shares issued (thousands)	160,540	126,686
Diluted earnings (loss) per share from continuing operations	(0.24)	(0.14)

b. Diluted

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has one category of dilutive potential common 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.

	03/31/2017	03/31/2016
Profit (loss) used to determine earnings (loss) per share	(38,922)	(17,803)
Weighted average number of common shares for diluted earnings per share (thousands)	160,540	126,686
Diluted earnings (loss) per share from continuing operations	(0.24)	(0.14)

The stock options did not have effect on the calculation above as at March 31, 2017 because the potential common shares are antidiluting.

21 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:

	03/31/2017	03/31/2016
Rentals	80,911	111,946
Sales of new equipment	2,518	3,480
Sales of semi new equipment	3,449	32,071
Technical assistance	1,632	1,933
Indemnities	2,786	6,095
Recovery of expenses	1,231	2,532
	<u>92,526</u>	<u>158,057</u>
Total gross revenue		
Taxes on sales and services	(6,811)	(9,893)
Cancelations and discounts	<u>(19,596)</u>	<u>(18,081)</u>
	<u>66,120</u>	<u>130,083</u>
Total net revenue		

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

Costs refer mainly to personnel expenses, payroll taxes and social security contributions, equipment sublet from third parties when the Company's inventory is insufficient to meet the demand, freight for equipment transportation between branches and occasionally to customers, and expenses on materials consumed in the projects, from personal protective equipment (PPE) to wood, paint and thermal insulation.

General and administrative expenses refer to the management of each Company contract, encompassing project teams and sales function engineers, which correspond basically to salaries, payroll taxes and benefits, and other expenses on travels, representations and communications, as well as expenses of the administrative function.

*Mills Estruturas e Serviços de
Engenharia S.A.
Presentation of Interim Financial Information
for the Quarter Ended March 31, 2017*

Nature	03/31/2017			03/31/2016		
	Direct project and rental costs	General and administrative expenses and others	Total	Direct project and rental costs	General and administrative expenses and others	Total
Personnel	(14,861)	(15,767)	(30,628)	(15,586)	(17,065)	(32,651)
Third parties	(554)	(5,327)	(5,881)	(1,075)	(5,549)	(6,624)
Freight	(3,742)	(2,770)	(6,512)	(2,260)	(1,062)	(3,322)
Construction/maintenance and repair materials	(7,929)	(917)	(8,846)	(9,164)	(747)	(9,911)
Equipment rental and others	(918)	(4,247)	(5,165)	(1,257)	(3,779)	(5,036)
Travel	(446)	(835)	(1,281)	(340)	(924)	(1,264)
Cost of sales	(1,053)	-	(1,053)	(1,468)	-	(1,468)
Depreciation and amortization	(34,240)	(4,034)	(38,274)	(36,158)	(4,325)	(40,483)
Write-off of assets	(3,383)	-	(3,383)	(22,638)	-	(22,638)
Allowance for doubtful debts	-	2,855	2,855	-	(9,059)	(9,059)
Stock option plan	-	(805)	(805)	-	(1,363)	(1,363)
Provisoins	-	(390)	(390)	-	(1,691)	(1,691)
Others	(483)	(5,294)	(5,777)	(576)	(5,504)	(6,080)
Total	(67,609)	(37,531)	(105,140)	(90,522)	(51,068)	(141,590)

23 Other operating income (expenses)

In the quarter ended March 31, 2017, the Company sold 9,071 tons (at March 31, 2016 – 1,070 tons) of rental PP&E of the Construction business unit as scrap, aligned with the Company's strategy to rescale equipment from small buildings and demobilize its branches. Income was R\$ 3,103 (at March 31, 2016 - R\$ 404) and cost of write-offs amounted to R\$ 18,585 (at March 31, 2016 - R\$ 943), generating a negative net result of R\$ 15,482 (at March 31, 2016 - R\$ 539).

24 Finance income and costs

a. Finance income

	03/31/2017	03/31/2016
Interest income	1,338	2,445
Investment income	10,141	9,512
Discounts obtained	82	50
Foreign exchange and inflation gains	90	523
Others	7	21
	<u>11,658</u>	<u>12,551</u>

b. Finance expenses

	03/31/2017	03/31/2016
Interest on borrowings	(378)	(468)
Foreign exchange and inflation losses	(762)	(1,189)
Interest on finance leases	-	(7)
Interest on debentures	(13,061)	(22,240)
Commissions and bank fees	(67)	(377)
IOF (tax on financial transactions)	(2)	-
Others	(695)	(897)
	<u>(14,965)</u>	<u>(25,178)</u>

25 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 of 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 for 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 a new business unit Construction. From that date, segment information is presented according to this new structure, including as regards the comparative information relating to the same period of 2014, which is being restated.

Construction business unit

The Construction business unit operates in the heavy construction market and provides formworks, shoring, nonmechanized access equipment, mast climbing platforms and scaffolds for the residential and office building construction sector, using cutting edge technology in formworks, shoring and special equipment systems to perform 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 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.

