

# Mills Estruturas e Serviços de Engenharia S.A.

**Presentation of Interim Financial  
Information for the Quarter Ended  
June 30, 2016 and Report on  
Review of Interim Financial  
Information**

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

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## **Independent Auditor's Review Report on Interim Financial Information - ITR**

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

### **Introduction**

We have reviewed the accompanying interim financial information of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), contained in the quarterly information form - ITR for the quarter ended June 30, 2016, which comprises the balance sheet as of June 30, 2016, and the respective statements of operations and comprehensive income for the three-month and six-month periods ended on that date, and the statements of changes in shareholder's equity and cash flows for the six-month period ended on that date, including the explanatory notes.

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

### **Scope of the review**

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



### **Conclusion on the interim financial information**

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

### **Other matters**

#### **Statement of added value**

We also reviewed the interim statements of added value for the six-month period ended June 30, 2016, prepared under Management responsibility, for which presentation is required in the interim information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of quarterly information - ITR, and considered as supplemental information by IFRS, which does not require the presentation of added value. These statements were submitted to the same review procedures described previously and, based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the interim accounting information, taken as a whole.

#### **Examined financial statements of prior periods and reviewed interim financial information by other independent auditors**

The corresponding figures for the balance sheet as at December 31, 2015 and the review of the interim financial information related to the statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2015 and the statements of changes in shareholders' equity, cash flows and added value for the six-month period ended on that date originally prepared before the adjustments described in explanatory note 2.3, were audited by another auditors who issued an unmodified audit report and review report on March 9, 2016 and August 5, 2015, respectively. As part of our review of our quarterly information as at June 30, 2016, we also reviewed the adjustments described in explanatory note 2.3, in relation to the restatement of the amounts related to transactions of purchase and sale of rental equipment from fixed assets in the cash flow statement for the six-month period ended June 30, 2015 and we are not aware of any fact that might lead us to believe that those adjustments were not prepared, in all material respects, in accordance with the interim accounting information, taken as a whole.

We have not been engaged to audit, review of apply any other procedures on the Company's interim financial information for the quarter ended June 30, 2015 and, therefore, we do not express an opinion or any other form of assurance on these statements taken as a whole.

Rio de Janeiro, August 1, 2016

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

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

### Balance sheets as of June 30, 2016 and December 31, 2015

(In thousands of Brazilian Reals - R\$)

	Notes	6/30/2016	12/31/2015
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	3	356,814	232,011
Trade receivables	4	86,736	99,719
Inventories	5	17,722	18,398
Inventories - other assets held for sale	6	8,445	20,687
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Profit)	7	13,964	16,387
Taxes recoverable	7	20,227	23,048
Advances to suppliers		88	197
Other receivables - sale of investee	8	21,107	19,778
Other assets		<u>8,229</u>	<u>5,316</u>
		<u>533,332</u>	<u>435,541</u>
<b>Noncurrent</b>			
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Profit)	7	161	161
Taxes recoverable	7	5,103	12,186
Deferred IRPJ and CSLL	17	65,907	47,230
Judicial deposits	18	10,811	11,023
Other receivables - sale of investee	8	<u>21,107</u>	<u>19,778</u>
		<u>103,089</u>	<u>90,378</u>
Investments	9	61,200	61,200
Property, plant and equipment	10	904,678	1,004,067
Intangible assets	11	44,908	46,771
		<u>1,010,786</u>	<u>1,112,038</u>
Total assets		<u>1,647,207</u>	<u>1,637,957</u>

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

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

### Balance sheets as of june 30, 2016 and december 31, 2015

*(In thousands of Brazilian Reais - R\$)*

	Notes	6/30/2016	12/31/2015
Liabilities and equity			
Current			
Suppliers	12	9,815	6,844
Payroll and related taxes		19,428	18,196
Borrowings	13	3,177	3,185
Debentures	14	165,021	186,634
Tax debt refinancing program (REFIS)		1,224	1,174
Taxes payable	19	1,891	2,687
Other liabilities		191	184
		<u>200,747</u>	<u>218,904</u>
Noncurrent			
Borrowings	13	10,361	11,931
Debentures	14	359,217	419,085
Tax debt refinancing program (REFIS)		8,960	9,194
Provision for tax, civil and labor risks	18	20,193	16,612
		<u>398,731</u>	<u>456,822</u>
<b>Total liabilities</b>		<u><b>599,478</b></u>	<u><b>675,726</b></u>
Equity			
Subscribed capital	20	688,319	563,319
Capital reserves	20	8,908	9,664
Earnings reserves	20	389,248	389,248
Accumulated losses	20	(38,746)	-
<b>Total equity</b>		<u><b>1,047,729</b></u>	<u><b>962,231</b></u>
<b>Total liabilities and equity</b>		<u><b>1,647,207</b></u>	<u><b>1,637,957</b></u>

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

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

### Statement of operations

Three-month and six-month periods ended June 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

	Notes	6/30/2016		6/30/2015	
		Quarter	Accumulated	Quarter	Accumulated
Continuing operations					
Net revenue from sales and services	22	105,351	235,434	147,864	311,758
Cost of sales and services	23	<u>(77,683)</u>	<u>(168,205)</u>	<u>(87,092)</u>	<u>(173,150)</u>
Gross profit		27,668	67,229	60,772	138,608
General and administrative expenses	23	<u>(53,732)</u>	<u>(104,800)</u>	<u>(51,774)</u>	<u>(125,619)</u>
Profit (loss) before finance income		<u>(26,064)</u>	<u>(37,571)</u>	<u>8,998</u>	<u>12,989</u>
Finance income	24	14,543	27,094	6,928	14,575
Finance costs	24	<u>(21,768)</u>	<u>(46,946)</u>	<u>(22,980)</u>	<u>(49,005)</u>
Loss before taxes		<u>(33,289)</u>	<u>(57,423)</u>	<u>(7,054)</u>	<u>(21,441)</u>
Current and deferred income tax and social contribution	17	<u>12,346</u>	<u>18,677</u>	<u>(1,129)</u>	<u>(1,224)</u>
Loss from continuing Operations		<u>(20,943)</u>	<u>(38,746)</u>	<u>(8,183)</u>	<u>(22,665)</u>
Loss for the period		<u>(20,943)</u>	<u>(38,746)</u>	<u>(8,183)</u>	<u>(22,665)</u>
Basic loss per share - R\$	21(a)	<u>(0.12)</u>	<u>(0.26)</u>	<u>(0.06)</u>	<u>(0.18)</u>
Diluted loss per share - R\$	21(b)	<u>(0.12)</u>	<u>(0.26)</u>	<u>(0.06)</u>	<u>(0.18)</u>

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

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

### Statement of comprehensive income

Three-month and six-month periods ended June 30, 2016 and 2015

*(In thousands of Brazilian Reais - R\$)*

		<u>6/30/2016</u>		<u>6/30/2015</u>	
	Notes	Quarter	Accumulated	Quarter	Accumulated
Loss for the period		(20,943)	(38,746)	(8,183)	(22,665)
Other comprehensive income					
Cash flow hedge net of deferred taxes	26	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(22)</u>
Total comprehensive income for the period		<u>(20,943)</u>	<u>(38,746)</u>	<u>(8,189)</u>	<u>(22,687)</u>

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statement of changes in shareholders' equity

Six-month period ended June 30, 2015

(In thousands of Brazilian Reals - R\$)

