



## Earnings Release MILLS 3Q18

**B3:** MILS3

### Teleconference and Webcast

**Data:** November 8, 2018, Thursday

**Time:** 2 p.m. (Brasilia time)

11 a.m. (NY time) | 4 p.m. (London time)

**Teleconference:** +1 (800) 492-3904 or +1 (646) 828-8246 | Code: Mills

**Webcast:** [click here](#)



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

Rio de Janeiro, November 7, 2018 - Mills Estruturas e Serviços de Engenharia S.A. (Mills) announces its results for the third quarter of 2018 (3Q18).

## Highlights

- Stabilization of the results of the Rental business unit, with net revenue and EBITDA in line with the previous quarter (2Q18);
- Advance of the resizing strategy for the Construction business unit, which is in its final stages, in time and within budget.
- Adjusted operating cash flow<sup>1</sup> from R\$ 24.2 million in 3Q18 and R\$ 50.0 million in the accumulated for the year (9M18), compared to R\$ 37.2 million in the accumulated for the previous year (9M17);
- EBITDA excluding non-recurring items<sup>2</sup>, of R\$ 10.3 million in 3Q18, 6.9% higher than the same period in the previous year;
- Net debt/adjusted operating cash flow ratio of 0.7x and the adjusted operating cash flow /financial result ratio of 4.3x in September 2018, best indicators since September 2017;
- Reporting of a relevant fact concerning a potential business combination between Mills and Solaris Equipamentos e Serviços S.A. (Solaris) in September 26, 2018.

| in R\$ million                                   | 3Q17<br>(A) | 2Q18<br>(B) | 3Q18<br>(C) | 9M17<br>(D) | 9M18<br>(E) | (C)/(A) | (C)/(B) | (E)/(D) |
|--|-------------|-------------|-------------|-------------|-------------|---------|---------|---------|
| Net revenue <sup>3</sup>                         | 82.3        | 78.4        | 72.7        | 223.2       | 233.7       | -11.6%  | -7.3%   | 4.7%    |
| EBITDA CVM                                       | 5.0         | -5.6        | -0.3        | -23.0       | 2.3         | -106.3% | -94.3%  | 110.1%  |
| EBITDA CVM margin (%)                            | 6.1%        | -7.1%       | -0.4%       | -10.3%      | 1.0%        |         |         |         |
| EBITDA ex. non-recurring items <sup>2</sup>      | 9.6         | 9.9         | 10.3        | 6.3         | 32.2        | 6.9%    | 4.0%    | 409.8%  |
| EBITDA margin ex. non-recurring items (%)        | 11.7%       | 12.6%       | 14.2%       | 2.8%        | 13.8%       |         |         |         |
| Adjusted operating cash flow <sup>1</sup>        | 15.9        | 13.1        | 24.2        | 37.2        | 50.0        | 51.6%   | 84.8%   | 34.2%   |
| Adjusted free cash flow to the firm <sup>1</sup> | 33.9        | 12.2        | 22.9        | 36.4        | 47.5        | -32.3%  | 87.4%   | 30.6%   |

The net revenue of the Rental business unit totaled R\$43.4 million in 3Q18 and R\$129.3 million in the accumulated for the year, a 16.6% growth compared to the same period in the previous year (9M17). The CVM EBITDA totaled R\$16.9 million in 3Q18 with a 34.1% margin, the highest margin since the first quarter of 2016 (1Q16). We continue executing the price recovery strategy and diversification in the segments of operation.

In the Construction business unit, the strategy to seek cash break even in 2019 remains in progress, considering that public sector investment remains at low levels and the infrastructure sector in the country remains under pressure. In 3Q18, its net rental revenue was 12.7% lower than what was recorded in 2Q18.

<sup>1</sup>For the adjusted cash flow, interests referring to debentures and Finame, investment in lease and interests from active and passive net monetary variations (cash) are disregarded. For adjusted free cash flow to the company, interests referring to debentures and Finame, investment in lease and interests from active and passive net monetary variations (cash) are disregarded.

<sup>2</sup>Encompassing expenses from the Construction business unit resizing strategy (restructuring expenses) and also the liabilities of the Industrial Services business unit, sold in 2013.

<sup>3</sup>Net revenue adjusted to reflect the result of sales in scrap under revenue and cost.