Rental business unit

The Rental business unit operates in the aerial work platforms and telescopic handlers rental and sale market, for height works in all sectors of the construction, trade, and manufacturing markets. 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 with 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

	<u>Construction</u>		<u>Rental</u>		<u>Others(*)</u>		<u>Total</u>	
	<u>03/31/2017</u>	<u>03/31/2016</u>	<u>03/31/2017</u>	<u>03/31/2016</u>	<u>03/31/2017</u>	<u>03/31/2016</u>	<u>03/31/2017</u>	<u>03/31/2016</u>
Net revenue	25,311	53,715	40,809	76,368	-	-	66,120	130,083
(-) Costs	(18,408)	(21,905)	(14,962)	(32,459)	-	-	(33,370)	(54,364)
(-) Expenses	(35,164)	(21,637)	(16,842)	(14,128)	173	(1,918)	(51,833)	(37,683)
(-) Allowance for doubtful debts	4,262	(6,054)	(1,407)	(3,023)	-	18	2,855	(9,059)
(-) Depreciation and amortization	(19,441)	(21,755)	(18,833)	(18,728)	-	-	(38,274)	(40,483)
Profit (loss) before finance income (expenses)	<u>(43,440)</u>	<u>(17,636)</u>	<u>(11,235)</u>	<u>8,030</u>	<u>173</u>	<u>(1,900)</u>	<u>(54,502)</u>	<u>(11,506)</u>
Finance income	5,573	5,653	5,442	5,580	643	1,318	11,658	12,551
Finance expenses	(7,389)	(12,633)	(7,276)	(12,202)	(300)	(343)	(14,965)	(25,178)
Profit (loss) before IRPJ/SCL	<u>(45,256)</u>	<u>(24,616)</u>	<u>(13,069)</u>	<u>1,408</u>	<u>516</u>	<u>(925)</u>	<u>(57,809)</u>	<u>(24,133)</u>
(-) IRPJ/CSL	<u>14,786</u>	<u>6,457</u>	<u>4,270</u>	<u>(369)</u>	<u>(169)</u>	<u>242</u>	<u>18,887</u>	<u>6,330</u>
Profit (loss) for the period	<u>(30,470)</u>	<u>(18,159)</u>	<u>(8,799)</u>	<u>1,039</u>	<u>347</u>	<u>(683)</u>	<u>(38,922)</u>	<u>(17,803)</u>

(*) These are operations of the former Industrial Services business unit – SI.

Assets by business segment

	<u>Construction</u>		<u>Rental</u>		<u>Others(**)</u>		<u>Total</u>	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Property, plant and equipment								
Acquisition cost	729,921	839,800	705,402	717,114	-	-	1,435,323	1,556,914
(-) Accumulated depreciation	<u>(367,467)</u>	<u>(360,016)</u>	<u>(303,974)</u>	<u>(247,716)</u>	<u>-</u>	<u>-</u>	<u>(671,441)</u>	<u>(607,732)</u>
	362,454	479,784	401,428	469,398	-	-	763,882	949,182
Other assets								
Total assets	<u>324,699</u>	<u>390,991</u>	<u>291,802</u>	<u>311,872</u>	<u>98,945</u>	<u>103,620</u>	<u>715,446</u>	<u>806,483</u>
Property, plant and equipment	<u>687,153</u>	<u>870,775</u>	<u>693,230</u>	<u>781,270</u>	<u>98,945</u>	<u>103,620</u>	<u>1,479,328</u>	<u>1,755,665</u>

(**) Refers to the amount of the investment in Rohr and the remaining balance from sale of investees Industrial Services - SI and Events.

26 Financial instruments

26.1 Category of financial instruments

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

	<u>Carrying amount</u>	
	03/31/2017	12/31/2016
Financial assets at fair value through profit or loss		
Cash and cash equivalents	338,927	330,682
Available-for-sale financial assets		
Available-for-sale asset – Rohr Investment	75,052	75,052
Loans and receivables		
Trade receivables	63,007	65,834
Other receivables – Sale of investee	23,231	22,558
Financial liabilities measured at amortized cost		
Borrowings and financing	11,181	11,965
Debentures	445,486	438,123
Trade payables	13,875	13,058
Stock option plans	50,188	49,383

26.2 Fair value of financial instruments

Several Company accounting policies and disclosures require the determination of the fair value both for financial assets and liabilities and for nonfinancial assets and liabilities. Fair value for measurement and/or disclosure purposes is determined based on 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 sheet at fair value, which requires disclosure of fair value measurements at the level of the following fair value measurement hierarchy:

- Quoted (unadjusted) prices in active markets for identical assets and liabilities (Level 1).
- 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 2).

The Company does not have financial instruments measured at fair value that are classified as Level 3, i.e., obtained based on valuation techniques that include variables for the asset or liability, but which are not based on observable market inputs.

a. Fair value

Cash and cash equivalents refer to 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 trade receivables and payables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate determined at the end of the reporting period.

