

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

***Mills Estruturas e Serviços
de Engenharia S.A.***

*Financial Statements for the Year Ended
December 31, 2014 and
Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), which comprise the balance sheet as at December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mills Estruturas e Serviços de Engenharia S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Other Matters

Statement of Value Added

We have also audited the statement of value added (“DVA”), for the year ended December 31, 2014, prepared under the responsibility of the Company’s management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. This statement was subject to the same auditing procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

Rio de Janeiro, March 10, 2015

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Fernando de Souza Leite
Engagement Partner

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A

CNPJ/MF No. 27.093.558/0001-15

NIRE No. 33.3.0028974-7

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD ON MARCH 9th, 2015

A PUBLICLY HELD COMPANY

OPINION OF THE AUDIT COMMITTEE

The Audit Committee of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), in the exercise of its legal and statutory functions, in a meeting held on March 9th, 2015, examined (i) the Management Report, the accounts of the Board of Officers and the Financial Statements of the Company for the fiscal year ended on December 31, 2014, as well as the opinion of the Independent Auditors attached to the Financial Statements of the Company; (ii) the proposed capital budget for 2015, as approved by the Board of Directors of the Company at the meeting held on the date hereof; and (iii) the proposal to allocate the results for the fiscal year ended on December 31, 2014, as approved by the Board of Directors of the Company at the meeting held on the date hereof, as well as the information and clarification provided by the representatives of the Company and opined, unanimously, and without any restrictions, in favor of the matters mentioned above, recommending its remittance to the Annual Shareholders' Meeting for appropriate legal purposes.

Rio de Janeiro, March 9th, 2015.

Members of the Audit Committee in attendance:

Daniel Oliveira Branco
Silva

Eduardo Botelho
Kiralyhegy

Helio Carlos de Lamare
Cox

BOARD OF EXECUTIVE OFFICERS' STATEMENT ON MILLS' FINANCIAL STATEMENTS

Pursuant to section VI of article 25 of CVM Instruction 480, of December 7, 2009, the Board declares that has reviewed, discussed and agreed with the company's financial statements for the year of 2014.

Rio de Janeiro March 10, 2015.

BOARD OF EXECUTIVE OFFICERS' STATEMENT ABOUT THE OPINION OF THE INDEPENDENT AUDITOR

Pursuant to section VI of article 25 of CVM Instruction 480, of December 7, 2009, the Board declares that has reviewed, discussed and agreed with the Independent Auditors ' report on the company's financial statements for the financial year 2014.

Rio de Janeiro March 10, 2015.

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

CNPJ/MF N.º 27.093.558/0001-15
NIRE 33.3.0028974-7
A Publicly Held Company

MINUTES OF THE BOARD OF DIRECTORS MEETING
HELD ON MARCH 9, 2015

2015 CAPITAL BUDGET

1 Sources of funds	R\$33,567,832.00
Retained Earnings	R\$33,567,832.00
2 Uses of funds	R\$33,567,832.00
Investments in acquisition of equipment to rental	R\$10,100,000.00
Investments in facilities, information technology and logistics	R\$23,467,832.00
3 Term	1 year

Management report 2014

Message from CEO

After six years as the head of the Rental business unit, I became Mills' CEO at the beginning of this year, with the purpose of carrying out essential changes to improve the Company's operational efficiency and excellence in delivering its services. My focus has been to formulate the actions required to achieve these goals.

After a fast-growing period in the past years, Mills started facing new challenges in 2014. Uncertainties in the economy and in the political sphere have had negative impacts on the markets where we operate, as our clients have investments and postponed projects, and we are also seeing a slowdown in the pace of construction works. This market behavior influenced directly our performance, resulting in higher idle capacity for our equipment, forcing us to revise our investment and expansion plans. Consequently, we adjusted investments announced at the beginning of the year to the new market scenario and focused our efforts on operational efficiency.

Seeking operational synergies in equipment maintenance and inventory management of Heavy Construction and Real Estate business units, we centralized their operational areas and trimmed our commercial structure, while preserving two separate commercial areas, each focusing on its own business particularities.

The Real Estate market was the one most affected by the changes in the macroeconomic scenario, presenting deterioration in 2014, and will likely face challenges to recover in 2015. However, issues such as a large housing deficit, low housing credit availability and low penetration of industrialized constructions methods in Brazil make us believe in a future recovery of this business. We are working on reducing our operational costs and in expanding market coverage in order to improve profitability and to minimize cyclical economic effects in the short term.

As for the Heavy Construction business unit, we had a first half of the year with important construction works ending and the second half of 2014 with new and large projects entering our backlog, resulting in an increase of 50% year over year. A healthy pace of construction for the projects which started in 2014 is the main success driver for this business in 2015. The last few months of 2014 brought uncertainty to the construction market due to ongoing investigations, which we continue to follow closely, taking the necessary steps to minimize effects on our operations. Up to this point we have had no interruptions in services for the construction projects for which we have been hired, and no equipment returning to our warehouses.

In Rental we continue our geographic expansion plan, a strategy that has proved to be successful. In order to enable this expansion, we are relocating our fleet, using idle equipment and avoiding new investments, until we return to the historical levels of utilization rates and prices. We believe in a strong growth potential for the motorized access market in Brazil due to the growing possibilities of its use, due to productivity gains and safety issues.

Despite the negative short term scenario, there was no change in the competitive environment or in the growth drivers for our markets. We continue to be confident in growth opportunities and in recovery of profitability, mainly through improvements in efficiency which, as we mentioned before, will be our focus in 2015.

With the political and economic scenario still marked by uncertainties and low economic growth in 2015, we will be conservative regarding new acquisitions of rental assets and we will improve our market intelligence to enhance visibility and penetration in more fragmented segments, such as Rental and Real Estate.

However, it is important to highlight that even with 2014 results below expectations, our net revenue reached R\$ 794.2 million and we passed an important milestone this year, as we began to generate a positive cash flow, after years of high

investments. We are a company that has distinguished itself by excellence in services provided, its leadership in all of its markets, robust and in good health to face this new and challenging year.

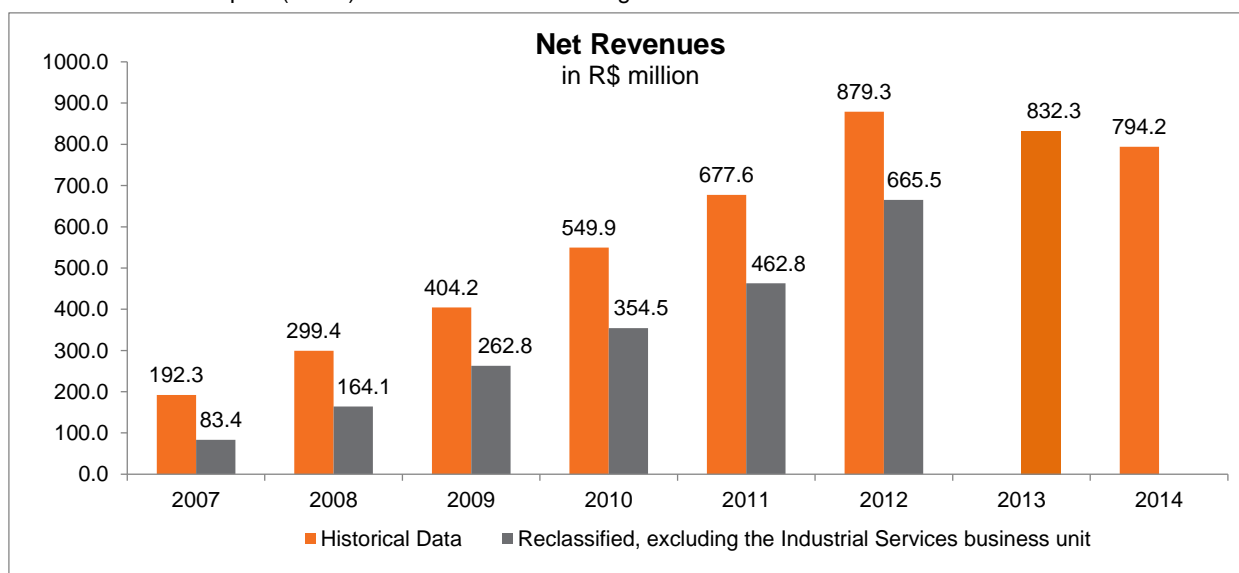
With the adjustments already made in the Company's organizational structure and with special attention given to future opportunities, we intend to reduce operational costs, improve the quality of services provided and enhance Mills' competitiveness and profitability. We are prepared to face 2015 head on. It will be a challenging year.

I wish to thank all the employees and other partners of Mills for their commitment this year, and our clients and shareholders for their trust.

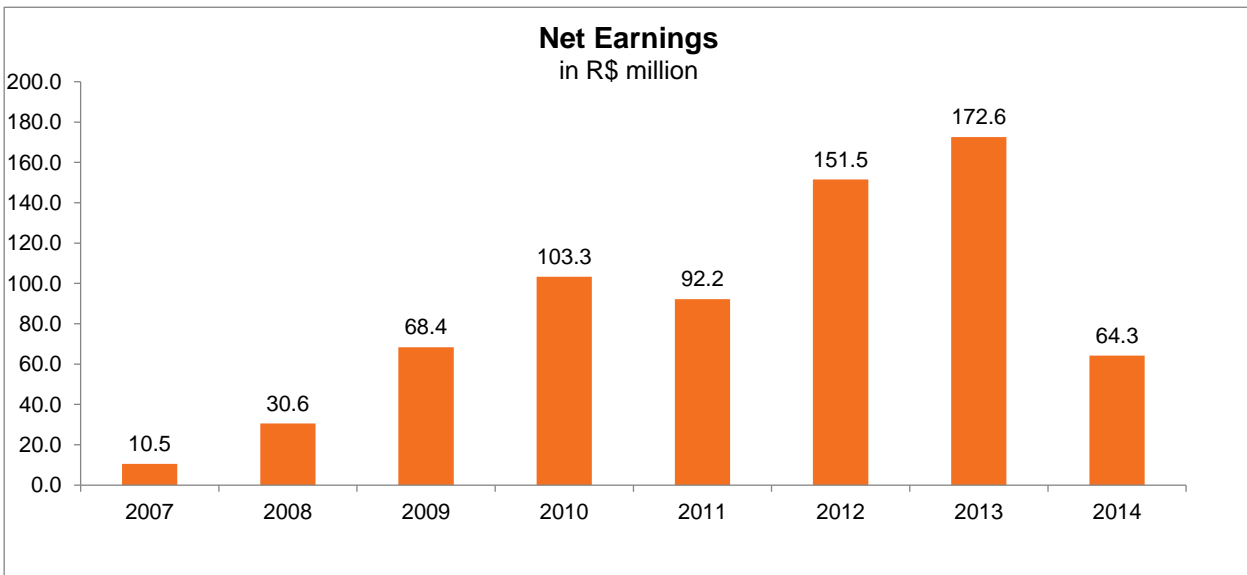
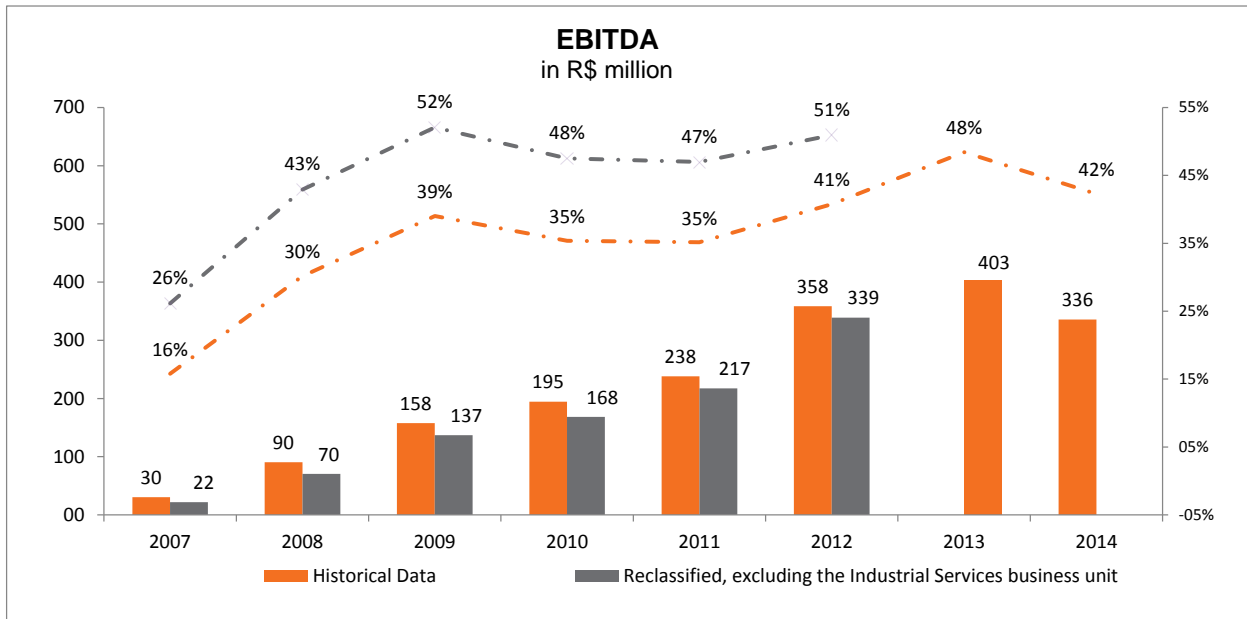
Sergio Kariya, Mills CEO

Financial performance¹

Mills Estruturas e Serviços de Engenharia S.A. (Mills) presented net revenues of R\$ 794.2 million, a 4.6% reduction year-over-year (yoy). Cash generation, as measured by EBITDA, reached R\$ 335.7 million, a 16.7% drop over 2013, and net earnings totaled R\$ 64.3 million. The EBITDA margin was 42.3%, against 48.4% in the previous year, while the return on invested capital (ROIC) reached 6.6% in 2014 against 14.1% in 2013.



¹The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards - IFRS). In years prior to 2010, Mills prepared its financial statements in accordance with the accounting policies adopted in Brazil during that period (BRGAAP). For comparison purpose, historical data excluding Industrial Service business unit, which was sold in 2013, is provided.



Debt Indicators

Mills' total debt was R\$ 745.4 million and net debt was R\$ 551.7 million as of December 31, 2014. Our debt is 21% short-term and 79% long-term, with an average maturity of 2.4 years and an average cost of CDI+0.68%.

We ended the year with leverage, as measured by the net debt/LTM EBITDA ratio, of 1.6x, while interest coverage, as measured by LTM EBITDA/LTM interest payments, was 4.9x.

Even in a negative scenario, the Company does not see liquidity risk, is capable of honoring its financial obligations, with no need to access the credit market in 2015, and can keep debt indicators within contractual parameters.

Free Cash Flow

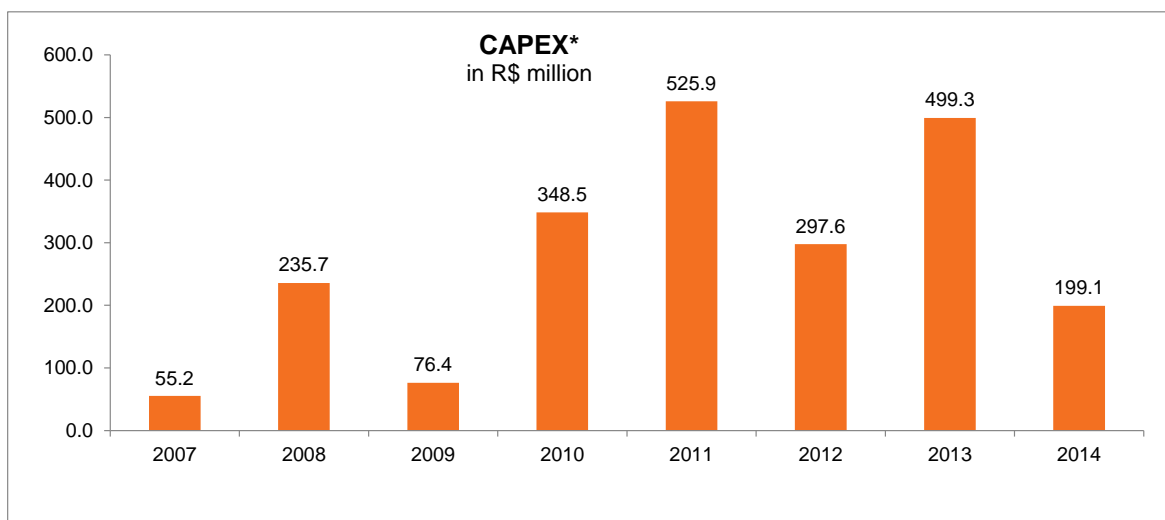
In 2014, cash generated by operations was higher than the investments needed, with a net balance of R\$ 116.1 million, of which R\$ 118.7 million on the second half of 2014.

Mills invested R\$ 199.1 million in 2014, of which R\$ 172.1 million in rental equipment, more than half of it being in the first quarter of 2014, due to Rental and Heavy Construction growth prospects.

