



Earnings Release MILLS 2Q18

B3: MILS3

Teleconference and Webcast

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Teleconference: +1 (800) 492-3904 or +1 (646) 828-8246

Code: Mills

Webcast: [click here](#)



At the financial and operational information contained in this press release, except as otherwise indicated, is in accordance with the accounting policies adopted in Brazil, which are in compliance with the International Financial Reporting Standards - IFRS.

Rio de Janeiro, August 8, 2018 - Mills Estruturas e Serviços de Engenharia S.A. (Mills) announces its results for the second quarter of 2018 (2Q18).

Highlights

- Adjusted operating cash flow¹ of R\$13.1 million in 2Q18, 67.6% higher when compared to the second quarter of the previous year (2Q17);
- EBITDA, excluding non-recurring items², of R\$9.5 million in 2Q18, R\$15.6 million higher than 2Q17;
- Economic-financial performance of 1H18 greater than 1H17, as shown in the following table, being the first quarter that showed a growth since 2014;
- Election of the new Chief Financial Officer and Investor Relations, James Guerreiro, on July 2, 2018; and
- Approval of the new Incentive Plan of the Company's Restricted Shares on July 18, 2018.

in R\$ million	2Q17 (A)	1Q18 (B)	2Q18 (C)	1H17 (D)	1H18 (E)	(C)/(A)	(C)/(B)	(E)/(D)
Net revenue	70.6	79.0	71.6	136.8	150.6	1.4%	-9.3%	10.1%
EBITDA CVM	-11.8	8.2	-5.6	-28.1	2.6	52.9%	-167.9%	109.4%
EBITDA CVM margin (%)	-16.8%	10.4%	-7.8%	-20.5%	1.8%			
EBITDA ex. non-recurring items	-6.1	16.1	9.5	-3.3	25.6	255.9%	-41.1%	870.9%
EBITDA margin ex. non-recurring items (%)	-8.6%	20.4%	13.3%	-2.4%	17.0%			
Adjusted operating cash flow ²	7.8	12.7	13.1	21.3	25.8	67.6%	2.6%	21.2%
Adjusted free cash flow to the firm²	-2.0	12.3	12.2	2.5	24.6	714.8%	-0.9%	892.3%
Capex (accrual basis)	9.8	1.4	0.8	18.9	2.3	-91.4%	-41.7%	-87.8%

In the Rental business unit, net revenue of 2Q18 presented a growth of 18.7% when compared to 2Q17, mainly due to the progress of the price recovery strategy and greater coverage of the non-construction segment, which also contributed for the achievement of its best result of EBITDA CVM since 1Q16. It is also important to highlight that the Rental business unit is already responsible for approximately 70% of Mills' net revenue and counts with important clientes of the industry, retail and other economic sectors in its portfolio.

In the Construction business unit, the strategy to reach the cash break even in 2019 is in progress, since the infrastructure segment still continues pressured, result of the economic recession and consequently drop of investments in the country. The effects of the referred strategy, which counts with the closing of four warehouses of the Construction business unit (see more details in the item "Non-recurring items" ahead), without losing its presence nationwide and its focus on complex and long term jobs, which can be seen in the numbers of the 1H18, that brings an increase of R\$15.5 million in EBITDA CVM when compared to the same period of the previous year, ending 1H18 with negative R\$27.2 million.

¹ For the adjusted operating cash flow, interest related to debentures and Finame, investment in rental equipment and interest and net monetary and asset variations are excluded. For the adjusted free cash flow to the firm, interest on debentures and Finame and interest and net monetary exchange gains and losses are excluded.

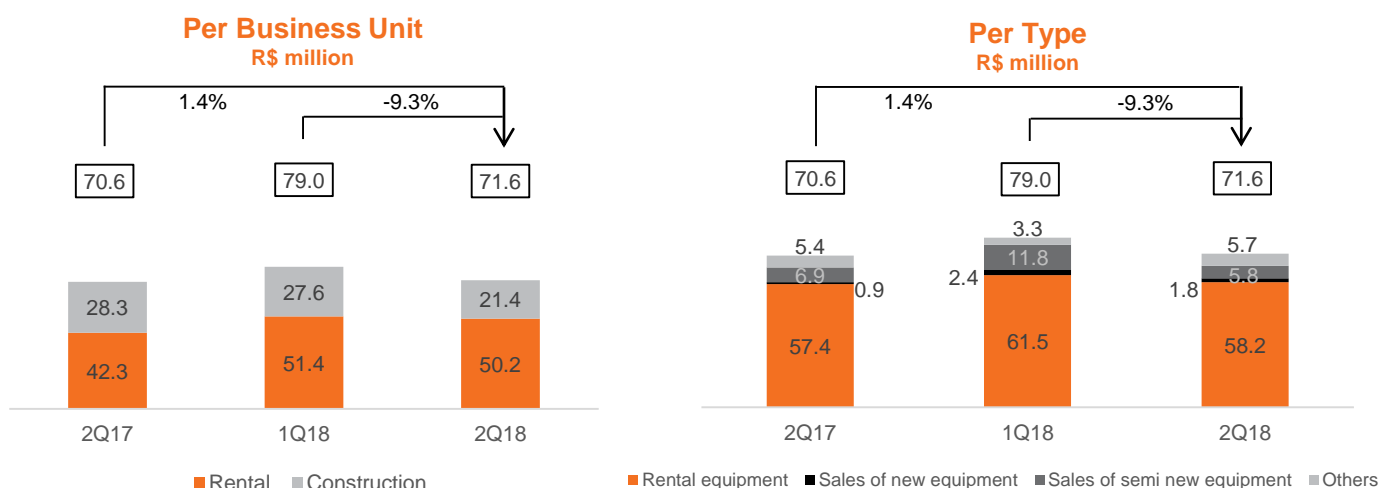
² Restructuring expenses, such as closing of branches and liabilities from the Industrial Services business unit, sold in 2013.