In 3Q18, the Company reevaluated the reporting of sale of fixed assets as scrap, previously reported as other operating revenue, and concluded that for being better presented, these transactions should be reflected under net revenue from sales and services and in the cost of products and services sold, in the statement of income. Therefore, the comparative values referring to the period ended on September 30, 2017, originally presented in quarterly information of the third quarter of 2017, are being restated.

## Business combination between Mills and Solaris

On September 25, 2018, a non-binding and preliminary nature memorandum of understanding was executed between Mills, its controlling shareholders, Solaris and its controlling shareholders, whereby set the preliminary terms and conditions for a potential business combination between Mills and Solaris.

Solaris is a pioneer in the segment of aerial work platforms and telescopic handlers, and is the second largest AWP lessor in Brazil, with a 20-year history of operations in the market, 19 branches distributed across Brazil and a portfolio diversified among 4 product lines. It is controlled since 2013 by Private Equity Southern Cross and keep Sullair Argentina is a shareholder.

With the business combination, we seek to reinforce our highlight position in the equipment rental industry, with a more attractive business mix, higher scale and better prospects of growth and profitability, enhancing the operations in order to bring more value to the shareholders. Furthermore, we will reach better conditions to serve customers from various industries in Brazil, combining best operating practices and the teams of both companies, offering more benefits to customers.

The execution of the Operation is subject to negotiation and the Parties signing the definitive binding documents, and carrying out accounting, financial and legal due diligence as well as concerning competition and compliance aspects of the concerned entities, as well as meeting certain conditions commonly practiced by the market in this type of transaction, including approval by the corporate bodies of the Parties and obtaining consent from third parties.

As a result of the business combination, Mills will become the holder of the entirety of the shares of Solaris and the Controlling Shareholders of Solaris will hold approximately 30.5% of the share capital of the new Company. This relation of share replacement is subject to adjustments and confirmation of the diligence by the Parties, which is currently in progress.

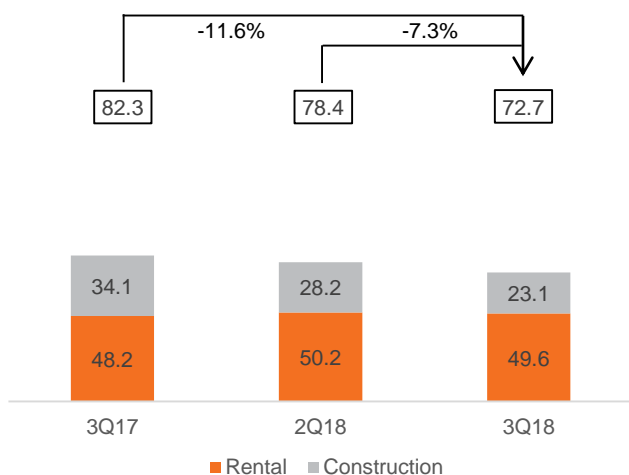
## Net Revenue

In 3Q18, net revenue totaled R\$72.7 million, where the main offenders in the 7.3% drop comparing to 2Q18 were lower rental and scrap sale revenue in the Construction business unit. The rental revenue was responsible for 77% of the net revenue in the period and the revenue from the sale of new and semi-new contributed with 12%.

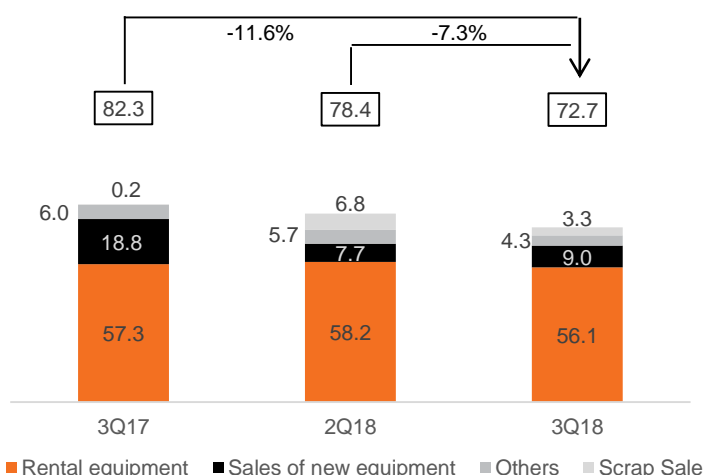
In the Rental business unit, net rental revenue in 3Q18 remained at the same level as the previous quarter. As projected, revenue from the sale of semi-new was inferior to the value recorded in 2Q18 and will continue in this downward trend, since there are only sale contracts for 10 telescopic handlers to be concluded in the fourth quarter of 2018 (4Q18), in line with the strategy for full divestment of this fleet. Net revenue totaled R\$151.2 million in 9M18, 15.2% higher than the same period of the previous year.