	Capital reserve				Earnings reserves			Valuation adjustments to equity	Accumulated losses	Total
	Subscribed capital	Purchase of treasury shares	Stock option premium	Share issue cost	Legal	Expansion	Earnings retention			
At January 1, 2015	563,319	(11,542)	35,396	(15,069)	32,611	63,649	390,789	244	-	1,059,397
Purchase of treasury shares	-	(8,745)	-	-	-	-	-	-	-	(8,745)
Stock option premium	-	-	4,743	-	-	-	-	-	-	4,743
Comprehensive income for the period - cash flow hedge	-	-	-	-	-	-	-	(22)	-	(22)
Loss for the period	-	-	-	-	-	-	-	-	(22,665)	(22,665)
At June 30, 2015	563,319	(20,287)	40,139	(15,069)	32,611	63,649	390,789	222	(22,665)	1,032,708
At December 31, 2015	563,319	(20,287)	45,020	(15,069)	32,611	63,649	292,988	-	-	962,231
At January 1, 2016	563,319	(20,287)	45,020	(15,069)	32,611	63,649	292,988	-	-	962,231
Capital contribution - share issue	125,000	-	-	-	-	-	-	-	-	125,000
Stock option premium	-	-	2,623	-	-	-	-	-	-	2,623
Share issue cost	-	-	-	(3,379)	-	-	-	-	-	(3,379)
Loss for the period	-	-	-	-	-	-	-	-	(38,746)	(38,746)
At June 30, 2016	688,319	(20,287)	47,643	(18,448)	32,611	63,649	292,988	-	(38,746)	1,047,729

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statement of cash flows

Six-month periods ended June 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

	Notes	6/30/2016	6/30/2015 (restated)
Cash flows from operating activities			
Loss from continuing operations			
Before income tax and social contribution		(57,423)	(21,441)
Adjustments:			
	10 and		
Depreciation and amortization	11	80,213	86,366
Provision for tax, civil and labor risks	18	2,478	(494)
Accrued expenses on stock options	16	2,623	4,743
Profit sharing payable		530	-
Gain on sale of property, plant and equipment		(11,355)	(14,628)
Interest and monetary and exchange gains and losses, net		19,068	42,610
Allowance for doubtful debts	4	15,377	22,829
Provision for slow-moving inventories and provision to the net realizable value of inventories.		1,766	2,663
Others		719	-
Changes in assets and liabilities:			
Trade receivables		5,492	6,334
Proceeds from sale of rental equipment		44,516	33,300
Purchases of rental equipment		(1,116)	(3,200)
Inventories		12,918	(2,275)
Taxes recoverable		12,690	13,409
Judicial deposits		212	(1,050)
Other assets		(1,674)	(1,023)
Trade payables		2,971	(5,405)
Payroll and related taxes		702	2,269
Taxes payable		(796)	(1,027)
Other liabilities		(178)	(867)
Lawsuits settled		-	(766)
Interest paid		(33,350)	(39,566)
Income tax and social contribution paid		-	(6,257)
Net cash generated by operating activities		<u>96,383</u>	<u>116,524</u>
Cash flows from investing activities:			
Purchases of PP&E for own use and intangible assets		<u>(1,632)</u>	<u>(9,618)</u>
Net cash used in investing activities		<u>(1,632)</u>	<u>(9,618)</u>

# Mills Estruturas e Serviços de Engenharia S.A.

## Statement of cash flows

Six-month periods ended June 30, 2016 and 2015

*(In thousands of Brazilian Reais - R\$)*

	Notes	6/30/2016	6/30/2015
Cash flows from financing activities			
Capital contribution	20	125,000	-
Share issue cost	20	(3,379)	-
Purchase of treasury shares	20	-	(8,745)
Dividends and interest on capital paid		-	(21,807)
Repayment of borrowings		(91,569)	(131,972)
Net cash generated by (used in) financing activities		<u>30,052</u>	<u>(162,524)</u>
Net increase (decrease) in cash and cash equivalents		<u>124,803</u>	<u>(55,618)</u>
Cash and cash equivalents at the beginning of the period (note 3)		<u>232,011</u>	<u>193,659</u>
Cash and cash equivalents at the end of the period (note 3)		<u><u>356,814</u></u>	<u><u>138,041</u></u>
Net increase (decrease) in cash and cash equivalents		<u><u>124,803</u></u>	<u><u>(55,618)</u></u>

Until June 30, 2016 the Company wrote off bills up to 5 years past due, totaling R\$3,015, which are not reflected in the statement of cash flows.

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statement of added value

Six-month periods ended June 30, 2016 and 2015

(In thousands of Brazilian Reals - R\$)

	6/30/2016	6/30/2015
<b>Revenues:</b>		
Sales of products and services	289,439	396,964
Cancelations and discounts	(33,814)	(54,606)
Other revenues	(931)	1,604
Allowance for doubtful debts	(15,376)	(22,829)
	<u>239,318</u>	<u>321,133</u>
<b>Inputs purchased from third parties</b>		
Cost of sales and services	(3,573)	(12,111)
Materials, energy, outsourced services and others	(62,386)	(65,150)
Write-off of assets	(31,657)	(15,291)
	<u>(97,616)</u>	<u>(92,552)</u>
<b>Gross added value</b>	141,702	228,581
Depreciation, amortization and depletion	(80,213)	(86,366)
	<u>61,489</u>	<u>142,215</u>
<b>Net added value produced by the Company</b>	<u>61,489</u>	<u>142,215</u>
<b>Added value received in transfer</b>		
Finance income	27,094	14,575
	<u>27,094</u>	<u>14,575</u>
<b>Total added value for distribution</b>	<u><u>88,583</u></u>	<u><u>156,790</u></u>
<b>Distribution of add value</b>		
<b>Personnel and payroll taxes</b>	56,489	72,223
Salaries and wages	43,555	55,472
Benefits	9,932	12,949
Government Severance Indemnity Fund for Employees (FGTS)	3,002	3,802
<b>Taxes and contributions</b>	14,195	45,816
Federal	12,626	43,621
State	668	1,568
Municipal	901	627
<b>Lenders and lessors</b>	56,645	61,416
Interest and exchange gains (losses)	45,880	48,993
Rentals	10,765	12,423
<b>Shareholders</b>	(38,746)	(22,665)
Retained earnings (losses)	(38,746)	(22,665)
	<u>(38,746)</u>	<u>(22,665)</u>
<b>Added value distributed</b>	<u><u>88,583</u></u>	<u><u>156,790</u></u>

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

## **Notes to the quarterly information as of June 30, 2016**

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

### **1 Operations**

Mills Estruturas e Serviços de Engenharia S.A. ("Mills" or "Company") is a publicly-traded corporation with registered offices in the City of Rio de Janeiro, Brazil. The Company operates basically in the 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:

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

The Company's operations are segmented according to the new organization and management model, already reflected in the Financial Statements as at December 31, 2015, approved by Management, containing the following business units: Construction and Rental. Each business unit is described in Note 25.

The accounting information contained in this Interim Financial Information was approved by the Company's Board of Directors and authorized for issue on August 1, 2016.

### **2 Summary of significant accounting policies**

#### **2.1 Basis of presentation**

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

This interim financial information does not include all the information and disclosures required in annual financial statements and should, therefore, be read in conjunction with the financial statements of Mills for the year ended December 31, 2015, which have been prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Boards (IASB).

In compliance with Brazilian Securities and Exchange Commission (CVM) Circular 003/2011, of April 28, 2011, we present below the notes to the most recent annual financial statements (for the year ended December 31, 2015), which, in view of the lack of significant changes this quarter, are not being reproduced in full in this interim financial information:

The notes not included in the period ended June 30, 2016 are “Critical accounting judgments and key estimates and assumptions”, “Financial risk management”, “Capital management”, “Other assets”, “Dividends and interest on capital proposed”, “Other operating expenses”, “Non-cash transactions” and “Tax debt refinancing program (REFIS)”, restated, in the financial statements for 2015, in notes 3, 4, 5, 12, 23, 26, 30 and 35, respectively.

## **2.2 Basis of preparation**

The accounting policies, calculation methods, significant accounting judgments, estimates and assumptions used in this interim financial information are the same used in the financial statements for the year ended December 31, 2015, disclosed in Notes 2 and 3. These financial statements were filed with CVM on March 19, 2015 and published on the newspaper Valor Econômico and the Official Gazette of the State of Rio de Janeiro on March 21, 2016.

