

# Management Report 2020

B3:MILS3

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.

**Mills**  
\*  
**SOLARIS**

**[B]**<sup>3</sup>  
BRASIL  
BOLSA  
BALCÃO

 **NOVO  
MERCADO**  
BM&FBOVESPA

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# 1. Message from the CEO

2020 was marked by the pandemic caused by COVID-19, which is still going on today and continues to challenge authorities, health systems, economies, companies, and people around the world to curtail it.

At Mills, we have taken several actions to mitigate the impacts caused by this crisis, especially in terms of the health of our employees, customers, suppliers, and, consequently, their families. Considering that our equipment has been and is used in various activities classified as essential, we faced the challenge of keeping our operations running smoothly, adapting our working routines to include new health and safety protocols.

With the performance of an Internal Committee with a multidisciplinary profile, created specifically to conduct the actions related to the theme and fully aligned with our values and organizational culture, we adapted the operational work at the branches, intensified the hygiene and cleaning procedures, implemented the administrative activities in remote work, reduced the number of trips and suspended events with crowds. We have also managed, among other actions, to keep the training, development and talent retention schedules and we have not reduced the workforce due to the pandemic, which we know is of paramount importance not only for our employees and their families, but also for the resumption of the Brazilian economy.

All this effort was recognized by our team. An internal survey showed that 95% of our employees felt supported in their activities during the pandemic and that 89% of them feel fully safe while working at our facilities.

This ability to adapt and cope with the crisis caused by COVID-19, combined with the strategy of diversifying Mills' customer base implemented over the past few years, has resulted in solid economic and financial indicators recorded at the end of 2020. Even with the 4.1% reduction in Brazil's GDP, the Company ended 2020 with a 2.6% increase in its rental revenue and 16.1% in its Adjusted Ebitda (both as compared the previous year on a combined basis), also resulting in the interruption, as of 3Q20, of a sequence of quarterly losses recorded for six consecutive years, closing 4Q20 again with net income (R\$ 7.6 million).

In the Rental Business Unit, responsible for 86% of Mills' rental revenue in 2020, we also advanced in the integration of branches and improved our customer relationship management processes, with a focus on increasing the agility in the submission of commercial proposals and the communication effectiveness. In the Construction Business Unit, we reached R\$12.0 million in Adjusted Ebitda, exceeding the breakeven goal sought since 2019, in line with the recovery strategy of this unit. Such performances lead us believe that we are on the right path to improve our services and results.

# 1. Message from the CEO (continued)

From a financial point of view, 2020 was a year of focus on preserving cash and improving the debt profile. Thus, we temporarily suspended some investments to face the crisis, implemented a matrix management of expenses, renegotiated invoices with our suppliers, worked on the regularity of our receipts, extended R\$22 million of debt then existing at Solaris and issued a total of R\$184 million in new debentures, which rendered our indebtedness cheaper and more extended, if compared to the previous year. With these and other actions, combined with the performance of our business units, we ended 2020 with R\$ 378.9 million in cash and gross debt of R\$207.7 million, and ready for the next challenges and opportunities.

Aware that 2021 will still be a year of fighting the pandemic and its effects, the achievements made in 2020, together with expectations for the Brazilian economy in 2021 and our improvement projects, allow us to have a bullish view going forward. With our attention focused on the Company's growth and transformation, we will seek opportunities to expand business and improve the level of service provided to our customers. We will advance in investments in technology and innovation, in the adjustment of our equipment and in the improvement of processes, seeking to make Mills increasingly agile and simple. We will also work on the development of our organizational culture and our people, the basis of everything we are and everything we want to be, as well as intensifying our initiatives aimed at ESG, seeking to create value in an increasing and sustainable way.

We thank our employees for their dedication and commitment in 2020, as well as the support of our customers, suppliers, shareholders, directors and other stakeholders and partners.

Have a good reading!

**Sergio Karina**  
**Mills CEO**

## 2. Business Overview

We have over 68 years of history and we are the pioneer company in solutions for working at heights for the most diverse segments of the economy, being the largest rental company of aerial platforms in Latin America and, with unique engineering solutions, the leader in the formwork and shoring market in Brazil.

We are present throughout the country, providing a closer relationship with the customer and faster service to provide the most appropriate solution for each type of challenge. The differentiated quality of the training of our team, combined with the diversified experience and international partnerships with leading companies in the market, allows us to deliver customized solutions with the most cutting-edge technology.

In the Rental business unit, we have a wide range of equipment such as aerial work platforms, generators, air compressors and lighting towers. We operate in the rental and sales of equipment, as well as its parts and components, and in technical assistance for various market segments, such as industry, commerce, infrastructure, services and entertainment, always maximizing benefits and reducing risks.

Our Construction business unit basically operates in the rental and sales of formwork and shoring for civil construction, with the supply of related engineering projects, supervision and assembly option.

We have a strong reputation of providing services in a consistent, reliable and quality manner, and compliance with all technical safety standards. We maintain our commitment to being a full, agile and reliable company.

## 3. Mills and Solaris business combination

On May 10, 2019, the business combination with Solaris was completed and the Shareholders' Agreement was executed between the Nacht Family, Southern Cross Group and Sullair Argentina.

The business combination consolidates Mills leading role in the Brazilian aerial work platforms rental market and results in a more attractive mix of products, with a total fleet of approximately 8 thousand equipment. This also implies increased capacity to serve its more than 6,000 active customers and potential customers from the most diverse sectors of the economy and Brazilian regions.

On the same date, as a result of the Business Combination, 76,056,038 new common, registered and book-entry new shares, with no par value, were issued by the Company in favor of Solaris' shareholders, who then received 0.4927615448 Mills' shares for each 1 common share issued by Solaris.

With the optimization of operations, the best practices of both companies and the absorption of synergies, the Company has better prospects for growth and profitability, generating value for its shareholders.

The Company expects to complete the integration of branches during 2021 and capture 100% of the mapped synergies, of approximately R\$ 30 million per year.

## 4. COVID-19

On March 20, 2020, Brazil announced the state of public calamity, when cases of contamination by Covid-19 were already multiplying nationwide and in other countries. At Mills, as mentioned earlier, since February we had an Internal Committee with a specific multidisciplinary profile to deal with issues related to Covid-19, which coordinated all emergency measures and defined the action protocols for the internal audience.

All decisions related to coping with the crisis generated by Covid-19 were implemented in compliance with a policy of Principles and Parameters that was developed together by Mills' Board of Directors and Executive Board.

### Main actions taken during the pandemic



#### Health and safety of employees, their families and society in general

- Creation of a multidisciplinary internal committee;
- Reinforcement of internal communication;
- Enhancement of cleaning procedures;
- New working protocols and policies.



#### Capital discipline, expense reduction and balance sheet performance

- Suspension of investments;
- Debt renegotiation;
- Actions to reduce expenses;
- Adoption, when possible, of Federal Government measures;
- Agility in the decision-making process.



#### Continuity of commercial and operational activities

- Maintenance of activities virtually in all branches;
- Diversified revenue base;
- Mapping of new business opportunities.



#### Employee well-being

- Search for job and income preservation;
- Online training;
- Vaccination campaign;
- Employee support program;
- Reduced circulation/exposure of people.

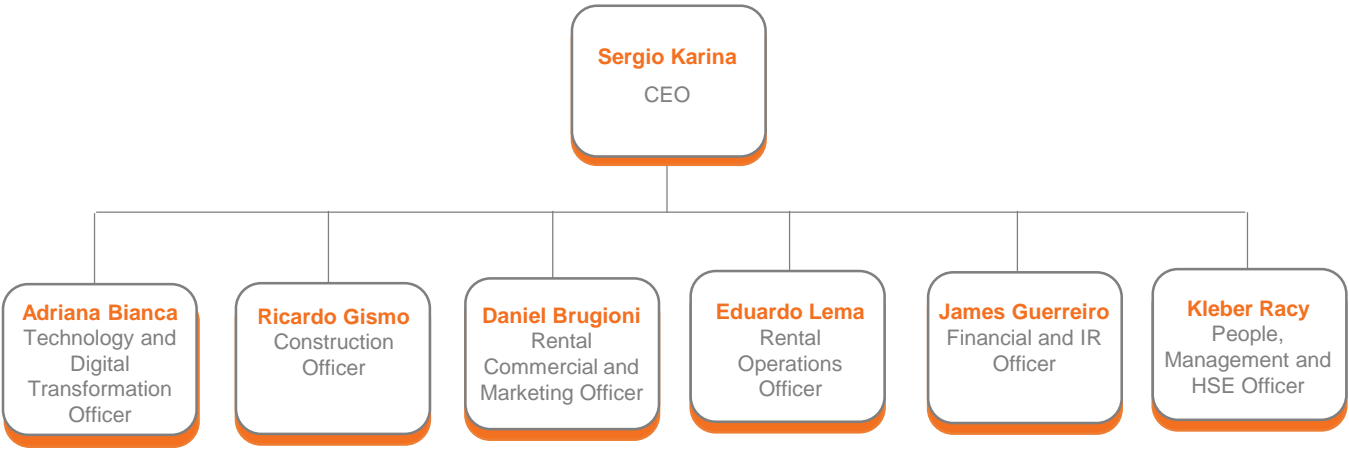


# 5. New organizational structure

On February 22, 2021, the Board of Directors approved the election of Ms. Adriana Bianca as Technology and Digital Transformation Officer at Mills.

Adriana Bianca has a degree in Mathematics with an emphasis on Computing and Statistics from the University of SP (USP), with specializations in Management at FGV-SP, Kellogg and IESE Business School. Prior to Mills, served as Technology leader in multinational companies such as AGFA, Henkel, BP (formerly British Petroleum) and BP Bunge Bionergia, in domestic and LATAM positions. Additionally, she served as a leader in the Ethics & Compliance area at BP between 2014 and 2019.

The creation of this new Executive Board will strengthen IT initiatives and projects, data mining and digital transformation in the Company, which will support the growth and improvement initiatives in the services offered to Mills' customers.



## 6. Consolidated Operating and Financial Performance

R\$ million	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
Net revenue from sales and services	439.5	506.4	15.2%	66.9
Cost of goods sold and services rendered	(282.5)	(306.9)	8.6%	(24.4)
<b>Gross profit</b>	<b>157.0</b>	<b>199.4</b>	<b>27.0%</b>	<b>42.4</b>
General, selling and administrative expenses	(188.5)	(185.3)	-1.8%	3.3
Allowance for expected credit losses - ECL	(11.5)	(3.1)	-72.6%	8.3
Estimated impairment losses and fair value	(0.8)	(0.2)	-80.3%	0.6
Other revenues	0.8	2.7	253.7%	1.9
<b>Profit (loss) before financial result</b>	<b>(43.0)</b>	<b>13.5</b>	<b>131.5%</b>	<b>56.5</b>
Financial result	(14.1)	(10.9)	-22.2%	3.1
<b>Profit (loss) before income tax and social contribution</b>	<b>(57.1)</b>	<b>2.6</b>	<b>104.6%</b>	<b>59.7</b>
Income tax and social contribution	(7.4)	(9.3)	26.9%	(2.0)
Deferred income tax and social contribution	19.4	2.0	-89.8%	(17.4)
<b>Net income (loss) for the period</b>	<b>(45.0)</b>	<b>(4.7)</b>	<b>-89.5%</b>	<b>40.3</b>
CVM EBITDA	119.3	163.9	37.3%	44.6
CVM EBITDA Margin (%)	27.2%	32.4%		
<b>Adjusted EBITDA<sup>1</sup></b>	<b>110.2</b>	<b>149.3</b>	<b>35.5%</b>	<b>39.1</b>
Adjusted EBITDA Margin %	26.3%	29.5%		
<b>Adjusted Operating Cash Flow<sup>2</sup></b>	<b>100.1</b>	<b>156.8</b>	<b>56.7%</b>	<b>56.7</b>
<b>Adjusted Free Cash Flow to the Firm<sup>3</sup></b>	<b>88.6</b>	<b>145.3</b>	<b>62.9%</b>	<b>56.1</b>
Final cash balance	124.9	378.9	203.3%	254.0
Gross debt	91.6	207.7	126.8%	116.1
Gross Capex	(10.0)	12.0	20.0%	(2.0)

\*Due to the acquisition of the controlling interest in Solaris (subsidiary) as of May 2019, consolidated amounts include twelve months of the parent company (Mills) and eight months (May to December 2019) of the subsidiary.

### IFRS 16

As of January 2019, accounting standard IFRS 16/CPC 06 (R2) came into force. Under this standard, rights to use (such as real estate and vehicle rental agreements, for example) are now recognized in assets and leases are now recognized in liabilities, similar to financial leases.

Thus, upon the adoption of IFRS 16, the Company no longer recognizes real estate and vehicle rental as costs and expenses in the income for the year and also starts to recognize: (i) the effects of the depreciation of the rights to use the leased assets; and (ii) the financial expense and exchange variation calculated based on the financial liabilities of the lease agreements.

In order to simplify the comparative analysis with previous periods, we present in this report some tables excluding IFRS 16 effects, whenever indicated.

<sup>1</sup>Excluding IFRS 16 effect and non-recurring items (Construction unit restructuring expenses, liabilities from Industrial Services business unit and expenses related to Solaris business combination project)

<sup>2</sup>For adjusted operating cash flow, interest on debentures and Finame, investment in lease and interest, and inflation adjustments in assets and liabilities (cash) are not included. For adjusted free cash flow to the firm, interest on debentures and Finame, interest, and inflation adjustments in assets and liabilities (cash) are not included.



## 7. Rental

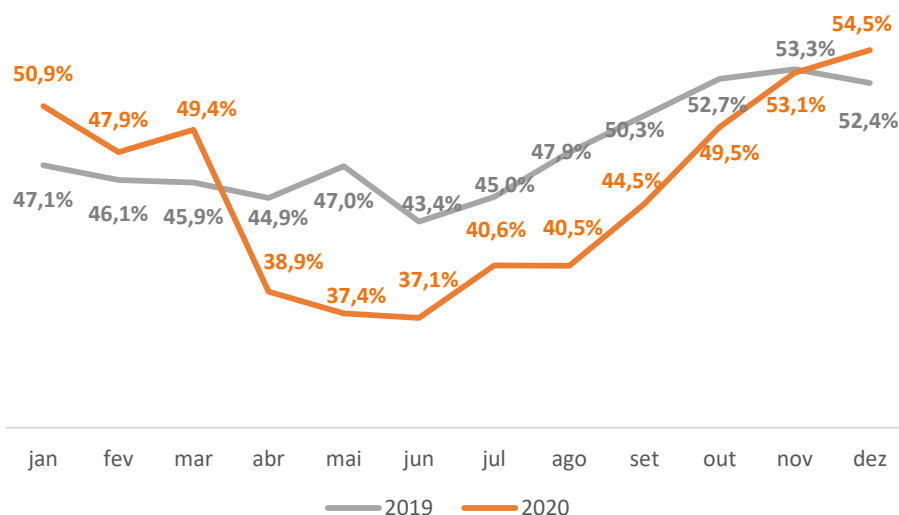
### 7.1 Consolidated Net Revenue

Rental business unit net revenue amounted to R\$ 422.3 million in 2020, an 18.1% increase versus the previous year, as a result of the business combination with Solaris in May 2019, the commercial strategy of customer diversification, gradual price recovery and evolution of the Go-to-Market strategy. On a combined basis, net revenue grew 1.4%, mainly due to the effects of COVID-19, where May was the worst month

Net revenue by type	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
<b>Total Net Revenues</b>	<b>357.5</b>	<b>422.3</b>	<b>18.1%</b>	<b>64.7</b>
Rental	316.6	367.7	16.1%	51.1
Sales of New Equipment	18.5	14.9	-19.4%	(3.6)
Sales of Used Equipment	8.6	25.4	196.1%	16.8
Technical assistance	3.9	3.4	-13.6%	(0.5)
Indemnity and Recovery of Expenses	9.9	10.7	8.1%	0.8
Sales of Scrap	0.0	0.1	909.2%	0.1

### 7.2 Utilization Rate (Physical)

Evolution of Physical Utilization Rate



## 7. Rental

### 7.3 Consolidated Costs and Expenses

Rental business unit costs, excluding depreciation, increased 24.1% over the previous year, mainly as a result of the business combination between Mills and Solaris.

General and administrative expenses, excluding depreciation and ECL, amounted to R\$ 122.8 million, a 10.8% increase as compared to the previous year. Non-recurring items are addressed later in this report. The impact of IFRS 16 in 2019 was R\$ 9.3 million and R\$ 11.1 million in 2020.

In 2020, Rental's ECL represented 2.5% of net revenue, compared to 8% of net revenue in 2019.

In R\$ million	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
<b>Total COGS, ex-depreciation</b>	<b>113.5</b>	<b>140.9</b>	<b>24.1%</b>	<b>27.4</b>
Rental cost (maintenance, personnel, warehouses, etc.)	99.3	124.2	25.0%	24.8
Cost of sales of new equipment	13.7	11.3	-17.4%	(2.4)
Cost of sales of used equipment	0.4	5.0	-	4.7
Write-off of Assets	0.1	0.0	-	(0.1)
Scrap Sale Cost	0.0	0.4	-	0.3
<b>SG&amp;A, ex. depreciation and ECL</b>	<b>110.8</b>	<b>122.8</b>	<b>10.8%</b>	<b>12.0</b>
Commercial, Operational and Administrative	63.1	89.3	41.6%	26.3
General Services	18.1	16.3	-10.0%	1.8
Other expenses	29.7	17.2	-42.1%	(12.5)
<b>ECL</b>	<b>6.6</b>	<b>10.7</b>	<b>62.9%</b>	<b>4.1</b>
<b>Total COGS + SG&amp;A</b>	<b>230.9</b>	<b>274.4</b>	<b>18.8%</b>	<b>43.5</b>

### 7.4 EBITDA and EBITDA Margin

In R\$ million	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
Net Revenue	357.5	422.3	18.1%	64.7
CVM EBITDA	126.6	147.9	16.8%	21.3
CVM EBITDA Margin (%)	35.4%	35.0%		
Adjusted EBITDA*	128.8	137.3	6.7%	8.6
Adjusted EBITDA Margin* (%)	36.0%	32.5%		
EBIT	17.4	45.2	159.4%	27.7
EBIT Margin (%)	4.9%	10.7%		

\*Excluding the effect of IFRS 16 and non-recurring items and expenses related to the business combination project with Solaris

## 8. Construction

### 8.1 Net Revenue

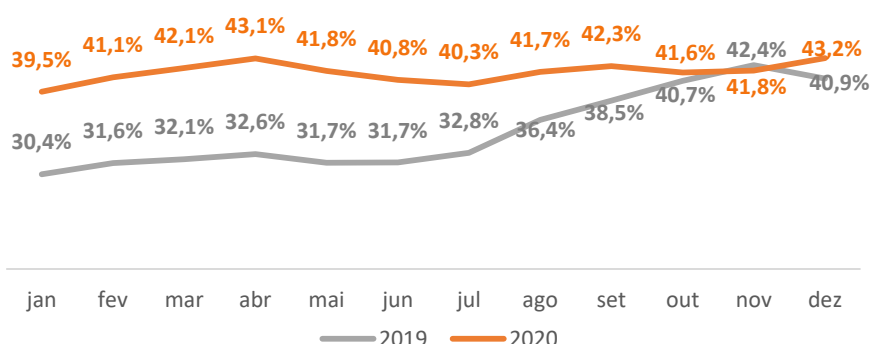
Construction business unit net revenue reached R\$ 84.1 million in 2020, a 2.6% increase versus the previous year. Rental revenue showed a 22.0% growth, mainly due to the gradual recovery of the civil construction sector. Additionally, there was the approval of a commercial agreement, within the scope of the judicial recovery of a specific customer, for the settlement of debt with the Company, leading to an additional revenue in the amount of R\$ 11 million in 3Q20 and Adjusted Ebitda in this operation of R\$6.9 million, after the due accounting recognition in cost and ECL.

The Company has been reducing its equipment capacity as a result of the postponement of the recovery of the infrastructure sector, the low utilization rate and the need to open physical area at the branches in order to absorb Rental equipment. Even with this adjustment, which will result in a capacity of approximately 50 thousand tons of equipment, the Company will still be able to meet the construction pipeline expected for the coming years.

Net revenue by type	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
<b>Total Net Revenues</b>	<b>81.9</b>	<b>84.1</b>	<b>2.6%</b>	<b>2.1</b>
Rental	48.9	59.7	22.0%	10.8
Sales of New Equipment	0.5	0.5	13.5%	0.1
Sales of Used Equipment	8.0	6.9	-13.3%	(1.1)
Technical assistance	2.6	0.8	-69.8%	(1.8)
Indemnity and Recovery of Expenses	9.9	15.3	54.4%	5.4
Sales of Scrap	12.0	0.8	-93.4%	(11.2)

### 8.2 Utilization Rate (Physical)

#### Evolution of Physical Utilization Rate



## 8. Construction

### 8.3 Costs and Expenses

Construction business unit costs, excluding depreciation, recorded a 5.5% increase in 2020 compared to the previous year, due to the commercial agreement mentioned in item 8.1, with R\$ 12.4 million impact in costs (non-cash effect) in 3Q20. The impact of IFRS 16 in 2019 was R\$ 0.4 million and R\$ 0.2 million in 2020.

General and administrative expenses, excluding the Provision for Expected Credit Losses (ECL), amounted to R\$ 31.1 million, a 25.2% reduction when compared to the previous year. Non-recurring items are addressed later in this report. The impact of IFRS 16 in 2019 was R\$ 5.8 million and R\$ 4.4 million in 2020.

In 2019, ECL amounted to R\$ 4.9 million, representing 6.0% of this business unit's net revenue. In 2020, ECL was positively impacted by the commercial agreement mentioned in item 8.1.