Revenue

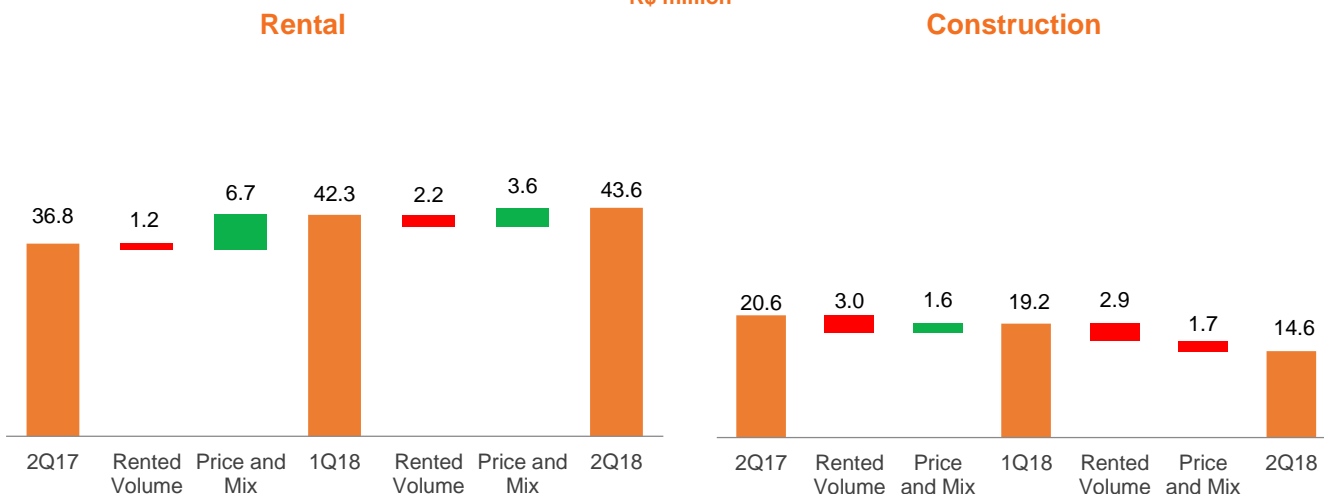
In 2Q18, net revenue totaled R\$71.6 million, of which 81.3% resulting from equipment rental activities and 1.4% above the same period of the previous year.

In the Rental business unit, equipment rental net revenue in 2Q18 presented a growth of 3.2% when compared to the previous quarter, mainly due to the increase of the average ticket (price/mix), as can be seen in the chart below. The revenue from sales of semi new equipment of this unit in 2Q18 is lower due to the conclusion of the sale of aerial platforms in 1Q18, remaining only the contracts for the sale of 51 telescopic handlers to be concluded during 2018, in line with the total divestment strategy of the fleet.

In the Construction business unit, equipment rental net revenue was 24% lower than the previous quarter, impacted mainly by the low economic activity and consequent drop in the rented volume. The revenue of sales of semi new equipment of this unit, which is part of its resizing plan, totaled R\$2.7 million in 2Q18 and R\$8.6 million in 1H18.



Evolution of the Rental Revenue

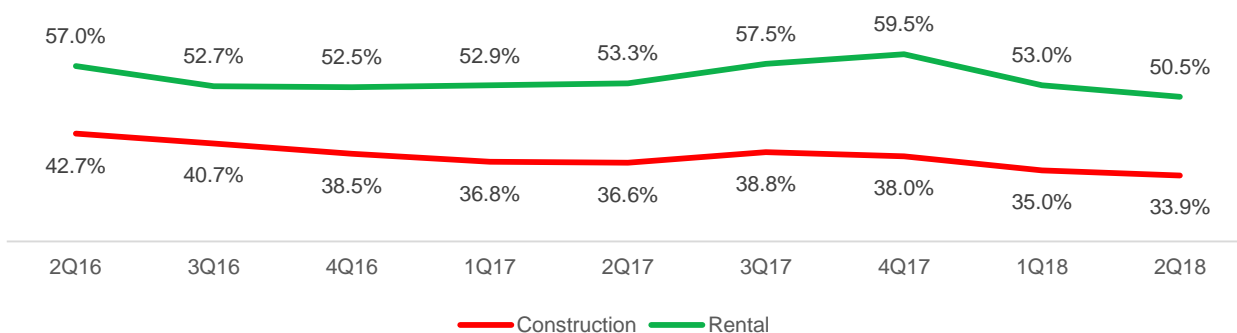


Utilization Rate

The utilization rate (UR), the ratio between the amount of rented equipment and the amount of equipment in 2Q18 was equal to 50.5% in Rental and 33.9% in Construction.

In the Rental business unit, the decrease in the utilization rate is mainly due to the increase in prices practiced in this unit. However, with the evolution of the conversion rate of the new proposals verified in the last months, it is expected a gradual recovery also of the rented volume in this business unit. It should be noted that non-construction clients (industry, retail, etc.) account for 85% of the Rental business unit rental revenues in 2Q18 (65% in 2Q17), indicating a consolidation of Mills' presence in important segments of the economy.