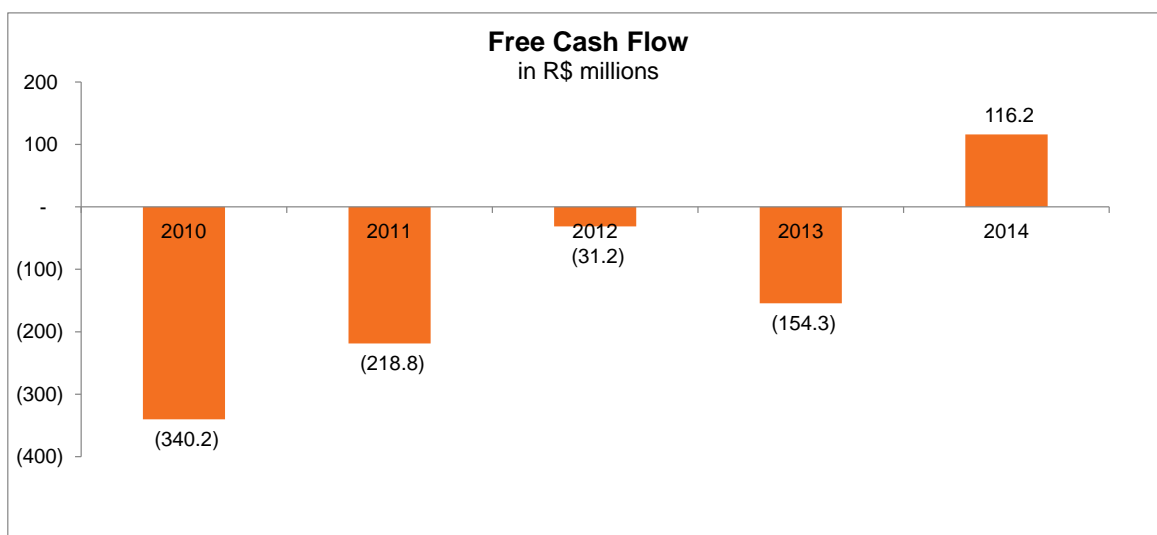
Because of the nature of our business, in times of lower investments such as the second half of 2014 and the prospects for 2015, the Company tends to be cash generator.

In 2015, we will significantly reduce our investment levels to a maximum amount of R\$ 40 million, the majority of it being for improvements in maintenance processes and facilities in our units. In Heavy Construction and Real Estate, we will invest in maintaining the actual fleet, with the acquisition of spare parts to keep the equipment mix. In the Rental business unit we will continue the geographic expansion, using the existing fleet.

Because of the characteristics of Heavy Construction and Real Estate equipment, the Company may execute lower investments for a few years, if necessary, without reducing its operational capacity.



* In 2008, it includes R\$ 60.1 million related to the Jahu acquisition and in 2011, it includes R\$ 90.0 million related to the acquisition of a 25% stake in Rohr and R\$ 5.5 million related to the acquisition of a 100% stake in GP Sul. In 2013, it does not include the amount invested in the Industrial Services business unit.



Performance of the business units

Rental

Net revenue from the Rental business unit amounted to R\$ 370.8 million in 2014, 3.8% above 2013. EBITDA reached R\$ 196.7 million, with a 2.3% yoy drop. ROIC was 11.5%, versus 18.2% in 2013.

We opened four new branches in 2014, reaching 30 branches.

This year we are among the three finalists for “Powered Access Pioneer” in the IAPA Awards, an international recognition of our efforts to disseminate the use of aerial work platforms in Brazil. We have already won two IAPA Awards: (i) in the “Access Rental Company of the Year” category in 2012; and (ii) in the “IPAF Training Center of the Year” category in 2014.

Heavy Construction

Net revenues for Heavy Construction totaled R\$ 211.0 million in 2014, with a 2.7% yoy reduction. EBITDA was R\$ 88.9 million in 2014, with a 17.7% yoy reduction. ROIC was 9.9% versus 19.2% in 2013.

In 2014, there was demobilization of relevant construction projects, such as the *Jirau* hydroelectric power plant, the *Abreu e Lima* refinery and airports, while construction works initiated, such as Vale’s *S11D* project, the north beltway and subway lines from São Paulo and Salvador, had a mobilization speeds below expectations, due to several delays, weakening our utilization rate and rental revenues.

In 2014, we launched the stave lifting car equipment, used on the Laguna Bridge, in Santa Catarina state.

We signed important contracts over the year, with a significant expansion of our backlog, compared to last year. Usually the average term of our contracts is 24 months and actual rental revenues depend on the progress of the construction, over which we have no control. Revenues from signed contracts expected for 2015 will come, mainly, from logistic construction projects, including urban mobility and highways, besides industrial projects.

Real Estate

Net revenue of Real Estate amounted R\$ 212.4 million in 2014, a 17.7% decline yoy. EBITDA reached R\$ 50.1 million, with a 46.6% yoy reduction. ROIC was 0.4%, against 8.1% in 2013.

Since the second half of 2013, the Brazilian Real Estate market has been deteriorating, influenced by political and economic uncertainties, higher interest rates and weakness of economic activity. Perspectives for this market in 2015 continue to be negative. Therefore, to minimize these cyclical effects in our results, we have three main goals: (i) increase operational efficiency, (ii) enlarge market coverage and (iii) sell semi-new equipment.

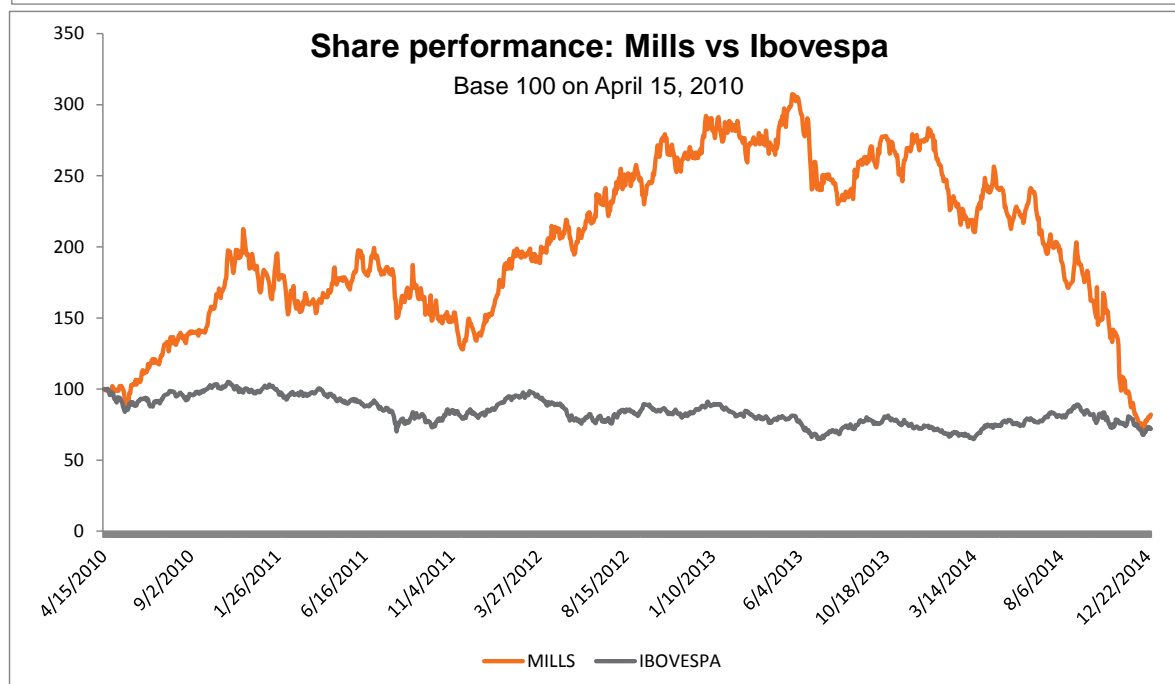
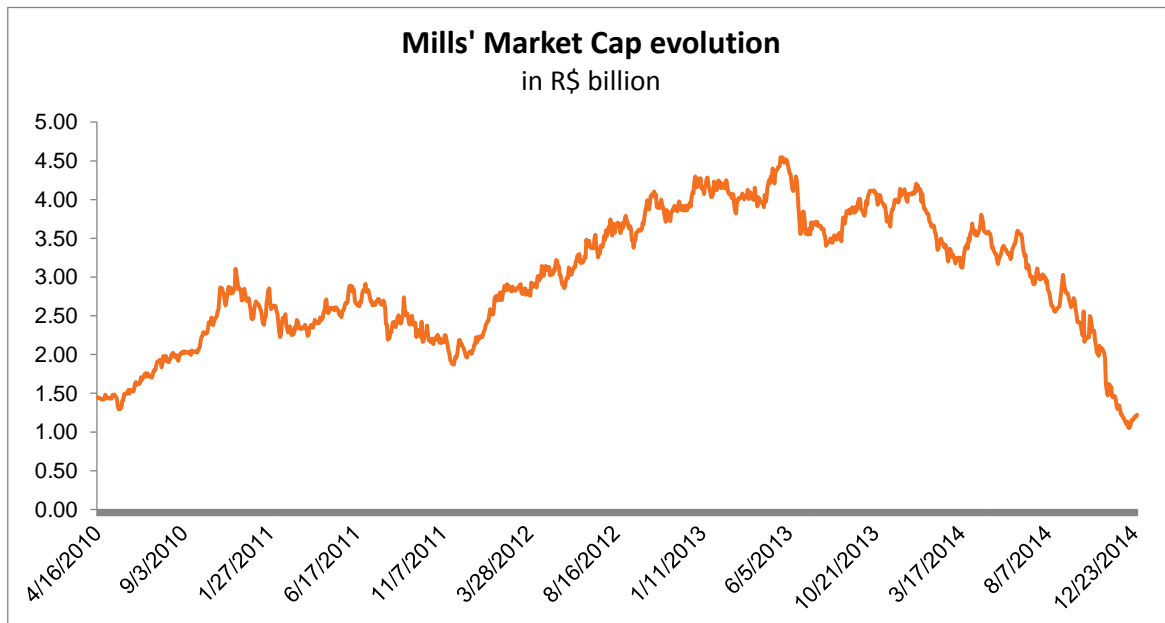
By centralizing the maintenance operations for Real Estate and Heavy Construction equipment, we are seeking improvement in operational efficiency, and thus, a reduction of the maintenance unit cost, which should be noticed as of the second half of 2015, when we should have equalized our deferred equipment maintenance. Furthermore, we will be capable of better serving our clients, with greater speed and accuracy in the delivery of our equipment, which are success factors in the Real Estate market, mainly for large volumes, which include major real estate developers.

Generating value for our shareholders

The closing price of Mills’ shares (MILS3) on the BM&FBovespa exchange in 2014 was R\$ 9.55, a decrease of 71.1% over the closing price in 2013, while the IBOVESPA index dropped 2.9% in the same period. By the end of 2014, Mills’ market value (market cap) was R\$ 1.2 billion.

Since our IPO, on April 15, 2010, until the end of 2014, MILS3 obtained devaluation of 18.0%, against a 28.0% depreciation of the IBOVESPA index.

We will pay our shareholders gross remuneration of R\$ 25.1 million as interest on equity, equivalent to R\$ 0.1959 per share, related to the fiscal year of 2014, subject to approval at Mills' Shareholders Meeting.



Human Resources

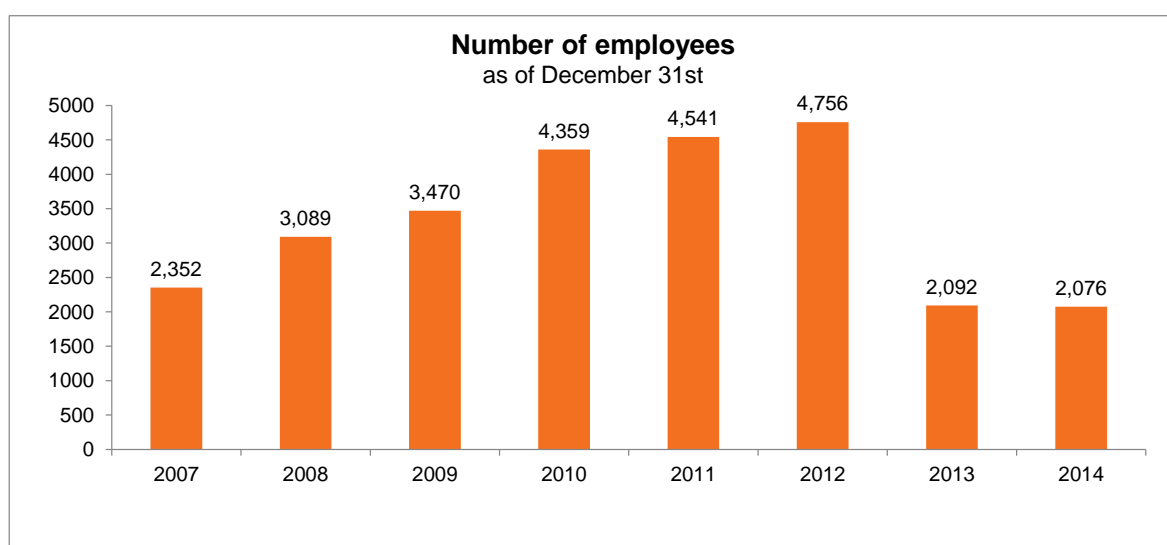
We reduced our employees from 2,092 at the end of 2013 to 2,076 at the end of 2014, reflecting changes in the Company's structure, which included the elimination of some administrative and managerial positions. The turnover rate of our employees was 3.13% in 2014, compared to 3.18% in 2013.

In order to take part in the results and align the incentives with value creation for our shareholders, we offer our employees a profit-sharing program, based on economic value added (EVA), which is the adjusted net income less the

remuneration for invested capital by our shareholders. Annually, 20-30% of the EVA is distributed to our administrators and employees. In 2014 we distributed R\$ 18.7 million, relating to the 2013 results. Because of a negative EVA in 2014 there will be no distribution of profits in 2015.

Additionally, we offer a stock option plan for administrators and key people in the Company, in order to encourage our employees to successfully conduct the Company's business and stimulate an entrepreneurial and result-driven culture, aligning the administrators' interests with that of the shareholders.

Our internship program is aimed to attract, develop and retain talents that want to grow and acquire the expertise to contribute to the Company's growth in the coming years. By the end of 2014, 153 interns participated in the program, of which 75% were allocated to engineering and technical areas. In 2013, 79 interns were hired as permanent employees and 73 interns were hired as permanent employees in 2013.



Ownership structure

In early 2014, Mills' total and voting capital consisted of 127,385,996 common shares, with the controlling shareholders holding together 35.4% of the voting and total capital. The free float was equal to 62.0%.

In view of the exercise of the stock option by a part of the beneficiaries of Mills' existing stock option plans, there was an issuance of 671,929 new common shares during 2014.

Thus Mills' total and voting capital by the end of 2014 consisted of 128,057,925 common shares. The free float was 61.9%.

On November 10th, 2014 Mills' Board of Directors approved a program to repurchase common shares of Mills' issuance, with the objective of acquiring up to 4,000,000 shares, with a deadline of 365 days as of the date of approval, for treasury and subsequent cancellation or alienation, including in the context of any exercise of options under its stock option program, in the case of exercise of options. Up to December 31st, 2014, the Company acquired and kept in treasury 1,182,900 shares.

Independent Auditor

According to CVM Instruction 381/2003, the contracted services with our external auditors, Deloitte Touche Tohmatsu Auditores Independentes (Deloitte), for the fiscal year 2014, other than the financial statement audit usually prepared by

them, presented disbursements in the amount of R\$ 30.2 thousand, equivalent to 6.3% of the financial statement auditing expenses in the same period.

The hiring of external auditors requires prior approval from our Board of Directors and follows the restriction rules established by legislation, as long as they do not endanger the independence and objectivity of our auditors. We believe that there are no conflicts of interest between the services provided and our independent auditors due to the nature of such services.

According to Deloitte, the work carried out did not affect their independence.

Business perspective

2014 finished with the lowest level of activity in the infrastructure sector since 2011, when this indicator was launched, with negative prospects, as indicated by the expected level of activity, according to research conducted by the National Confederation of Industry (CNI – Confederação Nacional da Indústria), which reached 45.2² points in February 2015.

BNDES (Banco Nacional de Desenvolvimento Econômico e Social) disbursements for infrastructure totaled R\$ 58.1 billion up to November of 2014, 10% above the same period of 2013, while approvals totaled R\$ 66.4 billion in the same period, with an increase of 21%.

According to BNDES, investments in Brazil will reach R\$ 1.5 trillion between 2015 and 2018, of which R\$ 598 billion in infrastructure – the sector that accounts for the highest growth compared to 2010-2013 period, driven by the package of logistics concessions launched by the federal government in 2012, which includes highways, railways and ports. However, there are major uncertainties regarding its execution, which depends on better planning and on the definition of the concession model and financing terms.

Even though there is no interruption, with return of equipment from infrastructure projects in which we are involved, there are uncertainties regarding the ongoing investigations and the fiscal adjustment measures, being the projects with public resources the most risky ones. In order to mitigate our risk in relation to companies that are being investigated, we are: (i) prioritizing projects that offer less risk of interruption; (ii) diversifying our client base; and (iii) reducing, or at least, keeping our credit risk.

In the residential construction market, the situation is still challenging. According to a research of CNI, the activity level finished 2014 below the norm, with stable prospects, and with the activity level index reaching 48.0² points in February 2015. New launches announced by the listed real estate companies presented year over year (yoy) reduction of 18.6%³ in 2014, while sales fell by 19.9% in the same period. The weak sales raise doubts as to how fast launches will become actual constructions, which usually takes twelve months.