In R\$ million	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
<b>Total COGS, ex-depreciation</b>	<b>41.5</b>	<b>43.8</b>	<b>5.5%</b>	<b>2.3</b>
Rental cost (maintenance, personnel, warehouses, etc.)	29.5	27.8	-5.9%	(1.7)
Cost of sales of new equipment	0.4	0.4	0.3%	0.0
Cost of sales of used equipment	2.7	1.2	-55.7%	(1.5)
Write-off of Assets	3.0	13.7	362.4%	10.8
Scrap Sale Cost	5.9	0.6	-89.1%	(5.2)
<b>SG&amp;A, ex. depreciation and ECL</b>	<b>41.6</b>	<b>31.1</b>	<b>-25.2%</b>	<b>(10.5)</b>
Commercial, Operational and Administrative	23.5	22.3	-5.0%	(1.2)
General Services	5.7	4.4	-23.4%	(1.3)
Other expenses	12.4	4.5	-64.1%	(8.0)
<b>ECL</b>	<b>4.9</b>	<b>-7.5</b>	<b>-253.6%</b>	<b>(12.5)</b>
<b>Total COGS + SG&amp;A</b>	<b>88.1</b>	<b>67.4</b>	<b>-23.5%</b>	<b>(20.7)</b>

### 8.4 EBITDA and EBITDA Margin

Consolidated data in R\$ million	2019 (A)	2020 (B)	(B)/(A)
Net Revenue	81.9	84.1	2.6%
CVM EBITDA	-6.1	16.7	372.0%
CVM EBITDA Margin (%)	-7.5%	19.8%	
Adjusted EBITDA*	-18.6	12.0	164.3%
Adjusted EBITDA Margin* (%)	-22.7%	14.2%	
EBIT	-59.2	-30.9	47.8%
EBIT Margin (%)	-72.2%	-36.8%	

## 9. Operating and Financial Performance

### 9.1 Non-recurring Items

As of 2Q20, we slowed down the pace of branch physical integration, due to the restrictions on travelling by employees caused by COVID-19 pandemic. As a result, the completion of the integration project of branches was postponed from 2020 to 2021. In 2020, we recorded R\$ 3.6 million as costs and expenses related to non-recurring items, mainly comprising expenses related to capturing synergies with Solaris and other merger expenses, as follows:

Non-recurring items - in R\$ million	2019 (A)	2020 (B)	(B)/(A)
<b>Total non-recurring Items</b>	<b>-8.9</b>	<b>-3.6</b>	<b>-59.0%</b>
<b>Resizing expenses</b>	<b>6.3</b>	<b>0.1</b>	<b>-98.2%</b>
Decommissioning of branch offices	-5.0	0.1	-102.3%
Used equip. sale revenue	8.0	-	
Used equip. sale cost	-2.7	-	
Scrap sale revenue	12.0	-	
Scrap sale cost	-5.9	-	
<b>Mills and Solaris business combination</b>	<b>-14.0</b>	<b>-3.0</b>	<b>-78.3%</b>
Expenses for capturing synergies	-7.9	-2.9	-62.7%
Other merger expenses	-6.1	-0.1	-98.4%
<b>Other non-recurring expenses</b>	<b>-1.2</b>	<b>-0.7</b>	<b>-41.5%</b>
Mills SI Expenses	-1.2	-0.7	-43.2%

### 9.2 EBITDA and EBITDA Margin

	2019 (A)	2020 (B)	(B)/(A)	(B)/(A)
<b>Net income (Loss)</b>	<b>-45.0</b>	<b>-4.7</b>	<b>89.5%</b>	<b>40.2</b>
Financial Result	-14.0	-10.9	-22.1%	3.1
Income tax and social contribution	12.1	-7.3	-160.8%	(19.4)
<b>Profit (loss) before Financial Result</b>	<b>-43.0</b>	<b>13.5</b>	<b>-131.5%</b>	<b>56.5</b>
Depreciation	-162.3	-150.3	-7.4%	11.9
<b>EBITDA</b>	<b>119.3</b>	<b>163.9</b>	<b>37.4%</b>	<b>44.6</b>
Non-recurring - Expenses related to the SI business unit	-1.2	-0.7	-43.2%	0.5
Non-recurring – Resizing expenses	6.3	0.1	-98.2%	(6.2)
Mills and Solaris business combination	-14.0	-3.0		
IFRS16	18.0	18.2		
<b>Adjusted EBITDA</b>	<b>110.1</b>	<b>149.3</b>	<b>35.5%</b>	<b>39.1</b>

<sup>1</sup> Pursuant to CVM Instruction 527

## 9. Operating and Financial Performance

(continued)

### 9.3 Reconciliation of CVM EBITDA to Adjusted OCF

#### Reconciliation of CVM EBITDA with Adjusted Operating Cash Flow R\$ million

	2020
<b>CVM EBITDA</b>	<b>163.9</b>
<b>Non-cash</b>	<b>31.2</b>
Provision for tax, civil and labor risks	(0.4)
Provision for stock option expenses	3.4
Post-employment benefit	1.0
Residual value of property, plant and equipment and intangible assets sold and written off	21.1
Provision (reversal) for expected credit losses	3.1
Provision (reversal) for estimated impairment losses	0.2
Provision (reversal) for slow-moving inventories	(2.7)
IFRS 9/CPC 48 adjustment	-
Provision for profit sharing	6.6
Other provisions	(1.2)
<b>CVM EBITDA excluding non-cash provisions</b>	<b>195.1</b>
<b>Cash</b>	<b>(44.9)</b>
Interest and inflation adjustment in net assets and liabilities (cash)	3.8
Accounts receivable	(10.5)
Acquisition of fixed assets for rent	(0.6)
Inventories	(1.7)
Taxes to recover	0.9
IRPJ and CSLL to Offset	1.6
Judicial deposits	0.2
Other assets	(0.7)
Suppliers	13.7
Salaries and social charges	(8.7)
Taxes payable	2.6
Other liabilities	(0.3)
Profit sharing payable	(8.6)
Income tax and social contribution paid	(5.7)
Settled legal proceedings	(1.1)
Interest paid	(28.9)
<b>Operating Cash Flow as per financial statements</b>	<b>151.2</b>
Interest and inflation adjustment in net assets and liabilities (cash)	(3.8)
Acquisition of fixed assets for rent	0.6
Interest paid	28.9
IFRS16 Lease	(19.9)
<b>Adjusted Operating Cash Flow</b>	<b>156.8</b>

## 9. Operating and Financial Performance (continued)

### 9.4 Financial Result

Financial result recorded a negative result of R\$ 10.9 million in 2020, versus a negative amount of R\$ 14.0 million in 2019. Excluding IFRS16 impacts, financial result would have been negative by R\$ 6.5 million in 2020 and R\$ 9.5 million in 2019, a 32% improvement, as a result of the Company's better liquidity and lower interest rates.

### 9.5 Profit (Loss) for the Year

In 2020, the Company recorded a net loss in the amount of R\$ 4.7 million, compared to a net loss of R\$ 45.0 million in 2019.

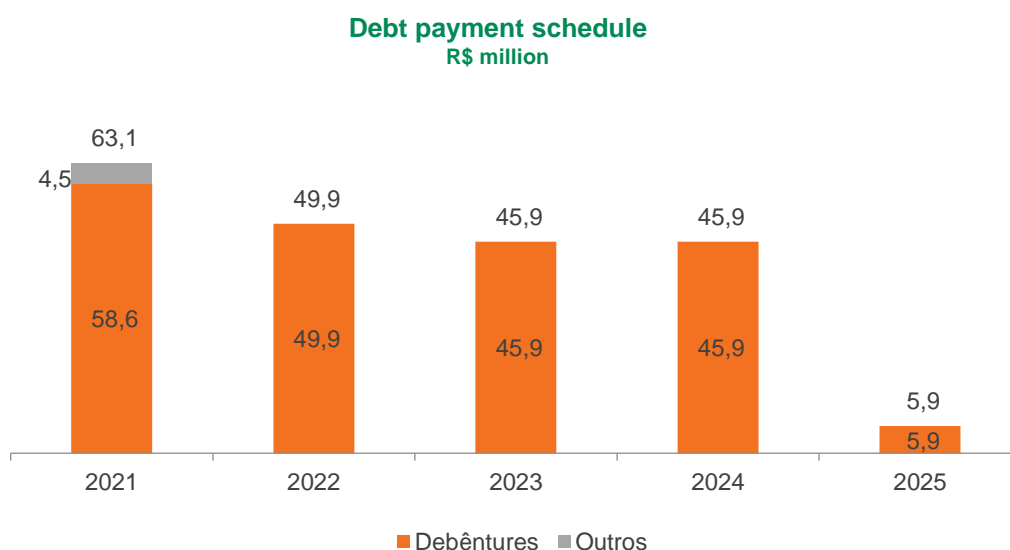
### 9.6 Indebtedness

Mills consolidated gross debt closed 4Q20 at R\$ 207.7 million.

The Company remains as operating cash generator, closing the quarter with R\$ 378.9 million in free cash and, therefore, with a net cash in the amount of R\$ 171.2 million.

According to the notice to the market disclosed on December 4, 2020, within the scope of the ordinary management of the business and aiming to replenish and strengthen its cash, the 5th issue of debentures was made, in the total amount of R\$ 84.0 million, remunerated at CDI + 4.25% p.a., with an additional initial remuneration equivalent to 1.0% of the subscribed and paid-in amount.

The average maturity for paying Mills total indebtedness is 2.0 years, with average cost of CDI + 3.40% p.a.



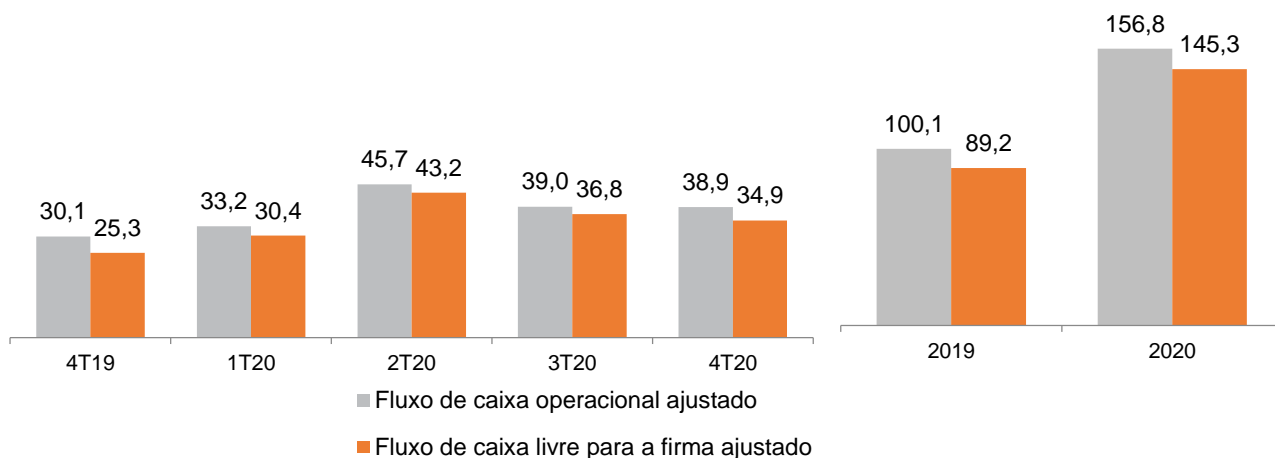
As of December 31, 2020, Mills recorded a Net Debt/Adjusted Ebitda ratio of -1.1x



## 9. Operating and Financial Performance (continued)

### 9.7 Adjusted Cash Flow<sup>1</sup>

Adjusted operating cash flow, before interest paid, acquisition of lease assets and interest and net inflation adjustments in assets and liabilities, amounted to R\$156.8 million.



<sup>1</sup>For adjusted operating cash flow, interest paid, investment in lease, interest, and net inflation adjustments in assets and liabilities are not included, as well as IFRS16 impact. For adjusted free cash flow to the firm, interest paid, interest, and net inflation adjustments in assets and liabilities are not included.

### 9.8 Investments

In 2020, Company's investments amounted to R\$ 11.5 million, being R\$ 11.0 million particularly allocated to assets for operational and support use, such as IT and branch adjustments.

<sup>1</sup>For adjusted operating cash flow, interest on debentures and Finame, investment in lease and interest, and net active and passive inflation adjustments are not included. For adjusted free cash flow, interest paid, interest, and net active and passive inflation adjustments are not included.

## 10. Combined Amounts

### 10.1 Financial Performance

In order to supplement the information provided so far, and considering the relevance of the business combination with Solaris for Mills, we show below some combined information of the two companies:

Solaris Mills Combined Amounts*	2019 (A)	2020 (B)	(B)/(A)
<b>Net Revenue</b>	<b>498.4</b>	<b>506.4</b>	<b>1.6%</b>
Rental	416.7	427.4	2.6%
Other	61.7	79.0	28.0%
Non-recurring	20.0		-100.0%
<b>COGS (ex. depreciation and IFRS16)</b>	<b>-177.8</b>	<b>-187.4</b>	<b>5.4%</b>
Rental (personnel, warehouses, etc.)	-149.6	-154.7	3.4%
Other	-13.8	-15.9	14.7%
Non-recurring	-8.6		
<b>SG&amp;A (ex. depreciation, IFRS16 and ECL)</b>	<b>-188.5</b>	<b>-170.1</b>	<b>-9.7%</b>
Commercial, Operational and Administrative	-101.7	-111.9	10.0%
General Services	-41.4	-35.9	-13.3%
Other expenses	-24.2	-18.7	-22.5%
Non-recurring	-21.2	-3.6	-83.0%
<b>ECL</b>	<b>-13.4</b>	<b>-3.1</b>	<b>-76.5%</b>
<b>Non-recurring</b>	<b>-9.8</b>	<b>-3.6</b>	<b>-63.3%</b>
<b>Depreciation</b>	<b>-160.9</b>	<b>-134.7</b>	<b>-16.3%</b>
<b>Adjusted EBITDA</b>	<b>128.6</b>	<b>149.3</b>	<b>16.1%</b>
Adjusted EBITDA Margin %	26.9%	29.5%	
<b>Net income (Loss)</b>	<b>-44.5</b>	<b>-4.7</b>	<b>-89.3%</b>
Cash Balance	124.9	378.9	203.3%

Combined Rental*	2019 (A)	2020 (B)	(B)/(A)
<b>Net Revenue</b>	<b>416.4</b>	<b>422.3</b>	<b>1.4%</b>
Rental	367.8	367.7	0.0%
Other	48.7	54.6	11.1%
<b>COGS (ex. depreciation and IFRS16)</b>	<b>-135.9</b>	<b>-143.3</b>	<b>5.5%</b>
Rental (personnel, warehouses, etc.)	-119.7	-126.6	5.8%
Other	-16.2	-16.7	3.2%
<b>SG&amp;A (ex. depreciation, IFRS16 and ECL)</b>	<b>-139.9</b>	<b>-133.9</b>	<b>-4.3%</b>
Commercial, Operational and Administrative	-78.2	-89.6	-14.5%
General Services	-29.9	-27.2	-9.2%
Other expenses	-16.8	-14.2	-15.7%
Non-recurring	-14.9	-3.0	-79.7%
<b>ECL</b>	<b>-8.5</b>	<b>-10.7</b>	<b>26.4%</b>
<b>Non-recurring</b>	<b>-14.9</b>	<b>-3.0</b>	<b>-79.7%</b>
<b>Depreciation</b>	<b>-112.2</b>	<b>-91.6</b>	<b>-18.4%</b>
<b>Adjusted EBITDA</b>	<b>147.2</b>	<b>137.3</b>	<b>-6.7%</b>
Adjusted EBITDA Margin %	35.3%	32.5%	
<b>Net Income</b>	<b>6.5</b>	<b>18.8</b>	<b>188.8%</b>

\* Only for 2019

## 10. Combined Amounts

### 10.2 Synergy

Synergies	1Q20	2Q20	3Q20	4Q20	2020	Annualized run rate
Personnel	1.8	1.8	1.8	1.9	7.3	7.7
Parts	1.1	1.2	1.3	2.4	6.0	9.5
Branches	1.1	1.2	1.2	1.4	5.0	5.6
Financial (Consultants, travel, insurance)	0.7	0.7	0.8	1.2	3.4	4.9
<b>Total</b>	<b>4.8</b>	<b>4.9</b>	<b>5.1</b>	<b>6.9</b>	<b>21.7</b>	<b>27.7</b>

As of 3Q19, we started to disclose the synergies captured with the business combination with Solaris.

Following are the assumptions used to calculate net synergies:

**Personnel:** Considers the wage bill and respective charges/benefits, including reduction of structure and open positions, as well as some merits and promotions of professionals who took over new responsibilities and/or expanded their scope of action in the Company.

**Parts and Services:** Considers the unification of the supplier base and the impact generated by using the best existing conditions in Solaris or Mills for the combined volume.

**Branches:** Corresponds to the savings generated by the physical unification of Mills and Solaris branches in regions where there is overlap. The costs related to branch rent, Real Estate Tax, security service, cleaning and other expenses of the closed branch are considered.

**Finance:** Considers the savings generated by the unification of travel policies, cost reduction due to economies of scale with insurance and a reduction in consultancy redundancy between companies.

### 9.3 Investments to capture synergies

SYNERGY CAPTURE - COMBINED	2019	1Q20	2Q20	3Q20	4Q20	Total
CAPEX	5.1	0.9	1.3	1.1	1.0	9.3
OPEX	8.8	1.1	0.5	0.6	0.7	11.8
<b>Total</b>	<b>13.9</b>	<b>2.1</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>21.0</b>

## 11. Share Performance (B3: MILS3)

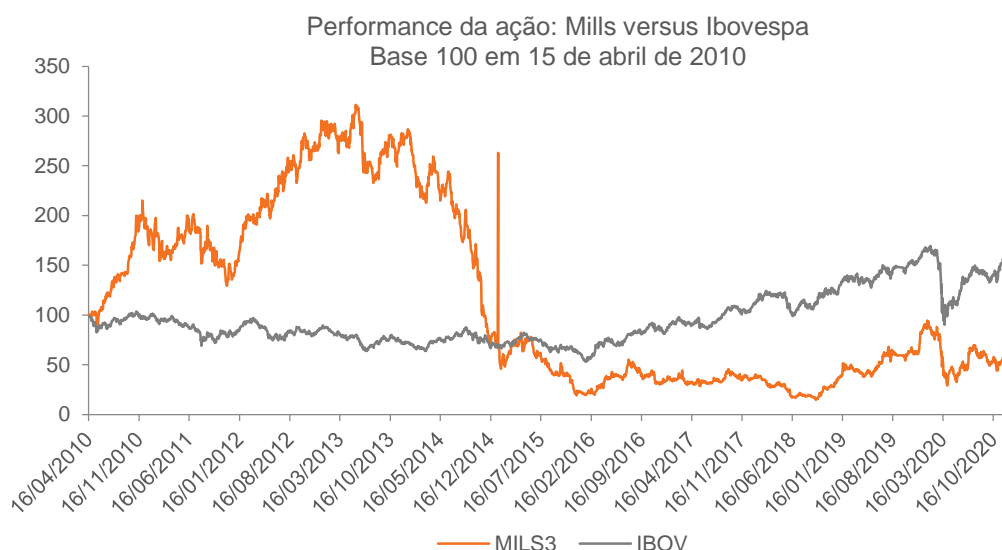
As of December 31, 2020, Mills' voting and total share capital comprised 251,953,730 common shares, in which the controlling shareholders jointly held 53.2% of the voting and total share capital. In the same period, the Company held 1,688,687 treasury shares. Free float was 46.1%.

The closing price of Mills' shares on B3, as of December 31, 2020, was R\$ 6.15, representing a 41.1% decline versus 2019 closing price, while IBOVESPA index had a 2.9% positive variation in the same period and small caps index recorded a 0.7% drop. As of 2020 year-end, Mills market cap amounted to R\$ 1.5 billion.

The average daily traded volume of Mills shares in B3 amounted to R\$ 12.0 million in 2019, 81% higher than recorded in the previous year.

Additionally, the Company participates in Level I American Depositary Receipts ("ADR") Program since the approval by Board of Directors on October 29, 2013. As of December 31, 2020, the Company's position was 838,176 ADRs in the United States. Each ADR corresponds to 1 (one) share of the Company

Due to the results achieved in 2020, there was no payment of dividends or interest on equity.



# 12. Corporate Governance

The Company seeks to implement the highest corporate governance practices to add value to shareholders and the market in general. Since its IPO, the Company has adhered to the Novo Mercado, highest Governance level of B3.

As of December 31, 2020, the Board of Directors comprises eight members, where four members are appointed by the Natch Family, one member appointed by Sullair Argentina, one member appointed by the Southern Cross Group and two independent members, one being appointed by minority shareholders.

In line with good corporate governance practices, Mills has three advisory committees to the Board of Directors. The purpose of such committees is bringing more efficiency to the Board of Directors, enhancing the pertinent discussions with grounded recommendations, and assisting in the performance of its legal and statutory duties.

Such committees are non-permanent and can be freely created or terminated by the Board of Directors, namely: (i) Audit, Finance and Risk Committee: comprising three effective members; and (ii) People and Management Committee: also comprising three effective members; and (iii) Customer, Innovation and Technology Committee: comprising five effective members.

The Company still has a Supervisory Board in operation since 2011, comprising three effective members, one appointed by minority shareholders.

Mills' Executive Board is composed of seven members, as previously discussed, including the Chief Executive Officer.

In the constant search for the improvement of initiatives aimed at ensuring the alignment and uniformity of the Company's ethical and moral standards, in January 2020 the Compliance, Risks and Internal Audit Department was created. The Company also has an active reporting channel, managed by a specialized company, that may be used by all employees to report unethical and/or illegal situations, in a confidential and anonymous manner. All reports are ascertained and referred in compliance with internal policies and current legislation. We also have a communication channel available to the external public on the Company's website.

In September 2020, we reinforced our Integrity Program, with the improvement of governance and compliance practices. The Integrity Program applies to all Mills employees and people with whom we interact, whether customers, suppliers and other business partners, and aims to consolidate the Company's initiatives to foster integrity, ethics and mitigation of risks. We re-launched our code of conduct and trained all our employees in the Company's conduct guidelines.

We have formal policies that promote best corporate ethics practices.



2020 was also marked by a closer look at social responsibility actions.

In the environmental area, we signed the Letter of Support to the Amazon, prepared by the business sector, whereby we declare our public commitment to the sustainable development agenda and began measuring environmental impacts, starting to monitor and understand our level of consumption, use and disposal of materials to establish impact minimization goals in the future.