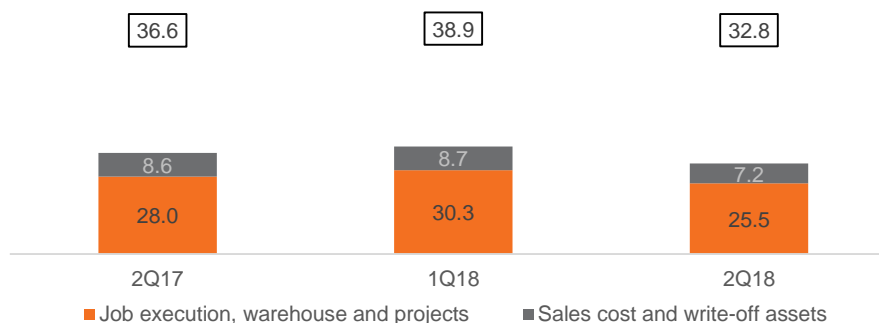
In the Construction business unit, the decrease in the utilization rate in relation to 1Q18 is mainly a consequence of the gradual exit from the light construction market and to the low volume of investments in infrastructure in the country, as mentioned previously, which reduces the number of the active contracts.



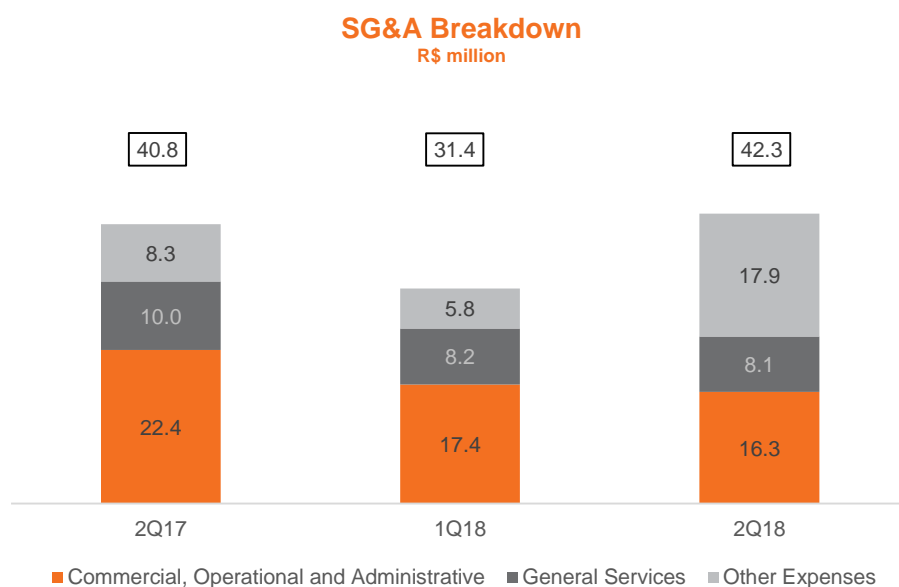
Costs

Cost of goods sold and services rendered (COGS), excluding depreciation, totaled R\$32.8 million in 2Q18, 15.8% lower than the previous quarter. Of this amount, 39.9% were personnel costs and 24.3% were consumable goods costs, for example paint, wood, electric materials, etc. The cost with job execution, warehouse and projects was 15.6% lower when compared to the 1Q18, mainly due to the lower activity in the period and the reduction of personnel, which fell by 11.8%. In both business units, costs of selling and assets write-off decreased by 16.6% when compared to the previous quarter. Gross operating margin, excluding depreciation, reached 54.2% in 2Q18, its highest level since 3Q16.

COGS Breakdown R\$ million



Expenses (excluding ADD)



Commercial, operating and administrative expenses decreased by 6.2% in relation to 1Q18 and 27.3% in relation to 2Q17, basically due to a reduction in the number of employees, totaling R\$16.3 million in 2Q18. Considering also that general services expenses were in line with the previous quarter, the largest variation in the quarter was due to other expenses, mainly non-recurring expenses, an increase of R\$7.2 million, which includes mainly expenses of the resizing plan of the Construction business unit and liabilities of the Industrial Services business unit, sold in 2013.

As already mentioned, the plan for resizing the structure of the Construction business unit is being implemented in order to adapt the products and the efforts to the markets where the Company always had a greater differential, the larger and more complex works. The plan includes the closing of four warehouses, with the reduction of approximately 40% of its volume of assets in tons. This strategy is also directly related to the search for the break even of the Construction cash in 2019. It should be noted that the Company will continue to maintain its national presence. The expenses with the restructuring cash effect will be borne by the sale of equipment in this segment, such as used or scrap.

Non-recurring items - in R\$ million	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Total non-recurring expenses	-5.8	-7.9	-15.1	161.6%	90.8%
Branches demobilization	-4.1	-0.8	-8.1	96.9%	882.2%
Result of scrap sale	-1.2	-7.5	-6.5	430.2%	-13.9%
Mills SI Expenses	-0.4	0.4	-0.5	18.6%	-220.4%

Evolution of scrap sale - in R\$ million	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Revenue of scrap sale	1.0	3.6	6.8	554.7%	89.4%
Assets Write-off	-2.3	-11.1	-13.3	487.5%	19.6%
Result of scrap sale	-1.2	-7.5	-6.5	430.1%	-13.9%
Balance of scrapped tons	1,640	5,593	8,277	404.7%	48.0%

Allowance for Doubtful Debts (ADD)

ADD expenses in 2Q18 amounted to R\$2.1 million, equivalent to 2.9% of net revenue. As previously reported, as from 2018, the ADD started to be calculated according to the methodology defined in IFRS9, based on the current balance of each of the aging bands x the average historical reception rate of the last 12 months moving. At the initial adoption on January 1, 2018, the negative accounting effect was recorded in shareholders' equity in the amount of R\$13 million (net of deferred income tax and social contribution).