However, growth drivers and the competitive environment in the real estate market did not change, maintaining its attractiveness in the medium and long term, in spite of negative prospects for recovery for this market in the short-term which depends on improvements in the economic activity. Growth drivers are (i) high housing deficit, (ii) increase of housing credit; and (iii) industrialization of construction processes, due to scarcity of labor and increased labor costs.

Regarding the market for motorized access equipment, 4,400 new machines entered the Brazilian market in 2014, an increase of 14.9% compared to the end of 2013, bringing the fleet to a total of 34,400 aerial work platforms and telescopic handlers. However, we estimate that 60% of new motorized equipment is stocked with the manufacturers and, therefore, is not yet part of the market supply for motorized access.

We believe in a strong growth potential for the motorized access market in Brazil due to the growing possibilities of its use, due to productivity gains and safety issues. Fall is the leading cause of fatal accidents, in Brazil and in the United

² Values above 50 indicate a prospect of growth of activity in the sector for the next six months.

³ Cyrela, Direcional, Even, Eztech Gafisa, Helbor, MRV, PDG, Rodobens and Tecnisa..

States. The aerial platform is ranked the safest equipment to execute works in heights, with the lowest number of accidents, amongst different ways to access heights. Therefore, aerial platforms should substitute less safe access equipment, as concerns with safety increase in Brazil.

This report may include declarations about Mills' expectations regarding future events or results. All declarations based upon future expectations, rather than historical facts, are subject to various risks and uncertainties. Mills cannot guarantee that such declarations will prove to be correct. These risks and uncertainties include factors related to the following: the Brazilian economy, capital markets, infrastructure, real estate and oil & gas sectors, among others, and governmental rules that are subject to change without previous notice. To obtain further information on factors that may give rise to results different from those forecasted by Mills,

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MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

(In thousands of Brazilian reais – R\$)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	6	193,659	25,798
Trade receivables	7	156,793	177,359
Inventories	8	21,793	36,288
Taxes recoverable	9	28,677	38,673
Advances to suppliers		172	529
Derivative financial instruments	31	1,192	7,516
Other receivables – sale of investee	10	17,467	26,785
Other assets		<u>5,580</u>	<u>6,516</u>
		<u>425,333</u>	<u>319,464</u>
NONCURRENT ASSETS			
Trade receivables	7	1,398	1,414
Taxes recoverable	9	32,013	42,764
Deferred taxes	19	24,945	-
Judicial deposits	20	10,422	10,053
Other receivables – sale of investee	10	<u>34,934</u>	<u>47,290</u>
		<u>103,712</u>	<u>101,521</u>
Investments	11	87,392	87,392
Property, plant and equipment	12	1,200,148	1,224,476
Intangible assets	13	<u>76,138</u>	<u>68,392</u>
		<u>1,363,678</u>	<u>1,380,260</u>
TOTAL ASSETS		<u>1,892,723</u>	<u>1,801,245</u>

(continues)

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MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2014

(In thousands of Brazilian reais – R\$)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade payables	14	16.510	37.904
Borrowings	15	49.637	12.764
Debentures	16	105.315	112.532
Payroll and related taxes		19.425	19.186
Income tax and social contribution	19	2.543	-
Tax debt refinancing program (REFIS)	21	1.030	960
Taxes payable	22	3.973	7.084
Profit sharing payable	18	-	18.697
Dividends and interest on capital payable	24	21.810	40.990
Other liabilities		<u>971</u>	<u>4.866</u>
		<u>221.214</u>	<u>254.983</u>
NONCURRENT LIABILITIES			
Borrowings	15	14.890	58.749
Derivative financial instruments	31	-	267
Debentures	16	575.542	448.238
Tax debt refinancing program (REFIS)	21	9.100	9.444
Deferred taxes	19	-	2.478
Provision for tax, civil and labor risks	20	<u>12.580</u>	<u>10.573</u>
		<u>612.112</u>	<u>529.749</u>
TOTAL LIABILITIES		<u>833.326</u>	<u>784.732</u>
EQUITY			
Issued capital	23	563.319	553.232
Capital reserves	23	8.785	10.231
Earnings reserves	23	487.049	447.862
Valuation adjustments to equity	23	<u>244</u>	<u>5.188</u>
Total equity		<u>1.059.397</u>	<u>1.016.513</u>
TOTAL LIABILITIES AND EQUITY		<u>1.892.723</u>	<u>1.801.245</u>

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

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MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
CONTINUING OPERATIONS			
Net revenue from sales and services	26	794,166	832,262
Cost of sales and services	27	<u>(362,380)</u>	<u>(334,934)</u>
GROSS PROFIT		431,786	497,328
Other operating income, net	28	-	8,296
General and administrative expenses	27	<u>(273,848)</u>	<u>(225,419)</u>
PROFIT BEFORE FINANCE INCOME (COSTS)		<u>157,938</u>	<u>280,205</u>
Finance income	29	25,151	13,156
Finance costs	29	<u>(92,753)</u>	<u>(59,972)</u>
PROFIT BEFORE TAXES		<u>90,336</u>	<u>233,389</u>
Current income tax and social contribution		(50,943)	(68,396)
Deferred income tax and social contribution		<u>24,875</u>	<u>2,681</u>
Income tax and social contribution	19	<u>(26,068)</u>	<u>(65,715)</u>
PROFIT FROM CONTINUING OPERATIONS		<u>64,268</u>	<u>167,674</u>
PROFIT FROM DISCONTINUED OPERATIONS	30	-	<u>4,918</u>
PROFIT FOR THE YEAR		<u>64,268</u>	<u>172,592</u>
Basic earnings per share - R\$	25(a)	<u>0.50</u>	<u>1.36</u>
Diluted earnings per share - R\$	25(b)	<u>0.50</u>	<u>1.35</u>
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic earnings per share - R\$	25(a)	<u>0.50</u>	<u>1.32</u>
Diluted earnings per share - R\$	25(b)	<u>0.50</u>	<u>1.31</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R\$, unless otherwise stated)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
PROFIT FOR THE YEAR		64,268	172,592
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Cash flow hedge net of deferred taxes	31	<u>(4,944)</u>	<u>5,488</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>59,324</u>	<u>178,080</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands of Brazilian reais – R\$)

	Subscribed capital	Capital reserve	Earnings reserves			Earnings retention	Valuation adjustments to equity	Retained earnings	Total
			Legal	Expansion	Special				
AT JANUARY 1, 2013	<u>537,625</u>	<u>233</u>	<u>20,768</u>	<u>61,243</u>	<u>808</u>	<u>238,949</u>	<u>(300)</u>	<u>-</u>	<u>859,326</u>
Capital contribution - share issue	15,607	-	-	-	-	-	-	-	15,607
Stock option premium	-	9,998	-	-	-	-	-	-	9,998
Realization of special reserve - tax amortization of Itapoã merged goodwill	-	-	-	-	(808)	-	-	808	-
Comprehensive income for the year - cash flow hedge	-	-	-	-	-	-	5,488	-	5,488
Profit for the year	-	-	-	-	-	-	-	172,592	172,592
Allocation of profit for the year									
Recognition of bylaws reserves on profit for the year	-	-	8,630	-	-	118,272	-	(126,902)	-
Minimum mandatory dividends (R\$0.0273 per share)	-	-	-	-	-	-	-	(3,484)	(3,484)
Interest on capital proposed (R\$ 0.3376 per share)	-	-	-	-	-	-	-	(43,014)	(43,014)
AT DECEMBER 31, 2013	<u>553,232</u>	<u>10,231</u>	<u>29,398</u>	<u>61,243</u>	<u>-</u>	<u>357,221</u>	<u>5,188</u>	<u>-</u>	<u>1,016,513</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R\$)

	Subscribed capital	Capital reserve	Earnings reserves			Valuation adjustments to equity	Retained earnings	Total
			Legal	Expansion	Earnings retention			
AT JANUARY 1, 2014	<u>553,232</u>	<u>10,231</u>	<u>29,398</u>	<u>61,243</u>	<u>357,221</u>	<u>5,188</u>	<u>-</u>	<u>1,016,513</u>
Capital contribution - share issue	10,087	-	-	-	-	-	-	10,087
Purchase/cancelation of treasury shares	-	(10,985)	-	-	-	-	-	(10,985)
Stock option premium	-	9,539	-	-	-	-	-	9,539
Comprehensive income for the year - cash flow hedge	-	-	-	-	-	(4,944)	-	(4,944)
Profit for the year	-	-	-	-	-	-	64,268	64,268
Recognition of statutory reserves on profit for the year	-	-	3,213	2,406	33,568	-	(39,187)	-
Interest on capital proposed (R\$ 0.1959 per share)	-	-	-	-	-	-	(25,081)	(25,081)
AT DECEMBER 31, 2014	<u>563,319</u>	<u>8,785</u>	<u>32,611</u>	<u>63,649</u>	<u>390,789</u>	<u>244</u>	<u>-</u>	<u>1,059,397</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais – R\$)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FROM CONTINUING AND DISCONTINUED OPERATIONS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION			
		90,336	240,591
Adjustments:			
Depreciation and amortization	12 e 13	168,259	136,888
Provision for tax, civil and labor risks	20	951	1,367
Accrued expenses on stock options	18	9,539	9,998
Profit sharing payable	18	-	18,697
Gain on sale of property, plant and equipment		(43,812)	(46,658)
Capital gain on disposal of investment	28	-	(8,296)
Interest, indexation and exchange differences on borrowings, contingencies and judicial deposits		80,614	56,392
Allowance for doubtful debts	7	42,301	17,158
Others		15,765	1,273
Changes in assets and liabilities:			
Trade receivables		(22,200)	(44,500)
Inventories		(3,317)	(9,350)
Taxes recoverable		29,526	27,681
Judicial deposits		440	1,800
Other assets		1,729	5,587
Trade payables		353	(1,351)
Payroll and related taxes		239	6,325
Taxes payable		2,642	(11,379)
Other liabilities		<u>(4,169)</u>	<u>(3,635)</u>
Lawsuits settled		(613)	(718)
Interest paid		(69,674)	(48,792)
Income tax and social contribution paid		(38,859)	(65,500)
Profit sharing paid		<u>(18,607)</u>	<u>(20,142)</u>
NET CASH GENERATED BY OPERATING ACTIVITIES		241,443	263,436
Cash flows from investing activities:			
Marketable securities – principal		-	159,606
Advance on sale of assets from discontinued operations		-	25,207
Proceeds from sale of the Industrial Services business unit		27,905	-
Purchases of PP&E and intangible assets		(214,797)	(514,432)
Proceeds from sale of PP&E and intangible assets		<u>61,594</u>	<u>71,490</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(125,298)</u>	<u>(258,129)</u>

(continues)

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais – R\$)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions		10,087	15,607
Purchase of treasury shares		(10,985)	-
Dividends and interest on capital paid		(46,742)	(41,811)
Repayment of borrowings		(300,644)	(38,540)
Borrowings raised		<u>400,000</u>	<u>41,035</u>
NET CASH GENERATED BY FINANCING ACTIVITIES		<u>51,716</u>	<u>(23,709)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		<u>167,861</u>	<u>(18,402)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 6)			
		<u>25,798</u>	<u>44,200</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE OF THE YEAR (Note 6)			
		<u>193,659</u>	<u>25,798</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais – R\$)

	<u>2014</u>	<u>2013</u>
Revenues:		
Sales of merchandise, products and services	1,049,374	1,320,150
Cancelations and discounts	(171,712)	(168,969)
Other revenues	4,759	13,725
Allowance for doubtful debts	<u>(42,301)</u>	<u>(17,158)</u>
Inputs purchased from third parties	840,120	1,147,748
Cost of sales and services	(38,124)	(47,555)
Materials, energy, outside services and other	(161,855)	(200,662)
Write-off of assets	<u>(28,936)</u>	<u>(30,884)</u>
Gross value added	611,205	868,647
Depreciation, amortization and depletion	(168,259)	(136,888)
Wealth created by the Company	<u>442,946</u>	<u>731,759</u>
Wealth received in transfer		
Finance income	25,151	14,223
Wealth for distribution	<u>468,097</u>	<u>745,982</u>
Distribution of wealth		
Personnel and payroll taxes	146,070	249,690
Salaries and wages	113,784	188,941
Benefits	24,004	46,564
Severance Pay Fund (FGTS)	8,282	14,185
Taxes and contributions	141,454	230,827
Federal	132,932	212,690
State	7,046	8,466
Municipal	1,476	9,671
Lenders and lessors	116,305	92,873
Interest and exchange differences	92,732	67,427
Leases	23,573	25,446
Shareholders	64,268	172,592
Interest on capital	25,081	43,014
Minimum mandatory dividends	-	3,484
Retained earnings	<u>39,187</u>	<u>126,094</u>
Wealth distributed	<u>468,097</u>	<u>745,982</u>

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

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

MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Mills Estruturas e Serviços de Engenharia S.A. ("Mills" or "Company") is a publicly-traded corporation with registered offices at Avenida das Américas, nº 500, Bloco 14, Loja 108, salas 207 e 208 – Barra da Tijuca, in the City of Rio de Janeiro, Brazil. The Company operates basically in the construction, engaging in the following principal activities:

- (a) Rental and sale, including import and export, of steel and aluminum tubular structures, and steel and aluminum props and access equipment for construction works, as well as reusable concrete formworks, along with the supply of related engineering projects, supervisory and optional assembly services.
- (b) Sale, rental and distribution of scissor lifts 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 provides:

- (b) Rental, assembly, and disassembling of access tubular scaffolding in industrial areas.
- (c) Performance of industrial painting, sand-blasting, 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: Heavy Construction, Real Estate and Rental. Each business unit is described in Note 30.

The accounting information contained in these financial statements was approved by the Company's Board of Directors and authorized for issue on March 09, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared and are being presented in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil. The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law, the standards of the Brazilian Securities Commission (CVM), and the pronouncements, guidance and interpretations of the Accounting Pronouncements Committee (CPC).

b) Basis of measurement

The Company's financial statements have been prepared on the historical cost basis, except for the following items recognized in the statement of financial position:

- derivative financial instruments measured at fair value (Notes 4 and 31);
- financial instruments measured at fair value through profit or loss (Notes 4 and 31);

c) Functional and presentation currency

These financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency. All financial information is presented in thousands of reais, unless otherwise stated.

d) Segment information

Segment information is presented consistently with the internal report provided to the Company's chief operating decision maker. The chief operating decision maker, responsible for resource allocation and assessment of segment performance, is the Board of Executive Officers, responsible for implementing the Company's strategic decisions made by the Board of Directors.

e) Statements of value added

The purpose of this statement is to evidence the wealth created by the Company and its distribution during a certain period and is presented by the Company as required by the Brazilian corporate law, and as supplemental information to the information required by the IFRSs.

The statement of value added has been prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and following the requirements of CPC 09 - *Demonstração do Valor Adicionado* (Statement of Value Added).

The first part of this statement presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied on sales, other revenues and the effects of the allowance for doubtful debts), inputs purchased from third parties (cost of sales and purchases of materials, energy and outside services, including taxes levied on purchases, the effects of impairment and recovery of assets, and depreciation and amortization) and the wealth received from third parties (dividends received, finance income and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes and contributions, lenders and lessors, and shareholders.

2.2. Significant accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments and other purposes. Cash and cash equivalents include bank deposits and highly liquid short-term investments with original maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

(ii) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(iii) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. When an equity instrument is not quoted in an active market and its fair value cannot be reliably measured, it is measured at cost and tested for impairment.

The classification depends on the purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Income is recognized on an effective interest basis for instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts or the intention either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. Financial assets at fair value through profit or loss are carried at fair value, with any gains or losses recognized in profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified into any other category. They are classified as noncurrent assets, unless management intends to dispose of the investment within 12 months from the end of the reporting period. Changes in the fair value of securities classified as available-for-sale are recognized in equity. The yield on these securities is recognized in the statement of profit or loss as finance income.

(d) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are classified as current assets, except those with maturities greater than 12 months from the end of the reporting period, which are classified as noncurrent assets. The Company's receivables comprise trade and other receivables, judicial deposits and cash and cash equivalents, except short-term investments. Loans and receivables are measured at amortized cost using the effective interest method.

Financial assets measured at cost

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(e) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When a financial asset classified as available-for-sale is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of equity securities classified as available-for-sale, impairment losses previously recognized in profit or loss are not reversed through profit or loss.

Any increase in fair value subsequent to an impairment loss is recognized in 'Other comprehensive income' and accumulated under the heading of 'Investments revaluation reserve'. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) Financial liabilities

Financial liabilities are classified as either 'Financial liabilities at fair value through profit or loss' or 'Other financial liabilities'.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses recognized in profit or loss.

A financial liability is classified as held for trading if: (i) it has been incurred principally for the purpose of repurchasing it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

(b) Other financial liabilities

Other financial liabilities (including borrowings and debentures) are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(v) Derivative financial instruments

(a) Hedging activities

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value, with any changes in the fair value recognized in profit or loss, except when the derivative is designated as a cash flow hedge.

(b) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(c) Cash flow hedges

At its inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

However, when the hedged forecast transaction results in the recognition of a nonfinancial asset (for example, property, plant and equipment), the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the property, plant and equipment item. The deferred amounts are ultimately recognized in profit or loss through depreciation of the property, plant and equipment items.

The total fair value of a hedge derivative is classified as noncurrent asset or liability when the remaining maturity of the hedged item exceeds 12 months and as current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The fair value of derivative instruments is disclosed in Note 33.

(vi) Trade receivables

Trade receivables are recognized on an accrual basis when services are rendered or goods are sold to customers. All trade receivables arise from services rendered or goods sold by the Company's business units.