In the Construction business unit, net rental revenue was 12.7% lower than as recorded in 2Q18, impacted by low activity in the sector and the consequential drop in the rental volume, which was 10.5%. Revenue from the sale of semi-new in this unit totaled R\$4.4 million in 3Q18 and R\$13.0 million in the accumulated for the year, which was part of the resizing plan.

**By Business Unit**  
R\$ million

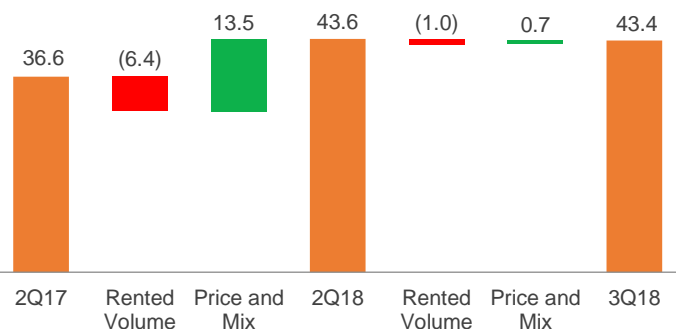


**By Type**  
R\$ million

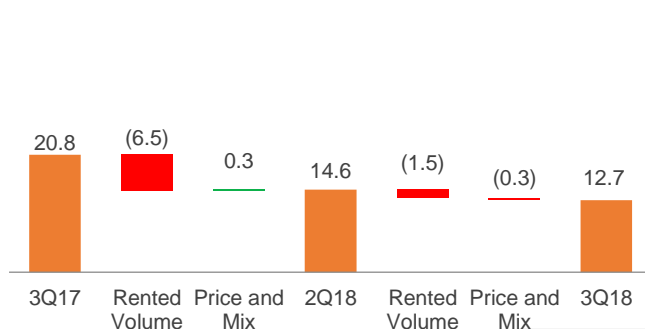


**Evolution of Rental Revenue**  
R\$ million

**Rental**



**Construction**

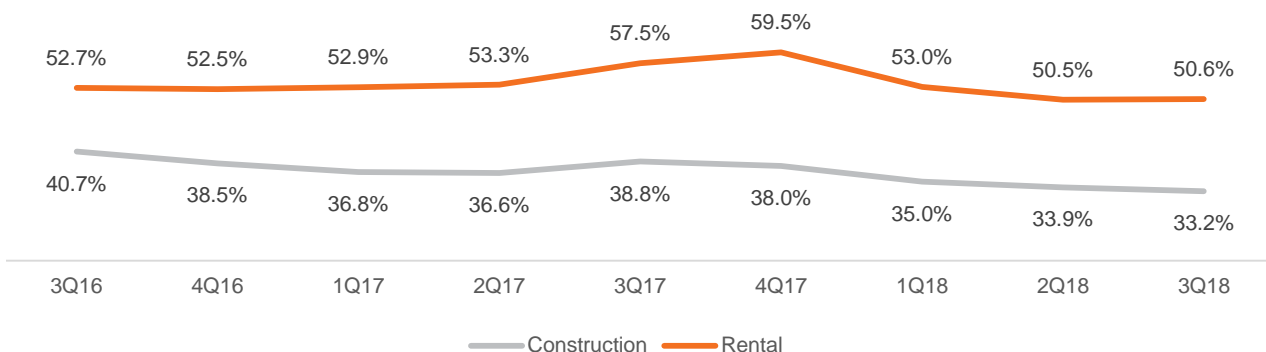


## Utilization Rate

The utilization rate, the ratio between the quantity of rented equipment and the total number of equipment, in 3Q18 was 50.6% in Rental and 33.2% in Construction.

In the Rental business unit, the utilization rate remained stable. Clients in the non-construction sector (industry, retail, etc.) continue to be responsible for the largest part of rental revenue, indicating a consolidation of the presence of Mills in important segments of the economy.