### **2.2.1 New standards and interpretations**

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

#### *IFRS 9 Financial Instruments*

IFRS 9, published in July 2014, replaces the guidance existing in IAS 39 Financial Instruments: Recognition and Measurement: Reconhecimento e Mensuração). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new model of expected credit loss to calculate the impairment of financial assets and new requirements on hedge accounting. The standard also retains the existing guidance on recognition and derecognition of financial instruments of IAS 39. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company is assessing the effects that IFRS 9 will have on the financial statements and on their disclosures.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control of these assets or services. The new standard will replace most of the detailed guidance on revenue recognition currently existing in the IFRSs and on the generally accepted accounting principles in the USA (“U.S. GAAP”) when adopted. The new standard is effective on or after January 1, 2018. The standard may be adopted on a retrospective basis, using a cumulative effect approach. The Company is assessing the effects that IFRS 15 will have on the financial statements and on their disclosures.

The new standards or amendments thereto are not expected to have a significant effect on the Company's financial statements.

- IFRS 14 - Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (amendments to CPC 19 / IFRS 11)
- Acceptable Methods of Depreciation and Amortization (amendments to CPC 27 / IAS 16 and CPC 04 / IAS 38)
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (amendments to CPC 36 / IFRS 10 and CPC 18 / IAS 28)
- Annual improvements to IFRSs 2012-2014 Cycle - various standards
- Investment Entities: Consolidation Exception Amendments to CPC 36 / IFRS 10, CPC 45 / IFRS 12 and CPC 18 / IAS 28).
- Disclosure Initiative (Amendment to CPC 26 / IAS 1).

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

### **2.3 Restatement of the amounts corresponding to the statement of cash flows for the period ended June 30, 2015**

The Company reviewed its presentation of the transactions of purchase and sale of rental equipment from its fixed assets in the Statement of Cash Flows and concluded that these transactions should be reflected as part of the cash flows from operating activity, according to item 14 of CPC 03 Statement of Cash Flows (IAS 7) instead of investment activity, as previously reported.

Accordingly, the comparative amounts of the Statement of Cash Flows for the period ended June 30, 2015, originally presented in the quarterly financial information approved on August 5, 2015, are being restated in accordance with CPC 23 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) and CPC 21 Interim Financial Reporting (IAS 34), as follows:

	Original balance	Reclassifications	<u>6/30/2015</u> Restated balance
Amount received on sale of rental equipment	-	33,300	33,300
Purchases of rental equipment	-	(3,200)	(3,200)
Net cash generated by operating activities	<u>86,424</u>	<u>30,100</u>	<u>116,524</u>
Amount received on sale of PP&E and intangible assets	33,300	(33,300)	-
Acquisition of PP&E and intangible assets	(12,818)	12,818	-
Acquisition of PP&E for own use and intangible assets	-	(9,618)	(9,618)
Net cash generated by (used in) investing activities	<u>20,482</u>	<u>(30,100)</u>	<u>(9,618)</u>

### 3 Cash and cash equivalents

	<b>6/30/2016</b>	<b>12/31/2015</b>
Cash and banks	1,079	144
Short-term investments	<u>355,735</u>	<u>231,867</u>
	<u><u>356,814</u></u>	<u><u>232,011</u></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 June 30, 2016, short-term investments refer to repurchase agreements bearing average interest of 101.59% of the interbank deposit certificate (CDI) (100.8% of the CDI as at December 31, 2015).

### 4 Trade receivables

	<b>6/30/2016</b>			<b>12/31/2015</b>		
	<b>Gross receivables</b>	<b>Allowance</b>	<b>Net receivables</b>	<b>Gross receivables</b>	<b>Allowance</b>	<b>Net receivables</b>
Construction	134,020	(84,548)	49,472	132,357	(75,932)	56,425
Rental	89,768	(52,504)	37,264	91,967	(48,673)	43,294
Industrial Services (*)	3,466	(3,466)	-	3,551	(3,551)	-
<b>Total</b>	<u><u>227,254</u></u>	<u><u>(140,518)</u></u>	<u><u>86,736</u></u>	<u><u>227,875</u></u>	<u><u>(128,156)</u></u>	<u><u>99,719</u></u>
Current	227,254	(140,518)	86,736	227,875	(128,156)	99,719

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

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

Movement in the allowance for doubtful debts:

	<b>6/30/2016</b>	<b>12/31/2015</b>
Balance at the beginning of the year	128,156	91,422
Recognition of allowance for doubtful debts	29,199	77,450
Reversal of allowance for doubtful debts	(13,822)	(39,220)
Write-offs	<u>(3,015)</u>	<u>(1,496)</u>
Balance at the end of the period	<u><u>140,518</u></u>	<u><u>128,156</u></u>

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

Age of trade receivables:

	<b>6/30/2016</b>	<b>12/31/2015</b>
Not yet due	55,405	61,741
Current (bills with original due dates extended)	8,259	10,778
1-60 days past due (*)	22,796	28,549
61-120 days past due (*)	13,690	12,913
121-180 days past due (*)	10,801	10,880
Over 180 days past due (*)	<u>116,303</u>	<u>103,014</u>
Total	<u><u>227,254</u></u>	<u><u>227,875</u></u>

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

## **5 Inventories**

	<b>6/30/2016</b>	<b>12/31/2015</b>
Raw materials	244	244
Goods for resale	5,496	5,401
Spare parts and supplies	13,471	13,921
Provision for slow-moving inventories (*)	<u>(1,489)</u>	<u>(1,168)</u>
Total	<u><u>17,722</u></u>	<u><u>18,398</u></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.

## **6 Inventories - other assets held for sale**

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

On August 7, 2015, 307 equipment form the Company's fixed assets were put up for sale and separated from rental equipment, such equipment were transferred to inventories - other assets held for sale. From the date of transfer the depreciation was discontinued. Until the end of the period ended June 30, 2016, 209 equipment had been sold, and the gain or loss on the sale transaction is recognized only upon delivery of the asset.

Technical Pronouncement CPC 16 determines that inventories be measured at cost or net realizable value. Thus, it was necessary to recognize a provision of R\$ 1,445 to write down to net realizable value the inventory of machinery to be delivered from the export project due to the devaluation of the Euro.

	<b>6/30/2016</b>	<b>12/31/2015</b>
Inventories - other assets held for sale	9,890	20,687
Provision for write-down to net realizable value	(1,445)	-
	<u>8,445</u>	<u>20,687</u>

## **7 Taxes recoverable**

	<b>6/30/2016</b>	<b>12/31/2015</b>
PIS and COFINS (taxes on revenue) (*)	24,302	34,181
IRPJ (Corporate Income tax) and CSLL (Social Contribution on Profit) (**)	14,125	16,548
ICMS (State VAT) (***)	649	663
Others	379	390
	<u>39,455</u>	<u>51,782</u>
Current	<u>34,191</u>	<u>39,435</u>
Noncurrent	<u>5,264</u>	<u>12,347</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 balances calculated as at June 30, 2016, which will be adjusted for inflation monthly based on the SELIC rate and offset against taxes of the same nature during 2016.

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

## **8 Other receivables - sale of investee**

	<b>6/30/2016</b>	<b>12/31/2015</b>
2016	21,107	19,778
2017	<u>21,107</u>	<u>19,778</u>
Total	<u>42,214</u>	<u>39,556</u>
Current	21,107	19,778
Noncurrent	<u>21,107</u>	<u>19,778</u>
	42,214	39,556

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 the payment date) was paid on the agreement signing date;
2. The second installment of R\$17,000 (R\$18,093, considering the CDI-based adjustment through March 31, 2014) was paid in April 2014, in the amount of R\$11,304.
3. Four installments of R\$15,000 (R\$21,107, considering the last two installments adjusted for inflation based on 100% of the CDI through June 30, 2016), 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, and the second of these installments was received on the maturity date, July 10, 2015, in the amount adjusted for inflation of R\$18,575.