The Company is continually working to reduce its clients default rate, as well as efforts in all levels to receive the delayed invoices.

in R\$ million	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
ADD					
Total ADD Expense	-5.2	-0.5	-2.1	-59.3%	360.0%
% Net revenue	-7.3%	-0.6%	-2.9%		
Construction	-4.5	-0.8	-1.2	-72.7%	50.7%
% Net revenue	-15.8%	-2.9%	-5.7%		
Rental	-0.7	0.3	-0.9	21.8%	-350.6%
% Net revenue	-1.7%	0.7%	-1.7%		
Others	0.0	0.0	0.0		
Total Past Due					
Total Past Due	141.3	134.7	132.3	-6.3%	-1.7%
Past due between 1 and 60 days	10.3	16.6	10.4	0.8%	-37.7%
Past due between 61 and 120 days	9.5	5.5	7.8	-18.5%	41.2%
Past due above 120 days	121.5	112.5	114.2	-6.0%	1.5%
Write-off	(8.2)	(3.2)	(5.8)	-29.8%	79.5%

EBITDA

CVM EBITDA in this quarter was negative R\$5.6 million, with margin of -7.8%. Excluding non-recurring items, adjusted EBITDA would be R\$9.5 million with EBITDA margin of 13.3%.



Financial Result

The financial result was negative in R\$4.1 million in 2Q18, compared to negative R\$4.5 million in 2Q17. The financial revenues between quarters increased R\$0.2 million and the financial expenses increased R\$0.6 million.

in R\$ million	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Net financial result	-4.5	-3.7	-4.1	-8.1%	11.9%
Financial Revenues	9.2	4.1	4.3	-53.8%	3.3%
Financial Expenses	-13.7	-7.8	-8.4	-38.9%	7.3%

Investments

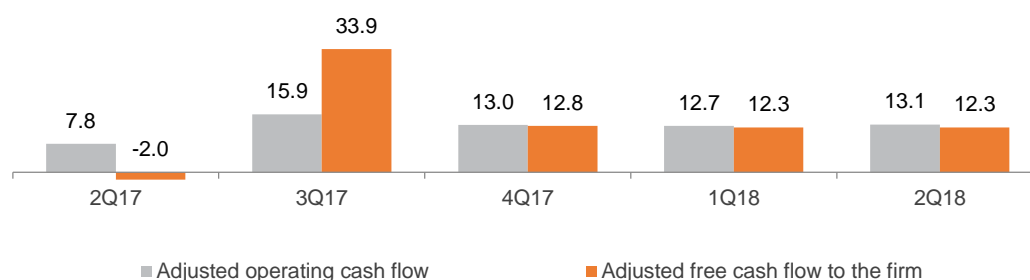
In 2Q18, investments totaled R\$0.8 million, of which 9% was for equipment rental and 91% was destined for operational and support assets. The amount invested in assets for operational and support use was for improvements and adjustments of branches, as well as licenses and software maintenance.

In the year, Mills invested R\$2.3 million, of which R\$1.3 million was for equipment rental. With the current idle rate in the Construction business unit and the resizing project, there is no need for investments for another two years approximately.

For the Rental business unit, given the average age of the fleet of 6 years and utilization rate below the level considered ideal, of approximately 70%, there is also no need to make new investments in the following two years.

Adjusted Indirect Cash Flow

Adjusted operating cash flow, which is before interest paid, monetary and asset variations and acquisition of equipment rental was positive at R\$13.1 million in the quarter, up 67.6% from 2Q17.



Mills ended the 2Q18 with R\$60.3 million in cash and cash equivalents and R\$116.6 million of restricted bank deposits, as collateral for the debentures, that will be addressed as follows.

¹For the adjusted operating cash flow, interest paid, investment in lease and interest and net monetary and asset variations are discounted. For the free cash flow to the firm, the interest paid and the net monetary and asset variations are discounted. Calculation updated to reflect the operating cash flow excluding all net monetary and asset change.

Debt and debt indicators

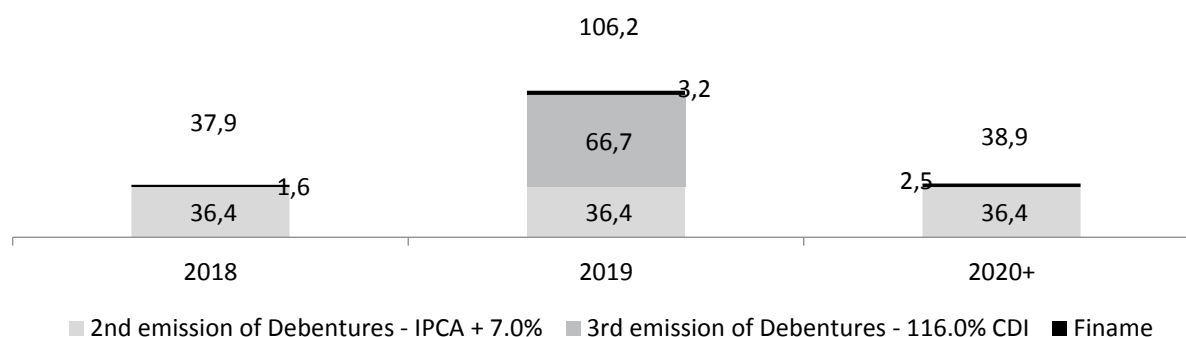
Mills' gross debt at June 30, 2018 was R\$239.7 million, consisting of 97.0% of debentures and the remaining percentage of Finame. We ended the quarter with a net debt of R\$62.8 million.

The Company has no foreign currency debt and the average term for payment is 1.8 years, with an average cost of debt of DI+3.49% per year. Short-term debt at the end of the quarter was 54.9% of the total.

The adjusted net debt / Adjusted operating cash flow ratio was 1.1x at the end of June 2018. The adjusted operating cash flow / financial result ratio was 4.0x

In 2Q18, we amortized the second annual installment of the 3rd emission of debentures. The total amount disbursed, including interest and principal, was R\$71.6 million.