In the Construction business unit, the utilization rate also remained stable relative to 2Q18, but there was a reduction in the Company's fixed assets, as a consequence of the low level of activity of this segment, with a reduced backlog and several interrupted projects in Brazil.

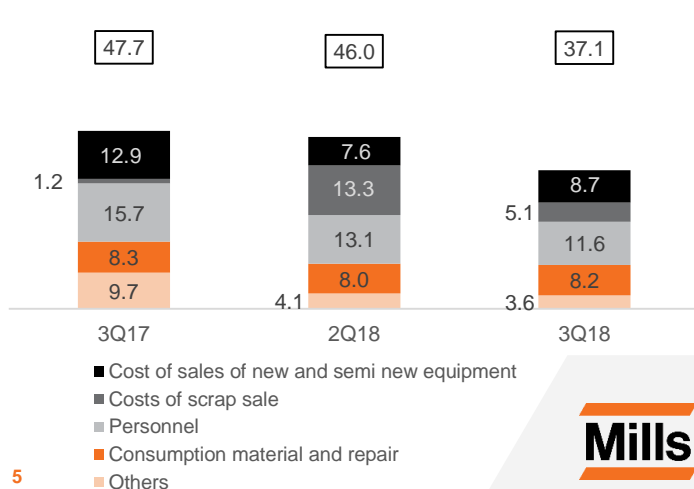
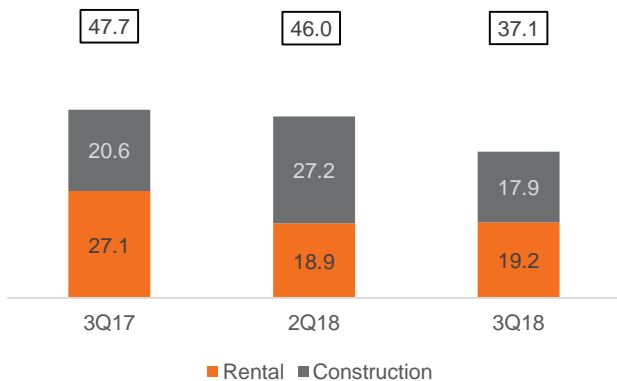


## Cost (except Depreciation)

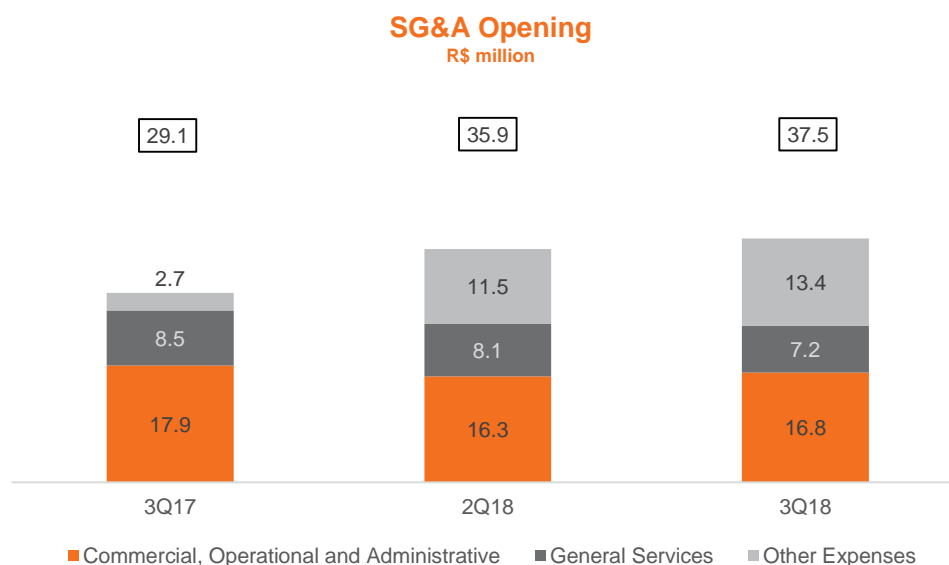
Cost of products sold and services provided (excluding depreciation) totaled R\$37.1 million in 3Q18, 19.3% lower than the result in the previous quarter, especially due to the lower cost in sale of scrap. From the total value, 31.2% refer to cost with personnel, 22.0% in consumables (such as ink, plywood, electric and hydraulic materials, etc.) and 31.2% in write-off of assets and cost of sale of scrap. The cost with personnel also presented a reduction relative to 2Q18 due to the Construction business unit resizing plan. The cost with the sale of new and semi-new equipment is 13.6% higher than the result in 2Q18 due to higher sales in the Construction business unit.