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

c. Fair value of borrowings and financing

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted at the market interest rate determined at the end of the reporting period. For finance leases, the interest rate is determined by reference to similar lease agreements.

The fair value of borrowings from BNDES was not calculated since this type of borrowing does not have observable fair value calculation since BNDES adopts different rates for borrowers.

Borrowings, financing and debentures

Debt	Indicator	Fair value		Carrying amount	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
2nd issue of debentures					
1st series	CDI	78,586	76,925	81,680	84,809
2nd series	IPCA	153,505	137,371	155,360	151,721
3rd issue of debentures	CDI	194,030	165,260	209,180	202,443

d. Fair value of stock options

The fair values of employee stock options and rights to share appreciation are measured using the Black-Scholes model. Changes in measurement include share prices at measurement date, the strike price of the related instrument, the expected volatility (based on the historical weighted average volatility adjusted for expected changes based on publicly available information), the average weighted life of the instruments (based on historical experience and the overall behavior of option holders), expected dividends and risk-free interest rate (based on government bonds). Nonmarket service conditions and performance conditions inherent in the transactions are not taken into account in determining the fair value.

e. Derivatives

The fair value of currency forward contracts is calculated at present value, using market rates that are accrued at each measurement date.

The fair value of interest rate swap contracts is based on quotations obtained from brokers. These quotations are tested as to their reasonableness by discounting the estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the entity and counterparty, where appropriate.

26.3 Derivative financial instruments

Derivatives contracted for the period ended March 31, 2017 refer to NDFs on export of equipment as described in note 6.

26.4 Sensitivity analysis

The following table shows a sensitivity analysis of the financial instruments, describing the risks that can generate material losses to the Company, with the most probable scenario (scenario I) according to Management's assessment, considering a one-year time horizon. In addition, two other scenarios are provided, as established by the Brazilian Securities and Exchange Commission (CVM), by means of Instruction 475/2008, in order to present a 25% and 50% stress of the risk variable considered, respectively (scenarios II and III):

		<u>Effect on profit (loss)</u>			
Cash equivalents	Indicator	Carrying amount	Probable	25%	50%
Short-term investments	CDI	338,281	35,383	26,537	17,691
	Total	<u>338,281</u>	<u>35,383</u>	<u>26,537</u>	<u>17,691</u>
			Change	25.00%	50.00%

		<u>Effect on profit (loss)</u>			
Debt	Indicator	Carrying amount	Probable	25%	50%
BNDES	TJLP	(11,181)	(878)	(1,076)	(1,273)
2nd issue of debentures					
1st series	CDI	(81,680)	(8,213)	(10,021)	(11,829)
2nd series	IPCA	(155,360)	(17,691)	(19,395)	(21,099)
3rd issue of debentures	CDI	(209,180)	(21,232)	(26,540)	(31,848)
	Total	<u>(457,401)</u>	<u>(48,014)</u>	<u>(57,032)</u>	<u>(66,049)</u>
			Change	19%	38%

		<u>03/31/2017</u>		
Reference		Probable I	Scenario II 25%	Scenario III 50%
Rates				
CDI (%) (i)		8.75%	10.94%	13.13%
TJLP (%) (ii)		7.00%	8.75%	10.50%
IPCA (%) (iii)		4.10%	5.13%	6.15%

Source: Focus Report of April07, 2017.

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

26.5 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 TJLP) estimated for future commitments reflect the market rates in each period.

	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	Over five years	Total
At March 31, 2017							
Borrowing and financing	333	649	1,914	3,669	5,484	616	12,665
Debentures	-	79,926	103,061	143,178	195,938	-	522,103
Trade payables	13,875	-	-	-	-	-	13,875
At December 31, 2016							
Borrowing and financing	337	653	2,896	3,669	5,484	616	13,655
Debentures	-	5,815	183,533	142,405	195,627	-	527,380
Trade payables	13,058	-	-	-	-	-	13,058

26.6 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 evaluate its financial leverage the ratio between accumulated EBITDA for the previous 3 months and total net debt (total bank debt less total cash and cash equivalents).

	03/31/2017	12/31/2016
Total bank debt	<u>457,401</u>	<u>450,938</u>
Financing	11,181	11,965
Debentures (see note 15)	<u>446,220</u>	<u>438,973</u>
Cash and cash equivalents	<u>338,927</u>	<u>330,682</u>
Net debt	<u>118,474</u>	<u>120,256</u>
Equity	<u>959,832</u>	<u>997,949</u>
Net debt to equity	<u>0,12</u>	<u>0,12</u>

The Company is not subject to any external capital requirement.

Credit lines available

	03/31/2017	12/31/2016
Unsecured bank credit lines, reviewed annually and with payment upon request:	-	-
Not used	113,819	113,035
Secured bank credit lines with varying maturity dates that can be extended by common agreement:	-	-
Used	11,181	11,965

27 Insurance

As at March 31, 2017, the Company's total insurance against operational risks is R\$ 1,230,130, R\$ 621,625 for property damages and R\$ 110,000 for civil liability.

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