Looking at the social side, Mills has been intensifying internal debates on diversity in recent years, including topics of gender, ethnicity, sexual orientation and culture. With We for Diversity program, in 2020 we sought to promote these themes among employees, with a specific focus on affirmative actions in favor of refugees, black people, women and LGBTI+. We for Diversity promoted different meetings ("Understanding racism and promoting racial equality", "Diversity and LGBTI+" and "The different nationalities at Mills") with invited speakers, seeking to raise the awareness of the internal audience about these matters. Among the actions aimed at women, we promoted several meetings with Café com Elas (Coffee with Them), a quarterly space between Mills CEO, the People and Management officer and groups of employees from different areas; and Conexão Mulher (Women Connection), a counseling and mentoring program involving female company leaders and other employees. We know that we still have room to continuously evolve in actions like these, but each step in this direction is already a reason for great satisfaction for us.

In 2020, we also made progress in supporting the surrounding communities. Contribution to society was one of the Principles that guided our position during the pandemic, and some specific actions gave visibility to this effort. Partilhar (Share) Program was our main initiative with a positive social impact, aimed at local communities located around our branches. This initiative is part of the commitment that we made to the UN Global Compact and the Sustainable Development Goals, through which the company started encouraging and promoting actions to support sustainable development in society, together with its employees.

### **The main steps of this path - and the challenges that we will face - are already outlined:**

- We will make our ESG strategy tangible for all employees and also for customers and suppliers, with concrete initiatives for action on social, environmental and governance matters.
- Our strategic planning already includes ESG goals, broken down into initiatives and monitored along with the company's other management guidelines.
- We will pay special attention to the supply chain, applying ESG criteria in the selection and assessment of partners and encouraging best practices in labor relations, governance and sustainability.
- Our goal is to be a B Company, and for that we need to evolve in practices and processes. Certification work will be important in consolidating an internal ESG culture.
- We will start to report the greenhouse gas (GHG) emissions generated throughout our production chain, a significant disruption in our methods of environmental management.
- In 2021, we will prepare our first materiality matrix - a list of the main social, environmental and economic topics that shall influence Mills' management, based on the perceptions of senior leadership and the audiences with which we relate. The matrix is the first step towards building a sustainability report in compliance with the guidelines of the Global Reporting Initiative (GRI), a globally accepted standard for communicating corporate sustainability performance.

# 13. Sustainability (continued)

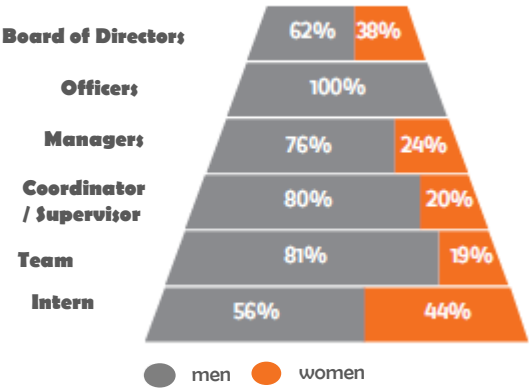
## Social indicators (2020)

### Our Diversity in 2020

Diversity Indicators	MEN	WOMEN
Average age (years)	33.8	30.1
Years with the Company	4.5	3.0
Black*	64	15
Brown*	273	55
White*	471	155
Asian*	1	1
Indian*	0	0
Not informed	243	72
PCD	5	5
<b>TOTAL</b>	<b>1,052</b>	<b>298</b>

\*Informed by self-declaration of the employee

### Gender distribution by hierarchical levels 2020



## Environmental indicators (2020)

**2.194 m3**

average monthly water consumption in branches, 37.3% savings compared to 2019

**16 m3**

**monthly**

average water consumption per employee

**237.8 thousand kWh**

average monthly energy consumption of electricity, a 16.1% reduction as compared to 2019

**1,730**

**kWH/month:**

relative average consumption, per employee

**365.49**

**tonnes**

for recycling

**946**

**tonnes**

of total waste disposal, 33.2% lower than in 2019



## 14. People Management

The Company's Human Resources practices are based on the meritocracy and recognition of its staff.

Mills has an Internship Program aimed at attracting, developing and retaining talents who want to grow and acquire expertise, contributing to the Company's growth. At 2020 year-end, 87 interns were included in the Program, of which 76% were engineering and technical students. 35 interns have been hired as Mills regular employees in 2019 and 16 in 2020.

Turnover monthly rate was 2.36 % in 2020, versus 2.05% in 2019.

We believe that education and human development are essential factors for our long-term differentiation, which is why we continually promote the professional qualification and improvement of our employees. Faced with the challenges of 2020, Mills' training strategies were reviewed to sustain the commitment to training and developing our employees. We operate in knowledge sharing through a structured program that uses technology and digital tools to multiply knowledge. In 2020, R\$ 1.45 million was invested in training, totaling 26,354 hours. Our corporate education initiatives use different formats to meet and respect the needs of each employee in their learning path, such as: Mills School, Multiplica Program, technical and legal Training, Individual and Corporate Development Programs and Evoluir (Evolve) program.

The Profit-Sharing Program, targeted to all the Company's employees, was based on the usual market model, in which individual award salary multiples are defined at the beginning of the cycle based on the compensation strategy. Target multiple are linked to performance indicators and goals. In addition, triggers and locks are used to ensure that payments only occur if necessary funds are generated. In 2021, profits will be shared referring to 2020 result.

In 2016, a new discretionary stock option plan was approved for the Company's managers and key people, aiming at encouraging our employees to successfully conduct the Company's business and stimulate an entrepreneurial and results-oriented culture, aligning the interests of managers with those of shareholders. The strike price of the options is R\$ 2.63, adjusted by IPCA inflation index, with the possibility of exercising 25% every 12 months as from 2019.

In addition, in 2018, the Company developed a Long-Term Incentive Program based on restricted shares, aimed at all executives and some key positions. The main objective of this program is to make the compensation package competitive versus the market, align expectations, motivate employees and leverage the business's operational performance. Each program will initially have three-year cycles, linking long-term goals to all those eligible, where such goals will be bound to the creation of value for the company. The grants made under the plan may grant, during the entire term of the plan, a number of shares not exceeding 8,779,322, corresponding to 5% of the Company's share capital on the date of its approval. In order to meet the granting of restricted shares granted under the Restricted Shares Plan, the Company will mandatorily use treasury shares, since there will be no issuance of new shares to be subscribed.

## 15. Relationship with Independent Auditors

In 2020, there was no contracting of services with KPMG, which are our independent auditors, other than the auditing of the financial statements regularly provided by it.

It should be noted that the hiring of external auditors requires prior approval by our Board of Directors and follows the rules established by law. According to KPMG, the service described above does not affect the independence or objectivity in conducting the external audit analyzes carried out on Mills.

The Company's Board of Directors approved, at a meeting held on December 17, 2020, the hiring of Deloitte Touche Tohmatsu Auditores Independentes, enrolled with CNPJ under nº 49.928.567/0002-00, to provide independent audit services to the Company as from the first quarter 2021, replacing KPMG Auditores Independentes, whose services will end with the audit of the Company's Financial Statements for fiscal year 2020. The change in the independent auditors complies with the mandatory rotation established by CVM Instruction 308/99, which determines the shift of independent auditors every five years.

# Mills Estruturas e Serviços de Engenharia S.A.

## **Individual and consolidated financial statements as of December 31, 2020**

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

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# I ndependent Auditors' Report on the I ndividual and Consolidated F inancial Statements

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

**To the Shareholders and Board of Directors of**

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

**Rio de Janeiro – RJ**

## Opinion

We have audited the individual and consolidated financial statements of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), referred to as parent company and consolidated financial statements, respectively, which comprise the balance sheet as at December 31, 2020, and the statements of operations, other comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Mills Estruturas e Serviços de Engenharia S.A., as of December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting policies and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB.

## Basis for Opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to the Accountant's Professional Code of Ethics and the professional standards issued by the Federal Association of Accountants (CFC) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**1 - Recoverable value of property, plant and equipment and goodwill of the Cash Generating Units ("CGU's") – Construction and Rental**

As mentioned in Notes 2.2 (ix), 2.2 (x), 2.2 (xii), 3.1, 13 and 14 of the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Company determined the recoverable value of its Cash Generating Units ("CGU"), represented the segments of Construction and Rental, which includes property, plant and equipment and goodwill for expected future profitability by applying the discounted cash flow valuation model to calculate the CGU's value in use, according to economic and financial estimates for each segment.</p> <p>Due to the inherent uncertainties about cash flow projections and to the judgments and estimates to determine the recoverable value in each CGU, such as the discount rate, the estimated economic growth, the estimated cost inflation used to determine the value in use of that CGU and the complexity of the process, which requires a significant level of judgment, we considered this to be a key audit matter.</p>	<p>We obtained an understanding of the preparation and review of the budget and impairment tests to estimate the recoverable amount in each CGU, made available by the Company. We evaluated the reasonableness of the Company's calculation of the recoverable amount in each CGU, of its determination of the CGU's value in use and of the valuation model the Company used to determine the CGU's value in use.</p> <p>With support from our corporate finance specialists, we evaluated the assumptions and methodologies used by the Company to prepare the discounted cash flow model and compared the assumptions with the data obtained from external sources, such as the industry's estimated economic growth, the estimated cost inflation rate and the discount rates, and we also conducted a sensitivity analysis of these assumptions and a sensitivity analysis to estimate revenues and costs.</p> <p>We compared the current-year budget approved in the previous year with the actual amounts calculated in the current year to check the Company's capacity to project future results. We compared the recoverable value determined by the Company with the book value in each CGU. We also evaluated the adequacy of the disclosures made by management.</p> <p>Based on the evidence obtained through the procedures summarized above, we considered acceptable the recoverable value of property, plant and equipment and of the goodwill for expected future profitability of CGUs and the related disclosures in the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.</p>



## 2 - Fair value measurement of the investment in the shares of Rohr S.A. Estrutura Tubulares

As mentioned in Notes 22.2 (iii - c), 3.1 and 11 of the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Company classifies the investment in the shares of Rohr S.A. Estrutura Tubulares as a financial asset measured at fair value through other comprehensive income (loss).</p> <p>The Company used the discounted cash flow valuation model to calculate the fair value of that investment according to economic and financial projections.</p> <p>Due to the inherent uncertainties about cash flow projections and its estimates to determine the fair value of this investment, such as the discount rate, the estimated economic growth, the estimated cost inflation rate and the complexity of the process, which requires a significant level of judgment, we considered this to be a key audit matter.</p>	<p>We obtained an understanding of the preparation and review of the discounted cash flow to determine the fair value of that investment.</p> <p>We evaluated the reasonableness of the projections prepared by the Company and the methodology used to measure the fair value of the investment.</p> <p>With support from our corporate finance specialists, we evaluated the assumptions and methodologies used by the Company to prepare the discounted cash flow and compared them with the data obtained from external sources, when available, such as the estimated economic growth for the industry, the estimated cost inflation rate and the discount rates, and we also conducted a sensitivity analysis for these assumptions.</p> <p>We checked whether the fair value of investment calculated according to the discounted cash flow model was duly accounted for as of December 31, 2020.</p> <p>We also evaluated the adequacy of the disclosures made by management.</p> <p>During our audit we identified adjustments that affected the measurement and disclosure of the fair value of this investment, which were recognized and disclosed by management.</p> <p>Based on the evidence obtained through the procedures summarized above, we consider acceptable the fair value of this investment and related disclosures in the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.</p>

## 3 - Recoverable value of deferred tax assets

As mentioned in Notes 2.2 (vi), 3.3 and 21 of the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Company and its subsidiary have balances of deferred income and social contribution tax assets related to income and</p>	<p>We obtained an understanding of the procedures followed by the Company and its subsidiary to prepare the estimates of future taxable profit,</p>





<p>social contribution tax losses and temporary differences.</p> <p>The Company and its subsidiary recognize these deferred tax assets according to the likelihood that taxable profit will be generated in the future against which these assets can be utilized.</p> <p>Due to the uncertainties inherent in the estimates of future taxable profit and in the Company's estimates to determine its capacity to recover these deferred tax assets, and to the fact that the Company and its subsidiary exercise significant judgment to determine the value of future taxable profit, which are based on estimated revenues, costs and finance income (costs), we considered this to be a key audit matter.</p>	<p>including the evaluation of the budget approval policy and of the assumptions used by the management of the Company and its subsidiary to make the estimates.</p> <p>With support from our tax specialists, we evaluated the nature of temporary differences and of the income and social contribution tax losses that make up taxable profit.</p> <p>Moreover, we involved our corporate finance specialists, who assisted us to evaluate the assumptions and methodologies used by the Company and its subsidiary to estimate future taxable profit, and we compared our assumptions with data obtained from external sources, such as the industry's estimated economic growth and the estimated cost inflation rate. We also conducted a sensitivity analysis of these assumptions and a sensitivity analysis to project revenues and costs.</p> <p>We compared the current-year budget approved in the previous year with the actual amounts calculated in the current year to check the capacity of the Company and its subsidiary to project future results.</p> <p>We also compared the recoverable value of the deferred tax assets determined by the Company according to its expected future taxable profit with the book value of the deferred tax assets of the Company and its subsidiary.</p> <p>We also evaluated the adequacy of the disclosures made by management.</p> <p>Based on the evidence obtained through the procedures summarized above, we considered that the recoverable amounts of deferred tax assets and related disclosures are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.</p>
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#### 4 – Revenue recognition of rental

As mentioned in Notes 2.2 (xxi), 3.8 and 27 of the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Company and its subsidiary recognize revenues from providing services, selling machinery and equipment and leasing assets. Their main source of revenue is the lease of machinery and equipment under</p>	<p>We obtained an understanding of the revenue recognition process and evaluated the design and implementation of internal controls.</p> <p>We performed a test of details based on sample</p>



<p>operating leases. Rental income is recognized according to the lease term, considering the contractual terms and the extent of the consumption of the benefit from the use of machinery and equipment for lease.</p> <p>The recognition of rental income involves judgment in determining the moment that the revenue is recognized, according to the lease term and considering contractual terms, to the extent of the consumption of the benefits from the leased assets.</p> <p>For this reason and due to the materiality of the rental income in the individual and consolidated financial statements taken as a whole we considered this to be a key audit matter.</p>	<p>according to a breakdown of rental income, checking for its existence by analyzing supporting documentation, such as contracts, invoices, the measurement of the consumption of the benefit from the use of lease assets and, when applicable, we checked the financial settlement of receivables recognized as a result of the lease of assets in the current year.</p> <p>Moreover, we conducted a test of detail of the revenue recognition criteria applied to the leases entered into close to the reporting date (test of the revenue cut-off). Our work included an analysis of supporting documentation mainly for the measurement of the consumption of the benefit from the use of lease assets.</p> <p>We also evaluated the adequacy of the disclosures made by management.</p> <p>Our audit procedures allowed us to identify adjustments that affect the revenue recognition and disclosure of rental income which were not recognized and disclosed by management because they were considered immaterial.</p> <p>As result of the evidence obtained through the procedures summarized above, we considered that the revenue recognition of rental and related disclosures are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.</p>
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## Other matters

### Statements of added value

The individual and consolidated statements of added value for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria determined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of added value have been fairly prepared, in all material respects, according to the criteria determined by the aforementioned Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

### Other information accompanying the individual and consolidated financial statements and the independent auditors' report

Management is responsible for the other information. The other information comprises the



information included in the management report.

Our opinion on the individual and consolidated financial statements does not cover the management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is material misstatement of the management report, then we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements**

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can derive from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit



procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiary's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 17, 2021

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 December 31, 2020 and December 31, 2019

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>Assets</b>					
<b>Current</b>					
Cash and cash equivalents	6	285,993	73,656	378,905	124,910
Accounts receivable from third parties	7	82,478	68,005	100,376	116,803
Accounts receivable from related parties	19.c	4,914	1,451	-	-
Inventories	8	36,225	22,006	40,714	36,337
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) recoverable	9	415	2,376	5,815	7,367
Taxes recoverable	9	2,956	3,205	5,406	6,643
Advances to suppliers		1,892	797	4,787	3,670
Other accounts receivable from related parties		1,496	-	-	-
Other assets	10	4,191	4,173	4,947	6,051
		<u>420,560</u>	<u>175,670</u>	<u>540,950</u>	<u>301,781</u>
Assets held for sale		10,272	4,224	10,272	4,224
<b>Noncurrent</b>					
Deferred taxes - IRPJ and CSLL	21	236,128	233,619	314,618	309,429
Taxes recoverable	9	1	-	349	-
Judicial deposits	22.a	7,438	12,182	7,672	12,463
Derivative financial instruments	31.4	-	-	808	-
Other assets		<u>2</u>	<u>38</u>	<u>2</u>	<u>81</u>
		<u>243,569</u>	<u>245,839</u>	<u>323,449</u>	<u>321,973</u>
Financial asset at fair value through other comprehensive income	11	39,341	50,579	39,341	50,579
Investments	12	301,061	406,529	-	-
Property, plant and equipment	13	384,580	397,791	439,883	576,575
Intangible assets	14	<u>33,314</u>	<u>32,181</u>	<u>121,497</u>	<u>120,763</u>
		<u>758,296</u>	<u>887,080</u>	<u>600,721</u>	<u>747,917</u>
<b>Total assets</b>		<u>1,432,697</u>	<u>1,312,812</u>	<u>1,475,393</u>	<u>1,375,895</u>

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Balance sheet as of December 31, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

		Parent Company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable to third parties	15	23,644	16,389	30,286	26,670
Accounts payable to related parties	19.c	390	2,893	-	-
Borrowings and financing	16	-	1,940	4,547	6,543
Debentures	17	40,124	56,367	57,829	77,417
Leases payable	18	14,359	12,053	15,074	15,171
Payroll and related taxes		18,383	21,244	19,318	27,908
Tax debt refinancing program (REFIS)		1,456	1,434	1,456	1,434
Income taxes payable	23	1,920	-	2,917	225
Taxes payable	23	4,285	7,290	4,339	9,172
Provision for profit sharing	20.e	5,865	5,986	7,226	8,840
Dividends and interest on equity payable		-	3	-	3
Other liabilities		230	263	677	850
		<u>110,656</u>	<u>125,862</u>	<u>143,669</u>	<u>174,233</u>
<b>Noncurrent</b>					
Borrowings and financing	16	-	605	-	3,671
Debentures	17	141,360	-	145,285	3,926
Income tax and social contribution	23	-	-	-	52
Leases payable	18	41,256	41,123	41,256	43,484
Provision for tax, civil and labor risks	22	15,137	19,569	20,414	23,648
Tax debt refinancing program (REFIS)	24	3,743	5,122	3,743	5,122
Taxes payable	23	10,348	-	10,348	588
Provision for post-employment benefits	20	11,868	12,646	11,868	12,646
Other liabilities		430	513	910	1,154
		<u>224,142</u>	<u>79,577</u>	<u>233,824</u>	<u>94,291</u>
<b>Total liabilities</b>		<u>334,798</u>	<u>205,439</u>	<u>377,493</u>	<u>268,524</u>
<b>Equity</b>					
Share capital	25	1,089,642	1,089,379	1,089,642	1,089,379
Capital reserves	25	57,036	56,357	57,036	56,357
Share premium	25	(18,448)	(18,448)	(18,448)	(18,448)
Earnings reserves	25	860	10,295	860	10,295
Treasury shares	25	(15,056)	(20,287)	(15,056)	(20,287)
Equity adjustments	25	(16,135)	(9,923)	(16,135)	(9,923)
		<u>1,097,899</u>	<u>1,107,373</u>	<u>1,097,899</u>	<u>1,107,373</u>
<b>Total equity</b>		<u>1,097,899</u>	<u>1,107,373</u>	<u>1,097,899</u>	<u>1,107,373</u>
<b>Total liabilities and equity</b>		<u>1,432,697</u>	<u>1,312,812</u>	<u>1,475,392</u>	<u>1,375,895</u>

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statements of operations

Years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

		Parent Company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net revenue from sales and services	27	400,139	305,530	506,339	439,465
Cost of sales and services	28	(262,464)	(219,999)	(306,915)	(282,493)
Gross profit		137,675	85,531	199,424	156,972
Sales, general and administrative expenses	28	(130,826)	(138,684)	(185,259)	(188,475)
Allowance for expected credit losses	7	(407)	(8,799)	(3,147)	(11,474)
				(151)	
Reversal (provision) for impairment and fair value		(151)	(765)		(765)
Share of profit in subsidiaries	12	28	9,434	-	-
Other operating income (expenses), net		1,049	1,595	2,667	754
Profit (loss) before finance income (costs) and taxes		7,368	(51,689)	13,534	(42,988)
Finance income	29	7,578	9,584	14,153	13,917
Finance costs	29	(16,509)	(22,250)	(25,093)	(27,973)
Finance income (costs), net		(8,931)	(12,666)	(10,940)	(14,056)
Income/(Loss) before taxes		(1,563)	(64,355)	2,594	(57,044)
Current income and social contribution taxes	21	(2,493)	(7,290)	(9,330)	(7,354)
Deferred income and social contribution taxes	21	(691)	26,665	1,989	19,418
Loss for the year		(4,747)	(44,980)	(4,747)	(44,980)
Basic and diluted loss per share - R\$	26	(0.02)	(0.23)	(0.02)	(0.23)

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



# Mills Estruturas e Serviços de Engenharia S.A.

## Statements of comprehensive (income) loss

Years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Note	Parent Company		Consolidated	
		2020	2019(*)	2020	2019
Loss for the year		(4,747)	(44,980)	(4,747)	(44,980)
<b>Items that will not be reclassified to profit or loss</b>					
Fair value adjustment Investment Rohr, net of taxes	11.b	(7,417)	(2,556)	(7,417)	(2,556)
<b>Items that may be reclassified subsequently to profit or loss</b>					
Provision for post-employment benefits, net of taxes	20.a	1,205	(655)	1,205	(655)
Total comprehensive income (loss) for the year		<u>(10,959)</u>	<u>(48,191)</u>	<u>(10,959)</u>	<u>(48,191)</u>

(\*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise twelve months of the parent and only eight months (May to December 2019) of the subsidiary.