Trade receivables are carried at fair value at the time of sale, adjusted by a provision for impairment (allowance for doubtful debts). The allowance for doubtful debts is recognized when there is objective evidence that the Company will not receive the total amount according to the original terms of the receivables.

An allowance for doubtful debts should be recognized for:

1. Any Company receivables sent for court collection. The allowance for this type of receivables is 100%.
2. Past-due Company receivables that are not collateralized should be accrued according to the following criterion: non-priority customers, 50% for 60 to 120 days past due, and 100% above 120 days past due; and preferred customers, 100% above 180 days past due.

The past-due period start date for allowance purposes is the extended due date of each receivable.

If an acknowledgment of debt agreement is entered into providing for collaterals (preferably a bank guarantee or a performance bond) no allowance for doubtful debts is recognized.

An uncollateralized acknowledgment of debt agreement will result in the recognition of an allowance for doubtful debts, usually pursuant to the criterion above (only for past-due amounts, not including current amounts). The allowance for doubtful debts is fully reversed after confirmation of timely payment of the second installment of the acknowledgment of debt agreement. If the customer is in default again, the entire debt is included in the allowance for doubtful debts.

If the event of debt restructuring, the allowance for doubtful debts is recognized pursuant to the rule above, unless the acknowledgment of debt is replaced by a collateral (mortgage or bank guarantee).

(vii) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined under the average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The provision for slow-moving inventories is calculated and recognized monthly. A provision should be recognized for all inventory items without movement for more than one year.

(viii) Current and deferred income tax and social contribution

Income tax and social contribution expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The current income tax and social contribution expense is calculated based on tax rates prevailing in Brazil at the end of the reporting period, which are 15% for income tax, plus a 10% surtax on taxable profit exceeding R\$240, and 9% on taxable profit for social contribution. Management periodically reviews positions taken in respect of tax matters that are subject to interpretation and recognizes a provision when the payment of income tax and social contribution according to the tax bases is expected.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The tax rates currently defined are 25% for income tax and 9% for social contribution.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized, based on projections of future results prepared on the basis of internal assumptions and future economic scenarios that are, therefore, subject to changes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in 'Other comprehensive income' or directly in equity, in which case, the current and deferred tax are also recognized in 'Other comprehensive income' or directly in equity, respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(ix) Judicial deposits

Judicial deposits are presented in noncurrent assets, at amounts adjusted for inflation (Note 20).

(x) Property, plant and equipment: own use and operational rental and use

Most of the Company's revenues derive from property, plant and equipment for operational rental and use, either through rental only, or rental combined with assembly and disassembly.

Property, plant and equipment for own use comprise mainly facilities to store equipment, office, improvements, furniture and equipment necessary for the operation of these facilities.

Property, plant and equipment are measured at historical cost, less accumulated depreciation. Historical cost includes costs directly attributable to the acquisition of items and may also include transfers from equity of any gains/losses on cash flow hedges qualifying as relating to the purchase of property, plant and equipment in foreign currency.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if the future economic benefits associated to these items are probable and the amounts can be reliably measured. The residual value of the replaced item is derecognized. Other repairs and maintenance are recognized immediately in profit or loss as incurred.

Depreciation is calculated using the straight-line method, at the rates shown in Note 12, which take into consideration the estimated economic useful lives of assets. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the

carrying amount of the asset and is recognized in profit or loss.

The residual values and estimated useful lives of assets are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(xi) Intangible assets

Software licenses

Carried at cost less accumulated amortization and accumulated impairment losses, where applicable.

Costs associated to the development and maintenance of such software licenses are expensed as incurred.

Software licenses have finite useful lives and are amortized over five years (Note 13). The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(xii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs). Goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination and is identified according to the operating segment.

(xiii) Impairment of assets

Property, plant and equipment and other noncurrent assets, including goodwill and intangible assets, are tested for impairment at least annually, and whenever events or changes in circumstances indicate that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When an impairment loss is identified, it is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the net selling price and the value in use of an asset. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, or CGUs). Nonfinancial assets other than goodwill that suffered impairment are reviewed for the analysis of a possible reversal of the impairment at the end of the reporting period.

(xiv) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified

as noncurrent liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoice.

(xv) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provisions for tax, civil and labor risks are recognized at the amount of probable losses, according to the nature of each provision (Note 20). Based on the opinion of its legal counsel, Management believes that the recognized provisions are sufficient to cover any losses on ongoing lawsuits. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an expense in the statement of profit or loss.

A provision for onerous contracts is recognized where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The provision is measured at present value at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(xvi) Profit sharing

The profit sharing, if any, is recognized over the year and paid in the following year (Note 18).

(xvii) Stock option plans

The Company offers stock option plans to certain employees and executives. The fair value of the options granted is recognized as an expense during the period over which the right is vested, that is, period during which specific vesting conditions should be met. At the end of the reporting period, the Company reviews its estimates of the number of options whose rights must be vested based on the conditions.

This recognizes the impact of the revision of the initial estimates, if any, in the statement of profit or loss, as a balancing item to the capital reserve in equity.

The amounts received, net of any directly attributable transaction costs, are credited to capital when options are exercised.

(xviii) Borrowings

Borrowings are initially recognized at fair value and subsequently carried at amortized cost. The calculation methodology for each borrowing follows the specific conditions of each contract, using the effective interest method.

Fees and taxes paid for contracting borrowings are recognized as transaction costs of the borrowings and are also recognized as finance costs at the effective interest rate.

Management controls monthly the balances of each debt through managerial controls in which it updates the financial indicators (interest rates) as agreed in each agreement.

Borrowings are classified as current liabilities, except for installments that can be unconditionally settled 12 months after the end of the reporting period.

(xix) Leases

The Company leases certain property, plant and equipment items. Leases of property, plant and equipment items where the Company retains substantially all the risks and rewards incidental to ownership of such assets are classified as finance leases.

On initial recognition the leased asset is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is recognized pursuant to the accounting policy applicable to the asset.

The finance lease balance recognized in current and noncurrent liabilities refers to the remaining installments payable of the lease finance agreements.

(xx) Translation into foreign currency

Transactions in foreign currency are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions. The balances of assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period. Exchange gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss.

Exchange gains and losses arising from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges.

(xxi) Issued capital

The Company's capital comprises common shares without par value.

Incremental costs directly attributable to the issue of new shares or options are

shown in equity as a deduction from the proceeds, net of tax.

(xxii) Share buyback (treasury shares)

Repurchased shares are classified as treasury shares and are presented as a deduction from equity until the shares are canceled or reissued. When treasury shares are subsequently sold or reissued, the value received is recognized as an increase in equity, and the resulting surplus or deficit is transferred to/from retained earnings.

(xxiii) Distribution of dividends and interest on capital

The payment of dividends and interest on capital to shareholders is recognized as a liability in the financial statements at the end of the reporting period based on the Company's bylaws. Any amount above the minimum mandatory dividend is provided for at the date it is approved by the shareholders at the General Meeting.

The tax benefit of interest on capital is recognized in the statement of profit or loss.

(xxiv) Revenue recognition

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract at the end of the reporting period.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company's policy for recognition of revenue is the date at which goods are delivered to the buyer.

The rental income is prorated and recognized on a straight-line basis over the term of the equipment rental agreements.

The Company separates the identifiable components of a single contract or a group of contracts to reflect the substance of the contract or group of contracts, recognizing the revenue of each of the elements proportionally to its fair value. Therefore, the Company's revenue is divided into rental, technical assistance, sales and indemnities/expense recoveries.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate through maturity, when it is determined whether such income will accrue to the Company.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Income, expenses and assets are recognized net of taxes on sales.

(xxv) Earnings per share

Basic earnings per share are calculated based on the Company's profit for the period and the weighted average of common shares outstanding in the respective period. Diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments potentially convertible into shares, with a diluting effect, in the periods presented, in accordance with CPC 41 and IAS 33.

(xxvi) Business combination

In the financial statements, acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company and the liabilities incurred by the Company to the former owners of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* (equivalent to CPC 32 and CPC 33), respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* (equivalent to CPC 10) at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* (equivalent to CPC 31) are measured in accordance with that Standard.
- Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the excess is recognized immediately in profit or loss as a bargain purchase gain. Subsequent to initial recognition, goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill arising on an acquisition of a business is, from the acquisition date, allocated to each of the Company's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of other assets or liabilities of the acquiree being attributable to this unit.

2.3. Adoption of new pronouncements, amendments to and interpretations of pronouncements issued by the IASB and CPC and standards in issue but not yet effective

a) New standards and interpretations and amendments to existing standards that are effective since January 1, 2014:

- IAS 32/CPC 39 - Financial Instruments: Disclosures – *Offsetting Financial Assets and Financial Liabilities* – The amendments introduce additional clarifications to the application guidance in IAS 32 about the requirements relating to the offset of financial assets and financial liabilities in the statement of financial position. Management has not identified any impact arising from these amendments to existing standard.
- IFRIC 21 - *Levies* – New interpretation that addresses the issue as to when to recognize a liability to pay a levy imposed by a government both for levies that are recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those in which the amounts and taxation period are clear. Management has not identified any impact of this new standard.
- IAS 36 – *Impairment of Assets* (CPC 01) – The amendments to IAS 36 provide guidance on recoverable amount disclosures for nonfinancial assets. Management has not identified any impact of these amendments to existing standard.
- IAS 39 – *Financial Instruments – Recognition and Measurement* (CPC 38) – The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. Management has not identified any impact of these amendments to existing standard.
- Amendments to IFRS 10, IFRS 12 and IAS 27 - the amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Management has not identified any impact of these amendments to existing standard.

b) New standards, interpretations of and amendments to existing standards that are not yet effective at December 31, 2014:

Effective for annual periods beginning on or after July 1, 2014:

- IAS 19/CPC 33 – *Employee Benefits* – The amendments clarify how an entity should account for contributions made by employees or third parties based on whether those contributions are dependent on the number of years of service provided by the employee.
- *Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles* – Minor amendments to existing pronouncements.

Effective for annual periods beginning on or after January 1, 2016:

- IFRS 11 – Amendments that address accounting for acquisitions of interests in joint operations. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied, except when there is a conflict with IFRS 11, and that a joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. Applicable both for the initial acquisition of interest in a joint operation and for the acquisition of additional interest, in the latter case, the investment previously held is not remeasured with prospective effect.
- IAS 16 and IAS 38 – Amendments to these standards to clarify the acceptable methods of depreciation and amortization.
- IAS 27 – Amendments to standard to include the option to account for investments in subsidiaries, joint ventures and associates using the equity method in separate financial statements.
- IFRS 10 and IAS 28 – Amendments to standards to clarify how to account for the sale or contribution of assets between an investor and its associate or joint venture whose requirements are applicable independent of the legal type of the operation.
- IAS 1 – Amendments to standard to address potential hindrances identified in exercising judgment in the preparation of financial statements. These amendments clarify that the concept of materiality should be considered both for reporting purposes, either the information is required or not, and in the presentation of the notes to financial statements and in the use of aggregation criteria.
- IFRS 10, IFRS 12 and IAS 28 – Amendments to address specific issues arisen in the context of the application of the consolidation exception for investment entities.

Effective for annual periods beginning on or after July 1, 2016:

Annual Improvements to IFRSs 2010-2012 Cycle – Minor amendments to existing standards.

Effective for annual periods beginning on or after January 1, 2017:

- IFRS 15 – *Revenue from Contracts with Customers* – establish 5 simple steps to be applied to contracts with customers for revenue recognition and disclosure. It will supersede the standards (IAS 18 and IAS 11) and interpretations (IFRIC 13, IFRIC 15 and IFRIC 18) currently effective on the matter.

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 – *Financial Instruments* – New standard that introduces new requirements for the classification, measurement, impairment, hedge accounting and derecognition of financial assets and liabilities.

The Company intends to adopt these standards when they become effective. The Company has analyzed the impacts of these standards and so far no material impact on its financial statements has been identified.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATES AND ASSUMPTIONS

In the preparation of the Company's financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty related to these assumptions and estimates might lead to results that require a significant adjustment to the carrying amount of the affected asset or liability in future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year.

3.1. Impairment of nonfinancial assets

An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use calculation is based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit subject to testing. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as to the expected future cash receipts and to the growth rate used for extrapolation purposes.

3.2 Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of share-based payments requires the determination of the most appropriate valuation model for the granting of equity instruments, which depends on the terms and conditions of the grant. This also requires

the determination of the most appropriate valuation model, including the expected life of the option, volatility and dividend yield and related assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in Note 19.

3.3. Taxes

There are uncertainties regarding the interpretation of complex tax regulations, as well as the amount and timing of future taxable profits. Differences between the actual results and the assumptions adopted, or future changes in these assumptions, may require future adjustments to the tax income and expense already recognized. The Company recognizes provisions based on applicable estimates, for potential consequences of audits by tax authorities. The amount of these provisions is based on several factors, such as experience of prior tax audits and interpretations diverging from the tax regulations by the taxable entity and by the responsible tax authority. These diverging interpretations may arise in a wide variety of matters, depending on the prevailing conditions prevailing at the Company's domicile. Deferred tax assets are recognized for all temporary differences to the extent that it is probable that sufficient taxable profits will be available to allow their utilization.

Significant judgment by management is required to determine the amount of deferred tax assets that can be recognized, based on the probable term and level of future taxable profits, together with strategies for future tax planning.

3.4. Fair value of financial instruments

When the fair value of financial assets and liabilities, such as stock options, securities and hedging instruments presented in the statement of financial position, cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. Inputs for these methods are based on market inputs, when possible; however, when this is not feasible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the inputs used, such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of the financial instruments. Note 4 provides detailed information on the main assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis of these assumptions.

3.5. Provision for tax, civil and labor risks

The Company recognizes a provision for tax, civil and labor risks. The assessment of the likelihood of loss includes examining available evidence, the hierarchy of laws, former court decisions, the most recent court decisions and their relevance in the legal system, and the assessment of the outside legal counsel. The provision is reviewed and adjusted to take into account any changes in circumstances, such as the applicable prescriptive periods, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

3.6. Useful lives of property, plant and equipment

As described in Note 12, the Company reviews the estimated useful lives of its property,

plant and equipment annually at the end of each reporting period. During the year the Company assessed the useful lives of its assets and concluded that the ten-year period adopted in prior years reasonably represents the average useful life of the Company's assets and should be maintained for its equipment in 2014.

3.7. Revenue recognition

Service revenue is recognized in profit or loss based on the stage of completion of the services at the end of the reporting period.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Company's activities expose it to various financial risks: market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The risk management program concentrates on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to protect certain risk exposures and does not enter into any derivative transactions for speculative purposes.

Risk management is carried out by the Chief Financial Officer, in accordance with policies approved by the Board of Directors, where applicable. The Chief Financial Officer identifies, assesses and protects the Company against potential financial risks in cooperation with the Company's operating units. The Chief Financial Officer establishes principles for global risk management, as well as for specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

(i) Sensitivity analysis

The following table shows the sensitivity analysis of the financial instruments, including derivatives, describing the 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. In addition, two other scenarios are provided, as established by the Brazilian Securities Commission (CVM) in Instruction 475/2008, in order to present a 25% and 50% stress of the risk variable considered, respectively (scenarios II and III):

<u>Debt</u>	<u>Indicator</u>	<u>Current</u>	<u>Effect on profit in 2015, before taxes</u>		
			<u>Probable</u>	<u>25%</u>	<u>50%</u>
BNDES	TJLP	(18,667)	(1,200)	(1,204)	(1,208)
Working capital	US\$	(45,860)	(4,039)	(16,495)	(28,950)
Swap	CDI	1,166	3,965	16,466	28,967
1st issue of debentures	CDI	(184,412)	(16,179)	(20,034)	(23,826)
2nd issue of debentures					
1st series	CDI	(168,121)	(21,210)	(25,935)	(30,581)
2nd series	IPCA	(128,747)	(17,563)	(20,211)	(22,916)
3rd issue of debentures	CDI	(201,984)	(26,982)	(33,443)	(39,807)
	Total	<u>(746,625)</u>	<u>(83,208)</u>	<u>(100,855)</u>	<u>(118,321)</u>
			Change	21.21%	42.20%

The sensitivity analysis presented above takes into account changes in a certain risk, with all other variables, associated with other risks, held constant.

<u>Scenarios</u>	<u>12/31/14</u>		
	<u>Probable</u>	<u>Scenario II</u> 25%	<u>Scenario III</u> 50%
Rates			
CDI (%) (i)	12.88%	16.10%	19.32%
TJLP (%) (ii)	5.50%	6.88%	8.25%
IPCA (%) (iii)	7.77%	9.71%	11.66%
US\$ (iv)	2.88	3.60	4.32

- (i) As regards the interest rate risk, the Company's management used as probable assumption (scenario I) for its financial instruments a rate of 12.5%, considering an increase in the CDI rate in line with the expected increase in the SELIC rate as there is a direct relation between the rates, and an increase in rate as the assumption for the other two scenarios.
- (ii) For financial liabilities relating to borrowings - BNDES, the Company's management used as probable assumption (scenario I) the maintenance of the TJLP rate since there is no evidence of change in rate in the near term, and an increase in rate as the assumption for the other two scenarios.
- (iii) For financial liabilities relating to the 2nd series debentures, the Company's management used as probable assumption (scenario I) the IPCA rate estimated for 2015 according to the FOCUS report released by the Central Bank of Brazil on March 6, 2015 since there is no evidence of change in rate in the near term, and an increase in rate as the assumption for the other two scenarios.
- (iv) The Company's management used as a probable assumption (scenario I) the maintenance of the exchange rate and an increase in rate as the assumption for the other two scenarios.