In 3Q18, we will amortize the first installment of the second series of the 2nd issue of debentures in the amortization amount of R\$36.4 million, plus the IPCA monetary restatement and interest.



¹For the adjusted operating cash flow, interest paid, investment in lease and interest and net monetary and asset variations are discounted. For the free cash flow to the firm, the interest paid and the net monetary and asset variations are discounted. Calculation updated to reflect the operating cash flow excluding all net monetary and asset change.

Tables

In R\$ million

Table 1 – Net revenue per type

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Total net revenue	70.6	79.0	71.6	1.4%	-9.3%
Rental	57.4	61.5	58.2	1.4%	-5.4%
Sales of new equipment	0.9	2.4	1.8	111.7%	-24.9%
Sales of semi new equipment	6.9	11.8	5.8	-15.8%	-50.4%
Technical Assistance	1.3	1.2	1.4	15.1%	24.4%
Indemnity and Expenses Recovery	4.2	2.1	4.3	2.6%	102.6%

Table 2 – Net revenue per segment

	2Q17	%	1Q18	%	2Q18	%
Total Net revenue	70.6	100.0%	79.0	100.0%	71.6	100.0%
Construction	28.3	40.1%	27.6	34.9%	21.4	29.9%
Rental	42.3	59.9%	51.4	65.1%	50.2	70.1%

Table 3 – Cost of goods and services sold (COGS) and sales, general, administrative and operating expenses (SG&A), ex. depreciation

	2Q17	%	1Q18	%	2Q18	%
COGS total, ex-depreciation	-36.6	44.3%	-38.9	55.0%	-32.8	42.5%
Job execution, warehouse and projects ¹	-28.0	33.9%	-30.3	42.8%	-25.5	33.1%
Costs of sales of new equipment	-0.5	0.6%	-2.0	2.9%	-1.4	1.9%
Costs of sales of semi new equipment	-6.2	7.6%	-5.0	7.0%	-6.2	8.0%
Costs of assets write-offs	-1.9	2.3%	-1.7	2.4%	0.4	-0.5%
SG&A, ex-ADD	-40.8	49.4%	-31.4	44.4%	-42.3	54.8%
Commercial, Operational and Administrative ¹	-22.4	27.2%	-17.4	24.5%	-16.3	21.1%
General Services	-10.0	12.1%	-8.2	11.6%	-8.1	10.5%
Other expenses	-8.3	10.1%	-5.8	8.2%	-17.9	23.2%
ADD	-5.2	6.3%	-0.5	0.6%	-2.1	2.7%
COGS + SG&A Total	-82.5		-70.8		-77.2	

¹ Until December 2016 the project expenses was classified in SG&A. From 2017 this expense is classified as COGS.

Table 4 – CVM EBITDA per business unit and EBITDA margin

	2Q17	%	1Q18	%	2Q18	%
CVM EBITDA	-11.8	100.0%	8.2	100.0%	-5.6	100.0%
Construction	-18.7	157.9%	-6.7	-81.4%	-20.5	368.6%
Rental	7.3	-61.4%	14.5	176.3%	15.5	-277.6%
Others*	-0.4	3.6%	0.4	5.1%	-0.5	9.0%
EBITDA margin (%)	-16.8%		10.4%		-7.8%	
EBITDA excluding sales of new equipment	-12.3		1.8		-6.2	
EBITDA excluding non-recurring items	-6.1		16.1		9.5	
EBITDA excluding sales of semi new equipment and non-recurring items	-6.6		9.7		8.8	

* Expenses with Industrial Services business unit, sold in 2013.

Continuation Tables

In R\$ million

Table 5 – CVM EBITDA Reconciliation¹

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Results of Operations	-36.4	-30.4	-43.7	19.8%	43.5%
Financial Result	-4.5	-3.7	-4.1	-8.1%	11.9%
Income tax and social contribution expenses	16.5	-0.8	-1.8	-111.1%	128.7%
Loss Earnings before Financial Result	-48.5	-25.9	-37.7	-22.2%	45.3%
Depreciation	-36.6	-34.2	-32.1	-12.3%	-5.9%
CVM EBITDA¹	-11.8	8.2	-5.6	-52.9%	-167.9%
Non-recurring - Expenses related to IS Business Unit	-0.4	0.4	-0.5	18.6%	-220.4%
Non-recurring - Restructuring Expenses	-5.3	-8.3	-14.6	172.9%	75.1%
EBITDA ex. non-recurring items	-6.1	16.1	9.5	-255.9%	-41.1%
Net result of sales of semi new equipment	0.5	6.4	0.7	43.0%	-89.6%
EBITDA ex. result os sales of semi new equipment and non-recurring items	-6.6	9.7	8.8	-234.5%	-8.8%