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statements of changes in shareholders' equity

Years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Subscribed capital	Capital reserves Stock option Premium	Cost with issue of shares	Earnings reserves Legal	Retained earnings	Treasury shares	Equity adjustments	Accumulated losses	Total Consolidated/ Parent Company
<b>At December 31, 2018</b>	<u>688,319</u>	<u>52,162</u>	<u>(18,448)</u>	<u>32,611</u>	<u>22,664</u>	<u>(20,287)</u>	<u>(6,712)</u>	<u>-</u>	<u>750,309</u>
Capital increase - Issuance of shares (acquisition of Solaris Participações)	400,405	-	-	-	-	-	-	-	400,405
Stock option premium	655	4,195	-	-	-	-	-	-	4,850
Fair value adjustment - Investment in Rohr	-	-	-	-	-	-	(2,556)	-	(2,556)
Post-employment benefits	-	-	-	-	-	-	(655)	-	(655)
Loss for the year	-	-	-	-	-	-	-	(44,980)	(44,980)
Absorption of loss for the year	-	-	-	(22,316)	(22,664)	-	-	44,980	-
<b>At December 31, 2019</b>	<u>1,089,379</u>	<u>56,357</u>	<u>(18,448)</u>	<u>10,295</u>	<u>-</u>	<u>(20,287)</u>	<u>(9,923)</u>	<u>-</u>	<u>1,107,373</u>
Dividends/JCP	-	-	-	-	-	-	-	3	3
Stock option premium	263	679	-	-	-	5,231	-	(4,691)	1,481
Fair value adjustment - Investment in Rohr	-	-	-	-	-	-	(7,417)	-	(7,417)
Post-employment benefits	-	-	-	-	-	-	1,205	-	1,205
Loss for the year	-	-	-	-	-	-	-	(4,747)	(4,747)
Absorption of loss for the year	-	-	-	(9,435)	-	-	-	9,435	-
<b>At December 31, 2020</b>	<u>1,089,642</u>	<u>57,036</u>	<u>(18,448)</u>	<u>860</u>	<u>-</u>	<u>(15,056)</u>	<u>(16,134)</u>	<u>-</u>	<u>1,097,899</u>

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statements of cash flows

Years ended December 31, 2020 and 2019

(In thousands of Brazilian Reais - R\$)

	Parent Company		Consolidated (*)	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flows from operating activities				
Loss for the year	(4,747)	(44,980)	(4,747)	(44,980)
Adjustments:				
Depreciation and amortization	122,713	127,135	150,338	162,267
Deferred income and social contribution taxes	691	(26,665)	(1,989)	(19,418)
Provision for tax, civil and labor risks	(1,586)	2,076	(389)	3,174
Accrued expenses on stock options	3,437	4,195	3,437	4,195
Post-employment benefits	1,049	1,211	1,049	1,211
Residual value of property, plant and equipment and intangible assets sold and written off	18,540	15,226	21,137	15,515
Interest and monetary exchange gains and losses, net	13,730	18,920	14,723	19,492
Allowance for expected credit losses	407	8,799	3,147	11,474
Provision for impairment and fair value	151	765	151	765
Provision for slow-moving inventories	991	2,002	(2,652)	5,136
Adjustment CPC 48 / IFRS 9	-	44	-	44
Provision for profit sharing	5,735	4,555	6,576	9,183
Share of profit in subsidiaries	(28)	(9,434)	-	-
Other provisions (reversals)	(285)	283	(1,214)	1,749
(Increase)/decrease in assets and increase/(decrease) in liabilities:				
Trade receivables	(38,743)	(21,986)	(10,523)	(44,646)
Acquisitions of rental equipment	(1,274)	(417)	(1,363)	(6,086)
Inventories	(3,708)	(8,473)	(1,724)	(8,807)
Taxes recoverable	249	904	889	1,063
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	1,960	(1,975)	1,552	(1,937)
Judicial deposits	155	5,012	203	5,067
Other assets	(1,078)	523	(744)	(760)
Suppliers	6,306	3,785	13,671	6,031
Payroll and related taxes	(2,860)	8,513	(8,702)	5,759
Provision for profit sharing	(5,856)	(6,568)	(8,581)	(3,714)
Taxes payable	7,907	3,603	11,890	2,247
Other liabilities	(118)	(116)	(278)	508
Lawsuits settled	(828)	(7,649)	(1,067)	(7,649)
Income taxes paid	-	-	(5,682)	-
Interest paid	(26,740)	(28,178)	(28,880)	(30,990)
Net cash generated by operating activities	96,167	51,110	150,228	85,893
Cash flows from investing activities:				
Acquisition of cash due to merger of subsidiary	-	-	-	33,685
Acquisition of PP&E for own use and intangible assets	(9,973)	(5,008)	(10,184)	(5,445)
Net cash generated by (used in) investing activities	(9,973)	(5,008)	(10,184)	28,240
Cash flows from financing activities				
Capital increase	263	655	263	655
Restricted bank deposits	-	88,811	-	88,811
Borrowings and debentures raised	180,569	-	180,569	-
Amortization of borrowings and debentures	(38,897)	(106,193)	(47,000)	(118,861)
Leases paid	(15,792)	(16,354)	(19,881)	(20,463)
Net cash generated by (used in) financing activities	126,143	(33,081)	113,951	(49,858)
Net increase (decrease) in cash and cash equivalents	212,337	13,021	253,995	64,275
Cash and cash equivalents at the beginning of the year	73,656	60,635	124,910	60,635
Cash and cash equivalents at the end of the year	285,993	73,656	378,905	124,910
Net increase (decrease) in cash and cash equivalents	212,337	13,021	253,995	64,275

Until December 31, 2020 the Company wrote off bills that were past due up to five years, totaling R\$ 30,887, which are not recognized in the statement of cash flows because they do not reflect cash movements.

(\*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise twelve months of the parent and only eight months (May to December 2019) of the subsidiary.

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

# Mills Estruturas e Serviços de Engenharia S.A.

## Statements of added value

Years ended December 31, 2020 and 2019

(In thousands of Brazilian Reals - R\$)

	Parent Company		Consolidated (*)	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>Revenues:</b>				
Sales of products and services	457,446	354,439	592,817	510,376
Cancellations and discounts	(17,874)	(17,586)	(30,816)	(23,956)
Other revenues	1,129	1,821	2,910	979
Recognition of impairment loss on trade receivables	(407)	(8,799)	(3,147)	(11,474)
	440,294	329,875	561,764	475,925
<b>Inputs purchased from third parties:</b>				
Cost of sales and services	(6,549)	(8,488)	6,932	(20,872)
Materials, energy, outside services and others	(110,750)	(101,289)	(146,706)	(128,213)
Provision for impairment	(151)	(765)	(151)	(765)
Write-off of assets	(18,540)	(15,212)	(21,137)	(15,501)
<b>Gross added value</b>	<b>304,304</b>	<b>204,121</b>	<b>400,702</b>	<b>310,574</b>
Depreciation, amortization and depletion	(122,713)	(127,135)	(150,338)	(162,267)
<b>Net added value generated by the Company</b>	<b>181,591</b>	<b>76,986</b>	<b>250,364</b>	<b>148,307</b>
<b>Added value received in transfer</b>				
Finance income	7,578	9,584	14,153	13,917
Share of profit (loss) of subsidiaries	28	9,434	-	-
Total added value for distribution	189,197	96,004	264,353	162,224
Distribution of added value:				
<b>Personnel and payroll taxes</b>	<b>96,868</b>	<b>81,752</b>	<b>118,190</b>	<b>110,355</b>
Salaries	75,459	62,886	90,235	84,783
Benefits	15,777	14,675	21,240	19,866
Unemployment benefits	5,633	4,190	6,715	5,707
<b>Taxes and contributions</b>	<b>61,259</b>	<b>32,529</b>	<b>88,764</b>	<b>61,744</b>
Federal	58,688	29,108	81,193	55,813
State	1,450	2,005	5,827	4,018
Municipal	1,121	1,416	1,580	1,914
<b>Remuneration on third party capital</b>	<b>35,817</b>	<b>26,704</b>	<b>62,310</b>	<b>35,104</b>
Interest and exchange gains (losses)	16,140	21,793	24,521	27,374
Rentals	19,677	4,911	37,789	7,730
<b>Remuneration of shareholders</b>	<b>(4,747)</b>	<b>(44,980)</b>	<b>(4,747)</b>	<b>(44,980)</b>
Loss for the year	(4,747)	(44,980)	(4,747)	(44,980)
Added value distributed	189,197	96,004	264,353	162,224

(\*) In view of the acquisition of control of the subsidiary in May 2019, the consolidated amounts comprise twelve months of the parent and only eight months (May to December 2019) of the subsidiary.

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

## **Notes to the financial statements**

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

### **1 Operations**

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

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

The Company’s bylaws also establish the following activities:

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

The Company’s operations are segmented according to the new organization and management model approved by Management, divided into the following business units: Construction and Rental. The descriptions of the business unit are included in note 30.

#### **1.1 Covid-19 impacts**

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

The economic and financial impacts caused by the COVID-19 pandemic began to be noted by the Company as from the end of March, causing, in the second quarter of 2020, a reduction in the consolidated net rental revenue of its Rental Business Unit compared to that in the first quarter (with no concentration in any specific economic sector), the major decrease in the rental activity occurring in May 2020. Since June, there has been recovery, which has continued throughout the third quarter with easing of the social distancing measures and reopening of industries, stores and other commercial establishments, albeit on a gradual basis. This recovery in the economic environment led to an increase of 15.3% in the third quarter in the consolidated net rental revenue of the Rental Business Unit, compared to that of the second quarter, and of 29.0% in the fourth quarter compared to that of the previous quarter, with the major recovery in the rental activity in

the year occurring in December 2020. Net rental revenue of the Rental Business Unit for the year, on a combined basis, presented an amount similar to that recorded in 2019.

The Construction Business Unit, due to the characteristic of its equipment and contracts (which involve lower turnover), showed greater resilience in its rental activity, ending the fourth quarter at a level similar to the third quarter of 2020. Net rental revenue for the year presented an increase of 22.0%, compared to 2019.

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

- Maintenance of commercial and operating activities of the branches spread throughout Brazil, guaranteeing services to customers.
- Receipts originated from operations in the fourth quarter of 2020 in the amount of approximately R\$ 156 million;
- Rescheduling of invoices receivable from customers offset by the rescheduling of trade payables, with a focus on balancing the Company's cash flow;
- Implementation of expenses matrix management, aiming to identify opportunities to reduce expenses, such as on leases, consultancies, travel, parts, freight and personnel, without compromising the Company's operations;
- Monitoring and adoption, when possible, of Federal Government measures, highlighting the postponement of payment of taxes due in the amount of approximately of R\$ 14 million in the first half of 2020;
- Temporary suspension of investments to preserve cash level, highlighting the adequacy and/or renewal of Rental equipment items in inventories and the integration of branches, with the latter having an additional limitation due to travel restrictions;
- Reassessment of the Company's debt profile, thereby resulting in extension of the payment term of Solaris debentures for one year, in the total amount of R\$ 22 million, and in the issuance of a new debt, in the total amount of R\$ 84 million;
- Mapping of new opportunities to seek to offset, even if partially, the decrease in revenue and improve the Company's positioning when growth resumes;
- Cash balance of R\$ 379 million, representing R\$ 171 million of net cash (R\$ 136 million at 09/30/2020, R\$ 102 million at 06/30/20, R\$ 60 million at 03/31/2020 and R\$ 33 million at 12/31/2019);

Owing to the foregoing and the several risks and uncertainties to which the Company is subject, Management carried out many stress tests of cash and cash equivalents and covenants considering various economic scenarios for the year 2020 and their possible impacts on the Company, also analyzing the accounting estimates and measurement of its assets and liabilities presented in

individual and consolidated the financial statements as of December 31, 2020, and has not identified to date any significant effects that could affect them.

## **1.2 Search and seizure procedure at the Company's headquarters**

According to the material fact dated September 23, 2020, the Company's headquarters were subject to a search and seizure warrant, in compliance with the court order rendered by the Criminal Court of Police Investigations of Belo Horizonte, as a consequence of an in camera proceeding pending judgment that investigates possible irregularities in the construction of the Administrative City of Minas Gerais, specifically in the period from 2007 to 2010. The Company, which provided equipment items to such construction works and was unaware of the proceeding until then, was no longer required to provide any further information. In December 2020, the Public Prosecutor's Office of the State of Minas Gerais brought charges against sixteen people in connection to this matter, none of them had any past or present relationship with Mills. To date, all remedies that could be taken by the Company have been implemented. The proceeding is currently suspended due to a decision of the Federal Supreme Court Justice, Alexandre de Moraes, in the records of a Claim filed by a third-party. In parallel to this context, an Investigation Committee was created, subordinated to the Board of Directors, in order to help with the investigation of the facts. For technical advisory purposes, the Company also contracted a law firm specialized in compliance and a forensic audit firm. After an extensive investigation, no evidence was found that could suggest or demonstrate the involvement of the Company's employees or former employees. The Company remains at the disposal of the authorities to collaborate with any investigation, whenever necessary.

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

### **2.1 Basis of presentation**

#### ***(i) Statement of compliance***

The Company's individual and consolidated financial statements have been prepared and are being presented in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law, the standards of the Brazilian Securities Commission (CVM), and the pronouncements, guidance and interpretations of the Accounting Pronouncements Committee (CPC).

Management states that all information material to the financial statements is being evidenced and corresponds to the information used by it in its management.

The accounting information contained in these financial statements was approved by the Company's Board of Directors and authorized for issue on March 17, 2021.

The Company's individual and consolidated financial statements have been prepared on the historical cost basis, except for the following items recognized in the balance sheets:

- Financial instruments measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income (Notes 4, 5, 6, 7, 16, 17, 18 and 31).

**(ii) Functional and presentation currency**

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

**(iii) Segment information**

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

**(iv) Statements of added value**

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

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

## **2.2 Significant accounting policies**

**(i) Cash and cash equivalents**

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

**(ii) Restricted bank deposits**

Restricted bank deposits are held to meet the commitments of settlement or replacement of guarantees of certain short and long-term borrowings or financing. These deposits are blocked or have restricted movement due to a contractual clause.

**(iii) Financial instruments**

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

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



### *Financial assets*

Financial assets are generally classified as subsequently measured at amortized cost, at fair value through other comprehensive income or fair value through profit or loss, based on both: the entity's business model for managing financial assets and the contractual cash flows characteristics of the financial asset.

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

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

**a. Financial assets at fair value through profit or loss**

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

**b. Amortized cost**

Financial asset (debt security) whose contractual cash flow results solely from the payment of principal and interest on the principal amount outstanding on specific dates and that are held within a business model whose objective is achieved by collecting contractual cash flows.

**c. Fair value through other comprehensive income**

Financial asset (debt security) whose contractual cash flow results solely from the collection of principal and interest on the principal amount outstanding on specific dates and that are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities, as well as investments in equity instruments not held for trading nor considered as contingent consideration, for which upon initial recognition the Company irrevocably elected to present subsequent changes in fair value in other comprehensive income.

### *Financial liabilities*

A financial liability is recognized when the entity becomes a party to the contractual provisions of the instrument and is initially measured at fair value. If it is not classified as measured as at fair value through profit or loss, the transaction costs that are directly attributable to its acquisition or issuance decrease or increase this amount.

**a. Other financial liabilities**

Other financial liabilities (including borrowings and debentures) are measured at amortized cost.

When financial liabilities measured at amortized cost have their contractual terms modified and such modification is not material, their carrying amounts will reflect the present value of their cash flows under the new terms, using the original effective interest rate. The difference between the carrying amount of the instrument remeasured on the immaterial modification of its

terms and the carrying amount immediately prior to such modification is recorded as a gain or loss in profit or loss for the year.

**(iv) Trade receivables**

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

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

The Company adopted the simplified approach for the calculation of allowance for expected credit losses (ECL) on trade receivables, based on a matrix provision, using historical default rates on the expected cash flows of trade receivables. It was identified that the Company's trade receivables have common risk characteristics in a same business segment.

In this approach, the key concepts used in the calculation of the Company's allowance for expected credit losses (ECL) were defined:

- Definition of aging by business segment;
- Calculation of the rollover speed of each aging in the last 6 months;
- Calculation of the percentage of rollover of each aging in the last 6 months;
- The calculation of ECL is a result of the average historical default in the last 6 months applied on the trade receivables balances of each aging for each Business Unit;
- The average default in the last 6 months is adjusted monthly based on the new historical moving average applied to new aging;
- The aging of outstanding invoices issued is considered in the calculation. Provisions of revenue arising from measurement reports under approval are not considered in the calculations, as they do not represent the effective revenue;
- Securities over 360 days past due and securities included in Debt Negotiations or In-Court Reorganization are considered 100% in ECL.

**(v) Inventories**

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

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

**(vi) Current and deferred income and social contribution taxes**

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

The current income tax and social contribution expense is calculated based on tax rates prevailing in Brazil at the end of the reporting period, which are 15% for income tax, plus a 10% surtax on taxable profit exceeding R\$ 240, and 9% on taxable profit for social contribution.

Management periodically reviews positions taken in respect of tax matters that are subject to interpretation and recognizes a provision when the payment of income tax and social contribution according to the tax bases is expected.

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

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

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

**(vii) *Assets held for sale***

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

**(viii) *Judicial deposits***

Judicial deposits are presented in noncurrent assets, at amounts adjusted for inflation (note 22.a).

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

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

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

Property, plant and equipment are measured at historical cost, less accumulated depreciation. Historical cost includes costs directly attributable to the acquisition of items.

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

Depreciation is calculated using the straight-line method, at the rates shown in note 13, which take into consideration the estimated economic useful lives of assets. Land is not depreciated.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

**(x) Intangible assets**

*Software licenses*

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

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

Software licenses have finite useful lives and are amortized over ten years (note 15). The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**(xi) Goodwill**

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

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

**(xii) Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are

tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use, and the latter is the method used by the Company in testing the impairment of the goodwill recognized in the cash-generating unit "Construction". In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(xiii) Trade payables**

Trade payables are obligations to pay for goods or services acquired in the normal course of business and are classified as current liabilities if the payment is due within one year. Otherwise, they are classified as noncurrent liabilities.

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

**(xiv) Provisions**

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

The provisions for tax, civil and labor claims are recognized at the amount of probable losses, according to the nature of each provision (note 22). Based on the opinion of its legal counsel, management believes that the recognized provisions are sufficient to cover any losses on ongoing lawsuits. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as expense.

**(xv) Employee benefits**

*Provision for profit sharing*

The profit sharing agreement was structured aimed at rewarding employees with at least 90 days worked in the base year (2020, according to Mills' overall performance and their individual competences in the contributions made to the business, within their respective field of work and position.

The 2020 Profit Sharing Program is based on the achievement of Adjusted EBITDA and the captures of synergies arising from the business combination with Solaris Equipamentos and corporate and individual targets.

The recognition of profit sharing, when applicable, is made during the year and the payment, when due, up to April of the subsequent year (note 20.e).

*Stock option plans*

The Company offers stock option plans to certain employees and executives.

The fair value of the options granted is recognized as an expense during the period over which the right is vested, that is, period during which specific vesting conditions should be met. At the end of the reporting period, the Company reviews its estimates of the number of options whose rights must be vested based on the conditions (note 20.c).

The Company recognizes the impact of the revision of the initial estimates, if any, in the statement of operations, as a balancing item to the capital reserve in equity.

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

*Restricted shares incentive program*

The Company offers a restricted shares incentive program to certain employees and executives. The grants performed under the plan may assign, over the effective period of the plan, a number of shares not exceeding 8,779,322, corresponding to 5% of the Company's share capital on the approval date.

In order to satisfy the delivery of restricted shares granted under the Restricted Shares Plan, the Company will mandatorily use treasury shares, since there will not be new issuance of shares to be subscribed.

The fair value of shares is recorded as expense. At the end of the reporting period, the Company reviews its estimates of the number of shares whose rights must be vested based on the terms of the plan (note 20.d).

The Company recognizes the impact of the revision of the initial estimates, if any, in the statement of operations, as a balancing item to the capital reserve in equity.

*Post-employment benefits*

The post-employment benefits granted and to be granted to former employees are provisioned based on an actuarial calculation prepared by an independent actuary using future projections related to several parameters of the benefits assessed, such as inflation and interest, among other aspects. The actuarial assumptions adopted for the calculation were determined considering the long term of the projections to which they refer (see note 20.b). Actuarial gains and losses are recognized in other comprehensive income in the "Equity adjustments" account and presented in equity.

**(xvi) Borrowings and financing**

Borrowings are initially recognized at fair value and subsequently carried at amortized cost. The

calculation methodology for each borrowing follows the specific conditions of each contract, using the effective interest method.

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

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

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

**(xvii) *Translation into foreign currency***

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

Exchange gains and losses arising from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations.

**(xviii) *Share capital***

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

**(xix) *Share buyback (treasury shares)***

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

**(xx) *Payment of dividends and interest on capital***

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

The tax benefit of interest on capital is recognized in the statement of operations.

**(xxi) *Revenue recognition***

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

Revenue is measured based on the consideration described in the contract with the customer. The Company recognizes the revenue when it transfers the control over the goods or services to

the customer and when it is probable that it will receive the consideration to which it is entitled in exchange for the goods or services, that are transferred to the customer.

Performance obligations are the promises to transfer to the customer a good or service (or group of goods and services) that are different, or a series of different goods or services that are substantially the same and that have the same pattern of transfer to the customer.

No exceptions to the recognition of performance obligations were identified within the scope of the adoption of IFRS 15 / CPC 47. The Company identified that its revenues have a single performance obligation, according to the contracts with customers.

The rental income is recognized in profit or loss monthly on a straight-line basis according to the equipment rental agreements, classified as operating lease, and there are no contingent or noncancelable receipts recognized as revenue during the effective period.

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

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

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

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

**(xxii) Earnings per share**

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

**2.3 Basis of preparation**

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

**2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Company obtains, direct or indirectly, most of



the voting rights or is exposed or has rights to variable returns based on its involvement with the investee and has the ability to affect these returns through the power over the investee.

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

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

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

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

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

Parent's interests in capital, reserves and retained earnings (accumulated losses) of entities included in consolidation;

Asset and liability accounts between entities included in consolidation; and

Intragroup revenues and expenses arising from transactions between entities included in consolidation.