4.2. Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk resulting from the exposure to certain currencies, basically the US dollar and the euro. The foreign exchange risk results from future imports of equipment, mainly scissor lifts and molds.

The Company adopts the policy of reducing the cash risk relating to foreign exchange variation on a conservative basis since all its revenues are earned in Brazilian reais. Therefore, the Company enters into NDF contracts with financial institutions for hedging purposes. All these contracts set the future exchange rate from reais to dollars.

The Company has also borrowing agreements in dollars and in order to cover substantially the foreign exchange risk it entered into swap transactions (see note 31).

(ii) Interest rate risk and adjustment for inflation

The Company's debt is denominated in Brazilian reais and subject to floating interest rates, especially the CDI and TJLP rates. There is the risk of the Company incurring losses due to fluctuations in interest rates, which would increase finance costs related to borrowings raised in the market.

As a management policy, the Company does not use any instrument to mitigate its exposure to interest rate fluctuations. This is a market risk due to the macroeconomic and regulatory conditions inherent to all companies operating in Brazil.

The Company analyzes its exposure to interest rates in a dynamic way. Various scenarios are simulated, taking into consideration refinancing, financing and hedging. Based on these scenarios, the Company determines a reasonable change in the interest rate. The scenarios are prepared only for liabilities that represent the main interest positions. See the sensitivity analysis of possible fluctuations in interest rates in Note 4.1. (i).

4.3. Credit risk

Credit risk is the risk of financial loss for the Company should a customer or counterparty in a financial instrument fail to fulfill its contractual obligations arising in its operating (mainly relating to trade receivables) and financing activities, including deposits with banks and financial institutions.

(i) Trade receivables

The Company periodically bills amounts for rentals and services due by its customers, for past due periods normally ranging from 30 to 60 days, with an average collection period of 60 days. Therefore, the Company is subject to the risk of default on trade receivables. The Company's commercial credit portfolio is mainly concentrated in domestic customers. The Company establishes a provision

for impairment when it understands there is the risk of amounts due not being received.

The customer credit risk is managed by the Company's financial management, who evaluates the customers' financial ability to pay. This analysis is performed before the commercial agreement is entered into by the parties, and each customer is analyzed individually taking into consideration mainly the following information: (i) personal data record; (ii) financial information and indicators; (iii) risk ratings (methodology of credit bureau SERASA); (iv) controlling shareholder; and (v) pending issues and protests at Serasa.

(ii) Financial instruments and cash deposits

The credit risk for balances with banks and financial institutions is managed by the Company's treasury in accordance with the policy established by that department. Surplus funds are invested only with approved counterparties.

The Company adopts the policy of using only first-tier financial institutions classified as investment grade. Management does not expect any counterparty to fail to fulfill its obligations.

4.4. Liquidity risk

Liquidity risk is the risk of the Company facing difficulties in fulfilling its obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to manage liquidity is to ensure, to the maximum extent possible, that it always has sufficient liquidity to fulfill its obligations as they fall due, under normal and stress conditions, without causing unacceptable losses or risk of damaging the Company's reputation.

The financial department monitors rolling forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet operating needs. Monthly forecasts take into account the Company's debt financing plans, the fulfillment of contractual clauses, and the achievement of internal targets according to the Company's strategic plan. In addition, the Company maintains credit facilities with the major financial institutions operating in Brazil.

The table below analyzes the main financial liabilities per maturity bracket, corresponding to the remaining period in the statement of financial position to the contractual maturity date, when the Company expects to realize the payment.

	Up to a month	More than one and less than three months	More than three months and less than one year	From one to two years	From two to five years	Over five years
<u>At December 31, 2014</u>						
Borrowings	46,378	998	3,215	4,100	11,002	2,652
Debêntures	-	9,227	150,140	230,266	458,685	64,069
Derivative financial instruments	(1,166)	-	-	-	-	-
Trade payables	16,510	-	-	-	-	-
<u>At December 31, 2013</u>						
Borrowing	524	1,044	4,576	49,475	11,652	5,910
Debêntures	-	7,695	131,723	131,129	374,963	167,429
Finance lease obligations	843	1,909	4,860	1,084	-	-
Derivative financial instruments	-	-	-	267	-	-
Trade payables	37,904	-	-	-	-	-

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

4.5. Credit quality of financial assets

(i) Trade receivables

The credit risk is managed at corporate level. The credit analysis area assesses the credit quality of the customers, taking into account their financial statements, relationship history, any restrictions with credit reporting agencies, and other indicators. Individual risk limits are set based on internal or external ratings according to guidelines established by management. The use of credit limits is regularly monitored.

(ii) Cash and cash equivalents and marketable securities

	<u>12/31/2014</u>	<u>12/31/2013</u>
<u>Bank account</u>		
Bank (1)	<u>182</u>	<u>2,049</u>
Total	<u>182</u>	<u>2,049</u>
<u>Short-term investments</u>		
Bank (1)	<u>193,477</u>	<u>23,749</u>
Total	<u>193,477</u>	<u>23,749</u>
Total cash and cash equivalents	<u>193,659</u>	<u>25,798</u>

(1) Major financial institutions with investment grade and wide operations in Brazil.

5. 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 can, for example, in accordance with its bylaws, increase its capital, issue new shares, approve the issue of debentures and the acquisition of shares of its own issue.

In addition, the Company uses as the main performance indicator to assess its gearing ratio the accumulated EBITDA for the previous twelve months/total net debt ratio (total bank debt less total cash and cash equivalents).

	<u>2014</u>	<u>2013</u>
Total bank debt	747,791	635,051
Borrowings	<u>64,527</u>	<u>63,626</u>
Leases	-	<u>8,154</u>
Debentures (see note 16)	<u>683,264</u>	<u>563,271</u>
Cash and cash equivalents	<u>193,659</u>	<u>25,798</u>
Net debt	<u>554,132</u>	<u>609,253</u>

The Company is not subject to any external capital requirement.

Available credit facilities	<u>2014</u>	<u>2013</u>
Unsecured overdraft account, reviewed annually and with payment upon request:		
Unused	505,639	477,487
Secured bank credit facilities with varying maturities and that can be extended by common agreement:		
Used	64,527	71,513

6. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash and banks	182	2,049
Short-term investments	<u>193,477</u>	<u>23,749</u>
	<u>193,659</u>	<u>25,798</u>

Cash and cash equivalents refer 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 December 31, 2014, short-term investments refer to repurchase agreements

bearing average interest of 100.7% of the interbank deposit certificate (CDI) (the interbank deposit certificate to bearing average interest of 101.5% of the CDI as at December 31, 2013).

7. TRADE RECEIVABLES

Business unit	2014			2013		
	Gross receivables	Allowance	Net receivables	Gross receivables	Allowance	Net receivables
Heavy Construction	88,113	(25,689)	62,424	68,785	(13,715)	55,070
Real Estate	62,407	(25,428)	36,979	82,177	(16,071)	66,106
Rental	93,079	(36,313)	56,766	73,468	(18,638)	54,830
Industrial Services (**)	3,992	(3,992)	-	4,408	(4,408)	-
Events (***)	<u>2,022</u>	<u>-</u>	<u>2,022</u>	<u>3,796</u>	<u>(1,029)</u>	<u>2,767</u>
Total	249,613	(91,422)	158,191	232,634	(53,861)	178,773
Current	248,215	(91,422)	156,793	231,220	(53,861)	177,359
Noncurrent	1,398	-	1,398	1,414	-	1,414

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

(***) Amount receivable from sale of property, plant and equipment of the events division, which was discontinued in 2008.

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:

	<u>2014</u>	<u>2013</u>
Balance at the beginning of the year	53.861	36.703
Recognition of allowance for doubtful debts	61.744	27.358
Reversal of allowance for doubtful debts	(19.443)	(10.075)
Amounts written off during the year as uncollectible	<u>(4.740)</u>	<u>(125)</u>
Balance at the end of the year	<u>91.422</u>	<u>53.861</u>

Included in the allowance for doubtful debts are impaired trade receivables amounting to R\$91,422 as at December 31, 2014 (R\$53,861 as at December 31, 2013). The increase in this allowance is basically due to specific customers that had difficulties to fulfill their obligations in 2014.

Mills holds receivables relating to assets of the Events business unit, whose activities were discontinued. Part of these assets was sold in 2008 and 2009 under conditional sale agreements entered into on May 20, 2008 and February 18, 2009. The sales proceed will be received over a period not exceeding eight years, and the installments are adjusted for inflation based on the percentage fluctuation of the Extended Consumer Price Index (IPCA). As at December 31, 2014, the asset is adjusted at present value and management, based on the collaterals set out in the agreement, believes that the amount will be fully realized by the due date of the last installment.

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. The Company does not have any customer concentration in its revenue or trade receivables as no single customer or corporate group accounts for 10% or more of its trade receivables in any of its segments.

Age of trade receivables:

	<u>2014</u>	<u>2013</u>
Current	83,513	112,094
Current (bills with original due dates extended)	18,101	8,539
1-60 days past due (*)	40,840	37,220
61-120 days past due (*)	19,899	13,943
121-180 days past due (*)	15,797	9,191
Over 180 days past due (*)	<u>71,463</u>	<u>51,615</u>
Total	<u>249,613</u>	<u>232,602</u>

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

The age of trade receivables past due but not provided for is as follows:

	<u>2014</u>	<u>2013</u>
1-60 days past due	40,596	37,097
61-120 days past due	9,698	9,311
Over 120 days past due	<u>7,344</u>	<u>11,700</u>
Total	<u>57,638</u>	<u>58,108</u>

As at December 31, 2014, trade receivables amounting to R\$57,683 (2013 - R\$58,108) are past due, but no allowance for doubtful debts was recognized because they do not meet the allowance recognition criteria established by the Company, as mentioned in Note 2.2.

8. INVENTORIES

	<u>2014</u>	<u>2013</u>
Raw materials	2,030	6,617
Goods for resale	11,660	15,015
Spare parts and supplies	11,438	8,972
Advances for inventories	88	5,140
Provision for slow-moving inventories (*)	(3,423)	-
Others	<u>-</u>	<u>544</u>
Total	<u>21,793</u>	<u>36,288</u>

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

Inventories of raw materials and advances for inventories 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.

9. TAXES RECOVERABLE

	<u>2014</u>	<u>2013</u>
PIS and COFINS (taxes on revenue) (*)	59,259	71,856
IRPJ (Corporate Income tax) and CSLL (Social Contribution on Profit) (**)	412	8,537
ICMS (State VAT) (***)	933	909
Others	<u>86</u>	<u>135</u>
	<u>60,690</u>	<u>81,437</u>
Current	<u>28,677</u>	<u>38,673</u>
Noncurrent	<u>32,013</u>	<u>42,764</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 2018.

(**) Refers to IRPJ and CSLL tax losses as at December 31, 2014, which will be adjusted for inflation monthly based on the SELIC rate and offset against taxes of the same nature during 2015.

(***) Refers to ICMS (State VAT) levied on the Company's operations, arising from purchase of parts and equipment for sale.

10. OTHER RECEIVABLES – SALE OF INVESTEE

	<u>2014</u>	<u>2013</u>
2014	-	26,785
2015	17,467	15,763
2016	17,467	15,763
2017	<u>17,467</u>	<u>15,764</u>
Total	<u>52,401</u>	<u>74,075</u>
Current	17,467	26,785
Noncurrent	<u>34,934</u>	<u>47,290</u>
	<u>52,401</u>	<u>74,075</u>

On November 30, 2013 the Company completed the sale of its Industrial Services business unit to Fundo de Investimento em Participação (FIP) Leblon Equities Partners V, managed by Leblon Equities Gestão de Recursos Ltda.

The agreement stipulates the payment for the acquisition in six (6) installments, all adjusted using the CDI from May 31, 2013 to the payment date, as follows:

1. The first installment of R\$25,000 (R\$25,207, including the CDI-based adjustment through payment date) was paid on the agreement signing date;
2. The second installment of R\$17,000 (R\$18,093, including the CDI-based adjustment through March 31, 2014) was paid in April 2014, in the amount of R\$11,304. The second installment was adjusted for inflation based on the partial performance of the business, which entailed the business profit plus the depreciation of the assets acquired, less investments, plus the increase in trade payables (or less the decrease in trade payables, as applicable), and less the increase in trade receivables (or plus the decrease in trade receivables, as applicable), from May 31, 2013 to the closing date, i.e., November 30, 2013. To arrive at this amount, the same accounting criteria of apportionment of expenses and recognition of allowance for doubtful debts and derecognition of equipment currently used by the Company were adopted. For purposes of calculation of profit for the year, income tax and social contribution rates identical to the average tax rate applied to the Company's activities in the last twelve months immediately prior to the closing date were considered, and the following were disregarded: (i) allocated costs relating to the Company's stock options and profit sharing, and (ii) finance income and costs. The accumulated amount relating to the partial performance of the business from June 1 to November 30, 2013, date in which the Company completed the operation, was R\$6,789.
3. Four installments of R\$15,000 (R\$17,467, considering the last three installments adjusted for inflation based on 100% of the CDI through December 31, 2014), with annual maturity counted from the agreement signing date. The first of these installments was received on the maturity date, July 10, 2014, in the amount adjusted for inflation of R\$16,601.

11. INVESTMENT

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 2011, the Company received R\$2,608 (net of taxes) relating to interest on capital and dividends of prior years, which was recognized reducing the investment amount since it referred to dividends derived from profits or reserves already existing at the share acquisition date.

In the fourth quarter of 2011, the ownership interest in Rohr S.A. Estrutura Tubulares (Rohr) was increased from 25% to 27.47%, resulting from the buyback by Rohr of 9% of its shares, which are currently in its treasury and will be cancelled or distributed proportionally to its shareholders.

The Company assessed its influence over the management of Rohr and concluded that even though it holds 27.47% of the investee's capital, such investment should be carried at cost due to the following facts: Mills does not have power to participate in the preparation of and in the decisions on Rohr's financial, operational and strategic policies, does not

control such policies either individually or jointly, and does not have representatives in the investee's management. Furthermore, there is no shareholders agreement that may confer Mills the right to have influence over the investee's management or that may confer it the right to increase its ownership interest in the future. Based on these factors, the Company concluded that it does not have significant influence over the investee and will maintain the investment carried at cost.

In December 2014 the Company recognized finance income of R\$1,818 (R\$1,648 in December 2013) relating to Rohr interest on capital for 2014.

b) Impairment loss

In 2014 the Company reviewed the recoverable amount of the investment in Rohr S.A. based on an internal report. The recoverable amount of this asset was determined based on economic projections to estimate Rohr market value, using the income approach, through a discounted cash flow projection as a basis for the amount paid. The main assumptions were: (i) moderate sales growth; (ii) continuous cost reduction program that will cause its evolution to be lower than the sales growth percentage, (iii) capital expenditures only for recovering the depreciation, and (iv) a strict control policy over the working capital evolution, in the projection years. The discount rate used to measure the recoverable amount was 13.51% per year. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the investment's carrying amount to exceed its recoverable amount.

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment for rental and operational use	Rental equipment in progress	Total rental equipment	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Construction in progress	Total assets in use	Total PP&E
<u>Cost of PP&E, gross</u>												
Balance at December 31, 2012	1,219,336	46,566	1,265,902	12,767	25,156	9,501	4,274	1,457	7,174	1,691	62,020	1,327,922
Purchases	364,644	104,863	469,507	8,344	6	5,561	752	1,453	2,454	1,280	19,850	489,357
Write-offs/disposals	(56,650)	-	(56,650)	-	(21)	(5)	(787)	-	(5)	-	(818)	(57,468)
Adjustment for PIS and COFINS credits	(43,380)	-	(43,380)	-	-	-	-	-	-	-	-	(43,380)
Write-off of assets sold - Mills SI	(107,374)	-	(107,374)	(1,189)	(867)	(1,172)	(599)	(236)	(751)	-	(4,814)	(112,188)
Reclassification	1,746	-	1,746	-	-	-	-	-	-	-	-	1,746
Transfers	113,532	(112,923)	609	(882)	-	1	-	2,796	73	(2,391)	(403)	206
Balance at December 31, 2013	1,491,854	38,506	1,530,360	19,040	24,274	13,886	3,640	5,470	8,945	580	75,835	1,606,195
Purchases	167,210	5,535	172,745	8069	-	2,126	180	1,645	1,479	462	13,961	186,706
Write-offs/disposals	(57,298)	(195)	(57,493)	-	-	(9)	(426)	-	(23)	-	(458)	(57,951)
Adjustment for PIS and COFINS credits	(18,154)	-	(18,154)	-	-	-	-	-	-	-	-	(18,154)
Reclassification	(286)	286	-	-	-	-	-	-	-	-	-	-
Transfers	39,942	(39,942)	-	31	-	-	-	(57)	26	-	-	-
Balance at December 31, 2014	1,623,268	4,190	1,627,458	27,140	24,274	16,003	3,394	7,058	10,427	1,042	89,338	1,716,796
<u>Accumulated depreciation</u>												
Balance at December 31, 2012	(308,424)	-	(308,424)	(3,104)	(1,080)	(5,718)	(2,522)	(654)	(3,073)	-	(16,151)	(324,575)
Depreciation	(129,165)	-	(129,165)	(1,631)	(698)	(1,733)	(496)	(176)	(590)	-	(5,324)	(134,489)
Write-offs/disposals	21,735	-	21,735	-	-	3	385	-	-	-	388	22,123
Write-off of assets sold - Mills SI	53,105	-	53,105	267	241	859	412	73	265	-	2,117	55,222
Transfers	-	-	-	299	11	(5)	(11)	(294)	-	-	-	-
Balance at December 31, 2013	(362,749)	-	(362,749)	(4,169)	(1,526)	(6,594)	(2,232)	(1,051)	(3,398)	-	(18,970)	(381,719)
Depreciation	(155,497)	-	(155,497)	(3,342)	(670)	(2,344)	(448)	(534)	(745)	-	(8,083)	(163,580)
Write-offs/disposals	28,411	-	28,411	-	-	1	274	-	4	-	279	28,690
Adjustment for PIS and COFINS credits	-	-	-	(34)	-	-	-	(5)	-	-	(39)	(39)
Balance at December 31, 2014	(489,835)	-	(489,835)	(7,545)	(2,196)	(8,937)	(2,406)	(1,590)	(4,139)	-	(26,813)	(516,648)
Annual depreciation rates - %	10	-	-	10	4	20	20	10	10	-	-	-
<u>Property, plant and equipment, net</u>												
Balance at December 31, 2013	1,062,105	38,506	1,167,611	14,871	22,748	7,292	1,408	4,419	5,547	580	56,865	1,224,476
Balance at December 31, 2014	1,133,433	4,190	1,137,623	19,595	22,078	7,066	988	5,468	6,288	1,042	62,525	1,200,148

Rental equipment can be summarized as follows: access scaffolding, formworks, props, scissor lifts and telescopic handlers.