## **9 Investments**

### **a. Non-controlling interest**

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

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

The Company assessed that, as at June 30, 2016, it does not have significant influence in conformity with CPC 18 (R2) and there is no change in relation to the assessment as at December 31, 2015.

### **b. Impairment loss**

In 2015 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 determine the recoverable amount of this asset, under the income approach, through the discounted cash flow projection, over a ten-year term for purposes of evidencing the amount stated in the accounting records considering the long period of maturation of the investments in infrastructure and civil construction. Based on this study, Management estimates that the recoverable amount of the investment in Rohr is R\$61,200, requiring the recognition of a provision for impairment of this asset of R\$26,192, in line item Other operating expenses in the statement of operations, in the year ended December 31, 2015.

## 10 Property, plant and equipment

	Equipment for rental and operational use	Rental equipment in progress	Total rental and operational use equipment	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Construction in progress	Total Assets in use	Total PP&E
Cost of PP&E, gross												
Balance at December 31, 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
Purchases	14,114	-	14,114	4,675	10	494	324	1,126	549	-	7,178	21,292
Write-offs/disposals	(84,798)	(6)	(84,804)	(649)	(73)	(11)	(2,256)	(346)	(10)	-	(3,345)	(88,149)
Adjustment for PIS and COFINS credits	(977)	-	(977)	-	-	-	-	-	-	-	-	(977)
Reclassification	(54,882)	-	(54,882)	-	-	-	-	-	-	-	-	(54,882)
Transfer to inventories	2,777	(2,753)	24	131	-	25	(25)	873	-	(1,042)	(38)	(14)
Balance at December 31, 2015	1,499,502	1,431	1,500,933	31,297	24,211	16,511	1,437	8,711	10,966	-	93,133	1,594,066
Purchases	1,410	-	1,410	29	-	13	90	251	63	-	446	1,856
Write-offs/disposals	(50,913)	-	(50,913)	(2,476)	-	(1,333)	(88)	-	(30)	-	(3,927)	(54,840)
Adjustment for PIS and COFINS credits	(102)	-	(102)	-	-	-	-	-	-	-	-	(102)
Transfers	208	(208)	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2016	1,450,105	1,223	1,451,328	28,850	24,211	15,191	1,439	8,962	10,999	-	89,652	1,540,980
Accumulated depreciation												
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)
Depreciation	(154,980)	-	(154,980)	(4,764)	(669)	(2,367)	(338)	(685)	(838)	-	(9,661)	(164,641)
Write-offs/disposals	55,073	-	55,073	265	39	4	1,932	329	8	-	2,577	57,650
Adjustment for PIS and COFINS credits	-	-	-	(485)	-	-	-	(70)	-	-	(555)	(555)
Transfer to inventories	34,195	-	34,195	-	-	-	-	-	-	-	-	34,195
Transfers	-	-	-	1	-	-	-	(1)	-	-	-	-
Balance at December 31, 2015	(555,547)	-	(555,547)	(12,528)	(2,826)	(11,300)	(812)	(2,017)	(4,969)	-	(34,452)	(589,999)
Depreciation	(73,181)	-	(73,181)	(2,185)	(335)	(1,053)	(143)	(379)	(430)	-	(4,525)	(77,706)
Write-offs/disposals	29,040	-	29,040	1,270	-	1,333	12	-	9	-	2,624	31,664
Adjustment for PIS and COFINS credits	-	-	-	(223)	-	-	-	(38)	-	-	(261)	(261)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2016	(599,688)	-	(599,688)	(13,666)	(3,161)	(11,020)	(943)	(2,434)	(5,390)	-	(36,614)	(636,302)
Annual depreciation rates - %	10	-	-	10	4	20	20	10	10	-	-	-
Property, plant and equipment, net												
Balance at December 31, 2015	943,955	1,431	945,386	18,769	21,385	5,211	625	6,694	5,997	-	58,681	1,004,067
Balance at June 30, 2016	850,417	1,223	851,640	15,184	21,050	4,171	496	6,528	5,609	-	53,038	904,678

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

We present below the main purchases through June 30, 2016, by group of assets:

Props	286
Lifts and handlers	-
Reusable concrete formworks	222
Suspended scaffolding and access structures	608
Machinery and equipment for operating use	295
Facilities	251
Leasehold improvements	-
Others	194
	<hr/>
Total purchases	<u>1,856</u>

The depreciation for the period, allocated to cost of services and general and administrative expenses, amounts to R\$71,638 and R\$6,068 as at June 30, 2016 (R\$77,577 and R\$6,281 as at June 30, 2015), respectively.

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

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

#### **Review of estimated useful life**

For purposes of this review, based on a valuation by technical experts the Company issued a valuation report dated December 31, 2015, approved at a meeting of the Board of Executive Officers. 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 use of the items, external elements for benchmarking, such as available technologies, manufacturers' recommendations and technical manuals, 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 the period ended June 30, 2016.

The Company concluded that there were no events or changes in circumstances indicating that the carrying amount of the assets of its cash-generating unit Rental will not be recoverable. As regards the assets of its cash-generating unit Construction, the Company believes that there were changes in market circumstances and conducted an impairment testing of these assets as at December 31, 2015 together with the goodwill related to this unit. For further details, see note 11.

## 11 Intangible assets

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total intangible assets
Cost of intangible assets, gross					
Balance at December 31, 2014	44,915	895	1,079	44,294	91,183
Purchases	3,086	2,261	1,555	-	6,902
Transfers	1,164	-	(1,150)	-	14
Estimated impairment	-	-	-	(30,918)	(30,918)
Balance at December 31, 2015	49,165	3,156	1,484	13,376	67,181
Purchases	842	-	50	-	892
Disposals	(503)	-	-	-	(503)
Transfers	728	-	(728)	-	-
Balances at June 30, 2016	50,232	3,156	806	13,376	67,570
Accumulated amortization					
Balance at December 31, 2014	(10,344)	(469)	-	(4,232)	(15,045)
Amortization	(4,826)	(174)	-	-	(5,000)
Adjustment for PIS and COFINS credits	(365)	-	-	-	(365)
Balance at December 31, 2015	(15,535)	(643)	-	(4,232)	(20,410)
Amortization	(2,420)	(87)	-	-	(2,507)
Disposals	503	-	-	-	503
Adjustment for PIS and COFINS credits	(248)	-	-	-	(248)
Balances at June 30, 2016	(17,700)	(730)	-	(4,232)	(22,662)
Annual amortization rates - %	10	20	-	-	-
Intangible assets, net					
Balance at December 31, 2015	33,630	2,513	1,484	9,144	46,771
Balance at June 30, 2016	32,532	2,426	806	9,144	44,908

### 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 determine its value, under the income approach, through the discounted cash flow projection, over a ten-year term for purposes of evidencing the amount paid considering the long period of maturation of the investments in infrastructure and civil construction.

Based on this study, Management estimates that the recoverable amount of the assets of the Construction Business Unit, including the goodwill on acquisition of Jahu in 2008 and of GP Sul, in 2011, is R\$ 442,523 (R\$ 473,441 in December 2014), thus, this year a provision for impairment of this asset in the amount of R\$ 30,918 is required.

## 12 Trade payables

	<b>6/30/2016</b>	<b>12/31/2015</b>
Domestic suppliers	9,630	6,665
Foreign suppliers	185	179
	<u>9,815</u>	<u>6,844</u>

As at June 30, 2016 and December 31, 2015, trade payables refer basically to services provided and installment purchase of materials and PP&E.

## 13 Borrowings and financing

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

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 are as follows:

	<b>6/30/2016</b>	<b>12/31/2015</b>
Borrowings (*)	<u>13,538</u>	<u>15,116</u>
Current	3,177	3,185
Noncurrent	<u>10,361</u>	<u>11,931</u>
	<u><u>13,538</u></u>	<u><u>15,116</u></u>

The financial institutions with which the Company has borrowing and financing transactions as at June 30, 2016 are as follows:

- Banco do Brasil
- Itaú BBA

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 were 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. This agreement was settled on the same date of maturity of the borrowing, as described above.