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

## **2.5 Standards effective in 2020**

In the preparation of these financial statements, the Company's management considered, when applicable, new revisions and interpretations of the International Financial Reporting Standards ("IFRS") and the technical pronouncements issued by IASB and CPC, respectively, which became mandatory on January 1, 2020.

**(i) Amendments to references to conceptual framework in IFRS standards**

The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting, from the objective of financial reporting to presentation and disclosures.

However, most of the concepts are not new – the revised Framework codifies the Board's thinking adopted in recent standards.

**(ii) Definition of a Business (amendments to CPC 15/IFRS 3)**

The main amendments to the definition of a business were:

- Narrower definition of outputs: focuses on goods or services to customers (and investment or other income from ordinary activities);
- Minimum inflow of resources and processes: a set of activities and assets should include, at least, an inflow and a substantive process in order to be a business.
- Only substantive processes are significant: the acquired process should be substantive. Additional guidance is provided to identify whether the acquired process is substantive and the assessment depends on whether the set produces outputs;
- The workforce has a central role: an organized workforce or an outsourcing contract that gives access to an organized workforce is an indicator of a substantive process;
- The presence of goodwill is no longer relevant: the assumption has been removed from the definition.

***(iii) Definition of Material (amendments to CPC/26 IAS 1 and CPC23/IAS 8)***

Only suggestions related to wording were presented, which were adopted by the Brazilian Accounting Pronouncements Committee.

Suggestions referring to content that provided better alignment of the final text with the international financial reporting standards issued by the IASB were also accepted and included in the final text.

***(iv) Interest Rate Benchmark Reform (amendments to***

***CPC48/IFRS 9, CPC08/IAS 39 and CPC40/IFRS 7)***

Only suggestions related to wording were presented, for purposes of consistency with the wording of the IFRS standard, which was adopted by the Brazilian Accounting Pronouncements Committee.

In the preparation of these financial statements, the Company's management considered, when applicable, new revisions and interpretations of the International Financial Reporting Standards ("IFRS") and the technical pronouncements issued by IASB and CPC, respectively, which became mandatory on June 1, 2020.

***(v) COVID-19-Related Rent Concessions (amendment to***

***CPC 06 (R2)/IFRS 16)***

The lessee typically recalculates lease payments using a revised discount rate and, in many cases, makes adjustments to the right-of-use asset. With the inclusion of the new practical expedient, the accounting of rent concessions does not need to follow the guidance to amend an agreement. However, the practical expedient can only be adopted by lessees and requires consistent application for similar agreements.

In this analysis, the following elements should be considered: reasons for negotiation, timing of the negotiation and agreement, explicit reasons in the agreements, applicable laws and

regulations, individual and aggregate assessments, and the extent and nature of government interventions.

### **3 Critical accounting judgments and key estimates and assumptions**

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

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

#### **3.1 Impairment of nonfinancial assets and investment recognized at fair value**

An asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use calculation is based on the discounted cash flow model. Cash flows derive from the budget and the Company's expectations for the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit or investment subject to testing. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as to the expected future cash receipts and to the growth rate used for extrapolation purposes. See notes 13 and 15.

#### **3.2 Share-based payment transactions**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of share-based payments requires the determination of the most appropriate valuation model for the granting of equity instruments, which depends on the terms and conditions of the grant. This also requires the determination of the most appropriate valuation model, including the expected life of the option, volatility and dividend yield and related assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in note 20.

#### **3.3 Taxes**

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

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

### **3.4 Fair value of financial instruments**

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

### **3.5 Allowance for expected credit losses**

The Company recognized an allowance for expected losses for all its receivables that meet the detailed criteria in note 2.2 (iv). The need to recognize such allowance involves an analysis of the available evidence as regards the Company's ability to pay customers, including in a manner so as to classify some of them as preferred customers and base others for sending them to legal collection. Significant judgment by Management is required in classifying its customers, in defining the criteria applied, and in assessing its accuracy.

### **3.6 Provision for tax, civil and labor claims**

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

### **3.7 Useful lives of property, plant and equipment**

The Company reviews the estimated useful lives of its property, plant and equipment annually and, as described in note 13.a, it identified changes to the useful lives of some pieces of equipment in 2020.

### **3.8 Revenue recognition**

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

## **4 Financial risk management**

### **4.1 Financial risk factors**

The Company's operations are exposed to various financial risks: market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The risk management program concentrates on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to protect certain risk

exposures and does not enter into any derivative transactions for speculative purposes.

Risk management is carried out by the Chief Financial Officer, in accordance with policies approved by the Board of Directors, where applicable. The Chief Financial Officer identifies, assesses and protects the Company against potential financial risks in cooperation with the Company's operating units.

The Chief Financial Officer establishes principles for global risk management, as well as for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of cash surpluses.

## **4.2 Market risk**

### ***(i) Foreign exchange risk***

The Company adopts the policy of reducing the cash risk relating to foreign exchange variation since a large part of the revenues from its operations are denominated in Brazilian reais.

### ***(ii) Interest rate risk and adjustment for inflation***

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

As a management policy, the Company does not use any instrument to mitigate its exposure to interest rate fluctuations because it considers this a market risk inherent to all companies operating in Brazil.

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

### ***(iii) 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. Presented deterioration in the risk variable considered (25% and 50%), respectively (scenarios II and III):

				<u>Parent Company</u>	
				<u>Profit (loss) effect</u>	
Short-term investments	Indicator	Accounting	Probable	25%	50%
Short-term investments	CDI	284,823	5,701	4,276	2,851

				<u>Parent Company</u>	
				<u>Profit (loss) effect</u>	
Debt	Indicator	Accounting	Probable	25%	50%
4th issue of debentures	CDI	100,318	5,951	6,849	7,748
5th issue of debentures	CDI	84,242	6,654	7,423	8,191
	Total	184,560	12,605	14,272	15,939

				<u>Consolidated</u>	
				<u>Profit (loss) effect</u>	
Short-term investments	Indicator	Accounting	Probable	25%	50%
Short-term investments	CDI	377,725	7,659	5,745	3,830

				<u>Consolidated</u>	
				<u>Profit (loss) effect</u>	
Derivative financial instruments	Indicator	Accounting	Probable	25%	50%
swap	Exchange variation + 7,75% a.a. e 100% CDI + 3,63%		808	682	1.606 2.532

				<u>Consolidated</u>	
				<u>Profit (loss) effect</u>	
Debt	Indicator	Accounting	Probable	25%	50%
1st issue of debentures - Solaris Equipamentos	CDI	21,631	1,876	2,075	2,274
Working capital	CDI	4,547	437	480	522
4th issue of debentures - Mills	CDI	100,318	5,951	6,849	7,748
5th issue of debentures - Mills	CDI	84,242	6,654	7,423	8,191
	Total	210,738	14,918	16,827	18,735

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

12/31/2020			
Scenarios	Probable I	Scenario II 25%	Scenario III 50%
Rates			
CDI (%) (i)	3.50%	4.38%	5.25%
Passive CDI (%)	3.50%	2.63%	1.75%

- (i) As regards the interest rate risk, the Company's management considered as probable assumption (scenario I) for its financial instruments a rate of 3.50%, information extracted from the FOCUS report released by the Brazilian Central Bank on February 5, 2021, considering an increase in the CDI rate in line with the expected increase in the SELIC rate as there is a direct relation between the rates, and an increase in the rate as the assumption for the other two scenarios, according to the stress scenario.

### 4.3 Credit risk

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

#### (i) Trade receivables

The Company periodically bills amounts for rentals and services due by its customers, for past due periods normally ranging from 30 to 60 days, the average collection period in 2020 was 6 days. Therefore, the Company is subject to the risk of default on trade receivables. The Company's commercial credit portfolio is mainly concentrated on domestic customers. The Company establishes a provision for impairment when it understands there is the risk of amounts due not being received, according to the expected loss model defined by CPC 48.

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

#### (ii) Financial instruments and cash deposits

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

The Company uses only large financial institutions that are among the ten banks with the largest assets in Brazil. Management does not expect any counterparty to fail to fulfill its obligations.

#### (iii) Cash and cash equivalents and restricted bank deposits

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Bank account				
Bank (i)	1,170	18	1,199	113
Short-term investments				

Bank (i)	284,823	73,638	377,706	124,797
Restricted bank deposits (i)	-	-	-	-
Total cash and cash equivalents and restricted bank deposits	285,993	73,656	378,905	124,910

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

#### 4.4 Liquidity risk

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

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

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

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

	Past due	Up to one month	More than one month and less than three months	More than three months and less than one year	Between one and two years	Between two and five years	Total Parent Company
At December 31, 2020							
Borrowings and financing	-	-	-	-	-	-	-
Debentures	-	384	6,889	41,172	56,534	119,521	224,500
m	-	1,240	2,428	10,404	12,923	35,023	62,018
Leases payable - Vehicles	-	248	482	2,119	2,756	2,472	8,077
Accounts payable to third parties	1,059	18,217	4,254	114	-	-	23,644
Accounts payable to related parties	-	-	-	390	-	-	390
At December 31, 2019							
Borrowings and financing	-	279	450	1,324	-	618	2,671
Debentures	-	-	-	60,423	-	-	60,423
Leases payable - Properties	-	1,047	2,078	7,012	21,518	30,563	62,218
Leases payable - Vehicles	-	196	392	1,049	141	-	1,778
Accounts payable to third parties	7,185	10,207	1,918	29	-	-	19,339
Accounts payable to related parties	-	-	-	2,893	-	-	2,893



	Past due	Up to one month	More than one month and less than three months	More than three months and less than one year	Between one and two years	Between two and five years	Total Consolidated
At December 31, 2020							
Borrowings and financing	-	98	2,239	2,561	-	-	4,898
Debentures	-	500	7,127	59,595	60,495	119,523	247,240
Leases payable - Properties	-	1,240	2,428	11,119	12,923	35,023	62,733
Leases payable - Vehicles	-	248	482	2,119	2,576	2,472	8,077
Accounts payable to third parties	1,059	18,217	4,254	6,756	-	-	30,286
At December 31, 2019							
Working capital	-	112	1,778	2,466	-	3,876	8,232
Borrowings and financing	-	279	450	1,324	-	618	2,671
Debentures	-	842	2,975	78,890	-	3,949	86,656
Leases payable - Properties	-	1,344	2,625	8,842	22,498	30,563	65,872
Leases payable - Vehicles	-	338	676	2,328	523	-	3,865
Accounts payable to third parties	1,685	19,511	4,977	309	-	-	26,482

## 5 Capital management

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

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

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

	Parent Company		Consolidated	
	2020	2019	2020	2019
Total bank debt	184,560	58,911	210,738	91,557
Borrowings and financing	-	2,545	4,547	10,215
Gross debentures (see note 17)	184,560	56,367	206,191	81,342
Cash and cash equivalents	285,993	73,656	378,905	124,910
Restricted bank deposits	-	-	-	-
Net debt	101,433	14,745	168,167	33,353
Equity	1,097,899	1,107,373	1,097,899	1,107,373
Net debt to Equity	(0.09)	0.01	(0.15)	0.03

The Company is not subject to any external capital requirement.

## Credit facilities available

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

## 6 Cash and cash equivalents

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Cash and banks	1,170	18	1,199	113
Short-term investments	284,823	73,638	377,706	124,797
	<u>285,993</u>	<u>73,656</u>	<u>378,905</u>	<u>124,910</u>

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

As at December 31, 2020, short-term investments consist of repurchase agreements and bank deposit certificates – CDB, bearing average interest of 99.94% of the interbank deposit certificate – CDI (94.80% as at December 31, 2019).

## 7 Accounts receivable from third parties

Business unit	Parent Company						Consolidated					
	12/31/2020			12/31/2019			12/31/2020			12/31/2019		
	Trade receivable s Gross receivable s	ECL	Trade receivable s Net receivable s	Trade receivable s Gross receivable s	ECL	Trade receivable s Net receivable s	Gross receivable s	ECL	Net receivable s	Gross receivable s	ECL	Net receivable s
Construction	62,891	(46,152)	16,739	88,304	(66,841)	21,463	62,891	(46,152)	16,739	88,304	(66,841)	21,463
Rental	104,260	(38,521)	65,739	89,088	(42,546)	46,542	145,069	(61,432)	83,637	163,823	(68,483)	95,340
	<u>167,151</u>	<u>(84,673)</u>	<u>82,478</u>	<u>177,393</u>	<u>(109,387)</u>	<u>68,005</u>	<u>207,960</u>	<u>(107,584)</u>	<u>100,376</u>	<u>252,127</u>	<u>(135,323)</u>	<u>116,803</u>
Current	109,338	(26,860)	82,478	86,948	(18,942)	68,005	132,546	(32,170)	100,376	141,903	(25,100)	116,803
Noncurrent	57,813	(57,813)	-	90,445	(90,445)	-	75,414	(75,414)	-	110,223	(110,223)	-

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

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

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance at the beginning of the year	(109,387)	(124,389)	(135,323)	(124,389)
Solaris acquisition adjustment through April/2019	-	-	-	(24,685)
Net impact of ECL on P&L (i)	(407)	(8,799)	(3,147)	(11,474)
Write-offs	<u>25,121</u>	<u>23,801</u>	<u>30,887</u>	<u>25,225</u>
	<u>(84,673)</u>	<u>(109,387)</u>	<u>(107,584)</u>	<u>(135,323)</u>

In the year ended December 31, 2020, the allowance for expected credit losses amounted to R\$ 29,711 (at December 31, 2019 - R\$ 16,057) and the reversal of the allowance for expected credit losses amounted to R\$ 29,304 (at December 31, 2019 - R\$ 7,258), generating a net P&L negative effect of R\$ 407 (at December 31, 2019, net P&L negative effect of R\$ 8,799). In

the Consolidated, the allowance for expected credit losses amounted to R\$ 34,756 and the reversal of the allowance for expected credit losses amounted to R\$ 31,609, generating a net P&L negative effect of R\$ 3,147.

Aging schedule of gross receivables:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Not yet due	87,504	57,680	100,159	96,798
Not yet due (bills with original due dates extended)	1,619	1,709	1,619	1,709
1-60 days past due (*)	13,330	13,360	16,889	20,714
61-120 days past due (*)	1,961	4,086	3,039	7,860
121-180 days past due (*)	877	3,285	2,064	4,722
180-360 days past due (*)	4,046	6,828	8,778	10,114
Over 360 days past due (*)	57,814	90,445	75,414	110,210
	<u>167,151</u>	<u>177,393</u>	<u>207,960</u>	<u>252,127</u>

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

## 8 Inventories

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Goods for resale	1,350	2,252	86	2,268
Spare parts and supplies	39,742	23,631	48,607	44,701
Provision for slow-moving inventories	(4,867)	(3,877)	(7,979)	(10,632)
	<u>36,225</u>	<u>22,006</u>	<u>40,714</u>	<u>36,337</u>

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

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

The movement of R\$ 990 in the provision for slow-moving inventories in the Parent company resulted from a provision of R\$ 2,036 and a reversal of R\$ 1,046 throughout the year. In the Consolidated, the impact of R\$ 2,653 on the account resulted from a provision of R\$ 3,535 and a reversal of R\$ 6,188.

## 9 Taxes recoverable

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) (*)	415	2,376	5,815	7,367
PIS and COFINS (taxes on revenue) (**)	2,105	2,522	3,880	4,981
ICMS (State VAT) (***)	505	320	1,257	988
Others	347	363	618	674
	<u>3,372</u>	<u>5,581</u>	<u>11,570</u>	<u>14,010</u>
Current	3,371	5,581	11,221	14,010
Noncurrent	1	-	349	-

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

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

## 10 Assets held for sale

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

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

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

This transaction started in July 2020 and through the year ended December 31, 2020, the net amount of R\$ 4,357 was received.

	Parent Company and Consolidated (*)	
	12/31/2020	12/31/2019
Assets held for sale	13,227	7,028
Asset impairment loss (i)	(2,955)	(2,804)
	<u>10,272</u>	<u>4,224</u>

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

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

## 11 Financial asset at fair value through other comprehensive income

### a. Non-controlling interest

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

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

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

**b. Fair value and impairment loss**

In 2020, the Company reviewed the fair value of the financial instrument related to the investment in Rohr S.A. based on an internal study. The fair value of this asset was determined according to economic estimates made under the income approach by forecasting discounted cash flows over a ten-year term plus perpetuity, for evidencing the amount stated in the accounting records considering the long-term maturation of infrastructure and civil construction investments. Revenue was projected based on the Gross Domestic Product (GDP) plus the Extended Consumer Price Index (IGP-M), considering multipliers. Costs were projected based on a gross margin target, which stabilizes at 32.6%. The expenses were projected according to the IGP-M variation. The need for working capital and investments to maintain the asset tested was also considered. The related flows were discounted at a discount rate of 15.6% from 2021 to 2023 and 14.9% onward, including perpetuity. The rate obtained through the methodology used by the market, the weighted average cost of capital (WACC) and a size premium of 4.2% was included. No real growth rate in perpetuity was considered.

Based on this study, Management estimates that the fair value of the investment in Rohr at December 31, 2020 is R\$ 39,341 (R\$ 50,579 at December 31, 2019). At December 31, 2020, the gross change in fair value was R\$ 11,238 (R\$ 3,872 at December 31, 2019), and the net change at December 31, 2020 was R\$ 7,417 (R\$ 2,556 at December 31, 2019), considering the effect of deferred income and social contribution taxes, and recognized in the Company's equity.

## **12 Investments**

**a. Assets accounted for under the equity method**

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

Information on subsidiary	Solaris Equipamentos	
	12/31/2020	12/31/2019
Interests - %	100%	100%
Current assets	127,191	130,470
Noncurrent assets	103,034	223,279
Current liabilities	39,838	52,728
Noncurrent liabilities	9,683	14,713
Equity	180,702	286,307

Information on subsidiary	Solaris Equipamentos	
	12/31/2020	12/31/2019
Interests - %	100%	100%
Revenues	142,531	145,467
Expenses	(138,456)	(131,343)
Profit before taxes	4,075	14,214
Current and deferred income and social contribution taxes	(4,157)	(3,891)
Profit for the year	(82)	10,323
<b>Movement of investments in subsidiaries</b>	<b>Parent Company</b>	
Balance at the beginning of the year (04/30/2019)		273,137
Identifiable assets measured at fair value on business combination		39,257
Goodwill		88,011
Decrease in investment (b)		(3,309)
Realization of assets measured at fair value (i)		(7,046)
Profit for the year		16,479
Balance at the end of the year (12/31/2019)		406,529
Decrease in investment (b)		(105,496)
Realization of assets measured at fair value (i)		110
Profit for the year		(82)
Balance at the end of the year (12/31/2020)		301,061

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

**b. Capital decrease in subsidiary**

After the acquisition of Solaris, as part of the strategy to capture synergies, Management started to make capital decreases (see note 13) through the assignment of rental equipment, inventories, furniture and fixtures and leasehold improvements in the branches where the Company and its subsidiary had the same geographical activity.