We present below the main purchases during the year by group of assets:

	<u>2014</u>
Props	24,606
Lifts and handlers	104,152
Reusable concrete formworks	12,936
Suspended scaffolding and access structures	25,596
Others	<u>19,416</u>
Total purchases	<u>186,706</u>

The depreciation for the year, allocated to costs of services and general and administrative expenses, amounts to R\$152,874 and R\$10,706 as at December 31, 2014 (R\$127,037 and R\$7,452 as at December 31, 2013), respectively.

Certain items of property, plant and equipment are pledged as collateral for borrowings (Note 15).

Review of estimated useful life

For purposes of this review, based on a valuation by technical experts the Company issued a valuation report dated December 31, 2014, approved at a meeting of the Board of Executive Officers. In 2010 the Company contracted independent appraisers who issued a valuation report dated February 4, 2011. In order to prepare the report, the technical experts and independent appraisers considered the Company's operational planning for the coming fiscal years, past experience, such as the level of maintenance and utilization of the items, external elements for benchmarking, such as available technologies, manufacturers' manuals and recommendations, and the service lives of the assets. There was no change in the remaining estimated useful life of property, plant and equipment of the rental equipment group in relation to that stated in the February 2011 report and that is in line with the depreciation rates used by the Company; therefore, there was no change in the depreciation rate for 2014.

The Company concluded that there were no events or changes in circumstances indicating that such assets might be impaired.

13. INTANGIBLE ASSETS

	<u>Software</u>	<u>Trademarks and patents</u>	<u>Intangible assets in progress</u>	<u>Goodwill on investments</u>	<u>Total intangible assets</u>
Cost of intangible assets, gross					
Balance at December 31, 2012	<u>11,707</u>	<u>932</u>	<u>5,758</u>	<u>44,294</u>	<u>62,691</u>
Purchases	9,678	-	6,868	-	16,546
Write-off of assets sold - Mills SI	(236)	(37)	-	-	(273)
Transfers	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206)</u>
Balance at December 31, 2013	<u>20,943</u>	<u>895</u>	<u>12,626</u>	<u>44,294</u>	<u>78,758</u>
Purchases	3,927	-	8,498	-	12,425
Transfers	<u>20,045</u>	<u>-</u>	<u>(20,045)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2014	<u>44,915</u>	<u>895</u>	<u>1,079</u>	<u>44,294</u>	<u>91,183</u>
Accumulated amortization					
Balance at December 31, 2012	<u>(3,811)</u>	<u>(122)</u>	<u>-</u>	<u>(4,232)</u>	<u>(8,165)</u>
Purchases	(2,226)	(173)	-	-	(2,399)
Write-off of assets sold - Mills SI	198	-	-	-	198
Balance at December 31, 2013	<u>(5,839)</u>	<u>(295)</u>	<u>-</u>	<u>(4,232)</u>	<u>(10,366)</u>
Amortization	<u>(4,505)</u>	<u>(174)</u>	<u>-</u>	<u>-</u>	<u>(4,679)</u>
Balances at September 30, 2014	<u>(10,344)</u>	<u>(469)</u>	<u>-</u>	<u>(4,232)</u>	<u>(15,045)</u>
Annual amortization rates - %	10	20	-	-	-
<u>Intangible assets, net</u>					
Balance at December 31, 2013	15,104	600	12,626	40,062	68,392
Balance at December 31, 2014	34,571	426	1,079	40,062	76,138

Provision for impairment of goodwill

Goodwill arose on the acquisition of Jahu in 2008 and the acquisition of GP Sul in 2011, which are being considered as contribution of the Real Estate 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 economic projections to estimate its value, using the income approach, through a discounted cash flow projection as a basis for the amount paid. The main assumptions were: (i) moderate sales growth; (ii) continuous cost reduction program that will cause its evolution to be lower than the sales growth percentage, (iii) capital expenditures reduction in 2015 and only for recovering the depreciation 2016 onwards, and (iv) a strict control policy over the working capital evolution, in the projection years. The discount rate used to measure the recoverable amount was 13.77% per year. The recognition of a provision for impairment of goodwill was not required.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not lead the total carrying amount to exceed the total recoverable amount of the cash-generating unit.

14. TRADE PAYABLES

	<u>2014</u>	<u>2013</u>
Domestic suppliers	16,240	32,229
Foreign suppliers	<u>270</u>	<u>5,675</u>
	<u>16,510</u>	<u>37,904</u>

As at December 31, 2014, trade payables refer basically to installment purchase of equipment.

15. BORROWINGS AND FINANCE LEASES

Borrowings were used for financing the expansion of the Company's investments and for its general expenses and uses, being indexed to the CDI, TJLP and US dollars.

For borrowings in foreign currency, financial instruments were contracted to hedge the Company against fluctuations in foreign exchange rates.

Rental equipment financing were contracted with charges based on the Long-Term Interest Rate (TJLP) plus interest of 0.2% to 0.90% per year, with monthly amortization through June 2021.

Borrowings and finance leases are as follows:

	<u>2014</u>	<u>2013</u>
Current:		
Borrowings	49,637	4,936
Finance lease obligations	<u>-</u>	<u>7,828</u>
	<u>49,637</u>	<u>12,764</u>
Noncurrent:		
Borrowings	14,890	58,423
Finance lease obligations	<u>-</u>	<u>326</u>
	<u>14,890</u>	<u>58,749</u>

Borrowings

	<u>Current liabilities</u>	
	<u>2014</u>	<u>2013</u>
Borrowings from financial institutions:		
Indexed to US dollar plus interest of 2.13% per year (all-in cost)	45,860	-
Indexed to TJLP plus interest of 0.20% to 0.90% per year	<u>3,777</u>	<u>4,936</u>
	<u>49,637</u>	<u>4,936</u>
	<u>Noncurrent liabilities</u>	
	<u>2014</u>	<u>2013</u>
Borrowings from financial institutions:		
Indexed to US dollar plus interest of 2.13% per year (all-in cost)	-	39,932
Indexed to TJLP plus interest of 0.20% to 0.90% per year	<u>14,890</u>	<u>18,491</u>

14,890 58,423

The financial institutions with which the Company has borrowings as at December 31, 2014 are as follows:

- Banco do Brasil
- Itaú BBA
- Itaú BBA S.A, Sucursal Nassau

On December 6, 2013 the Company entered into a borrowing agreement with Banco Itaú BBA S.A., Nassau Branch, in the amount of US\$16.9 million (equivalent to R\$40.0 million). Principal and interest will be settled in a bullet payment on January 30, 2015. In order to eliminate the foreign exchange risk on this borrowing, on the same date of the borrowing the Company entered into a swap transaction with Banco Itaú BBA S.A. in the amount of R\$40.0 million in order to convert the obligations (principal and interest) into local currency and on the same maturity dates (see note 31).

On April 11, 2014 the Company issued in a single series 20 commercial promissory notes with unit face value of R\$10,000, totaling R\$200,000 and with maturity on August 8, 2014. The unit value of the promissory notes bears interest equivalent to 106% of the accumulated fluctuation of the average daily interbank deposit (DI) rates. On June 18, 2014 the Company fully paid these promissory notes with the proceeds from its third issue of debentures (note 16).

The table below shows the contracted guarantees outstanding at the dates:

	<u>2014</u>	<u>2013</u>
Guarantees provided:		
Collateral sale (*)	<u>33,103</u>	<u>65,858</u>
Total guarantees	<u>33,103</u>	<u>65,858</u>
Promissory notes	-	20,128

* Refer to equipment purchased under the Federal Equipment Financing Program (FINAME) and leases.

The promissory notes are enforceable guarantees and represent additional guarantees for borrowings.

The maturities of the noncurrent portions as at December 31, 2014 are as follows:

2016	2,959
2017	3,138
2018 to 2021	<u>8,793</u>
	<u>14,890</u>

The Company's borrowings do not have covenants.

Finance leases

Referred basically to agreements for purchase of rental equipment with periods between 36 and 60 months, maturities through 2015 and indexed to the CDI plus interest of 2.50% to 3.80% per year. This obligation was collateralized by the leased assets and the undiscounted cash flows of

the debt payment were not presented since payments were calculated at a floating rate basis according to the CDI fluctuation.

The Company settled in advance all the existing finance lease agreements during the third quarter of 2014.

	<u>2014</u>	<u>2013</u>
2014	-	7,828
2015	-	<u>326</u>
Present value of minimum lease payments	<u>-</u>	<u>8,154</u>
Current portion	-	7,828
Noncurrent portion	-	326

There were no significant differences between the present value of the minimum lease payments and the market value of these financial liabilities. Interest charges are at floating rates and recognized on a prorated basis.

16. DEBENTURES

Description	Series	Issued amount	Beginning	Maturity	Financial charges	12/31/2014	12/31/2013
1 st issue	Single	270,000	Apr/2011	Apr/2016	112.5% of CDI	184,412	275,530
Issue cost						(629)	(1,100)
						<u>183,783</u>	<u>274,430</u>
2nd issue	1 st series	160,940	Aug/2012	Aug/2017	100% CDI + 0.88% p.a.	168,121	166,938
	2nd series	109,060	Aug/2012	Aug/2020	IPCA + 5.50 p.a.	128,747	120,803
Issue cost						(1,093)	(1,401)
						<u>295,775</u>	<u>286,340</u>
3rd issue	Single	200,000	May/2014	May/2019	108.75% of CDI	201,984	-
Issue cost						(685)	-
						<u>201,299</u>	<u>-</u>
Total debentures						<u>680,857</u>	<u>560,770</u>
Current						105,315	112,532
Noncurrent						575,542	448,238

1st issue of debentures

The first issue of Company debentures, of a total of 27,000 simple, nonconvertible, registered, unsecured debentures, in a single series, was approved on April 8, 2011, totaling R\$270,000 and unit face value of R\$10.00. These debentures mature on April 18, 2016 and pay interest equivalent to 112.5% of the CDI, payable semiannually, and are amortized in three annual, consecutive installments, commencing on April 18, 2014. The transaction costs associated with this issue, in the amount of R\$2,358, are being recognized as borrowing costs, in accordance with the contractual terms of the issue.

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\$10.00. 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;
- 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 index. 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. of the amount adjusted for inflation as indicated 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. 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.

The proceeds obtained by the Company with the third issue of debentures were fully used to settle the commercial promissory notes of the Company's fourth issue, issued on April 11, 2014 (see note 15).

As at December 31, 2014 the balances of debentures including transaction costs are R\$106,203 in current liabilities and R\$577,061 in noncurrent liabilities, and R\$105,315 and R\$575,542, net of transaction costs, respectively. (As at December 31, 2013, the balances of debentures are R\$113,271 in current liabilities and R\$450,000 in noncurrent liabilities, and R\$112,532 and R\$448,238, net of transaction costs, respectively.)

Covenants

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

- (1) Net debt-to-EBITDA ratio equal to or lower than three (3); and
- (2) EBITDA-to-net financial expenses equal to or higher than two (2).
 - (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 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;

- (ii) EBITDA means, based on the Company's four immediately preceding Consolidated Financial Statements, profit or loss before income tax and social contribution, less income and plus expenses generated by finance income and costs and nonoperating income and expenses, depreciation and amortization, and nonrecurring income and expenses; and
- (iii) Net Finance Cost" 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 cost.

As at December 31, 2014 the Company was compliant with all ratios.

17. RELATED PARTIES

a) Transactions and balances

There were no loans between the Company and its officers during the year.

As at December 31, 2014, the Company had no 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:

	<u>2014</u>	<u>2013</u>
Salaries and payroll charges - officers	7,211	6,342
Fees of the Board of Directors	1,352	1,729
Profit sharing	-	1,225
Share-based payments	<u>3,570</u>	<u>2,694</u>
Total	<u>12,133</u>	<u>11,990</u>

18. EMPLOYEE BENEFITS

a) Employee profit sharing

The provision for profit sharing of employees and executive officers is recognized on an accrual basis and is accounted for as an expense. The determination of the amount, which is paid in the year subsequent to the recognition of the provision, considers the targets program established together with the labor union through a collective labor agreement, in accordance with Law 10,101/00 and the Company's bylaws.

As decided by the Company's Board of Directors on March 27, 2012, the amount of profit sharing will no longer be set at 25% of profit and may vary between 20% and 30% of the economic value added (EVA), which is calculated based on the operating profit less or plus nonrecurring profits, less taxes, and the weighted average cost of capital. The metrics for this calculation is approved by the Company's management.

The profit sharing, if any, is recognized over the year and paid in the following year. The Company did not achieve the targets for 2014 and, therefore, did not recognize a provision for this expense (December 31, 2013 - R\$18,697).

b) 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.

<u>Plans</u>	<u>Grant date</u>	<u>Final exercise date</u>	<u>Shares in thousands</u>		
			<u>Shares granted</u>	<u>Shares exercised</u>	<u>Outstanding shares</u>
Top Mills Special Plan 2010 Plan	1/01/2008	7/10/2014	782	(782)	-
2010 Program	5/31/2010	5/31/2016	1,475	(1,369)	106
2011 Program	4/16/2011	4/16/2017	1,184	(592)	592
2012 Program	6/30/2012	5/31/2018	1,258	(399)	859
2013 Program	4/30/2013	4/30/2019	768	(92)	676
2014 Program	4/30/2014	4/30/2020	234	-	234

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 exercise 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.

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:

<u>Program</u>	<u>Grant</u>	<u>Weighted average fair value by option - R\$</u>	<u>Weighted average price of the share at the grant date - R\$</u>	<u>Exercise price at the grant date R\$</u>	<u>Volatility at the grant date</u>	<u>Dividend yield at the grant date</u>	<u>Annual risk-free interest rate at the grant date</u>	<u>Maximum exercise period at the grant date</u>
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	22.58	28.12	7.98	33.45%	0.75%	12.47%	6 years

The exercise price of the options granted under the Plan will be set by the Board of Directors or by the Committee (as appropriate), taking into consideration: (i) in the case of options whose grant has as consideration the acquisition of Company issued shares by the respective Beneficiary, the equity value of the shares at December 31 for the fiscal year immediately prior to the grant date; or (ii) in the other cases, the value equivalent to the average quotation of the Company shares of the same type as those in which the option is referenced on the BM&FBOVESPA S.A. - Stock, Commodities and Futures Exchange, weighted by the trading volume during the fiscal year immediately prior to the grant date. Irrespective of the criterion to be adopted to define the exercise price, this will be adjusted for inflation based on the IPCA (Extended Consumer Price Index) or any other index determined by the Board of Directors or by the Committee (as appropriate), less the amount of dividends and interest on capital per share proposed by the Company as from the grant date.

The table below presents the accumulated balances of the plans in the statement of financial position and the effects on profit.

	<u>2014</u>	<u>2013</u>
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	5,727	5,303
Number of exercisable options (thousands)	106	413
Number of shares exercised (thousands)	1,369	1,062
2011 Program (2010 Plan)		
Capital reserve	6,750	5,142
Number of exercisable options (thousands)	592	711
Number of shares exercised (thousands)	592	473
2012 Program (2010 Plan)		
Capital reserve	9,659	6,308
Number of exercisable options (thousands)	859	1,015
Number of shares exercised (thousands)	399	243
2013 Program (2010 Plan)		
Capital reserve	5,633	2,503
Number of exercisable options (thousands)	676	768
Number of shares exercised (thousands)	92	-

	<u>2014</u>	<u>2013</u>
2014 Program (2010 Plan)		
Capital reserve	1,026	-
Number of exercisable options (thousands)	234	-
Total recognized as equity (accumulated)	35,396	25,857
Effect on profit (*)	(9,539)	(9,998)

19. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution payable

As at December 31, 2014, the Company determined income tax and social contribution payable of R\$2,543, after considering the monthly prepayments of R\$48,400, which are presented net of the income tax and social contribution withheld on financial investments and services.

b) 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:

	<u>2014</u>	<u>2013</u>
Profit for the year before income tax and social contribution	90,336	233,389
Statutory income tax and social contribution rate	<u>34%</u>	<u>34%</u>
Income tax and social contribution at statutory rate	(30,714)	(79,352)
Nondeductible provisions (*) and permanent differences	(5,802)	(4,114)
Interest on capital - proposed	8,528	14,625
Others	<u>1,920</u>	<u>3,126</u>
Total current and deferred income tax and social contribution	(26,068)	(65,715)
Effective rate	29%	28%
Current income tax	(50,943)	(68,396)
Deferred income tax	<u>24,875</u>	<u>2,681</u>
	(26,068)	(65,715)

* Nondeductible expenses comprise expenses on write-off of receivables, write-off of inventories, sponsorship, gifts, debt waivers, and noncompensatory fines.

c) Income tax and social contribution recognized in other comprehensive income

The deferred tax recognized in other comprehensive income arises from the provision for gains/losses on cash flow hedge instruments transferred to the opening carrying amounts of the hedged items. The total income tax and social contribution recognized in other comprehensive income in December 2014 is R\$2,547.