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

	<b>6/30/2016</b>	<b>12/31/2015</b>
Guarantees provided:		
Collateral sale (*)	<u>27,103</u>	<u>27,103</u>
Total guarantees	<u><u>27,103</u></u>	<u><u>27,103</u></u>

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

The installments to fall due at the end of the period ended June 30, 2016 are shown below:

2016	1,608
2017	3,138
2018 to 2021	<u>8,792</u>
	<u><u>13,538</u></u>

The Company's borrowings contain covenants, the requirements of which are in line with those presented in the debenture indenture and are detailed in Note 14.

## 14 Debentures

Description	Series	Issued amount	Beginning	Maturity	Financial charges	6/30/2016	12/31/2015
1st issue	Single	270,000	Apr/2011	Apr/2016	112.5% of CDI	-	92,751
Issue cost						<u>-</u>	<u>(157)</u>
						<u><u>-</u></u>	<u><u>92,594</u></u>
2nd issue	1st Series	160,940	Aug/2012	Aug/2017	100% CDI + 0.88% p.a.	169,722	169,629
2nd issue	1st Series	109,060	Aug/2012	Aug/2012	IPCA + 5.50 p.a.	152,954	142,277
Issue cost						<u>(634)</u>	<u>(787)</u>
						<u><u>322,042</u></u>	<u><u>311,119</u></u>
3rd issue	Single	200,000	May/2014	May/2019	108.75% of CDI	202,641	202,527
Issue cost						<u>(444)</u>	<u>(521)</u>
						<u><u>202,196</u></u>	<u><u>202,006</u></u>
Total debentures						<u><u>524,238</u></u>	<u><u>605,719</u></u>
Current						165,021	186,634
Noncurrent						359,217	419,085

### **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. 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, settled on that date and the second settled on April 20, 2015. 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. The first issue of debentures was settled on April 15, 2016.

### **2nd issue of debentures**

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

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

- 1st series - 16,094 first series debentures, totaling R\$160,940, with maturity on August 15, 2017, not subject to adjustment for inflation. The face value of the first series debentures will be amortized in two annual installments as from the fourth year of their issue and interest paid semiannually will correspond to a surcharge of 0.88% p.a. levied on 100% of the accumulated variation of the DI rate;
- 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.

As at June 30, 2016, the balances of debentures including transaction costs are R\$165,482 in current liabilities and R\$359,834 in noncurrent liabilities and R\$165,021 and R\$359,217 less transaction costs respectively (as at December 31, 2015, the gross balance of debentures is R\$187,251 in current liabilities and R\$419,933 in noncurrent liabilities, and R\$186,634 and R\$419,085 less transaction costs).

### **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

Considering the nonrecurring expenses in the calculation of the adjusted EBITDA, at the end of the period ended June 30, 2016 all covenants have been complied with.

## **15 Related parties**

### **a. Transactions and balances**

There were no loans between the Company and its officers during the six-month period ended June 30, 2016 and the year 2015.

As at June 30, 2016 and December 31, 2015, the Company had no consulting service agreements with members of the Board of Directors.

### **Management compensation**

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

	6/30/2016		6/30/2015	
	Quarter	accumulated	Quarter	accumulated
Salaries and payroll charges - officers	1,093	2,091	1,532	3,485
Fees of the Board of Directors	356	560	362	733
Bonus	345	983	-	-
Share-based payments	825	1,657	1,090	1,634
Total	2,619	5,291	2,984	5,852

## 16 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, amended by law 12,832/13, and with the Company's bylaws.

The 2016 Profit Sharing Program is based on the achievement of the EBITDA and of the annual Cash Flow budgeted, as well as on the productivity for the employees who hold operational positions and attain specific targets for the areas. All Mills employees with at least 180 days worked in 2016 are eligible. Payment will occur until May 2017, after all information has been collected, audited and disclosed to the Market.

Professionals who participate in sales commission or similar programs will receive a sharing limited to 10% of the amount to be distributed to their hierarchical level.

### 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.

Plans	Grant date	Final exercise date	Shares in thousands		
			Shares granted	Shares exercised	Outstanding shares
2010 Program	5/31/2010	5/31/2016	1,475	(1,369)	106
2011 Program	4/16/2011	4/16/2017	1,184	(597)	587
2012 Program	6/30/2012	5/35/2018	1,258	(402)	856
2013 Program	4/30/2013	4/30/2019	768	(91)	671
2014 Program	4/30/2014	4/30/2020	260	-	260
2016 Program	4/28/2016	4/28/2024	1,700	-	1,700

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.

At the Board of Directors' meeting held on May 21, 2015, the Company decided to sell the Company's shares held in treasury in order to exercise the option to purchase the beneficiary's shares under the 2010, 2011, 2012, 2013 and 2014 Stock Option Programs (see note 22 (a.1)).

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

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

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

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

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

	6/30/2016	12/31/2015
<b>2002 Plan</b>		
Capital reserve	1,446	1,446
Number of shares exercised (thousands)	3,920	3,920
<b>Top Mills, Special CEO and EX-CEO Plans</b>		
Capital reserve	1,148	1,148
Number of shares exercised (thousands)	1,055	1,055
<b>Mills Rental Executives Plan</b>		
Capital reserve	4,007	4,007
Number of shares exercised (thousands)	391	391
<b>2010 Plan</b>		
Capital reserve	5,693	5,693
Number of exercisable options (thousands)	106	106
Number of shares exercised (thousands)	1,369	1,369
Number of shares canceled (thousands)	73	73
<b>2011 Program (2010 Plan)</b>		
Capital reserve	7,329	7,329
Number of exercisable options (thousands)	587	592
Number of shares exercised (thousands)	597	592
Number of shares canceled (thousands)	157	157
<b>2012 Program (2010 Plan)</b>		
Capital reserve	14,160	13,011
Number of exercisable options (thousands)	856	857
Number of shares exercised (thousands)	402	401
Number of shares canceled (thousands)	345	336

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	<b>6/30/2016</b>	<b>12/31/2015</b>
2013 Program (2010 Plan)		
Capital reserve	10,403	9,479
Number of exercisable options (thousands)	677	671
Number of shares exercised (thousands)	91	97
Number of shares canceled (thousands)	139	139
2014 Program (2010 Plan)		
Capital reserve	3,324	2,907
Number of exercisable options (thousands)	260	260
Number of shares canceled (thousands)	53	52
2016 Program		
Capital reserve	133	-
Number of exercisable options (thousands)	1,700	-
Number of shares canceled (thousands)	-	-
Total recognized as equity (accumulated)	47,643	45,020
Effect on profit (loss)	(2,623)	(9,624)

## 17 Income tax and social contribution

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

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

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Loss for the period before income tax and social contribution	(33,289)	(57,423)	(7,054)	(21,441)
Statutory income tax and social contribution rate	34%	34%	34%	34%
Income tax and social contribution at statutory rate	11,318	19,523	2,398	7,290
Nondeductible provisions (*) and permanent differences	1,028	(846)	(3,481)	(8,514)
Others	-	-	(46)	-
Total current and deferred income tax and social contribution	12,346	18,677	(1,129)	(1,224)
Effective rate	37%	33%	(16%)	(5%)

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

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

Description	December 31,2015	Additions	Write-offs	June 30, 2016
Stock options	6,092	892	-	6,984
Discount to present value	15	-	(7)	8
Property, plant and equipment hedge	(811)	-	65	(746)
Provision for costs and expenses	62	826	(28)	860
Provision for slow-moving inventories	397	109	-	506
Allowance for doubtful debts	17,273	5,229	(7,421)	15,081
Estimated impairment	8,906	-	-	8,906
Finance leases	(3,141)	-	1,104	(2,037)
Provision for tax, civil and labor risks	5,650	1,280	(66)	6,864
Provision for loss on lawsuit Murilo Pessoa	42	-	-	42
Provision for discounts and cancelations	2,229	1,409	(2,229)	1,409
Tax losses in 2016	17,290	17,526	-	34,816
Provision for loss on tax credit	30	-	-	30
Taxes with required payment suspended	456	91	-	547
Provision for profit sharing	-	181	-	181
Accelerated depreciation	(2,259)	(377)	-	(2,636)
GP Andaimes Sul Locadora goodwill	(593)	(67)	-	(660)
Jahu goodwill	(2,437)	-	-	(2,437)
Adjustment for inflation of judicial deposits	(1,473)	(139)	168	(1,444)
Debentures	(498)	-	131	(367)
	<u>47,230</u>	<u>26,960</u>	<u>(8,283)</u>	<u>65,907</u>

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

The balances of deferred taxes recognized at June 30, 2016 and December 31, 2015 have bases and realization expectations.