Branch	Date	Rental equipment	Inventories	Furniture/ fixtures and leasehold improvements	Total
São Luis	10/15/19	3,061	236	12	3,309
Serra	01/30/20	2,137	129	81	2,347
Maracanaú	03/11/20	5,125	308	10	5,443
Uberlândia	03/24/20	8,178	304	34	8,516
Cabo de Santo Agostinho	06/05/20	4,569	210	3	4,781
Cachoeirinha	07/09/20	3,855	253	2	4,110
Camaçari	08/03/20	6,646	578	27	7,252



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Brasília	08/20/20	2,680	249	-	2,929
Curicica	08/26/20	4,478	605	327	5,410
Parauapebas	09/08/20	6,695	378	37	7,110
Contagem	09/14/20	12,871	814	23	13,708
Campinas	09/21/20	6,083	360	4	6,446
Cravinhos	10/06/20	6,079	475	52	6,607
São José dos Pinhais	10/13/20	9,669	466	10	10,145
Osasco	11/13/20	<u>11,757</u>	<u>6,375</u>	<u>2,561</u>	<u>20,692</u>
		<u>90,821</u>	<u>11,503</u>	<u>3,172</u>	<u>105,496</u>

## 13 Property, plant and equipment

	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Propertie s	Right-of- use Vehicles	Constructio n in progress	Total assets in use	Total Parent Company
<b>Cost of PP&amp;E, gross</b>														
Balances at December 31, 2018	1,081,279	-	1,081,279	18,916	22,959	14,803	1,243	9,905	11,003	-	-	175	79,004	1,160,283
Acquisition	229	3,356	3,585	213	-	182	154	-	283	-	-	867	1,699	5,284
Addition due to capital decrease in subsidiary	13,214	-	13,214	-	-	-	-	-	12	-	-	-	12	13,226
Right-of-use	-	-	-	-	-	-	-	-	-	60,107	4,074	-	64,181	64,181
Write-offs/disposals and transfer to inventories held for sale	(61,774)	-	(61,774)	(765)	-	(231)	-	-	(45)	-	-	-	(1,041)	(62,815)
Adjustment for PIS and COFINS credits	(21)	-	(21)	-	-	-	-	-	-	-	-	-	-	(21)
Reclassification	-	-	-	330	-	-	-	3	-	-	-	-	333	333
Transfer	88	(3,073)	(2,985)	936	-	2	-	38	(89)	-	-	(974)	(87)	3,072
Balances at December 31, 2019	1,033,015	283	1,033,298	19,630	22,959	14,756	1,397	9,946	11,164	60,107	4,074	68	144,101	1,177,399
Acquisition	2,154	-	2,154	807	-	1,273	368	203	331	-	-	2,081	5,063	7,217
Right-of-use	-	-	-	-	-	-	-	-	-	6,110	7,461	-	13,571	13,571
Addition due to capital decrease in subsidiary	306,144	-	306,144	5,021	-	1,891	350	38	2,843	-	-	-	10,142	316,286
Write-offs/disposals and transfer to inventories held for sale	(43,822)	-	(43,822)	(342)	(1,842)	(448)	(349)	-	(8)	(199)	-	-	(3,188)	(47,011)
Adjustment for PIS and COFINS credits	(45)	-	(45)	-	-	-	-	-	-	-	-	-	-	(45)
Transfer	283	(283)	-	120	-	-	-	91	-	-	-	(211)	-	-
Balances at December 31, 2020	1,297,729	-	1,297,729	25,235	21,117	17,472	1,766	10,277	14,330	66,018	11,535	1,938	169,688	1,467,417

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Balances at December 31, 2018	(653,745)	-	(653,745)	(7,861)	(4,002)	(14,436)	(936)	(4,469)	(7,390)	-	-	-	(39,094)	(692,839)
Depreciation	(106,290)	-	(106,290)	(1,875)	(617)	(323)	(98)	(871)	(807)	(10,857)	(2,243)	-	(17,691)	(123,981)
Addition due to capital decrease in subsidiary	(10,153)	-	(10,153)	-	-	-	-	-	(1)	-	-	-	(1)	(10,154)
Write-offs/disposals and transfer to inventories held for sale	46,746	-	46,746	637	-	231	-	-	33	-	-	-	900	47,646
Adjustment for PIS and COFINS credits	-	-	-	(191)	-	-	-	(89)	-	-	-	-	(280)	(280)
Transfer	(47)	-	(47)	-	-	-	-	-	47	-	-	-	47	-
Balances at December 31, 2019	(723,489)	-	(723,489)	(9,290)	(4,619)	(14,529)	(1,034)	(5,429)	(8,118)	(10,857)	(2,243)	-	(56,119)	(779,608)
Depreciation	(101,749)	-	(101,749)	(2,023)	(617)	(214)	(153)	(880)	(793)	(10,904)	(2,174)	-	(17,758)	(119,507)
Addition due to capital decrease in subsidiary	(214,620)	-	(214,620)	(3,890)	-	(1,500)	(350)	(2)	(2,198)	-	-	-	(7,940)	(222,560)
Write-off	38,047	-	38,047	178	-	448	256	-	6	199	-	-	1,087	39,134
Adjustment for PIS and COFINS credits	-	-	-	(206)	-	-	-	(90)	-	-	-	-	(296)	(296)
Balances at December 31, 2020	(1,001,811)	-	(1,001,811)	(15,231)	(5,236)	(15,795)	(1,281)	(6,401)	(11,103)	(21,562)	(4,417)	-	(81,026)	(1,082,837)
Annual depreciation rates - %	10 - 12 - 15	-	-	10	4	20	20	10	10	20	33.3	-	-	-
<b>Property, plant and equipment, net</b>														
Balance at December 31, 2019	309,526	283	309,809	10,340	18,340	227	363	4,517	3,046	49,250	1,831	68	87,982	397,791
Balance at December 31, 2020	295,918	-	295,918	10,004	15,881	1,677	485	3,876	3,227	44,456	7,118	1,938	88,662	384,580

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	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Properties	Right- of-use Vehicles	Construction in progress	Total assets in use	Total Consolidated
<b>Cost of PP&amp;E, gross</b>														
Balances at December 31, 2018	1,081,279	-	1,081,279	18,916	22,959	14,803	1,243	9,905	11,003	-	-	175	79,004	1,160,283
Addition due to acquisition of subsidiary	428,030	5,957	433,987	7,083	-	2,302	896	569	2,954	6,320	2,562	-	22,686	456,673
Surplus value of property, plant and equipment	39,091	-	39,091	-	-	-	166	-	-	-	-	-	166	39,257
Acquisition	1,350	4,843	6,193	213	-	413	154	33	351	-	-	867	2,030	8,223
Right-of-use	-	-	-	-	-	-	-	-	-	61,626	4,987	-	66,613	66,613
Write-offs/disposals and transfer to inventories held for sale	(70,301)	-	(70,301)	(932)	-	(271)	-	-	(68)	-	-	-	(1,271)	(71,572)
Adjustment for PIS and COFINS credits	(507)	-	(507)	-	-	-	-	-	-	-	-	-	-	(507)
Reclassification	-	-	-	330	-	-	-	3	-	-	-	-	333	333
Transfer	1,199	(4,196)	(2,997)	936	-	2	-	38	(77)	-	-	(974)	(75)	(3,072)
Balances at December 31, 2019	1,480,141	6,604	1,486,745	26,546	22,959	17,247	2,459	10,548	14,163	67,946	7,549	68	169,485	1,656,232
Acquisition	3,651	202	3,853	889	-	1,273	368	203	414	-	-	2,081	5,228	9,081
Right-of-use	-	-	-	-	-	-	-	-	-	5,825	6,204	-	12,029	12,029
Write-offs/disposals	(59,157)	(117)	(59,274)	(1,040)	(1,842)	(468)	(457)	(560)	(79)	(199)	-	-	(4,645)	(63,919)
Adjustment for PIS and COFINS credits	1,260	(517)	743	-	-	-	-	-	-	-	-	-	-	743
Transfer	6,061	(6,061)	-	120	-	-	-	91	-	-	-	(211)	-	-
Balances at December 31, 2020	1,431,956	111	1,432,067	26,515	21,117	18,054	2,370	10,282	14,498	73,572	13,753	1,938	182,099	1,614,166

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Accumulated depreciation	Equipment for rental and operational use	Rental equipment in progress	Total equipment for rental and operational use	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Right-of- use Propertie s	Right-of- use Vehicles	Constructi on in progress	Total assets in use	Total Consolidated
Balances at December 31, 2018	(653,745)	-	(653,745)	(7,861)	(4,002)	(14,436)	(936)	(4,469)	(7,390)	-	-	-	(39,094)	(692,839)
Addition due to acquisition of subsidiary	(270,061)	-	(270,061)	(4,470)	-	(1,348)	(879)	(337)	(2,078)	(1,326)	(486)	-	(10,924)	(280,985)
Surplus value of property, plant and equipment	(7,046)	-	(7,046)	-	-	-	-	-	-	-	-	-	-	(7,046)
Depreciation	(131,211)	-	(131,211)	(2,445)	(617)	(549)	(102)	(898)	(939)	(13,751)	(3,105)	-	(22,406)	(153,617)
Write-offs/disposals and transfer to inventories held for sale	54,073	-	54,073	761	-	231	-	-	41	-	-	-	1,033	55,106
Adjustment for PIS and COFINS credits	-	-	-	(191)	-	-	-	(89)	-	-	-	-	(280)	(280)
Transfer	(48)	-	(48)	-	-	2	-	-	46	-	-	-	47	-
Balances at December 31, 2019	(1,008,036)	-	(1,008,036)	(14,206)	(4,619)	(16,100)	(1,917)	(5,794)	(10,319)	(15,077)	(3,591)	-	(71,623)	(1,079,659)
Surplus value of property, plant and equipment	110	-	110	-	-	-	-	-	-	-	-	-	-	110
Depreciation	(125,646)	-	(125,646)	(2,621)	(617)	(490)	(160)	(909)	(944)	(13,409)	(3,043)	-	(22,193)	(147,839)
Write-offs/disposals	51,162	-	51,162	768	-	459	364	391	58	199	-	-	2,239	53,401
Adjustment for PIS and COFINS credits	-	-	-	(206)	-	-	-	(90)	-	-	-	-	(296)	(296)
Balances at December 31, 2020	(1,082,410)	-	(1,082,410)	(16,265)	(5,236)	(16,131)	(1,713)	(6,402)	(11,205)	(28,287)	(6,634)	-	(91,873)	(1,174,283)
Annual depreciation rates - %	10 - 12 - 15	-	-	10	4	20	20	10	10	20	33.3	-	-	-
<b>Property, plant and equipment, net</b>														
Balance at December 31, 2019	472,106	6,605	478,711	12,340	18,340	1,147	542	4,754	3,845	52,867	3,958	68	97,863	576,575
Balance at December 31, 2020	349,546	111	349,657	10,250	15,881	1,923	657	3,880	3,293	45,285	7,119	1,938	90,226	439,883

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

We present below the main acquisitions and reclassifications accumulated through December 31, 2020, by group of assets:

	<b>Parent Company</b>	<b>Consolidated</b>
Shoring	1,877	1,877
Aerial work platforms and telescopic handlers	-	1,587
Compressors	-	95
Reusable concrete formworks	67	67
Machinery and equipment	93	110
Vehicles	368	368
Construction in progress	1,871	1,871
Facilities	294	294
Furniture and fixtures	330	413
Leasehold improvements	927	1,009
Computers and peripherals	1,273	1,273
Suspended scaffolding	117	117
	<u>7,217</u>	<u>9,081</u>

The depreciation for the year, allocated to cost of services and general and administrative expenses, amounts to R\$ 122,237 and R\$ 28,101 as at December 31, 2020 (R\$ 123,050 and R\$ 34,802 as at December 31, 2019), respectively.

Certain items of property, plant and equipment are pledged as collateral for borrowings (note 16).

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

**a. Review of estimated useful life**

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

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

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

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

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

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

**b. Provision for impairment of assets**

Management identified indications of impairment for the Rental and Construction Business Units (CGUs) in 2020, based on CPC 01. As a result, Management performed tests that did not identify the need for recording any adjustments to the provision for impairment of assets of these Business Units.

The recovery amount of the Business Units' assets was determined based on economic market projections, made under the income approach, by forecasting discounted cash flow for a period of ten years plus perpetuity, for the purpose of substantiating the amount recorded in the accounts, given the long-term maturity of investments in infrastructure and civil construction. Revenue was projected based on multipliers of the Gross Domestic Product (GDP) plus the variation of the IGPM (General Market Price Index). Costs were projected based on a gross margin target, which stabilizes at 70% for Construction and 75% for Rental. The expenses were projected according to the IGP-M variation. The need for working capital and investments to maintain the asset tested was also considered. The respective flows were discounted at a discount rate of 10.9% for the period 2021 and 2022 and 11.1% and 10.6% for the other years, plus perpetuity for Construction and 10.3% for all years for the Rental Unit. A growth rate of 1% in actual terms in perpetuity was considered for the Construction Unit.

After conclusion of the referred studies in each Business Unit, the value in use of the assets was lower than the discounted cash flow, thus no provision for impairment was required for 2020.

## 14 Intangible assets

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total Parent Company
Balances at December 31, 2018	<u>53,221</u>	<u>3,156</u>	<u>183</u>	<u>13,376</u>	<u>69,936</u>
Acquisition	922	-	2,294	-	3,216
Reclassification	<u>-</u>	<u>-</u>	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Balances at December 31, 2019	<u>54,143</u>	<u>3,156</u>	<u>2,145</u>	<u>13,376</u>	<u>72,820</u>
Acquisition	1,002	-	4,609	-	5,611
Addition due to capital decrease in subsidiary	1,566	-	-	-	1,566
Transfer	<u>1,661</u>	<u>-</u>	<u>(1,661)</u>	<u>-</u>	<u>-</u>
Balances at December 31, 2020	<u>58,372</u>	<u>3,156</u>	<u>5,093</u>	<u>13,376</u>	<u>79,996</u>
<b>Accumulated amortization</b>					
Balances at December 31, 2018	<u>(30,833)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(35,943)</u>
Amortization	(4,260)	-	-	-	(4,260)
Adjustment for PIS and COFINS credits	<u>(436)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436)</u>
Balances at December 31, 2020	<u>(35,528)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(40,639)</u>
Amortization	(4,306)	-	-	-	(4,306)
Addition due to capital decrease in subsidiary	(1,299)	-	-	-	(1,299)
Adjustment for PIS and COFINS credits	<u>(439)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(439)</u>
Balances at December 31, 2020	<u>(41,572)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(46,682)</u>
Annual amortization rates - %	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Intangible assets, net</b>					
Balance at December 31, 2019	18,615	2,278	2,145	9,144	32,181
Balances at December 31, 2020	16,799	2,278	5,093	9,144	33,314



	<b>Software</b>	<b>Trademarks and patents</b>	<b>Intangible assets in progress</b>	<b>Goodwill on investments</b>	<b>Total Consolidated</b>
Balances at December 31, 2018	<u>53,221</u>	<u>3,156</u>	<u>184</u>	<u>13,376</u>	<u>69,937</u>
Addition due to acquisition of subsidiary	1,741	8	-	-	1,749
Goodwill due to acquisition of subsidiary	-	-	-	88,011	88,011
Acquisition	1,016	-	2,294	-	3,310
Reclassification	-	-	(334)	-	(334)
Balances at December 31, 2019	<u>55,977</u>	<u>3,164</u>	<u>2,145</u>	<u>101,387</u>	<u>162,673</u>
Acquisition	1,047	-	4,609	-	5,656
Disposals	(5)	-	-	-	(5)
Transfer	1,661	-	(1,661)	-	-
Balances at December 31, 2020	<u>58,681</u>	<u>3,164</u>	<u>5,093</u>	<u>101,387</u>	<u>168,324</u>
<b>Accumulated amortization</b>					
Balances at December 31, 2018	<u>(30,833)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(35,943)</u>
Addition due to acquisition of subsidiary	(1,116)	-	-	-	(1,116)
Amortization	(4,415)	-	-	-	(4,415)
Adjustment for PIS and COFINS credits	(436)	-	-	-	(436)
Balances at December 31, 2019	<u>(36,800)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(41,910)</u>
Amortization	(4,484)	-	-	-	(4,484)
Disposals	5	-	-	-	5
Adjustment for PIS and COFINS credits	(439)	-	-	-	(439)
Balances at December 31, 2020	<u>(41,718)</u>	<u>(878)</u>	<u>-</u>	<u>(4,232)</u>	<u>(46,828)</u>
Annual amortization rates - %	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Intangible assets, net</b>					
Balance at December 31, 2019	19,177	2,286	2,145	97,155	120,763
Balances at December 31, 2020	16,962	2,286	5,093	97,155	121,497

**a. Impairment loss on goodwill**

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

The recoverable amount of this asset was determined according to the same assumptions described in note 13 and Management concluded that no provision for impairment of this asset is required.

**b. Goodwill**

The goodwill arising from the merger of Solaris Participações presented in the consolidated financial statements is initially measured as the excess of the consideration transferred over the net assets acquired (net identifiable assets acquired and liabilities assumed). Subsequent to

initial recognition, in the amount of R\$ 88,011, goodwill, which has indefinite useful life, is measured at cost, less any accumulated impairment losses.

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

Goodwill was tested at December 31, 2020 and, as its recoverable amount was greater than its carrying amount, no provision for impairment was necessary.

This goodwill was generated in the exchange of shares upon acquisition of Solaris, and Management, together with its legal counsel, decided not to consider it deductible for income tax and social contribution.

## 15 Suppliers

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Domestic suppliers - Third parties	22,979	15,885	27,493	23,329
Foreign suppliers - Third parties	665	504	2,794	3,341
	<u>23,644</u>	<u>16,389</u>	<u>30,286</u>	<u>26,670</u>

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

## 16 Borrowings and financing

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

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

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Current	-	1,940	4,547	6,543
Noncurrent	-	605	-	3,671
	<u>-</u>	<u>2,545</u>	<u>4,547</u>	<u>10,214</u>

The financial institutions with which the Company has borrowing and financing agreements as of December 31, 2020 are as follows:

<b>Company</b>	<b>Financial institutions</b>
Solaris Equipamentos	Banco do Brasil
Solaris Equipamentos	Banco ABC

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

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

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

The installments to fall due at the end of the year ended December 31, 2020 are shown below:

	<u>Parent Company</u>	<u>Consolidated</u>
2021	-	4,547
	-	4,547

## 17 Debentures

Description	Series	Issued amount	Beginning	Maturity	Finance charges	<u>Parent Company</u>		<u>Consolidated</u>	
						12/31/2020	12/31/2019	12/31/2020	12/31/2019
1st issue – Solaris Equipamentos (i)	Single	80,000	March 2014	February 2022	100% of CDI + 4%	-	-	21,630	24,976
2nd issue - Mills (ii)	2nd series	109,060	August 2012	August 2020	IPCA + 7.00 p.a.	-	56,428	-	56,428
Issue cost						-	(61)	-	(61)
						-	56,367	21,630	56,367
4th issue - Mills (iii)	Single	100,000	March 2020	March 2025	CDI + 2.35%	100,318	-	100,318	-
Issue cost						(1,727)	-	(1,727)	-
						98,591	-	98,591	-
5th issue - Mills (ii)	Single	84,000	Dec/20	Oct/24	CDI + 4.25%	84,242	-	84,242	-
Issue cost						(1,349)	-	(1,349)	-
						82,893	-	82,893	-
Total Parent Company						181,484	56,367	-	-
Total Consolidated						-	-	203,114	81,343
Current						40,124	56,367	57,829	77,417

Noncurrent	141,360	-	145,285	3,926
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**(i) 1st issue of debentures (subsidiary – Solaris Equipamentos)**

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

At the Debenture Holders Meeting held on April 17, 2020, the debenture holders decided to enter into an amendment to the “Private Indenture of First Issue of Simple Debentures, Nonconvertible, Unsecured, in a Single Series, with Additional Guarantee, for Public Distribution, with Restricted Placement Efforts, of Solaris Equipamentos e Serviços S.A.”, of March 19, 2014, as amended between the Company, as issuer of the Debentures, and the Trustee, representing the communion of Debenture Holders, in order, mainly, to include a twelve-month grace period for the repayment of principal as from April 2020, maturing on February 20, 2022, also establishing a new remuneration surcharge of 5%. In the years ended December 31, 2020 and December 31, 2019, the Subsidiary has outstanding guarantees contracted in the amount of R\$ 32,466.

*Covenants*

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

(1) Maintenance of the financial ratio within the limit below established on the dates of its respective annual calculation.

(2) The ratio obtained by the division of Net Debt by EBITDA should not be greater than or equal to 2.5 in the years ended December 31, 2019 and 2020 (including), through the maturity date.

Therefore, for the year ended December 31, 2020 the Parent Company achieved all covenants to which it was subject.

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

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

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

*Covenants*

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

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

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

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

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

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

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

***Covenants***

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

- (1) Financial ratio resulting from the quotient of dividing the Net Debt (i) by EBITDA (iv), should be equal to or less than 2;
  - (2) For purposes of calculating the Fourth Issue covenants, calculations will be made disregarding the effects of IFRS 16.
- (iv) "Net Debt" means, based on the Company's immediately preceding consolidated financial statements, (a) the sum of the Company's onerous debts, on a consolidated basis, to companies, including borrowings from third parties and/or related parties and issue of fixed-income securities, whether convertible or not, in the local and/or international capital markets, as well as guarantees provided by the Company, excluding debts arising from tax installment payments; (b) less the sum of the Company's cash and cash equivalents (cash and short-term investments), on a consolidated basis;
- (v) "Net Financial Expenses" mean, based on the Company's four immediately preceding consolidated financial statements, the balance of the difference between the consolidated gross financial income and the consolidated gross financial expenses;

- (vi) “OCF” means, based on the Company’s four immediately preceding consolidated financial statements, net cash generated by operating activities less interest and net inflation gains and losses, acquisitions of rental PP&E items and interest paid; and
- (vii) “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 financial and non-operating results, depreciation and amortization, and nonrecurring income and expenses.

Considering non-recurring expenses for the purpose of determining adjusted EBITDA, at the end of the year ended December 31, 2020, all original covenants have been met.

(iv) ***5th issue of debentures (Parent Company - Mills)***

The Company’s Board of Directors approved, on September 15, 2020, the issue of debentures, which were part of a public offering, with restricted placement efforts, under the terms of CVM Instruction 476 of January 16, 2009, as effective (“CVM Instruction 476” and “Offering”, respectively), through the “Private Indenture of Fifth Issue of Simple Debentures, Nonconvertible, Secured, in a Single Series, for Public Distribution, with Restricted Placement Efforts, of Mills Estruturas e Serviços de Engenharia S.A.” (“Issuance Indenture”) as well as: (a) collateral assignment of machinery, equipment and chattels (“Machinery and Equipment” and “Collateral Assignment”), under the terms of the “Agreement for Collateral Assignment of Machinery and Equipment and other Covenants”, entered into by the Company and the Trustee (“Collateral Assignment Agreement”); and (b) secured assignment of any and all credit rights arising from the restricted account, held by the Company before the Depositary Bank (as defined below), as well as any and all amounts related to the allowed investments, which were defined in the Secured Assignment Agreement (also defined below) (“Conditional Assignment” and, together with the Secured Assignment, “Collaterals”), pursuant to the “Agreement for Secured Assignment of Credit Rights and Restricted Account and Other Covenants”, entered into by the Company and the Trustee (“Secured Assignment Agreement” and, together with the Collateral Assignment Agreement, “Guarantee Agreements”, which, together with the minutes of the Board of Directors Meeting, the Issuance Indenture and the Deposit Agreement, were referred to as “Transaction Documents”.

On December 4, 2020, the Board of Directors met to rectify and ratify the approval of the 5th issue of simple debentures, nonconvertible, secured, in a single series, in the total amount of R\$84,000,000.00. The Issue was comprised of 84,000,000 Debentures with the unit value of R\$ 1.00, totaling R\$ 84,000,000.00, with the respective guarantees provided in the Issue documents, which were offered with restricted placement efforts, under the terms of CVM Instruction 476 of January 16, 2009, as effective (“Restricted Offer”). The principal will be amortized quarterly, with interest corresponding to the CDI rate plus +4.25% per year.

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

**Covenants:**

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

- 1) The financial ratio resulting from the quotient of dividing Net Financial Debt by EBITDA must be equal to or less than 3x (3 times) and Short-Term Net Debt by EBITDA should be equal to or less than 0.75x.
  - 2) For purposes of calculating the Fourth Issue covenants, calculations will be made disregarding the effects of IFRS 16.
- (i) “Net Debt” means, based on the Company’s immediately preceding consolidated financial statements, (a) the sum of the Company’s onerous debts, on a consolidated basis, to companies, including borrowings from third parties and/or related parties and issue of fixed-income securities, whether convertible or not, in the local and/or international capital markets, as well as guarantees provided by the Company, excluding debts arising from tax installment payments; (b) less the sum of the Company’s cash and cash equivalents (cash and short-term investments), on a consolidated basis;
- (ii) “Net Financial Expenses” mean, based on the Company’s four immediately preceding consolidated financial statements, the balance of the difference between the consolidated gross financial income and the consolidated gross financial expenses;
- (iii) “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 financial and non-operating results, depreciation and amortization, and nonrecurring income and expenses.