- d) Movement in the deferred income tax and social contribution during the year, not considering the offset of balances:

<u>Description</u>	<u>December</u> <u>31,</u> <u>2013</u>	<u>Additions</u>	<u>Write-offs</u>	<u>December</u> <u>31,</u> <u>2014</u>
Stock options	-	3,243	-	3,243
Discount to present value	77	-	(23)	54
Property, plant and equipment hedge	(1,434)	-	488	(946)
Provision for costs and expenses	815	1,326	-	2,141
Allowance for doubtful debts	7,839	10,154	-	17,993
Finance leases	2,244	2,085	-	4,329
Provision for tax, civil and labor risks	3,637	683	-	4,320
NDF derivatives	(2,673)	-	2,547	(126)
Provision for discounts and cancelations	2,815	6,540	-	9,355
Swap transactions	-	(396)	-	(396)
Taxes with required payment suspended	-	255	-	255
Accelerated depreciation	(753)	(753)	-	(1,506)
GP Andaimes Sul Locadora goodwill	(325)	(134)	-	(459)
Jahu goodwill	(12,949)	-	-	(12,949)
Adjustment for inflation of judicial deposits	(921)	(276)	-	(1,197)
Exchange differences	-	1,643	-	1,643
Debentures	<u>(850)</u>	<u>(253)</u>	<u>294</u>	<u>(809)</u>
	<u>(2,478)</u>	<u>24,370</u>	<u>3,053</u>	<u>24,945</u>

- e) The bases and expectations for realization of the deferred income tax and social contribution are presented below:

Nature

Stock option
Discount to present value
Property, plant and equipment hedge
Provision for costs and expenses
Allowance for doubtful debts
Finance leases

Provision for tax, civil and labor risks
NDF derivatives
Provision for discounts and cancelations
Swap transactions
Taxes with required payment suspended
Accelerated depreciation
GP Andaimes Sul Locadora goodwill
Jahu goodwill
Adjustment for inflation of judicial deposits
Exchange differences
Debentures

Bases for realization

Exercise of options
Tax realization of the loss/gain
Depreciation of the asset
Payment
Filing of lawsuits and past-due receivables
Realization of the asset over the straight-line depreciation period
Tax realization of the loss
Realization of the provision
Reversal/realization of the provision
Settlement of the borrowing
Payment or reversal of the provision
Tax depreciation over 5 years
Disposal/impairment of the asset
Disposal/impairment of the asset
Withdrawal of the deposit
Repayment of the borrowing
Amortization of the borrowing cost

As at December 31, 2014, deferred income tax and social contribution are expected to be realized as follows:

	Deferred IR and CSLL assets	Deferred IR and CSLL liabilities
2015	3,795	(837)
2016	7,859	(538)
2017	7,859	(500)
2018	7,859	(452)
2019	7,859	(1,205)
Beginning 2020	<u>8,102</u>	<u>(14,856)</u>
Total	<u>43,333</u>	<u>(18,388)</u>

Transition Tax Regime

The Transition Tax Regime (RTT) was in effect until the enactment of the law that regulated the tax effects of the new accounting methods to ensure tax neutrality. On May 13, 2014, Law 12,973 was enacted, introducing, among other issues, the repeal of the Transitional Tax Regime (RTT) and the Corporate Income Tax Return (DIPJ) and creating instead the Tax Accounting Bookkeeping (ECF).

The Tax Accounting Bookkeeping (ECF) will consolidate the tax neutrality adjustments that were previously filed using the Transition Tax Accounting Control (FCONT). Pursuant to the aforementioned Law, the adoption of the ECF is optional for taxable events recorded beginning January 2014 and mandatory beginning 2015 for all corporate entities that elect taxation based on the actual profit. In 2014 the Company complied with the legal requirement, which was formalized through the option in the DCTF (Declaration of Federal Tax Debits and Credits) of August 2014 filed with the Brazilian Federal Revenue on October 28, 2014, as regards the prospective calculation of interest on capital, dividends and the tax treatment of stock option plans. The other measures contained in such Law did not have material impacts on the Company, according to an analysis made by the Company with its tax advisors.

20. PROVISION 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.

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

	<u>2014</u>	<u>2013</u>
Tax (i)	4,301	3,818
Civil (ii)	787	467
Labor (iii)	3,978	3,588
Success fees (iv)	<u>3,514</u>	<u>2,700</u>
Total	<u>12,580</u>	<u>10,573</u>

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

	<u>2013</u>	<u>2013</u>
Balance at January 1	<u>10,573</u>	<u>9,919</u>
Provision	5,000	3,107
Reversals	(2,380)	(1,740)
Write-offs	<u>(613)</u>	<u>(713)</u>
Balance at December 31	<u>12,580</u>	<u>10,573</u>

- (i) Refers basically to a writ of mandamus filed by the Company challenging the increase in the PIS and COFINS rates (established by the noncumulative 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, relating to the differences in rates.
- (ii) The Company has lawsuits filed against it relating to civil liability and compensation claims.
- (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) Success 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.

b) Breakdown of judicial deposits:

	<u>2014</u>	<u>2013</u>
Tax (i)	7,161	6,805
Civil	-	278
Labor (ii)	<u>3,261</u>	<u>2,970</u>
	<u>10,422</u>	<u>10,053</u>

- (i) As at December 31, 2014, judicial deposits for tax lawsuits totaled R\$7,161. 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\$ 3,803, as informed in note 17, item

“a”, subitem “i”, 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\$ 2,512. 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:

	<u>2014</u>	<u>2013</u>
Tax (i)	31,559	26,442
Civil (ii)	5,191	4,812
Labor (iii)	<u>15,232</u>	<u>10,944</u>
Total	<u>51,982</u>	<u>42,198</u>

- (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 ILL (tax on profit), 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.

21. TAX DEBT REFINANCING PROGRAM (REFIS)

In November 2009 the Company enrolled in the Special Installment Payment Plan established by Law 11,941/2009 and Provisional Act 470/2009, with the purpose of equalizing and regularizing the tax liabilities under this special plan for installment payment of tax and social security obligations.

The general conditions of this installment payment can be summarized as follows:

- (a) The installment payment period was 180 months.
- (b) 60% reduction of voluntary and late payment fines, and 25% reduction of late payment interest.
- (c) Debts included in the installment payment plan were:
 - (i) PIS and COFINS (for the period from April 2002 to May 2004).
 - (ii) IRPJ (for December 2003, January 2004 and April 2004).
 - (iii) CSLL (for November 2003, January 2004 and April 2004).
 - (iv) INSS – Additional Occupational Accident Insurance (SAT) contribution.

The amounts relating to PIS/COFINS, IRPJ and CSLL had been offset against PIS and COFINS credits on rental (from September 1993 to January 1999), referring to rental and assembly of Company-owned leased assets. The origin of these credits was based on a decision by the Federal Supreme Court that does not consider the rental of assets as provision of services.

In light of the new case law set by the Superior Court of Justice (STJ) (1st Panel of the STJ - trial in September 2009 of Special Appeal No. 929.521), which set the understanding of the levy of COFINS on asset rental income, the Company decided to pay in installments the amount relating to the aforementioned debts.

The debts were consolidated on June 29, 2011, in accordance with Joint Administrative Rule PGFN/RFB 2/2011.

As a result of the enrollment in this special installment payment plan, the Company undertook to pay the installments without late payment exceeding three months, and has paid the REFIS installments of the debt consolidated in June 2011.

- (d) At the preliminary stage of consolidation of debts for installment payment, on June 30, 2010, the Company decided to include an INSS debt considering the change of the

likelihood of a favorable outcome from probable to remote, according to the opinion of its outside legal counsel.

Also at the preliminary stage of consolidation of debts for installment payment, PIS and COFINS debts considered expired by the outside legal counsel were excluded.

	<u>2012</u>	<u>Payments</u>	<u>Adjustment for inflation</u>	<u>2013</u>	<u>Payments</u>	<u>Adjustment for inflation</u>	<u>2014</u>
PIS	1,831	(159)	103	1,775	(171)	125	1,729
COFINS	5,614	(489)	318	5,443	(527)	383	5,299
IRPJ	2,278	(198)	129	2,209	(214)	155	2,150
CSLL	150	(13)	9	146	(14)	10	142
INSS	<u>857</u>	<u>(75)</u>	<u>49</u>	<u>831</u>	<u>(80)</u>	<u>59</u>	<u>810</u>
	<u>10,730</u>	<u>(934)</u>	<u>608</u>	<u>10,404</u>	<u>(1,006)</u>	<u>732</u>	<u>10,130</u>
Current				960			1,030
Noncurrent				<u>9,444</u>			<u>9,100</u>
				<u>10,404</u>			<u>10,130</u>

22. TAXES PAYABLE

	<u>2014</u>	<u>2013</u>
IRRF (Withholding Income Tax) on interest on capital	-	2,480
PIS and COFINS (taxes on revenue)	2,978	3,417
INSS (Social Security Contribution)	86	321
ISS (Service Tax)	500	586
Others	<u>409</u>	<u>280</u>
	<u>3,973</u>	<u>7,084</u>

23. EQUITY

a) Subscribed capital

The Company's fully subscribed and paid-in capital as at December 31, 2014 is R\$563,319 (R\$553,232 as at December 31, 2013), comprising 128,058,000 (127,386,000 as at December 31, 2013) registered common shares without par value. Each common share entitles to one vote in shareholders resolutions.

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

(a.1) Treasury shares

On May 28, 2012, the Company repurchased 4,000 preferred shares of its own issue, acquired from a shareholder that exercised his right to withdraw, for cancellation. The

total amount paid on the acquisition of the shares, net of income tax and social contribution, was R\$23, deducted from the capital reserve in equity. On June 21, 2012, the Company's Board of Directors approved the cancelation of all of the shares, pursuant to item (o) of the Company's bylaws.

On November 10, 2014, the Board of Directors approved the introduction of a buyback program for Company-issued shares and authorized management to define the opportunity and the number of shares to be acquired under the Buyback Program.

The Company's objective with the buyback program was to acquire up to 4,000,000 shares of its issue, within 365 days from the date of approval by the Board of Directors, to be held in treasury and subsequently canceled or sold, including under the Company's share buyback program, in the event of exercise of such options. Until December 31, 2014, 1,182,900 shares had been acquired, totaling R\$10,985, recognized in the capital reserve. The minimum cost, weighted average and maximum of these shares acquired in the exercise were, respectively, R\$8.15, R\$9.29 and R\$11.30.

(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 shares issued in the period were fully subscribed and paid in by their beneficiaries as follows:

Stock option plan	Approval by the Board of Directors	Number of shares issued	Issue price R\$	Capital increase (in thousands)
2010 Program	1/10/2014	6	13.02	-
2011 Program	1/10/2014	5,772	21.51	124
2012 Program	1/10/2014	711	5.76	4
2012 Program	1/10/2014	3,000	20.39	61
2010 Program	2/05/2014	50,174	13.13	658
2011 Program	2/05/2014	13,825	21.70	300
2012 Program	2/05/2014	3,554	5.81	21
2012 Program	2/05/2014	11,250	20.56	231
2013 Program	2/05/2014	7,710	6.78	52
2010 Program	2/14/2014	1,820	13.16	24
2011 Program	2/14/2014	3,890	21.74	85
2012 Program	2/14/2014	2,800	20.60	58
2010 Program	5/15/2014	250,004	13.44	3,360
2011 Program	5/15/2014	95,391	22.20	2,118
2012 Program	5/15/2014	24,800	5.93	147
2012 Program	5/15/2014	101,550	21.03	2,135
2013 Program	5/15/2014	63,827	6.95	444
2010 Program	8/15/2014	4,800	13.36	64
2012 Program	8/15/2014	5,845	5.80	34
2012 Program	8/15/2014	1,550	21.02	33
2013 Program	8/15/2014	<u>19,650</u>	6.82	<u>134</u>
		<u>671,929</u>		<u>10,087</u>

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

<u>Shareholders</u>	2014		2013	
	Number of shares (in thousands)	Percentage	Number of shares (in thousands)	Percentage
Andres Cristian Nacht	15,685	12.25%	15,596	12.24%
Snow Petrel S.L.	17,728	13.84%	17,728	13.90%
HSBC Bank Brasil S.A. ¹	6,323	5.07%	6,323	5.07%
Capital Group International, Inc ²	-	-	6,445	5.01%
Capital Research Global Investors ³	6,507	5.10%	-	-
Other signatories of the Company Shareholders Agreement ⁴	11,827	9.24%	11,825	9.28%
Others	<u>69,987</u>	<u>54.50%</u>	<u>69,469</u>	<u>54.50%</u>
	<u>128,057</u>	<u>100.00 %</u>	<u>127,386</u>	<u>100.00 %</u>

- 1 On October 2, 2012, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- 2 On December 2, 2014, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- 3 On July 5, 2014, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
- 4 The other signatories of the Company's Shareholders Agreement, all holders of individual interests of less than 5% of the Company's capital, are represented in the capacity as shareholders, including for purposes of exercise of voting right, by Andres Cristian Nacht.

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 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) Special reserve

The special reserve referred to the tax benefit generated by the corporate restructuring in 2009. This reserve was fully reversed in 2013, when the realization of the related goodwill was concluded.

(b.4) Earnings retention reserve

This 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 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\$15,068, net of taxes, relating to the primary public offering of shares, the stock option premium reserve amounting to R\$35,396, the cost of the canceled shares amounting to R\$558, and the buyback of shares in 2014 amounting to R\$10,985, totaling a capital reserve of R\$8,785 as at December 31, 2014 (R\$10,231 as at December 31, 2013).

d) Valuation adjustment to equity – cash flow hedge

The cash flow hedge reserve incorporates the effective portion of the cash flow hedges through the end of the reporting period amounting to R\$244, net of taxes (December 31, 2013 - R\$5,188).

24. DIVIDENDS AND INTEREST ON CAPITAL PROPOSED

Under the Company's bylaws, shareholders are entitled to minimum mandatory dividends corresponding to 25% of the profit for the year, calculated in accordance with the Brazilian Corporation Law. The Company can make other distributions, as long as profits and reserves are available. All distributions referred to above can be made in the form of dividends or interest on capital, deductible from income tax.

The Board of Directors approved at the meeting held on June 23, 2014 the proposal for interest on capital as part of the minimum mandatory dividend in the amount R\$25,081 (R\$21,810 net of taxes), equivalent to R\$0.20 per share. The interest on capital proposed will be part of the compensation to be paid at the end of 2014.

In accordance with Art. 9 of Law 9,249/1995, a corporate entity may deduct, for actual profit calculation purposes, interest paid or credited individually to owners, partners or shareholders, as remuneration of own capital, calculated on equity accounts and limited to the variation, on a daily pro rata basis, of the Long-Term Interest Rate (TJLP). The amount credited by the Company as interest on capital is within the legal deductibility limit.

	<u>2014</u>	<u>2013</u>
Profit for the year	64,268	172,592
Legal reserve - 5%	<u>(3,213)</u>	<u>(8,630)</u>
Dividend calculation basis	<u>61,055</u>	<u>163,962</u>
Minimum mandatory dividends - 25% (net of taxes)	<u>15,264</u>	<u>40,990</u>
Interest on capital proposed for payment in the following year	25,081	43,014
Withholding income tax - 15% (*)	<u>(3,271)</u>	<u>(5,508)</u>
Net interest on capital proposed for payment in the following year	21,810	37,506
Minimum mandatory dividends for payment in the following year	<u> -</u>	<u> 3,484</u>

Total net dividends proposed for payment	21,810	40,990
Total dividends including income tax proposed for payment	<u>25,081</u>	<u>46,498</u>
Percentage of dividends including income tax on profit for the year	39.03%	26.94%

(*) Tax rate of 15%, less withholding income tax of exempt shareholders.

The amount recognized in current liabilities as at December 31, 2014 is R\$21,810 (R\$40,990 in December 2013).

25. EARNINGS PER SHARE

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of common shares issued during the year.

	<u>2014</u>	<u>2013</u>
Profit attributable to owners of the Company	<u>64,268</u>	<u>172,592</u>
Weighted average number of common shares issued (thousands)	<u>127,818</u>	<u>126,955</u>
Basic earnings per share from continuing and discontinued operations	<u>0.50</u>	<u>1.36</u>
Basic earnings per share from continuing operations	<u>0.50</u>	<u>1.32</u>

b) Diluted

Diluted earnings 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.