¹ As CVM Instruction 527

Table 6 – CVM EBITDA Reconciliation with Operating Cash Flow

	2Q18	1H18
EBITDA CVM	(5.6)	2.6
Non cash items	23.8	43.5
Provision for tax, civil and labor risks	(0.9)	(2.4)
Accrued expenses on stock options	0.1	0.5
Post Employment Benefits	0.3	0.5
Residual value of property, plant and equipment and intangible assets sold and written off	20.1	38.0
Provision (reversal) for impairment loss on trade receivables	2.1	2.6
Provision (reversal) for impairment and fair value	-	-
Provision (reversal) for slow-moving inventories	0.3	1.3
Impairment loss on inventories held for sale	(1.0)	(0.6)
Provision for rental equipment inventory adjustment	-	-
IFRS 9/CPC 48 Adjustment	0.0	0.0
Other provisions	2.7	3.7
EBITDA ex-non cash provisions	18.3	46.1
Cash	(6.6)	(18.4)
Interest and monetary and exchange gains and losses (cash)	3.7	7.5
Trade receivables	0.3	(10.7)
Acquisitions of rental equipment	(0.1)	(0.3)
Inventories	(0.0)	(0.3)
Taxes recoverable	0.9	1.9
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	3.8	5.6
Judicial deposits	(4.7)	(4.7)
Other assets	(0.5)	(0.9)
Suppliers	(0.8)	(2.7)
Payroll and related taxes	(0.6)	(1.2)
Taxes payable	(0.4)	(3.3)
Other liabilities	(0.5)	(1.0)
Law suits settled	(2.6)	(3.0)
Interest paid	(5.1)	(5.3)
Cash flows from operating activities according to the financial statements	11.6	27.8
Interest and monetary and exchange gains and losses (cash)	3.7	7.5
Acquisitions of rental equipment	(0.1)	(0.3)
Interest paid	(5.1)	(5.3)
Adjusted Operating Cash Flow	13.1	25.8

Continuation Tables

In R\$ million

Table 7 – ROIC LTM Mills

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Invested capital	1,130.3	995.0	929.5	-17.8%	-6.6%
Rental Net PP&E	745.9	613.1	571.9	-23.3%	-6.7%
Others	384.4	381.8	357.5	-7.0%	-6.4%
NOPAT	- 126.9	- 108.1	- 100.2	-21.0%	-7.3%
ROIC	-11.2%	-10.9%	-10.8%		

Table 8 – Investment per business unit (accrual regime)

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Total Capex	9.8	1.4	0.8	-91.4%	-41.7%
Rental equipment	7.1	1.3	0.1	-98.9%	-93.7%
Construction	5.3	0.0	0.1	-98.8%	428.3%
Rental	1.9	1.2	0.0	-99.1%	-98.7%
Corporate and use goods	2.7	0.2	0.8	-71.7%	303.2%

Table 9 – Construction business unit

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Total net revenue	28.3	27.6	21.4	-24.5%	-22.5%
Rental	20.6	19.2	14.6	-29.3%	-24.2%
Sales of new equipment	0.3	0.3	0.1	-57.4%	-62.6%
Sales of semi new equipment	3.5	5.9	2.7	-21.5%	-54.0%
Technical Assistance	1.1	0.8	1.1	-3.7%	33.3%
Indemnity and Expenses Recovery	2.9	1.3	2.9	1.2%	117.1%
COGS Total, ex-depreciation	-19.3	-16.0	-13.9	-28.0%	-13.3%
Job execution, warehouse and projects ¹	-14.5	-12.6	-10.1	-30.2%	-19.9%
Cost of sales of new equipment	-0.1	-0.4	-0.1	21.8%	-76.7%
Cost of sales of semi new equipment	-2.8	-1.8	-3.1	10.8%	73.0%
Cost of assets write-offs and Provision of recoverable value	-1.9	-1.2	-0.5	-71.3%	-55.3%
G&A, ex-depreciation and ADD	-23.2	-17.4	-26.8	15.4%	53.9%
ADD	-4.5	-0.8	-1.2	-72.7%	50.7%
EBITDA CVM	-18.7	-6.7	-20.5	9.9%	207.4%
Margem EBITDA (%)	-66.0%	-24.2%	-96.1%		
Depreciation	-18.3	-16.7	-15.0	-17.9%	-10.2%
Equipment rental capex	5.3	0.0	0.1	-98.8%	428.3%
Rental gross fixed assets	722.5	628.1	570.4	-21.1%	-9.2%
Utilization Rate Quarterly	36.6%	35.0%	33.9%		
Utilization Rate LTM	38.2%	37.1%	36.6%		

¹Until 1Q17 we classified the expenses of Projects area in SG&A.

Continuation Tables

In R\$ million

Table 10 – Rental business unit

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Total Net Revenue	42.3	51.4	50.2	18.7%	-2.3%
Rental	36.8	42.3	43.6	18.7%	3.2%
Sales of new equipment	0.6	2.1	1.7	187.6%	-19.5%
Sales of semi new equipment	3.5	5.9	3.1	-10.0%	-46.7%
Technical Assistance	0.2	0.4	0.4	153.2%	4.7%
Compensation and Recoverable of Expenses	1.3	0.8	1.4	0.0%	0.0%
COGS Total, ex-depreciation	-17.3	-22.9	-18.9	9.3%	-17.6%
Job execution and warehouse	-13.5	-17.6	-15.4	14.3%	-12.5%
Cost of sales of new equipment	-0.4	-1.7	-1.4	251.2%	-19.5%
Cost of sales of semi new equipment	-3.4	-3.1	-3.0	-11.1%	-3.7%
Cost of assets write-offs and Provision of recoverable value	0.0	-0.4	0.9	44184.0%	-306.5%
G&A, ex-depreciation and ADD	-17.0	-14.4	-15.0	-11.9%	4.4%
ADD	-0.7	0.3	-0.9	21.8%	-350.6%
CVM EBITDA	7.3	14.5	15.5	112.6%	6.9%
EBITDA margin (%)	17.2%	28.2%	30.8%	0.0%	0.0%
Depreciation	-18.3	-17.4	-17.1	-6.6%	-1.8%
Equipment rental capex	1.9	1.2	0.0	-99.1%	-98.7%
Gross rental PP&E	694.4	677.1	676.4	-2.6%	-0.1%
% Construction Revenue	32.7%	17.9%	11.5%		
% Non-Construction Revenue	55.1%	63.2%	71.4%		
% Spot Revenue	12.2%	18.9%	17.1%		
Utilization Rate Quarter	53.3%	53.0%	50.5%		
Utilization Rate LTM	52.9%	55.8%	55.1%		