Considering non-recurring expenses for the purpose of determining adjusted EBITDA, at the end of the period ended December 31, 2020, all original covenants have been met.

In the year ended December 31, 2020 the Company has outstanding guarantees contracted in the amount of R\$ 202,273.

As at December 31, 2020, the balances of debentures including transaction costs are R\$ 58,596 in current liabilities and R\$ 147,595 in noncurrent liabilities. The net amounts of transaction costs are, respectively, R\$ 57,829 and R\$ 145,285 (as at December 31, 2019, the gross balance of debentures is R\$ 72,060 in current liabilities and R\$ 9,814 in noncurrent liabilities, and R\$ 71,976 and R\$ 9,814 net of transaction costs).

## 18 Leases

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

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

During the year ended December 31, 2020, the Company and its subsidiaries obtained one-off discounts in the rents of its branches and adopted the practical expedient, according to changes included in CPC 06 (R2) - Leases, approved by CVM Resolution 859, in which the lessee may choose not to evaluate the rental discounts obtained related to Covid-19 as a modification of the lease.

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

The movement in the right-of-use asset and lease liability during the year ended December 31, 2020 was as follows:

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

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>Right-of-use</b>				
<b>Vehicles</b>				
Balance at January 1	1,831	-	3,959	-
Initial adoption	-	3,649	-	6,211
Remeasurement (*)	-	43	-	(1,158)
			8,975	
Additions/updating of agreements	8,975	500		2,613
	(1,515)		(1,553)	
Write-offs		(118)		(123)
	(2,173)		(4,263)	
Accumulated depreciation		(2,242)		(3,583)
	7,118		7,118	
Net PP&E		1,831		3,959



	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
<b>Properties</b>				
Balance at January 1	49,250	54,137	52,867	60,458
Remeasurement (*)	-	5,539	(484)	7,358
Additions/updating of agreements	6,881	2,214	7,321	2,521
Write-offs	(773)	(1,783)	(1,107)	(2,391)
Accumulated depreciation	<u>(10,903)</u>	<u>(10,858)</u>	<u>(13,313)</u>	<u>(15,079)</u>
Net PP&E	44,455	49,250	45,284	52,867

**d. Movement in lease – Liabilities**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
<b>Lease liabilities</b>				
<b>Vehicles</b>				
Balance at January 1	1,890	3,649	3,746	6,211
Remeasurement (*)	-	43	69	(1,158)
Updating of agreements	8,975	500	8,975	1,914
Write-offs	(1,516)	(118)	(1,554)	(118)
Payments	(2,340)	(2,396)	(3,737)	(3,946)
Finance charges	<u>134</u>	<u>212</u>	<u>(356)</u>	<u>842</u>
Leases payable - Vehicles	7,143	1,890	7,143	3,745
<b>Properties</b>				
Balance at January 1	51,286	54,137	54,908	60,458
Remeasurement (*)	-	5,539	(484)	7,358
Updating of agreements	6,881	2,214	7,321	2,521
Write-offs	(773)	(1,770)	(1,105)	(2,391)
Payments	(13,452)	(13,958)	(16,144)	(18,512)
Finance charges	<u>4,530</u>	<u>5,123</u>	<u>4,690</u>	<u>5,474</u>
Leases payable – Properties	48,472	51,286	49,187	54,908
Total leases payable	55,615	53,176	56,330	58,653

Current	14,359	12,053	15,074	15,171
Noncurrent	41,256	41,123	41,256	43,484

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

**e. Contractual flows by terms and discount rates**

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

Agreement terms	Rate p.a.	
	Properties	Vehicles
2020	7.90%	7.90%
2021	8.02%	8.02%
2022	8.62%	8.62%
2023	9.04%	-
2024	9.42%	-
2025	9.63%	-
2026	9.81%	-
2029	10.07%	-

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

Payment terms	Projected inflation (*)	Parent Company		Consolidated	
		Properties	Vehicles	Properties	Vehicles
2020	3.04%	-	-	-	-
		14,735	2,849	15,450	2,849
2021	3.44%	12,923		12,923	2,756
2022	4.08%	9,539	2,756	9,539	2,472
			2,472		
2023	4.23%	8,366		8,366	-
2024	4.43%	14,037	-	14,037	-
2025 to 2027	4.56%		-		-
2028 to 2029	4.69%	3,081	-	3,081	-
Nominal rate flow		62,681	8,077	63,396	8,077
Implicit finance charges		14,210	934	14,210	934
Actual rate flow		48,471	7,143	49,186	7,143

Current	11,834	2,525	12,549	2,525
Noncurrent	36,637	4,618	36,637	4,618

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

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

	Tax rate	Parent Company		Consolidated	
		Nominal	Present value	Nominal	Present value
Consideration	-	70,095	54,951	70,810	55,666
Potential PIS/COFINS	9.25%	6,484	5,083	6,550	5,149

## 19 Related parties

### a. Transactions and balances

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

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

### b. Management compensation

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

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2019	12/31/2019
Salaries and payroll charges - officers	9,712	6,135	10,530	7,525
Fees paid to Board of Directors members	4,146	3,604	4,146	3,604
Profit sharing	1,881	1,712	2,977	1,712
Share-based payments	6,068	273	6,068	273
	21,807	11,724	23,721	13,114

### c. Related-party transactions

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

		12/31/2020			
Company	Nature	Trade receivables	Trade payables	Sublease income	Sublease expense
Solaris Equipment	Sublease of equipment	6,410	390	19,030	17,301
		12/31/2019			
Company	Nature	Trade receivables	Trade payables	Sublease income	Sublease expense
Solaris Equipment	Sublease of equipment	1,451	2,893	1,725	3,446

## 20 Employee benefits

### a. Post-employment benefits

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

The amounts related to these benefits were calculated based on a valuation prepared by an independent actuary as at December 31, 2020, and are recognized in the financial statements in accordance with IAS 19 (CPC 32 R1).

		Parent Company and Consolidated (*)	
		12/31/2020	12/31/2019
Post-employment benefit		11,868	12,646

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

The key actuarial assumptions are as follows:

### *Economic and financial assumptions*

	2020
Discount rate	7.43% p.a. (actual 3.80% p.a.)
Health Care Cost Trend Rate (HCCTR)	6.61% p.a. (actual 3.00% p.a.)
Aging Factor	3.00% p.a.
Long-term inflation rate	3.50% p.a.

### *Biometric and demographic assumptions*

	2020
Turnover rate (*)	85% / (ST+1)

General mortality table	AT-2000
Disabled mortality table	IAPB-57
Disability table	Álvaro Vindas
Retirement age	100% at age 60
Likelihood of adherence	10%
Family members before retirement / Likelihood of married individuals	90% of participants
Family members before retirement / Different age for active participants	Men 4 years older than women
Family members after retirement	Actual family members

(\*) ST = service time

### ***Sensitivity analysis***

The significant actuarial assumptions for determining the provision for post-employment benefits are: healthcare costs and discount rate. The sensitivity analyses as at December 31, 2020 shown below were determined based on reasonably possible changes in the respective assumptions, occurred at the end of the reporting period, with all other assumptions held constant:

Assumption	Change in assumption	Decrease in liability	Change in assumption	Increase in liability
Change in pension benefit obligation (PBO) - HCCTR	increase of 1.0 p.p.	2,389		1,889
Change in expense - HCCTR	increase of 1.0 p.p.	212	decrease of 1.0 p.p.	165
Change in pension benefit obligation (PBO) - Discount rate	increase of 0.5 p.p.	987	decrease of 0.5 p.p.	1,120
Change in expense - Discount rate	increase of 0.5 p.p.	33	decrease of 0.5 p.p.	34

### **b. Inherent risks in post-employment benefits**

The inherent risks in post-employment benefits are: (i) Interest rate risk: to calculate the present value of the post-employment plan liability, a long-term interest rate is used. A decrease in this interest rate will increase the related liability;  
and (ii) Healthcare costs risk: the present value of the liability is calculated using as reference the healthcare cost by age based on the actual healthcare costs, projected based on the growth rate of healthcare services. An actual increase in the healthcare cost will increase the related liability.

### **c. Special Event**

In September 2019, the Company decided to discontinue the fixed contribution charge of its employees who are holders of shares, such action freezes the contribution period of its employees at that date, generating a gain for the Company.

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

Share options in thousands						
Plans	Grant date	Final exercise date	Share options granted	Share options exercised	Share options canceled	Outstanding share options
2010 Program	05/31/10	05/31/16	1,475	(1,369)	(106)	-
2011 Program	04/16/11	04/16/17	1,184	(597)	(587)	-
2012 Program	06/30/12	05/31/18	1,258	(402)	(856)	-
2013 Program	04/30/13	04/30/19	768	(91)	(677)	-
2014 Program	04/30/14	04/30/20	260	-	(260)	-
2016 Program	04/28/16	04/28/24	1,700	(311)	(831)	558

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

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

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

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

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

	12/31/2020	12/31/2019
2002 Plan:		
Capital reserve	1,446	1,446
Number of shares exercised (thousands)	3,920	3,920
Top Mills, Special CEO and ex-CEO Plans:		
Capital reserve	1,148	1,148
Number of shares exercised (thousands)	1,055	1,055

	<b>12/31/2020</b>	<b>12/31/2019</b>
Mills Rental Executive Plan:		
Capital reserve	4,007	4,007
Number of shares exercised (thousands)	<u>391</u>	<u>391</u>
2010 Plan:		
Capital reserve	5,693	5,693
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	1,369	1,369
Number of shares canceled (thousands)	<u>106</u>	<u>106</u>
2011 Program (2010 Plan):		
Capital reserve	7,329	7,329
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	597	597
Number of shares canceled (thousands)	<u>587</u>	<u>587</u>
2012 Program (2010 Plan):		
Capital reserve	14,162	14,162
Number of exercisable options (thousands)	-	-
Number of shares exercised (thousands)	402	402
Number of shares canceled (thousands)	<u>856</u>	<u>856</u>
2013 Program (2010 Plan):		
Capital reserve	11,900	11,900
Number of exercisable options (thousands)	-	513
Number of shares exercised (thousands)	91	91
Number of shares canceled (thousands)	<u>677</u>	<u>164</u>
2014 Program (2010 Plan):		
Capital reserve	4,701	4,701
Number of exercisable options (thousands)	-	158
Number of shares exercised (thousands)	-	-
Number of shares canceled (thousands)	<u>260</u>	<u>102</u>
2016 Program:		
Capital reserve	2,520	2,111
Number of exercisable options (thousands)	558	649
Number of shares exercised (thousands)	311	220
Number of shares canceled (thousands)	<u>831</u>	<u>831</u>
Total recognized as equity (twelve-month period)	<u>52,906</u>	<u>52,497</u>
Profit (loss) effect	<u>409</u>	<u>412</u>

As of December 31, 2020, the capital reserve balances attributable to the stock option plans already closed until 2014 were transferred to retained earnings in the amount of R\$ 4,691.

#### **d. Restricted shares incentive program**

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

Plans	Grant date	Final exercise date	Shares in thousands			
			Share options granted	Shares options exercised	Shares options canceled	Share options
2018 Program	11/19/18	11/18/21	868	590	278	-
2019 Program	08/14/19	12/31/21	858	-	-	858
2020 Program	10/14/20	12/31/22	566	-	-	566

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

At the Board of Directors meeting held on October 14, 2020, the Company approved the restricted stock granting to the beneficiaries of the Company's 2020 Restricted Stock Incentive Program ("2020 Restricted Stock Program"), within the scope of the Company's Restricted Stock Incentive Plan ("Restricted Stock Plan"), approved by the Company's Extraordinary General Meeting held on July 18, 2018.

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

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

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

Program	Weighted average fair value by share - R\$	Weighted average price of the share at the grant date - R\$	Strike price at the grant date - R\$	Volatility at the grant date	Dividend yield at the grant date	Annual risk free interest rate at the grant date	Maximum strike period at the grant date
2020	6.11	6.12	0.00	75.89%	0.00%	0.58%	27 months



	12/31/2020	12/31/2019
2018 Plan:		
Capital reserve	-	2,759
Number of exercisable options (thousands)	-	868
Number of shares exercised (thousands)	590	-
Number of shares canceled (thousands)	278	-
2019 Plan:		
Capital reserve	3,744	1,101
Number of exercisable options (thousands)	858	858
Number of shares canceled (thousands)	-	-
2020 Plan:		
Capital reserve	386	-
Number of exercisable options (thousands)	566	-
Number of shares canceled (thousands)	-	-
Total recognized as equity (twelve-month period)	4,130	3,860
Profit (loss) effect	3,028	3,783

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

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

**e. Profit sharing program**

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

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

As at December 31, 2020, the liability amount is R\$ 5,865 in the parent company and R\$ 7,226 in the consolidated (R\$ 5,986 and R\$ 8,840, respectively, as at December 31, 2019).

## 21 Income tax and social contribution

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

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Loss for the year before income tax and social contribution	(1,563)	(64,355)	2,594	(57,044)
Statutory income and social contribution tax rate	34%	34%	34%	34%
Income and social contribution taxes at statutory rate	531	21,881	(882)	19,395
Nondeductible provisions (*) and permanent differences	(3,826)	(1,177)	(6,459)	(655)
Lease disallowance adjustments (**)	-	(4,536)	-	(4,536)
Share of profit (loss) of subsidiaries	111	3,207	-	(2,092)
Others	-	-	-	(48)
Total current and deferred income and social contribution taxes	<u>(3,184)</u>	<u>19,375</u>	<u>(7,341)</u>	<u>12,064</u>
Effective rate	-204%	30%	283%	21%

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

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

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

Description	Parent Company			Consolidated		
	12/31/2019	Additions	Write-offs	12/31/2020	12/31/2019	12/31/2020
GP Andaimes Sul Locadora goodwill	(672)	-	-	(672)	(672)	(672)
Jahu goodwill	(2,437)	-	-	(2,437)	(2,437)	(2,437)
Adjustment IFRS 9 – Cash and cash equivalents	(30)	-	-	(30)	(30)	(30)
Finance leases	2,543	-	(1,113)	1,430	(11,422)	(4,438)
Adjustment for inflation of judicial deposits	(1,900)	3	-	(1,897)	(1,900)	(1,897)
Debentures	(21)	(1,166)	142	(1,045)	(21)	(1,045)
Accelerated depreciation	(2,259)	-	754	(1,505)	(2,595)	(1,873)
Property, plant and equipment hedge	(288)	-	130	(158)	(288)	(158)
Exchange gain - accrual basis	(516)	(254)	-	(770)	(516)	(770)
SCG III goodwill	-	-	-	-	4,194	2,424
Fair value adjustment (Rohr)	3,612	-	-	3,612	3,612	3,612
Adjustment IFRS 9 – Cash and cash equivalents (initial adoption)	36	-	-	36	36	36
ECL adjustment on initial adoption of CPC 48/IFRS 9	588	-	-	588	1,219	1,219
IFRS 16 Leases	706	430	-	1,136	660	1,162
Post-employment benefit	771	357	(621)	507	771	507
Post-employment benefit (initial adjustment)	3,529	-	-	3,529	3,529	3,529
Bonus payable	875	575	-	1,450	875	1,450
Other provisions	-	-	-	-	1,413	940
Impairment losses	953	49	-	1,002	953	1,003
Impairment allowance (Rohr)	8,906	3,821	-	12,727	8,906	12,727
Tax losses	188,726	-	(1,097)	187,629	267,450	263,019
Provision for profit sharing	2,035	-	(41)	1,994	2,310	2,287
Provision for slow-moving inventories	1,318	337	-	1,655	3,614	2,715
Provision for discounts and cancellations	693	1,438	(1,746)	385	693	385
Allowance for expected credit losses	7,736	54	-	7,790	8,974	9,959
Provision for realization of ICMS tax credit	29	-	(4)	25	29	25
Provision for costs and expenses	162	12	-	174	162	174
Provision for tax, civil and labor risks	6,654	2,359	(2,284)	6,729	8,041	8,523
Stock options	11,292	158	-	11,450	11,292	11,450
Exchange loss	579	216	-	795	579	795
	233,619	8,389	(5,880)	236,128	309,429	314,618

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

The balance of deferred taxes recognized in shareholders' equity for the year ended December 31, 2020 is R\$ 4,442, as follows:

	<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
ECL on initial adoption of CPC 48/IFRS 9	-	588
Cash and cash equivalents initial adoption CPC 48/ IFRS 9	-	36
Fair value adjustment of investment in Rohr	3,821	1,583
Provision for post-employment benefits	621	3,529
<b>Total</b>	<b>4,442</b>	<b>5,736</b>

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

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

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

The actions aiming at generating taxable profit are those already in course through the implementation of the commercial strategy focused on the recovery of price, extended market

coverage with the diversification of the customer base and increase in profitability, in the Rental business unit, and focus on the adjustment of products and efforts to markets where the Company always had a higher differential: larger and higher complexity works, in the Construction business unit.

The expected realization of the deferred income and social contribution taxes as at December 31, 2020 is as follows:

Deferred IR and CSLL assets	Parent Company	Consolidated
2021	1,911	5,400
2022	29,479	31,511
2023	38,536	42,933
2024 and 2025	101,585	119,558
2026 to 2027	64,617	95,686
2028 to 2029	-	19,530
Total	236,128	314,618

## 22 Provisions for tax, civil and labor risks and judicial deposits

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

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

The Company does not have any contingent assets recognized.

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

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tax (i)	127	5,030	457	5,030
Civil (2)	1,231	1,547	2,021	2,311
Labor (3)	11,411	10,489	15,569	13,804
Success fees (4)	2,367	2,503	2,367	2,503
	15,137	19,569	20,414	23,648

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

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Balance at January 1	19,569	25,142	23,648	25,142
Solaris Equipamentos acquisition adjustment through April/2019	-	-	-	4,795
Provision	3,861	4,107	5,921	5,599
Adjustment for inflation	1,816	1,988	1,816	1,988
Reversals/write-off	(10,109)	(11,668)	(10,971)	(13,876)
	<u>15,137</u>	<u>19,569</u>	<u>20,414</u>	<u>23,648</u>

**a. Breakdown of judicial deposits**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/20</b>	<b>12/31/2019</b>	<b>12/31/20</b>	<b>12/31/2019</b>
Tax (i)	4,089	8,734	4,129	8,771
Labor (ii)	3,349	3,448	3,477	3,591
Civil (iii)	-	-	66	101
	<u>7,438</u>	<u>12,182</u>	<u>7,672</u>	<u>12,463</u>

- (ii) As at December 31, 2020, the composition of judicial deposits of a tax nature totaled R\$ 4,089. The reconciliation of this amount basically refers to the matter presented below under tax contingencies item “i”, (sub item “a”), and to the survey of the filing of writ of mandamus 2004.51.01.004267-5 referring to PIS and COFINS rates, amounting to a reversal of R\$ 4,661 in the balance recorded in 2019, which, due to an unfavorable decision to the Company, these deposits were converted into a definitive payment in favor of the Federal Government.
- (iii) Judicial deposits are linked to lawsuits in which the Company is defendant in several labor claims. Most of the lawsuits involve claims for compensation resulting from occupational diseases, overtime, hazardous duty and equal pay.
- (iv) Judicial deposits related to a lawsuit for property damages and pain and suffering for which the Company is the defendant.

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Tax (i)	61,715	63,929	80,198	76,818
Civil (ii)	4,928	13,152	5,367	13,596
Labor (iii)	9,502	11,332	10,368	12,480
	<u>76,145</u>	<u>88,413</u>	<u>95,933</u>	<u>102,894</u>

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

- (a) Tax Assessment Notice of ICMS (State VAT) received by subsidiary Sullair, of approximately R\$ 59,000 of principal which amounts to R\$ 200,000 including fine and interest. In summary, this tax assessment notice challenges the payment of ICMS levied on the transportation of rental assets in 2012 and 2013. After administrative defense, the possible loss amount was reduced to R\$ 4,391, as it was recognized that most of the assets included in the Tax Assessment Notice were for lease and not for inventories and that no ICMS tax is levied on the transaction. The other lawsuits refer basically to collection proceedings of tax credits overdue, INSS offsets on termination amounts paid and motions against the tax collection proceeding filed by the Federal Government, for the collection of differences of COFINS and tax credits arising from the increase in tax rate from 1% to 3%.
- (b) Disallowance of allegedly nondeductible expenses, included in PIS and COFINS, by the Brazilian Federal Revenue Service, involving former Mills Formas, due to agreements entered into with various customers, under which Mills Formas was responsible for carrying out the services that were previously carried out by the employees of the former Mills do Brasil;
- (c) Assessment of deficiency by the Finance Department of the State of Rio de Janeiro consisting of ICMS and fine allegedly due on transfers of goods without the payment of the related tax.
- (d) Non-recognition by the INSS (National Institute of Social Security) of the possibility of offsetting payments improperly made as social security contribution, based on the method established by Law 9,711/98;
- (e) Imposition by the Brazilian Federal Revenue of fine allegedly due on installment payment of credits derived from voluntary reporting;
- (f) Assessment by the Brazilian Federal Revenue Service of alleged deficiency in Tax on Profit (ILL), judged unconstitutional by the STF (Federal Supreme Court).
- (g) Non-approval of the credits of the negative balance compensation statements originated from the rectification of the DIPJ for the calendar year 2012. The Brazilian Federal Revenue Service considered these compensation statements not declared, according to article 74, paragraph 3, item VI of Law 9,430/96. The Company filed for a writ of mandamus seeking to guarantee its net and certain right to have the compensation statements analyzed, since these do not fit into any of the legal assumptions alleged by the Brazilian Federal Revenue Service.

**(ii) Civil**

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

- (a) The change was mainly caused by the change in the likelihood of loss from remote to possible, related to a lawsuit for pain and suffering and property damages.

**(iii) Labor**

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

## 23 Taxes payable

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
IRPJ/CSLL (income tax and social contribution)	1,920	-	2,917	278
IRRF (withholding income tax) (*)	6,037	943	6,045	955
PIS and COFINS (taxes on revenue) (*)	7,307	5,564	7,307	7,168
Deferred PIS and COFINS	-	-	-	588
INSS (Social Security Contribution)	50	-	52	31
ICMS (State VAT)	723	198	724	328
ISS (Service Tax)	101	178	115	234
Others	415	407	444	455
	<u>16,553</u>	<u>7,290</u>	<u>17,604</u>	<u>10,037</u>
Current	6,205	7,290	7,256	9,397
Noncurrent	10,348	-	10,348	640

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

## 24 Tax debt refinancing program (REFIS)

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

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

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



- (iv) INSS - Additional Occupational Accident Insurance (SAT) contribution. INSS - Additional Occupational Accident Insurance (SAT) contribution.