**18 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:**

	<b>6/30/2016</b>	<b>12/31/2015</b>
Tax (i)	4,398	4,272
Civil (ii)	3,608	2,419
Labor (iii)	8,208	6,235
Success fees (iv)	2,518	2,309
Legal fees and costs (v)	1,461	1,377
<b>Total</b>	<b>20,193</b>	<b>16,612</b>

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

	<b>6/30/2016</b>	<b>12/31/2015</b>
Balance at January 1	16,612	12,580
Provision	3,259	5,161
Adjustment for inflation	1,108	1,618
Reversals	(786)	(1,607)
Write-offs	-	(1,140)
<b>Balance for the period</b>	<b>20,193</b>	<b>16,612</b>

- (i) Refers basically to a writ of mandamus filed by the Company when challenging the increase in the PIS and COFINS rates (established by the non-cumulative regime of these contributions, with the enactment of Laws 10,637/2002 and 10,833/2003). The Company maintains a judicial deposit for this provision, related to the differences in rates.
- (ii) The Company has lawsuits filed against it relating to civil liability and compensation claims.
- (iii) The Company is a defendant in various labor lawsuits. Most of the lawsuits involve claims for compensation due to occupational diseases, overtime, hazardous duty premium and salary equalization.
- (iv) Contingent fees are generally set at up to 10% of the amount of the claim, payable to outside legal counsel according to the success achieved in each claim. Payment is contingent upon a favorable outcome of the lawsuits.
- (v) Refers to the provision for legal fees and costs incurred in lawsuits, with probable risk of unfavorable outcome to the Company.

**b. Breakdown of judicial deposits:**

	<b>6/30/2016</b>	<b>12/31/2015</b>
Tax (i)	7,320	7,947
Labor (ii)	3,491	3,076
	<b>10,811</b>	<b>11,023</b>

- (i) As at December 30, 2016, judicial deposits for tax lawsuits totaled R\$7,320. 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\$3,866, as informed in note 19, 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\$ 2,905. 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:

	<b>6/30/2016</b>	<b>12/31/2015</b>
Tax (i)	43,855	40,461
Civil (ii)	4,474	5,198
Labor (ii)	18,492	18,006
Total	66,821	63,665

**(i) Tax (main items):**

- a.** Disallowance of allegedly nondeductible expenses by the Brazilian Federal Revenue, involving former Mills Formas, due to agreements entered into with various customers, under which Mills Formas was responsible for carrying out the services that were previously carried out by the employees of the former Mills do Brasil;
- b.** Requirement of the Finance Department of the State of Rio de Janeiro relating to ICMS and fine allegedly due arising from transfers of goods without the payment of the related tax.
- c.** Non-recognition by the INSS (National Institute of Social Security) of the possibility of offsetting payments improperly made as social security contribution, based on the method established by Law 9,711/98;
- d.** Requirement by the Brazilian Federal Revenue of fine allegedly due on installment payment of credits derived from voluntary reporting;
- e.** Requirement by the Brazilian Federal Revenue of alleged debts of Tax on Profit (ILL), judged unconstitutional by the STF (Federal Supreme Court).

**(ii) Civil**

Lawsuits filed against the Company relating to compensation for pain and suffering and property damages.

**(iii) Labor**

The Company is a defendant in various labor lawsuits. Most of the lawsuits involve collection of termination amounts, compensation for pain and suffering, inclusion of premium in the compensation, reinstatement and salary adjustments, and related effects.

## 19 Taxes payable

	6/30/2016	12/31/2015
PIS and COFINS (taxes on revenue)	1,129	2,188
INSS (Social Security Contribution)	137	61
ISS (Service Tax)	208	46
Others	417	392
	<u>1,891</u>	<u>2,687</u>

## 20 Equity

### a. Subscribed capital

The Company's fully subscribed and paid-in capital as at June 30, 2016 is R\$688,319 (December 31, 2015 - R\$563,319), comprising 175,586,000 registered common shares without par value (December 31, 2015 - 128,057,000). Each common share entitles to one vote in the shareholders resolutions.

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

#### (a.1) Treasury shares

The balance of treasury shares as at June 30, 2016 is 2,278,422 shares in the total amount of R\$20,287, properly recorded in the capital reserve (December 31, 2015 R\$20,287).

#### (a.2) Capital contribution - issue of new shares

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

#### (a.3) Share issue

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

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

Shareholders	6/30/2016		12/31/2015	
	Number shares (in thousands)	Percentage	Number shares (in thousands)	Percentage
Andres Cristian Nacht	20,704	11.79%	14,185	11.08%
Snow Petrel S.L.	23,677	13.48%	17,728	13.84%
HSBC Bank Brasil S.A.	-	-	6,323	5.00%
Brandes Investment Partners I	6,711	5.24%	6,711	5.24%
Fama Investimentos Ltda <sup>3</sup>	7,705	6.02%	-	-
BTG Pactual WM Gestão de Recursos Ltda <sup>4</sup>	7,039	5.50%	-	-
Other signatories of the Company Shareholders Agreement	16,157	9.20%	13,415	10.48%
Others	93,593	48.77%	69,695	54.36%
	<u>175,586</u>	<u>100.00 %</u>	<u>128,057</u>	<u>100.00 %</u>

1. On September 21, 2015, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
2. Signatories of the Company's Shareholders Agreement, excluding Andres Cristian Nacht e Snow Petrel S.L., considers the position related to 12/31/2015, already reported to CVM, pursuant to CVM Instruction No. 358/02.
3. On March 4, 2016, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
4. On April 13, 2016, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.

**b. Earnings reserves**

**(b.1) Legal reserve**

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

**(b.2) Expansion reserve**

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

**(b.3) Earnings retention reserve**

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\$15,069, net of taxes, relating to the primary public offering of shares, the stock option premium reserve amounting to R\$47,643, related to the stock option plans for employees, the cost of the canceled shares amounting to R\$557, the amount of the buyback of shares in 2015 of R\$19,777, the disposal of shares in the amount of R\$47, and the cost of issue of shares in May 2016 of R\$ 3,379, totaling a capital reserve of R\$8,908 as at June 30, 2016 (R\$9,664 as at December 31, 2015).

**d. Mandatory minimum dividends**

The Company's bylaws provide for the payment of mandatory minimum dividends equivalent to 25% of the profit for the year, after the respective allocations, pursuant to article 202 of the Brazilian Corporation Law (Law 6.404/76).

## 21 Earnings (loss) per share

### a. Basic

Basic earnings (loss) 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.