Income Statement

	2Q17 (A)	1Q18 (B)	2Q18 (C)	(C)/(A)	(C)/(B)
Net revenue from sales and services	70.6	79.0	71.6	1.4%	-9.3%
Cost of products sold and services rendered	(69.3)	(69.5)	(61.5)	-11.2%	-11.5%
Gross Profit	1.3	9.5	10.1	662.4%	6.8%
General and administrative expenses	(50.2)	(27.9)	(6.5)	-87.1%	-76.9%
Provision for impairment and fair value	1.6	-	-	-100.0%	
Other operational expenses	(1.2)	(7.5)	(41.4)	3297.7%	452.1%
Loss before Financial Result	(48.5)	(25.9)	(37.7)	-22.2%	45.3%
Financial expenses	(13.7)	(7.8)	4.3	-131.1%	-154.5%
Financial revenues	9.2	4.1	(8.4)	-190.9%	-303.2%
Financial result	(4.5)	(3.7)	(4.1)	-8.1%	11.9%
Loss before taxes	(53.0)	(29.6)	(41.8)	-21.0%	41.2%
Income tax and social contribution	16.5	(0.8)	(1.8)	-111.1%	128.8%
Loss for the year	(36.4)	(30.4)	(43.7)	19.8%	43.5%

Balance Sheet

In R\$ million	2Q17	1Q18	2Q18
Assets			
Current assets			
Cash and cash equivalents	69.8	84.1	60.3
Restricted bank deposits	82.2	64.2	64.4
Trade receivables	58.7	47.3	44.9
Inventories	18.3	15.4	15.1
Inventories - other assets held for sale	12.8	3.6	1.7
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	9.5	4.8	1.0
Taxes recoverable	10.6	6.1	5.1
Advances to suppliers	0.2	0.2	0.3
Derivative financial instruments	-	0.0	-
Other receivables - sale of investee	23.8	-	-
Other assets	6.6	7.2	7.2
Assets held for sale	6.4	3.7	4.2
Total Current Assets	298.9	236.4	204.1
Non-current Assets			
Restricted bank deposits	111.8	85.2	52.2
Trade receivables	-	-	-
Deferred taxes - IRPJ and CSLL	123.5	166.0	164.2
Judicial deposits	10.9	11.0	15.9
Other assets	-	0.1	0.1
	246.2	262.3	232.3
Available-for-sale financial assets	75.1	55.2	55.2
Property, plant and equipment	717.5	590.3	542.2
Intangible assets	40.9	36.7	36.1
	833.5	682.2	633.5
Total Non-current Assets	1,079.7	944.5	865.8
Total Assets	1,378.6	1,180.9	1,069.9
Liabilities			
Current liabilities			
Trade payables	15.4	16.6	16.0
Borrowings and financing	3.2	3.2	3.2
Debentures	159.5	127.7	128.3
Payroll and related taxes	18.2	13.6	13.0
Tax debt refinancing program (REFIS)	1.3	1.4	1.4
Taxes payable	1.8	2.9	2.7
Dividends and interest on equity payable	0.0	0.0	0.0
Derivative financial instruments	0.3	-	0.0
Provision for post-employment benefits	-	1.2	-
Other liabilities	0.2	0.8	0.3
Total Current Liabilities	199.9	167.3	164.9
Non Current Liabilities			
Borrowings and financing	7.2	4.9	4.1
Debentures	217.2	169.4	104.1
Taxes payable	8.0	7.2	6.9
Provision for tax, civil and labor risks	22.2	20.3	20.1
Provision for post-employment benefits	-	7.9	9.4
Other liabilities	0.2	0.6	0.6
Total non-current Liabilities	254.8	210.4	145.3
Total Liabilities	454.7	377.7	310.2
Equity			
Share capital	688.3	688.3	688.3
Capital reserves	32.2	33.3	33.4
Earnings reserves	289.8	151.5	151.5
Treasury shares	(20.3)	(20.3)	(20.3)
Equity adjustments	9.1	(5.9)	(5.9)
Accumulated losses	(75.4)	(43.7)	(87.3)
Total Equity	923.9	803.2	759.7
Total Liabilities and Equity	1,378.6	1,180.9	1,069.9