	<u>2014</u>	<u>2013</u>
Profit		
Profit used to determine diluted earnings per share	<u>64,268</u>	<u>172,592</u>
Weighted average number of common shares issued (thousands)	127,818	126,955
Adjustments for:		
Stock options (thousands)	<u>406</u>	<u>1,085</u>
Weighted average number of common shares for diluted earnings per share (thousands)	<u>128,224</u>	<u>128,040</u>

Diluted earnings per share from continuing and discontinued operations	<u>0.50</u>	<u>1.35</u>
Diluted earnings per share from continuing operations	<u>0.50</u>	<u>1.31</u>

26. NET REVENUE FROM 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:

	<u>2014</u>	<u>2013</u>
Rentals	869,782	842,431
Sales	69,836	85,588
Technical assistance	15,302	32,821
Indemnities and recoveries	94,454	96,773
Taxes on sales and services	(83,496)	(83,356)
Cancelations and discounts	<u>(171,712)</u>	<u>(141,995)</u>
	<u>794,166</u>	<u>832,262</u>

27. 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.

Nature	2014			2013		
	Direct project and rental costs	General and administrative expenses	Total	Direct project and rental costs	General and administrative expenses	Total
Personnel	(63,031)	(113,336)	(176,367)	(58,768)	(107,447)	(166,215)
Third parties	(6,549)	(28,198)	(34,747)	(5,026)	(20,432)	(25,458)
Freight	(16,260)	(620)	(16,880)	(15,479)	(763)	(16,242)
Construction/maintenance and repair materials	(44,492)	(7,003)	(51,495)	(43,462)	(6,097)	(49,559)
Equipment rental and others	(5,333)	(18,241)	(23,574)	(5,861)	(14,955)	(20,816)
Travel	(3,769)	(10,549)	(14,318)	(4,984)	(11,552)	(16,536)
Cost of sales	(53,153)	-	(53,153)	(68,017)	-	(68,017)
Depreciation and amortization	(152,874)	(15,385)	(168,259)	(122,623)	(8,419)	(131,042)
Write-off of assets	(13,733)	-	(13,733)	(8,856)	-	(8,856)

Allowance for doubtful debts	-	(42,301)	(42,301)	-	(16,235)	(16,235)
Stock option plan	-	(9,539)	(9,539)	-	(8,959)	(8,959)
Provisions	-	(2,485)	(2,485)	-	193	193
Profit sharing	-	-	-	-	(18,794)	(18,794)
Others	<u>(3,186)</u>	<u>(26,191)</u>	<u>(29,377)</u>	<u>(1,858)</u>	<u>(11,959)</u>	<u>(13,817)</u>
	<u>(362,380)</u>	<u>(273,848)</u>	<u>(636,228)</u>	<u>(334,934)</u>	<u>(225,419)</u>	<u>(560,353)</u>

28. OTHER OPERATING INCOME, NET

On July 10, 2013, the Company entered into an agreement for the sale of assets and liabilities of its Industrial Services business unit to FIP Leblon Equities Partners V, a fund managed by Leblon Equities Gestão de Recursos Ltda. through its subsidiary Albuquerque Participações Ltda. The sales price, defined on May 31, 2013, negotiation base date, was R\$102,000.

During the three-year period started on the closing date, the parties entered into a mutual noncompete agreement.

This transaction was completed on November 30, 2013 and the price was adjusted for inflation based on the CDI fluctuation, adjusted by the partial performance of the business and settled, after adjustments, in local currency. The proceeds from the sale of the investment amounted to R\$8,296.

29. FINANCE INCOME (COSTS)

a) Finance income

	<u>2014</u>	<u>2013</u>
Dividend income	1,818	1,648
Interest income	9,187	3,407
Investment income	11,721	6,040
Discounts obtained	107	226
Foreign exchange and inflation gains	1,088	1,693
Swap transactions	1,166	-
Others	<u>64</u>	<u>142</u>
	<u>25,151</u>	<u>13,156</u>

b) Finance costs

	<u>2014</u>	<u>2013</u>
Interest on borrowings	(8,357)	(5,120)
Foreign exchange and inflation losses	(7,841)	(1,058)
Interest on finance leases	(463)	(1,342)
Interest on debentures	(70,346)	(47,284)
Commissions and bank fees	(1,087)	(1,629)
Others	<u>(4,659)</u>	<u>(3,539)</u>
	<u>(92,753)</u>	<u>(59,972)</u>

30. 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.

Heavy Construction business unit

Mills Heavy Construction operates in the heavy construction market, using cutting edge technology in formworks, props, and special equipment systems to perform construction works. This business unit is present in several states and draws on a team of engineers and specialized technicians who play advisory and support role to meet deadline and optimize costs and safety.

Real Estate business unit

Mills Real Estate provides nonmechanized access equipment, mast climbing platforms, and scaffolds for the residential and office building construction sector. 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. Mills Real Estate is present in several states, where it has teams qualified to provide technical assistance and help planning works, detail projects, and oversee the assembly.

Industrial Services business unit

This division supplies structures developed to permit the access of personnel and supplies during the equipment and tubular scaffolding assembling phases, as well as for preventive and corrective maintenance in large plants, including industrial painting, surface treatment and thermal insulation services.

On July 10, 2013 the Company entered into an agreement for sale of assets and liabilities of this business unit, this operation was concluded on November 30, 2013. The result of this business unit was classified as discontinued operations in 2013.

Rental business unit

Mills Rental operates in the scissor lifts and telescopic handlers lease 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.

No individual customer accounted for 10% or more of the Company's revenues in 2013 and 2012.

Statement of profit or loss by business segment

	Heavy Construction		Real Estate		Industrial Services		Rental		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net revenue	210,996	216,956	212,361	257,964	-	208,295	370,809	357,342	-	-	794,166	1,040,557
(-) Costs	(48,299)	(49,189)	(69,537)	(76,321)	-	(148,951)	(91,670)	(86,801)	-	-	(209,506)	(361,262)
(-) Expenses	(60,224)	(56,382)	(82,008)	(80,739)	-	(38,802)	(64,443)	(63,539)	(9,487)	(106)	(216,162)	(239,568)
(-) Allowance for doubtful debts	(13,556)	(3,280)	(10,711)	(7,133)	-	(1,048)	(18,025)	(5,790)	(9)	(31)	(42,301)	(17,282)
(-) Depreciation and amortization	(39,831)	(30,476)	(47,518)	(40,060)	-	(5,846)	(80,910)	(60,506)	-	-	(168,259)	(136,888)
Other operating income	-	-	-	-	-	-	-	-	-	8,296	-	8,296
Profit before finance income (costs)	<u>49,086</u>	<u>77,629</u>	<u>2,587</u>	<u>53,711</u>	-	<u>13,648</u>	<u>115,761</u>	<u>140,706</u>	<u>(9,496)</u>	<u>8,159</u>	<u>157,938</u>	<u>293,853</u>
Finance income	4,146	3,113	6,016	4,363	-	1,067	8,750	5,127	6,239	553	25,151	14,223
Finance costs	(20,684)	(13,690)	(29,730)	(21,828)	-	(7,513)	(41,885)	(24,425)	(454)	(29)	(92,753)	(67,485)
Profit before IRPJ/CSL	32,548	67,052	(21,127)	36,246	-	7,202	82,626	121,408	(3,711)	8,683	90,336	240,591
(-) IRPJ/CSL	<u>(9,393)</u>	<u>(18,749)</u>	<u>6,097</u>	<u>(10,135)</u>	-	<u>(2,284)</u>	<u>(23,843)</u>	<u>(33,948)</u>	<u>1,071</u>	<u>(2,883)</u>	<u>(26,068)</u>	<u>(67,999)</u>
Profit for the year	<u>23,155</u>	<u>48,303</u>	<u>(15,030)</u>	<u>26,111</u>	-	<u>4,918</u>	<u>58,783</u>	<u>87,460</u>	<u>(2,640)</u>	<u>5,800</u>	<u>64,268</u>	<u>172,592</u>

Assets by business segment

	Heavy Construction		Real Estate		Rental		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Property, plant and equipment										
Acquisition cost	421,913	393,691	476,092	487,013	818,791	725,491	-	-	1,716,796	1,606,195
(-) Accumulated depreciation	(153,179)	(122,006)	(152,108)	(117,444)	(211,361)	(142,269)	-	-	(516,648)	(381,719)
	268,734	271,685	323,984	369,569	607,430	583,222	-	-	1,200,148	1,224,476
Other assets	<u>183,023</u>	<u>99,088</u>	<u>175,763</u>	<u>179,693</u>	<u>191,328</u>	<u>133,976</u>	<u>142,461</u>	<u>164,012</u>	<u>692,575</u>	<u>576,769</u>
Total assets	<u>451,757</u>	<u>370,773</u>	<u>499,747</u>	<u>549,262</u>	<u>798,758</u>	<u>717,198</u>	<u>142,461</u>	<u>164,012</u>	<u>1,892,723</u>	<u>1,801,245</u>

31. FINANCIAL INSTRUMENTS

31.1. Category of financial instruments

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

	Carrying amount	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	193,659	25,798
Loans and receivables:		
Trade receivables	158,626	178,773
Judicial deposits	10,422	10,053
Financial liabilities measured at amortized cost		
Borrowings	64,527	63,359
Finance leases	-	8,154
Debentures	680,857	560,770
Trade payables	16,510	37,904
Financial liabilities at fair value		
Derivatives - Swap	-	267
Financial assets at fair value		
Derivatives - NDF	26	7,516
Derivatives - Swap	1,166	-
Equity instruments		
Stock option plans	35,396	25,857

31.2. 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 are disclosed in specific notes applicable to such asset or liability.

The Company applies CPC 40/IFRS 7 for financial instruments measured in the statement of financial position 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.

The table below presents the Company's assets and liabilities measured at fair value at December 31, 2014.

	Level 2 balances	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Derivatives used for hedging	26	7,516
Derivatives used for borrowings - Swap	<u>1,166</u>	<u>-</u>
Total Assets	<u>1,192</u>	<u>7,516</u>
<u>Financial liabilities</u>		
Derivatives used for hedging	-	-
Derivatives used for borrowings	<u>-</u>	<u>(267)</u>
Total Liabilities	<u>-</u>	<u>(267)</u>

(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 calculation the discounted cash flow method, are substantially similar to their carrying amounts.

(c) Fair value of borrowings

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

<u>Debt</u>	<u>Indicator</u>	<u>Fair value</u>		<u>Carrying amount</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Working capital	CDI	43,030	40,027	45,860	39,932
Leasing	CDI	-	8,043	-	8,154
1st issue of debentures	CDI	185,839	275,483	184,412	275,530
2nd issue of debentures					
1st series	CDI	167,397	166,208	168,121	166,938
2nd series	IPCA	122,726	119,718	128,747	120,803
3rd issue of debentures	CDI	208,291	-	201,984	-

(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 to 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.

31.3. Derivative financial instruments

(a) Derivative policy

In order to protect its equity against the exposure to commitments assumed denominated in foreign currency, the Company developed a strategy to mitigate such market risk. The strategy, when applied, is carried out to reduce the volatility of the cash flow to the desirable level, i.e., to maintain the planned disbursements.

Mills believes that the management of such risks is key to supporting its growth strategy without potential financial losses that can reduce its operating profits since the Company does not aim at obtaining financial gains through the use of derivatives. Foreign currency risks are managed by the Finance Manager and the CFO, who evaluate possible exposures to risks and set guidelines to measure, monitor and manage the risk related to the Company's activities.

Based on this objective, the Company enters into derivative transactions, usually NDFs (Nondeliverable Forwards) with first-tier financial institutions (with credit ratings brAAA - national scale, Standard & Poor's or similar), in order to guarantee the trading value agreed when ordering the goods to be imported. Similarly, swap or NDF contracts are entered into to guarantee the flow of payments (amortization of principal and interest) for foreign currency borrowings. Pursuant to the Company's bylaws, any contract or obligation assumed which exceed R\$10,000 (ten million reais) must be approved by the Board of Directors, unless provided for otherwise in the Business Plan. For amounts below R\$100 (one hundred thousand reais) for periods of less than 90 days, it is not necessary to enter into hedge transactions. Other commitments should be hedged against foreign exchange exposure.

Swap and NDF transactions are carried out to convert into reais future financial commitments in foreign currency. When these transactions are entered into, the Company mitigates the foreign exchange risk by matching the commitment amount and the exposure period. The derivative cost is pegged to the interest rate, usually a percentage of the CDI rate. The swap and NDF transactions with maturities shorter or longer than the final maturity of the commitments can, over time, be renegotiated so that their final maturities match or approximate the final maturity of the commitment. Therefore, at the settlement date, the gain or loss on the swap or NDF can offset part of the impact of the foreign currency fluctuation in relation to the real, contributing to stabilize the cash flow.

As these transactions involve derivatives, the calculation of the monthly position is made using the fair value methodology and they are valued by calculating their present value using market rates that are impacted at the dates of each calculation. This methodology, widely used, can present monthly distortions in relation to the contracted derivative curve; however, the Company believes that this is the best methodology to be applied since it measures the financial risk should an early settlement of the derivative be required.

The monitoring the commitments assumed and the monthly fair value measurement of the derivatives permits to follow up on the financial results and the impact on the cash flow, as well as to ensure that the planned objectives are achieved. The calculation of the fair value of positions is made available on a monthly basis for management monitoring purposes.

The derivative transactions entered into by the Company for certain equipment imports are intended to hedge against the risk of exchange rate fluctuations during the period between the time an order is placed and the time the equipment is delivered in Brazil and are not used for speculative purposes.

- (b) The table below presents details of the currency futures contracts outstanding at the end of the reporting period:

Outstanding agreements	Average exchange rate		Foreign currency		Notional value		Fair value	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flow hedge			US\$ thousand		R\$ thousand		R\$ thousand	
Less than three months	2.61	2.29	499	42,263	1,299	99,090	26	7,372
Three to six months	-	2.31	-	21,856	-	51,200	-	132
Over six months	-	2.36	-	7,739	-	18,129	-	12
Total			<u>499</u>	<u>71,858</u>	<u>1,299</u>	<u>168,419</u>	<u>26</u>	<u>7,516</u>

- (c) Swap transactions

The currency swap transaction entered into by the Company is intended to hedge against the exposure of the borrowing of US\$16.9 million (see Note 15) to exchange rate fluctuations. The swap for this transaction consisted in swapping the exchange rate fluctuation plus interest of 2.31% p.a. for CDI plus 0.29% p.a. As at December 31, 2014, the fair value receivable on this transaction was R\$1,166 (December 31, 2013 – fair value payable of R\$ 267).

- (d) Derivative fair value calculation methodology

Derivatives are measured at present value at the market rate, at the base date of the future flow calculated using the contractual rates through maturity.

- (e) Hedge effectiveness calculation methodology

The Company's hedge transactions are entered into to hedge against foreign currency fluctuations on its machinery and equipment imports. These transactions are classified as hedge accounting.

The Company evidences the effectiveness of these instruments using the Dollar offset methodology, which is commonly used by derivatives market participants. This methodology consists of comparing the present value, net of future exposures in foreign currency, of commitments assumed by the Company with the derivatives contracted for such foreign exchange hedge.

As at December 31, 2014, there was no ineffectiveness recognized in profit for the year as a result of the Company's hedge transactions.

(f) Gains and losses for the period

Since the Company evidences the effectiveness of the hedge accounting transactions, the losses and gains on these derivative transactions are recognized as a balancing item to the hedged items (property, plant and equipment) as part of the initial cost of the asset at the same time the asset is accounted for. As at December 31, 2014, the amount of R\$1,175 was transferred from equity and deducted from the initial cost of the equipment.

The provision for unrealized losses is recognized in other liabilities in the statement of financial position, as a balancing item to valuation adjustments to equity, in equity.

As at December 31, 2014, total unrealized gains on currency futures contracts, recognized in “Other comprehensive income”, accumulated in equity, in line item “Valuation adjustments to equity” and relating to these estimated future purchases, amounted to R\$244 (5,188 as at December 31, 2012). The Company estimates that such purchases will occur in the next year, when the amount then deferred in equity will be included in the carrying amount of the imported equipment.

(g) Embedded derivatives

All contracts with potential derivative instrument clauses or securities are assessed by the Company’s Finance Manager together with the legal team before their execution, for guidance regarding any effectiveness testing, the definition of the accounting policy to be adopted, and the fair value calculation methodology.

Currently the Company is not a party to any contracts with embedded derivatives.

(h) Value and type of margin calls

The current foreign currency derivative transactions do not require the deposit of any margin calls.

32. INSURANCE

It is the Company's policy to constantly monitor the risks inherent in its operations. Accordingly, the Company takes out insurance, whose nature and coverage as at December 31, 2014 are stated below.

<u>Type of insurance</u>	<u>Insured amounts (In thousands of Brazilian reais – R\$)</u>
Rental equipment	1,168,728
Property	263,913
Civil liability	40,000
Civil liability of officers	50,000
Vehicles	702

33. NONCASH TRANSACTIONS

During 2014, Mills made an installment purchase of equipment amounting to R\$11,089 as part of its noncash investing activities and therefore, this investment is not reflected in the statement of cash flows (R\$32,837 as at December 31, 2013).

Until December 31, 2014, the Company had written off bills up to 5 years past due, totaling R\$4,754, which are not reflected in the statement of cash flows.

As at December 31, 2014, the balance of R\$26 relating to derivative financial instruments – NDF is not reflected in the statement of cash flows.

As at December 31, 2014, the Company transferred R\$6,082 of inventory for property, plant and equipment, which are not reflected in the statement of cash flows.