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Profit (loss) attributable to owners of the Company	(20,943)	(38,746)	(8,183)	(22,665)
Weighted average number of common shares issued (thousands)	175,586	147,643	126,600	126,756
Basic earnings (loss) per share from continuing operations	<u>(0.12)</u>	<u>(0.26)</u>	<u>(0.06)</u>	<u>(0.18)</u>

### b. Diluted

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

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Profit (loss) used to determine earnings (loss) per share	(20,943)	(38,746)	(8,183)	(22,665)
Weighted average number of common shares for diluted earnings per share (thousands)	175,586	147,643	126,600	126,756
Diluted earnings (loss) per share from continuing operations	<u>(0.12)</u>	<u>(0.26)</u>	<u>(0.06)</u>	<u>(0.18)</u>

The stock options did not have effect on the calculation above as at June 30, 2016 because the potential common shares are antidiluting.

## 22 Net revenue from rental, sales and services

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

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Rentals	105,248	217,193	155,685	325,923
Sales of new equipment	4,336	7,817	8,643	27,596
Sales of seminew equipment	6,106	38,177	8,183	15,074
Technical assistance	6,224	8,157	3,778	6,306
Indemnities	6,872	12,967	6,691	17,399
Recovery of expenses	2,597	5,128	2,677	4,666
	<u>131,383</u>	<u>289,439</u>	<u>185,657</u>	<u>396,964</u>
Taxes on sales and services	<u>(10,299)</u>	<u>(20,191)</u>	<u>(14,890)</u>	<u>(30,600)</u>
Cancelations and discounts	<u>(15,733)</u>	<u>(33,814)</u>	<u>(22,903)</u>	<u>(54,606)</u>
Total net revenue	<u>105,351</u>	<u>235,434</u>	<u>147,864</u>	<u>311,758</u>

## 23 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	June 30, 2016- Quarter			June 30, 2016 - Accumulated			June 30, 2015- Quarter			June 30, 2015 - Accumulated		
	Direct project and rental	General and administrative expenses and others	Total	Direct project and rental	General and administrative expenses and others	Total	Direct project and rental	General and administrative expenses and others	Total	Direct project and rental	General and administrative expenses and others	Total
Personnel	(15,860)	(18,211)	(34,071)	(31,446)	(35,276)	(66,722)	(18,443)	(23,731)	(42,174)	(35,578)	(50,179)	(85,757)
Third parties	(1,410)	(6,464)	(7,874)	(2,485)	(12,013)	(14,498)	(1,254)	(5,317)	(6,571)	(2,133)	(10,772)	(12,905)
Freight	(2,041)	(2,181)	(4,222)	(4,301)	(3,243)	(7,544)	(3,930)	(1,010)	(4,940)	(6,252)	(1,386)	(7,638)
Construction/maintenance material and repair	(10,455)	(1,022)	(11,477)	(19,619)	(1,769)	(21,388)	(10,570)	(1,754)	(12,324)	(19,856)	(3,494)	(23,350)
Equipment and other rentals	(1,514)	(4,215)	(5,729)	(2,771)	(7,994)	(10,765)	(1,753)	(5,016)	(6,769)	(2,762)	(9,660)	(12,422)
Travel	(518)	(1,055)	(1,573)	(858)	(1,979)	(2,837)	(606)	(1,740)	(2,346)	(1,064)	(3,644)	(4,708)
Cost of sales	(2,105)	-	(2,105)	(3,573)	-	(3,573)	(8,216)	-	(8,216)	(19,088)	-	(19,088)
Depreciation and amortization	(35,480)	(4,250)	(39,730)	(71,638)	(8,575)	(80,213)	(38,588)	(4,425)	(43,013)	(77,577)	(8,789)	(86,366)
Write-off of assets	(7,737)	-	(7,737)	(30,375)	-	(30,375)	(3,177)	-	(3,177)	(7,915)	-	(7,915)
Allowance for doubtful debts	-	(6,317)	(6,317)	-	(15,376)	(15,376)	-	(1,803)	(1,803)	-	(22,829)	(22,829)
Stock option plan	-	(1,260)	(1,260)	-	(2,623)	(2,623)	-	(2,239)	(2,239)	-	(4,743)	(4,743)
Provisions	-	(1,539)	(1,539)	-	(3,230)	(3,230)	-	-	-	-	-	-
Adjustment of provisions	-	-	-	-	-	-	-	(189)	(189)	-	151	151
Profit sharing	-	(530)	(530)	-	(530)	(530)	-	-	-	-	-	-
Others	(563)	(6,688)	(7,251)	(1,139)	(12,192)	(13,331)	(555)	(4,550)	(5,105)	(925)	(10,274)	(11,199)
<b>Total</b>	<b>(77,683)</b>	<b>(53,732)</b>	<b>(131,415)</b>	<b>(168,205)</b>	<b>(104,800)</b>	<b>(273,005)</b>	<b>(87,092)</b>	<b>(51,774)</b>	<b>(138,866)</b>	<b>(173,150)</b>	<b>(125,619)</b>	<b>(298,769)</b>

## 24 Finance income and costs

### a. Finance income

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Interest income	1,968	4,413	2,304	4,565
Investment income	12,122	21,635	4,323	9,756
Discounts obtained	52	101	23	28
Foreign exchange and inflation gains	398	921	242	184
Others	3	24	36	42
	<u>14,543</u>	<u>27,094</u>	<u>6,928</u>	<u>14,575</u>

### b. Finance costs

	6/30/2016		6/30/2015	
	Quarter	Accumulated	Quarter	Accumulated
Interest on borrowings	(477)	(945)	(599)	(1,320)
Foreign exchange and inflation losses	(1,255)	(2,443)	(411)	(1,017)
Interest on finance leases	(7)	(14)	-	-
Interest on debentures	(18,726)	(40,967)	(20,928)	(44,200)
Commissions and bank fees	(393)	(771)	(668)	(740)
Others	(910)	(1,806)	(374)	(1,728)
	<u>(21,768)</u>	<u>(46,946)</u>	<u>(22,980)</u>	<u>(49,005)</u>

## **25 Segment information**

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

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

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

On September 28, 2015, aimed at obtaining synergy gains and greater productivity, the Company consolidated the commercial management of the business units Heavy Construction and Real Estate. The result of such consolidation was the creation of a new business unit Construction. From that date, segment information is presented according to this new structure, including as regards the comparative information relating to the same period of 2014, which is being restated.

### **Construction Business Unit**

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

### **Rental Business Unit**

The Rental business unit operates in the 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 only the agility of its commercial service but it also broadens the technical assistance with certified professionals.

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

### Statement of operations by business segment - Six-month period

	Construction		Rental		Others(*)		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Net revenue	104,705	157,694	130,729	154,064	-	-	235,434	311,758
(-) Costs	(44,026)	(54,468)	(52,541)	(41,106)	-	-	(96,567)	(95,574)
(-) Expenses	(46,923)	(61,000)	(30,632)	(32,541)	(3,295)	(459)	(80,850)	(94,000)
(-) Allowance for doubtful debts	(9,657)	(16,538)	(5,736)	(6,526)	18	235	(15,375)	(22,829)
(-) Depreciation and amortization	(43,118)	(44,729)	(37,095)	(41,637)	-	-	(80,213)	(86,366)
Profit (loss) before finance income (costs)	(39,019)	(19,041)	4,725	32,254	(3,277)	(224)	(37,571)	12,989
Finance income	12,371	5,946	11,924	5,530	2,799	3,099	27,094	14,575
Finance costs	(23,631)	(25,004)	(22,701)	(23,689)	(614)	(312)	(46,946)	(49,005)
Profit (loss) before IRPJ/SCL	(50,279)	(38,099)	(6,052)	14,095	(1,092)	2,563	(57,423)	(21,441)
(-) IRPJ/CSL	16,353	(2,175)	1,969	805	355	146	18,677	(1,224)
Profit (loss) for the year	(33,926)	(40,274)	(4,083)	14,900	(737)	2,709	(38,746)	(22,665)

(\*) These are operations of the former Business Unit Industrial Services - SI.