Indirect Cash Flow

in R\$ million	2Q18	1H18
Cash flows from operating activities		
Loss for the year	(43.7)	(74.1)
Non cash adjustments:	65.7	127.7
Depreciation and amortization	32.1	66.3
Deferred income and social contribution taxes	1.8	2.6
Provision (reversal) for tax, civil and labor risks	(0.9)	(2.4)
Accrued expenses on stock options	0.1	0.5
Post-employment benefit	0.3	0.5
Residual value of property, plant and equipment and intangible assets sold and written off	20.1	38.0
Interest and monetary exchange gains and losses, net	7.9	15.3
Provision (reversal) for impairment loss on trade receivables	2.1	2.6
Impairment loss on inventories held for sale	(1.0)	(0.6)
Provision (reversal) for impairment and fair value	-	-
Provision (reversal) for slow-moving inventories	0.3	1.3
Provision for rental equipment inventory adjustment	-	-
IFRS 9/CPC 48 Adjust	0.0	0.0
Other provisions	2.7	3.7
(Increase) decrease in assets and increase (decrease) in liabilities:	(10.4)	(25.9)
Trade receivables	0.3	(10.7)
Acquisitions of rental equipment	(0.1)	(0.3)
Inventories	(0.0)	(0.3)
Taxes recoverable	0.9	1.9
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	3.8	5.6
Judicial deposits	(4.7)	(4.7)
Other assets	(0.5)	(0.9)
Trade payables	(0.8)	(2.7)
Payroll and related taxes	(0.6)	(1.2)
Taxes payable	(0.4)	(3.3)
Other liabilities	(0.5)	(1.0)
Lawsuits settled	(2.6)	(3.0)
Interest paid	(5.1)	(5.3)
Net cash generated by operating activities	11.6	27.8
Cash flows from investing activities:		
Acquisition of PP&E for own use and intangible assets	(0.8)	(1.0)
Proceeds from sale of the Industrial Services business unit	-	-
Interest on capital received	-	-
Net cash generated from investing activities	(0.8)	(1.0)
Cash flows from financing activities		
Advance for future capital increase	-	-
IFRS 9/CPC 48 Adjustment	-	-
Capital contribution	-	-
Restricted bank deposits	32.8	33.9
Share issue cost	-	-
Amortization of borrowings and debentures	(67.5)	-
Net cash used in financing activities	(34.6)	33.9
Net increase (decrease) in cash and cash equivalents	(23.7)	60.7
Cash and cash equivalents at the beginning of the period	-	67.8
Cash and cash equivalents at the end of the period	(23.7)	60.3
Net increase (decrease) in cash and cash equivalents	(23.7)	(7.5)
Operating Cash Flow	11.6	27.8
Interest Paid	5.1	5.3
Acquisitions of rental equipment	0.1	0.3
Interest and monetary exchange net gains and losses (non-cash)	(7.9)	(15.3)
Financial Result Income Statement	4.1	7.8
Adjusted Operating Cash Flow	13.1	25.8

Glossary

- (a) Asset Write-off - is linked to Indemnities revenue, this value is the cost of the asset write off.
- (b) Capex (Capital Expenditure) - Acquisition of tangible and intangible assets to non-current assets.
- (c) Invested capital - For the company, invested capital is defined as the sum of shareholders' equity (net assets) and third-party capital (including all costly, bank and non-bank debt), both being the average values for the period. By business unit, is the average amount of capital invested by the company by weighted average assets of each business unit (assets plus net fixed assets). The asset base in the year is calculated as the average asset base of the last thirteen months.
- (d) Net Cash Flow - Net cash provided by operating activities less net cash used in investing activities.
- (e) Job execution costs - Job execution cost include: (i) labor costs from construction jobs supervision and technical assistance; (ii) labor costs for erection and dismantling of the equipment rented to our clients, when such tasks are carried out by the Mills workforce; (iii) equipment freight costs, when under Mills' responsibility; (iv) cost of materials used in the maintenance of the equipment, when it is returned to our warehouse; and (v) cost of equipment rented from third-parties.
- (f) Warehouse costs - This cost includes the costs directly related to administration of the deposit, storage, handling and maintenance of rental assets and resale, covering costs with hand labor, IPE used in the activities of deposit (drive, storage and maintenance), inputs (forklift gas, gas welding, plywood, paints, wood battens, among others) and maintenance of machinery and equipment (forklifts, welding machines, water-blasting hoists and tools in general).
- (g) Cost of sales - Cost of sales of new equipment is linked to sales of new equipment revenue. The sales of semi-new equipment cost is tied to sales of semi new equipment revenue and is equivalent to the cost of the assets write-off (residual cost).
- (h) Sales, General and Administrative expenses - (i) The SG&A Commercial, Operational and Administrative includes current expenses such as salaries, benefits, travel, representation of the various departments including Sales, Marketing, Engineering and administrative back office departments, as HR and Finance; (ii) General Services includes the equity costs of head officer and several branches (rents, fees, security and cleaning, mainly); and (iii) Other expenses are items largely non-cash, as provisions for stock option programs, provisions for contingencies, provisions for slow-moving inventories and some non-permanent disbursements.
- (i) Net debt - Gross debt less financial resources.
- (j) EBITDA - EBITDA is a non-accounting measure prepared by the Company, reconciled with our financial statements in compliance with the provisions of CVM Circular No. 01/2007, where applicable. We calculate EBITDA as our operating income before financial results, the effects of depreciation of use of property and rental equipment and amortization of intangible assets. EBITDA is not a measure recognized by GAAP in Brazil, IFRS or US GAAP, does not have a standard meaning and may not be comparable to measures with similar titles provided by other companies. We reported EBITDA because we use to measure our performance. EBITDA should not be considered in isolation or as a substitute for net income or operating income as measures of operating performance or cash flows or to measure liquidity or debt payment capacity.

Continuation Glossary

(k) ROIC - Return on Invested Capital, calculated as Operating Income before financial results and after income tax and social contribution (theoretical rate of 30%) on this income, plus the remuneration companies in which it has a minority interest, divided by the average capital invested. ROIC is not a measure recognized by the accounting practices adopted in Brazil, does not have a standard meaning and may not be comparable to measures with similar titles provided by other companies.

LTM ROIC: $((\text{Operating profit in the last twelve months} - (30\% \text{ IR}) + \text{compensation of companies in which it has a minority interest}) / \text{Capital invested average of the last thirteen months})$.

(l) Adjusted Operating Cash Flow - Based on the Company's Consolidated Financial Statements, net cash provided by operating activities excluding interest and monetary changes in assets and liabilities, acquisitions of leasing fixed assets and interest paid.

This press release may contain statements that express management's expectations about future events or results. All statements are based on future expectations rather than on historical facts involve various risks and uncertainties. Mills can not guarantee that such statements will prove to be correct. Such risks and uncertainties include factors: relating to the Brazilian economy, the capital markets, the sectors of heavy construction, real estate, oil and gas, among others, and governmental rules that are subject to change without notice. For additional information on factors that may give different results from those estimated by the Company, please consult the reports filed with the Securities and Exchange Commission - CVM.