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

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

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

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

- (d) At the preliminary stage of consolidation of debts for installment payment, on June 30, 2010, the Company decided to include an INSS debt considering the change of the likelihood of a favorable outcome from probable to remote, according to the opinion of its outside legal counsel.

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

- (e) Still in the stage of consolidation of debts in June 2011, the Company identified that five debts, two relating to COFINS and three to CSLL, had not been made available at the RFB website for consolidation purposes.

	Balance at December 31, 2019	Write-offs	Additions	Inflation adjustment SELIC	Balance at December 31, 2020
PIS	1,100	(339)	-	122	881
COFINS	3,424	(1,057)	-	376	2,743
IRPJ	1,406	(434)	-	154	1,126
CSLL	132	(40)	-	15	106
INSS (Social Security Contribution)	494	(202)	-	51	343
	<u>6,556</u>	<u>(2,072)</u>	<u>-</u>	<u>715</u>	<u>5,199</u>
Current	1,434	-	-	-	1,456
Noncurrent	5,122	-	-	-	3,743

## 25 Equity

### a. Share capital

The Company's fully subscribed and paid-in capital as at December 31, 2020 is R\$ 1,089,642

(R\$ 1,089,379 as at December 31, 2019), comprising 251,954 thousand (251,866 thousand as at December 31, 2019) registered ordinary shares without par value. Each ordinary share entitles to one vote in the shareholders' meetings.

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

Shareholders	12/31/2020		12/31/2019	
	Number of shares (in thousands)	Percentage	Number of shares (in thousands)	Percentage
Andres Cristian Nacht (1)	13,657	5.42%	13,817	5.49%
Snow Petrel LLC	23,677	9.40%	23,677	9.40%
Other signatories of the Company shareholders agreement (4)	22,957	9.11%	23,044	9.15%
Nacht Family (total)	60,290	23.93%	60,538	24.04%
SCG III Fundo de Investimento em Participações (6)	51,556	20.46%	51,556	20.47%
Sullair Argentina S.A. (5)	22,096	8.77%	22,096	8.77%
Fundo de Investimento em participações Axxon				
Brazil Private Equity Fund II (2)	12,294	4.88%	12,294	4.88%
Fama Investimentos Ltda. (3)	9,123	3.62%	9,123	3.62%
Others	96,594	38.34%	96,259	38.22%
	<u>251,954</u>	<u>100.00%</u>	<u>251,866</u>	<u>100.00%</u>

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

## **b. Earnings reserves**

### **b.1 Legal reserve**

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

### **b.2 Retained earnings**

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

**c. Capital reserve**

The capital reserve is set up through a stock option premium reserve amounting to R\$ 57,036 as at December 31, 2020, relating to stock option plans for employees and long-term incentive programs for restricted shares (R\$ 56,357 as at December 31, 2019)

**d. Cost with issuance of shares**

The costs with issuance of shares represent the transaction costs incurred in capital funding in the amount of R\$ 18,448 as at December 31, 2020 and 2019.

**e. Treasury shares**

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

## **26 Earnings per share**

**a. Basic**

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

	<b>Parent Company and Consolidated *</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Loss attributable to owners of the Company	(4,747)	(44,980)
Weighted average number of ordinary shares issued (thousands)	207,493	198,678
Basic loss per share from continuing operations	(0.02)	(0.23)

**b. Diluted**

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

	<b>Parent Company and Consolidated *</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Loss attributable to owners of the Company	(4,747)	(44,980)
Weighted average number of ordinary shares issued (thousands)	207,493	198,678
Diluted earnings (loss) per share from continuing operations	(0.02)	(0.23)

(\*) The stock options did not influence the calculation above as at December 31, 2020 and December 31, 2019 because the potential ordinary shares are antidilutive.

## 27 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:

	<b>Parent Company</b>		<b>Consolidated (*)</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Rentals	397,472	291,702	498,759	428,584
Sales of new equipment	11,010	14,778	22,525	26,243
Sales of semi new equipment	21,023	9,321	32,502	16,917
Sales of semi new equipment (others)	1,752	12,178	1,875	12,189
Technical assistance	4,191	8,069	9,942	8,052
Indemnities	13,329	11,770	13,329	11,770
Others (i)	8,669	6,622	10,109	6,622
Total gross revenue	457,446	354,440	589,041	510,377
Taxes on sales and services	(39,433)	(31,324)	(51,885)	(46,975)
Cancelations and discounts	(17,874)	(17,586)	(30,817)	(23,937)
	400,139	305,530	506,339	439,465

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

## **28 Cost of sales and services and sales, general and administrative expenses (by nature)**

Cost of sales and services consist mainly of expenses on

- (i) Personnel for supervising the works, technical assistance, assembly, handling, maintenance of equipment and designers;
- (ii) Freight for equipment transportation, when the responsibility lies with the Company, and for equipment transfer;
- (iii) Rental of third parties' equipment;
- (iv) Expenses directly related to warehouse management, storage, handling and maintenance of rental and resale assets, comprising expenses on personal protective equipment (PPE) used in operating activities (handling, storage and maintenance), inputs (gas of pilers, gases for welding, wood, paints, among others) and maintenance of machinery and equipment (pilers, welding machines, hydroblasting equipment, carving equipment and tools in general);
- (v) Provision for slow-moving inventories and provision for impairment, according to explanatory notes 7 and 10, respectively;

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

**Parent Company**

Nature	2020			2019		
	Direct project and rental costs	General and administrative and other expenses	Total	Direct project and rental costs	General and administrative and other expenses	Total
Personnel	(45,755)	(62,605)	(108,359)	(43,939)	(52,238)	(96,177)
Third parties	(1,807)	(24,910)	(26,716)	(2,399)	(26,559)	(28,958)
Freight	(12,537)	(1,690)	(14,227)	(9,885)	(1,083)	(10,968)
Construction/maintenance and repairs	(54,971)	(4,459)	(59,430)	(36,037)	(3,731)	(39,768)
Equipment rental and others	(18,357)	(1,320)	(19,677)	(3,760)	(1,149)	(4,909)
Travel	(3,308)	(2,539)	(5,847)	(4,028)	(3,294)	(7,322)
Cost of sales	(6,549)	-	(6,549)	(8,488)	-	(8,488)
Depreciation/amortization	(99,586)	(23,127)	(122,713)	(103,967)	(23,168)	(127,135)
Write-off of assets	(18,061)	487	(17,574)	(5,943)	(3,142)	(9,085)
Cost of sales of used assets - others	(643)	-	(643)	(5,892)	-	(5,892)
Stock option	-	(3,437)	(3,437)	-	(4,195)	(4,195)
Provisions	-	(877)	(877)	-	(2,075)	(2,075)
Provision for profit sharing	-	(5,735)	(5,735)	-	(4,555)	(4,555)
Others	(890)	(614)	(1,504)	4,339	(13,495)	(9,156)
	<u>(262,464)</u>	<u>(130,826)</u>	<u>(393,290)</u>	<u>(219,999)</u>	<u>(138,684)</u>	<u>(358,683)</u>

**Consolidated**

Nature	2020			2019		
	Direct project and rental costs	General and administrative and other expenses	Total	Direct project and rental costs	General and administrative and other expenses	Total
Personnel	(56,052)	(76,738)	(132,790)	(58,544)	(66,791)	(125,335)
Third parties	(2,261)	(32,584)	(34,845)	(2,889)	(32,721)	(35,610)
Freight	(16,651)	(2,140)	(18,791)	(12,136)	(3,974)	(16,110)
Construction/maintenance and repairs	(70,593)	(6,336)	(76,929)	(53,938)	(5,469)	(59,407)
Equipment rental and others	(670)	(1,741)	(2,411)	(580)	(2,064)	(2,644)
Travel	(4,773)	(3,559)	(8,332)	(5,149)	(4,879)	(10,028)
	(11,712)	-	(11,712)	(14,098)	-	(14,098)
Cost of sales		-	(11,712)	(14,098)	-	(14,098)
Depreciation/amortization	(122,237)	(28,101)	(150,338)	(127,465)	(34,802)	(162,267)
Write-off of assets	(19,999)	487	(19,512)	(6,182)	(3,142)	(9,324)
Cost of sales of semi new equipment - others	(995)	-	(995)	(5,899)	-	(5,899)
Stock option	-	(3,437)	(3,437)	-	(4,195)	(4,195)
Provisions	-	(2,314)	(2,314)	-	(3,175)	(3,175)
Provision for profit sharing	-	(6,576)	(6,576)	-	(9,183)	(9,183)
Others	(977)	(22,220)	(23,192)	4,387	(18,080)	(13,693)
Total	<u>(306,915)</u>	<u>(185,259)</u>	<u>(492,174)</u>	<u>(282,493)</u>	<u>(188,475)</u>	<u>(470,968)</u>

## 29 Finance income and costs

### a. Finance income

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Interest income	2,049	2,082	2,944	3,201
Investment income	4,282	6,513	6,072	7,906
Discounts obtained	358	173	592	203
Exchange and inflation gains	889	816	2,142	2,399
Others	-	-	2,403	208
	<u>7,578</u>	<u>9,584</u>	<u>14,153</u>	<u>13,917</u>

### b. Finance costs

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Interest on borrowings	(981)	(1,422)	(1,418)	(2,299)
Exchange and inflation losses	(2,553)	(2,561)	(6,015)	(4,173)
Interest on debentures	(7,129)	(11,634)	(8,757)	(13,438)
Commissions and bank fees	(309)	(277)	(1,465)	(684)
IOF (tax on financial transactions)	(17)	(12)	(84)	(31)
Lease charges	(4,366)	(5,062)	(4,536)	(4,869)
Others	(1,154)	(1,282)	(2,818)	(2,479)
	<u>(16,509)</u>	<u>(22,250)</u>	<u>(25,093)</u>	<u>(27,973)</u>



## **30 Segment information**

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

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

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

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

### **a. Construction business unit**

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

### **b. Rental business unit**

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

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

**Statement of operations by business segment**

	<b>Construction</b>		<b>Rental</b>		<b>Others (*)</b>		<b>Parent Company</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
	84,095							
Net revenue		81,948	316,044	223,598	-	(16)	400,139	305,530
(-) Costs	(43,814)	(41,541)	(119,104)	(74,491)	-	-	(162,918)	(116,032)
(-) Expenses	(31,513)	(42,484)	(75,544)	(72,523)	(642)	(1,275)	(107,699)	(116,282)
(-) Allowance for expected credit losses	7,549		(7,956)				(407)	
(-) Depreciation and amortization	(47,610)	(4,915)	(3,884)		-	-		(8,799)
		(53,060)	(75,103)	(74,075)	-	-	(122,713)	(127,135)
(+) Other revenues	522		527				1,049	
		858		662	-	75		1,595
(-) Provision for impairment	(151)	-	-	-	-	-	(151)	-
	-		29				28	
(+) Share of profit (loss) of subsidiaries		-		9,434	-	-		9,434
Profit (Loss) before finance income (costs) and taxes	(30,921)	(59,194)	38,932	8,721	(642)	(1,216)	7,368	(51,689)
Finance income	4,192	5,075	3,374	4,415	12	94	7,568	9,584
Finance costs	(7,816)	(11,129)	(8,306)	(10,651)	(387)	(470)	(16,509)	(22,250)
Profit (loss) before IRPJ/CSLL	(34,546)	(65,248)	34,005	2,485	(1,017)	(1,592)	(1,563)	(64,355)
(-) IRPJ/CSLL	11,746	15,449	(15,292)	3,550	362	376	(3,184)	19,375
Profit (loss) for the year	(22,800)	(49,799)	18,708	6,035	(655)	(1,216)	(4,747)	(44,980)

**Mills Estruturas e Serviços  
de Engenharia S.A.**  
*Individual and consolidated financial statements  
as of December 31, 2020*

	<b>Construction</b>		<b>Rental</b>		<b>Others (*)</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Net revenue	84,095	81,948	422,244	357,533	-	(16)	506,338	439,465
(-) Costs	(43,814)	(41,541)	(140,864)	(113,509)	-	-	(184,678)	(155,050)
(-) Expenses	(31,531)	(42,484)	(125,003)	(110,680)	(642)	(1,275)	(157,158)	(154,439)
(-) Allowance for expected credit losses	7,549	(4,915)	(10,696)	(6,559)	-	-	(3,147)	(11,474)
(-) Depreciation and amortization	(47,610)	(53,060)	(102,728)	(109,185)	-	-	(150,338)	(162,245)
(+) Other revenues	522	858	2,145	(179)	-	75	2,667	754
(-) Provision for impairment	(151)	-	-	-	-	-	(151)	-
Profit (Loss) before finance income (costs) and taxes	<u>(30,921)</u>	<u>(59,194)</u>	<u>45,098</u>	<u>17,421</u>	<u>(642)</u>	<u>(1,216)</u>	<u>13,534</u>	<u>(42,989)</u>
Finance income	4,192	5,075	9,949	8,749	12	94	14,153	13,918
Finance costs	(7,816)	(11,129)	(16,890)	(16,374)	(387)	(470)	(25,093)	(27,973)
Profit (loss) before IRPJ/CSLL	(34,546)	(65,248)	38,157	9,796	(1,017)	(1,592)	2,594	(57,044)
(-) IRPJ/CSLL	<u>11,746</u>	<u>15,449</u>	<u>(19,449)</u>	<u>(3,761)</u>	<u>362</u>	<u>376</u>	<u>(7,341)</u>	<u>12,064</u>
Profit (loss) for the year	<u>(22,800)</u>	<u>(49,799)</u>	<u>18,708</u>	<u>6,035</u>	<u>(655)</u>	<u>(1,216)</u>	<u>(4,747)</u>	<u>(44,980)</u>

## Assets by business segment

	<b>Construction</b>		<b>Rental</b>		<b>Others (*)</b>		<b>Parent Company</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Property, plant and equipment								
Acquisition cost	435,022	458,877	1,032,395	718,522	-	-	1,467,417	1,177,399
(-) Accumulated depreciation	<u>(332,826)</u>	<u>(308,260)</u>	<u>(750,011)</u>	<u>(471,348)</u>	<u>-</u>	<u>-</u>	<u>(1,082,837)</u>	<u>(779,608)</u>
	102,196	150,617	282,384	247,174	-	-	384,580	397,791
Other assets	<u>309,925</u>	<u>214,391</u>	<u>710,489</u>	<u>674,178</u>	<u>27,703</u>	<u>26,452</u>	<u>1,048,117</u>	<u>915,021</u>
Total assets	<u>412,121</u>	<u>365,008</u>	<u>992,873</u>	<u>921,352</u>	<u>27,703</u>	<u>26,452</u>	<u>1,432,697</u>	<u>1,312,812</u>

	<b>Construction</b>		<b>Rental</b>		<b>Others (*)</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Property, plant and equipment								
Acquisition cost	435,022	458,877	1,179,144	1,197,367	-	-	1,614,166	1,656,244
(-) Accumulated depreciation	<u>(332,826)</u>	<u>(308,260)</u>	<u>(841,457)</u>	<u>(771,412)</u>	<u>-</u>	<u>-</u>	<u>(1,174,283)</u>	<u>(1,079,672)</u>
	102,196	150,617	337,687	425,955	-	-	439,883	576,572
Other assets	<u>309,925</u>	<u>214,391</u>	<u>697,882</u>	<u>558,481</u>	<u>27,703</u>	<u>26,452</u>	<u>1,035,509</u>	<u>799,323</u>
Total assets	<u>412,121</u>	<u>365,008</u>	<u>1,035,569</u>	<u>984,436</u>	<u>27,703</u>	<u>26,452</u>	<u>1,475,391</u>	<u>1,375,895</u>

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

## 31 Financial instruments

### 31.1 Category of financial instruments

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

			Parent Company carrying amount		Consolidated carrying amount	
	Classification	Level	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets						
Cash and cash equivalents	Fair value through profit or loss	1	285,993	73,656	378,905	124,910
Swap	Fair value through profit or loss	1	-	-	808	43
Rohr Investment	Fair value through other comprehensive income	3	39,341	50,579	39,341	50,579
Accounts receivable from third parties	Amortized cost	-	82,478	68,005	100,374	116,803
Accounts receivable from related parties	Amortized cost	-	6,410	1,451	-	-
Financial liabilities						
Borrowings and financing	Amortized cost	-	-	2,545	4,547	10,214
Debentures	Amortized cost	-	181,484	56,367	203,115	81,343
Accounts payable to third parties	Amortized cost	-	23,629	16,389	30,271	26,670
Accounts payable to related parties	Amortized cost	-	390	2,893	-	-
Stock option plans	Amortized cost	-	57,036	56,357	57,036	56,357

### 31.2 Fair value of financial instruments

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

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

- Level 1 - quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (e.g., as prices) or indirectly (e.g., derived from prices).
- Level 3 - inputs, for the asset or liability, but which are not based on observable market inputs (non-observable inputs).

**a. Fair value of cash and cash equivalents**

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

**b. Fair value of Rohr investment**

As at December 31, 2020, the Company has an investment measured at fair value through other comprehensive income - Investment Rohr in the amount of R\$ 39,341 (R\$ 50,579 as at December 31, 2019), as presented in note 11.b. This financial instrument is classified in level 3.

**c. Fair value of derivative financial instruments**

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

							<u>Consolidated</u>
							<u>12/31/2020</u>
	Reference in 2018	Receivable (long position)	Payable (short position)	Maturity	Short position	Short position	Balance swap
Banco do Brasil	8,678	Exchange variation + 7.75% p.a.	100% CDI + 3.63%	August 13, 2021	3,828	(3,019)	808

### 31.3 Financial instrument at amortized cost

**a. Borrowings and financing**

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

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

**b. Debentures**

		<u>Consolidated carrying amount</u>	
Debt	Indicator	12/31/2020	12/31/2019
1st issue of debentures - Solaris Equipamentos	CDI	21,631	24,976
2nd issue of debentures:			
2nd series	IPCA	-	56,428
4th issue of debentures	CDI	100,318	-
5th issue of debentures	CDI	84,242	-

206,191                      81,403

## 32 Insurance

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

Nature	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Operational risks	1,628,285	1,339,943	2,299,610	2,219,677
Property damages	429,946	480,642	488,598	613,678
Civil liability	110,000	110,000	110,500	110,500

## 33 Subsequent events

### 33.1 Reduções de capital

At the Extraordinary General Meeting on January 21, 2021, the shareholders approved a capital reduction by Solaris in Barcarena branch (State of Pará) in the amount of R\$ 1,600, with the capital reducing from the current R\$ 133,348 to R\$ 131,748.

At the Extraordinary General Meeting on January 25, 2021, the shareholders approved a capital reduction by Solaris in Olímpia branch (State of São Paulo) in the amount of R\$ 424, with the capital reducing from the current R\$ 131,748 to R\$ 131,324.

At the Extraordinary General Meeting on February 22, 2021, the shareholders approved a capital reduction by Solaris in Macaé branch (State of Rio de Janeiro) in the amount of R\$ 5,416, with the capital reducing from the current R\$ 131,324 to R\$ 126,332.

### 33.2 Social security contribution on the vacation bonus equivalent to 1/3 of the monthly salary

The Company was notified by the Federal Regional Court - 2nd Region, on February 18, 2021, to pay, within 30 days, Social Security Contribution (INSS) on the vacation bonus equivalent to 1/3 of the monthly salary, due to the decision of the Federal Supreme Court issued in October 2020, which considered that INSS levies on that amount. Since October 2020, the Company has been paying INSS on the vacation bonus.

The effects of the Federal Supreme Court decision have not yet been defined, that is, the Court has not decided whether the effects will only be valid for periods after the decision, or whether they will be retroactive. As a risk mitigation measure and aiming to benefit from the nonexistence of penalties for payment of that possible contingency within a 30-day period, the Company choose to pay the amount of R\$ 3,390, which represents the adjusted amount for the period from September 2013, when it filed the lawsuit to discontinue the payments, until September 2020, month prior to the Federal Supreme Court decision issued within the legal

deadline. In the event the effects of the decision are favorable to the taxpayers and are not retroactive, the Company may request reimbursement or offset of the amount paid against future INSS debits or other federal tax.



## **BOARD OF EXECUTIVE OFFICERS' STATEMENT ON MILLS' FINANCIAL STATEMENTS**

Pursuant to section VI of article 25 of CVM Instruction 480, of December 7, 2009, the Board declares that has reviewed, discussed and agreed with the company's financial statements for the year of 2020.

Rio de Janeiro March 17, 2021.

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

Pursuant to section VI of article 25 of CVM Instruction 480, of December 7, 2009, the Board declares that has reviewed, discussed and agreed with the Independent Auditors' report on the company's financial statements for the financial year 2020.

Rio de Janeiro March 17, 2021.

**MILLS ESTRUTURAS E SERVIÇOS DE ENGENHARIA S.A**

CNPJ/MF No. 27.093.558/0001-15

NIRE No. 33.3.0028974-7

A PUBLICLY HELD COMPANY

**MINUTES OF THE MEETING OF THE FISCAL COUNCIL  
HELD ON MARCH 17, 2021**

**OPINION OF THE FISCAL COUNCIL**

The Fiscal Council of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), in the exercise of its legal and statutory functions, in a meeting held on March 17, 2021, examined the Management Report and the Financial Statements of the Company for the fiscal year ended on December 31, 2020, and based on the examination done, and on the auditor's report of the Independent Auditors on the Financial Statements of the Company, without any qualifications, issued on the date hereof, as well as on the information and clarification provided by the representatives of the Company throughout the year, its members decided, unanimously, to opine favorably regarding the above mentioned documents, and, without any restrictions, recommending its remittance to the Annual Shareholders' Meeting for appropriate legal purposes.

Rio de Janeiro, March 17, 2021.

Members of the Fiscal council:

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Rubens Branco da Silva

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Rodrigo Fagundes Rangel

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Peter Edward Cortes  
Mardsen Wilson