### Statement of operations by business segment - Quarter

	Construction		Rental		Others(*)		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Net revenue	50,990	73,380	54,361	74,484	-	-	105,351	147,864
(-) Costs	(22,121)	(27,955)	(20,082)	(20,549)	-	-	(42,203)	(48,504)
(-) Expenses	(25,286)	(29,027)	(16,504)	(16,303)	(1,375)	(216)	(43,165)	(45,546)
(-) Allowance for doubtful debts	(3,603)	(3,700)	(2,714)	1,811	-	86	(6,317)	(1,803)
(-) Depreciation and amortization	(21,363)	(22,240)	(18,367)	(20,773)	-	-	(39,730)	(43,013)
Profit (loss) before finance income (costs)	(21,383)	(9,542)	(3,306)	18,670	(1,375)	(130)	(26,064)	8,998
Finance income	6,719	2,782	6,345	2,517	1,479	1,629	14,543	6,928
Finance costs	(10,997)	(11,632)	(10,499)	(11,289)	(272)	(59)	(21,768)	(22,980)
Profit (loss) before IRPJ/SCL	(25,661)	(18,392)	(7,460)	9,898	(168)	1,440	(33,289)	(7,054)
(-) IRPJ/CSL	9,896	(2,045)	2,338	777	112	139	12,346	(1,129)
Profit (loss) for the year	(15,765)	(20,437)	(5,122)	10,675	(56)	1,579	(20,943)	(8,183)

## Assets by business segment

	Construction		Rental		Others		Total	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Property, plant and equipment <sup>0074</sup>								
Acquisition cost	826,454	860,592	714,527	733,474	-	-	1,540,981	1,594,066
(-) Accumulated depreciation	(371,805)	(353,541)	(264,498)	(236,458)	-	-	(636,303)	(589,999)
	454,649	507,051	450,029	497,016	-	-	904,678	1,004,067
Other assets	356,206	299,324	281,332	231,880	104,990	102,686	745,529	633,890
Total assets	810,855	806,375	731,361	728,896	104,990	102,686	1,647,207	1,637,957

## 26 Financial instruments

### 26.1 Category of financial instruments

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

	Carrying amount	
	6/30/2016	12/31/2015
Cash and cash equivalents	356,814	232,011
Loans and receivables:		
Trade receivables	86,736	99,719
Other receivables - sales of investee	42,214	39,556
Financial liabilities measured at amortized cost		
Borrowings and financing	13,538	15,116
Debentures	524,238	605,719
Trade payables	9,815	6,844
Equity instruments		
Stock option plans	47,643	45,020

### 26.2 Fair value of financial instruments

Several Company accounting policies and disclosures require the determination of the fair value both for financial assets and liabilities and for nonfinancial assets and liabilities. Fair value for measurement and/or disclosure purposes is determined based on the methods below. When applicable, additional information on the assumptions used to calculate the fair values is disclosed in specific notes applicable to such asset or liability.

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

**a. Fair value**

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

**b. Fair value of trade receivables and payables**

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

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

**c. Fair value of borrowings**

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 and debentures*

Debt	Indicator	Fair value		Carrying amount	
		6/30/2016	12/31/2015	6/30/2016	12/31/2015
1st issue of debentures	CDI	-	87,898	-	92,751
2nd Issue of Debentures					
1st Series	CDI	153,459	144,426	169,722	169,629
2nd Series	IPCA	135,834	121,736	152,954	142,277
3rd Issue of debentures	CDI	159,923	151,410	202,641	202,527

**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.

**26.3 Derivative financial instruments**

There are no derivatives contracted for the period ended June 30, 2016 (as at June 30, 2015, R\$22).

**26.4 Sensitivity analysis**

The following table shows a 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 and Exchange Commission (CVM), by means of Instruction 475/2008, in order to present a 25% and 50% stress of the risk variable considered, respectively (scenarios II and III):

Cash equivalents	Indicator	Effect on profit (loss)			
		Current	Probable	25%	50%
Short-term investments	CDI	355,735	47,883	35,912	23,941
	Total	<u>355,735</u>	<u>47,883</u>	<u>35,912</u>	<u>23,941</u>
			Change	25.00%	50.00%

Debt	Indicator	Effect on profit (loss)			
		Current	Probable	25%	50%
BNDES	TJLP	(13,538)	(783)	(974)	(1,165)
1st Issue of debentures	CDI	-	-	-	-
2nd Issue of debentures					
1st Series	CDI	(169,722)	(18,135)	(22,388)	(26,642)
2nd Series	IPCA	(152,954)	(14,999)	(17,171)	(19,344)
3rd Issue of debentures	CDI	<u>(202,641)</u>	<u>(21,899)</u>	<u>(27,375)</u>	<u>(32,849)</u>
	Total	<u>(538,855)</u>	<u>(55,816)</u>	<u>(67,908)</u>	<u>(80,000)</u>
			Change	22%	43%

	<b>6/30/2016</b>		
<b>Scenarios</b>	<b>Probable I</b>	<b>Scenario II</b>	<b>Scenario III</b>
Rates		25%	50%
CDI (%) (i)	13.25%	16.56%	19.88%
TJLP (%) (ii)	7.50%	9.38%	11.25%
IPCA(%) (iii)	7.18%	8.98%	10.77%

Source: Focus Report of 7/08/2016

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

## 26.5 Liquidity risk

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

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

	<b>Up to one month</b>	<b>More than one month and less than three months</b>	<b>More than three months and less than one year</b>	<b>Between one and two years</b>	<b>Between two and five years</b>	<b>Over five years</b>	<b>Total</b>
At June 30, 2016							
Borrowings and financing	340	681	1,005	3,884	7,115	2,653	15,678
Debentures	-	100,336	15,147	192,109	352,852	-	660,444
Trade payables	9,815	-	-	-	-	-	9,815
At December 31, 2015							
Borrowings and financing	355	700	3,088	3,914	7,150	2,658	17,865
Debentures	-	11,464	226,833	192,054	347,308	-	777,659
Trade payables	6,844	-	-	-	-	-	6,844

## 26.6 Capital management

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

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

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The Company uses as the main performance indicator to evaluate its financial leverage the ratio between accumulated EBITDA for the previous 12 months and total net debt (total bank debt less total cash and cash equivalents).

	<b>6/30/2016</b>	<b>12/31/2015</b>
Total bank debt	<u>538,854</u>	<u>622,300</u>
Financing	13,538	15,116
Debentures (see note 14)	<u>525,316</u>	<u>607,184</u>
Cash and cash equivalents	<u>356,814</u>	<u>232,011</u>
Net debt	<u>168,502</u>	<u>390,289</u>
Equity	<u>1,047,729</u>	<u>962,231</u>
Net debt to equity	<u>0.16</u>	<u>0.41</u>

The Company is not subject to any external capital requirement.

*Credit lines available*

	<b>6/30/2016</b>	<b>12/31/2015</b>
Unsecured bank credit lines, reviewed annually and with payment upon request:		
Not used	116,162	109,584
Secured bank credit lines with varying maturity dates that can be extended by common agreement:		
Used	13,538	15,116

## **27 Insurance**

As at June 30, 2016, the Company's total insurance coverage against operating risks is R\$ 1,357,960, R\$ 554,453 for property damages and R\$ 110,000 for civil liability.

## **28 Events after the reporting period**

On July 11, 2016, the Company received the penultimate installment related to the sale of the business unit Industrial Services, in the amount adjusted for inflation of R\$ 21,184, as discussed in note 8.

On July 20, 2016, Mills Estruturas e Serviços de Engenharia S.A. ("Company"), in accordance with CVM Instruction 358 and further to the significant event disclosed on April 7, 2016, informs that Fundo de Investimento em Participações Axxon Brazil Private Equity Fund II ("Axxon") became the holder of 12,294,063 Company shares, representing approximately 7.001% of the Company's capital. For this reason, Axxon now has the political rights provided for in the shareholders agreement entered into on April 7, 2016 between Axxon and the Company's controlling shareholders.