**By Business Unit**  
R\$ million

**By Type**  
R\$ million



## Expenses (except ADD and Depreciation)



General and administrative expenses, except for ADD and depreciation, had an increase of 4.5% relative to the previous quarter, especially due to the beginning of the provision referring to the short-term variable remuneration of 2018, in the amount of R\$2.5 million in the period.

## Allowance for Doubtful Debts (ADD)

Expenses with ADD in 3Q18 were R\$1.6 million positive, as a result of a higher amount of reversal of provisions. As informed before, since 2018 the ADD passed to be calculated according to the methodology provided by IFRS9, based on the current balance of each of the ranges of the aging x the average rate of received amounts in the last 12 months.

The Company works continuously to reduce the level of delinquency of its customers, and employs efforts in all levels for receiving overdue invoices.

| in R\$ million - 3Q18 | Gross receivables | Allowance for doubtful debts | Net receivables |
|-----------------------|-------------------|------------------------------|-----------------|
| <b>Total Amount</b>   | <b>184.5</b>      | <b>-140.0</b>                | <b>44.5</b>     |
| Construction          | 103.5             | -83.4                        | 20.1            |
| % total amount        | 56.1%             | 59.6%                        | 45.1%           |
| Rental                | 80.8              | -56.4                        | 24.4            |
| % total amount        | 43.8%             | 40.3%                        | 54.9%           |
| Industrial Services   | 0.2               | -0.2                         | 0.0             |
| % total amount        | 0.1%              | 0.1%                         | 0.0%            |

### Aging schedule of gross receivables:

|                                  |              |
|----------------------------------|--------------|
| <b>Total Gross Receivables</b>   | <b>184.5</b> |
| Not yet due                      | 56.1         |
| Past due between 1 and 60 days   | 9.2          |
| Past due between 61 and 120 days | 5.2          |
| Past due over 120 days           | 114.0        |

## Non-recurring items

During 3Q18, we recorded R\$10.6 million in nonrecurring items, comprised mostly by: (i) restructuring expenses, as a reflection of the Construction business unit resizing strategy in order to adjust the products and efforts to the low economic activity and to the markets where the Company has always had a greater edge (larger-sized projects and complexity that requires engineering solutions); and (ii) liabilities of the Industrial Services business unit, sold in 2013. This strategy is also directly related to the achievement of break even in Construction in 2019. Therefore, we expect to finish 2018 with 4 Construction branches, but still with a commercial nation-wide presence.

| Non-recurring items - in R\$ million | 3Q17        | 2Q18         | 3Q18         | (C)/(A)       | (C)/(B)       |
|--------------------------------------|-------------|--------------|--------------|---------------|---------------|
|                                      | (A)         | (B)          | (C)          |               |               |
| <b>Total non-recurring expenses</b>  | <b>-4.6</b> | <b>-15.5</b> | <b>-10.6</b> | <b>130.6%</b> | <b>-31.4%</b> |
| Branches demobilization              | -3.7        | -8.1         | -8.5         | 128.4%        | 5.3%          |
| Mills SI Expenses                    | 0.1         | -0.5         | -0.6         | -1002.7%      | 27.0%         |
| Result of sale of semi new equipment | 0.0         | 2.7          | 4.4          |               | 60.9%         |
| Cost of sale of used equipment       | 0.0         | -3.1         | -4.0         |               | 28.2%         |
| Revenue of scrap sale                | 0.2         | 6.8          | 3.3          | 1287.4%       | -50.9%        |
| Cost of scrap sale                   | -1.2        | -13.3        | -5.1         | 334.1%        | -61.3%        |

In 2018, the result from sales of used equipment of the Construction business unit was part of its resizing plan. Therefore, in 3Q18 we passed to consider the respective revenue and the cost as nonrecurring items, with a negative impact of R\$4.0 million in the adjusted EBITDA this year.

It is important to point out that expenses with cash effect from the restructuring are funded by the sale of its own equipment in this segment, either as used or as scrap.

## Adjusted EBITDA

The adjusted EBITDA (except for non-recurring items) of 3Q18 was R\$10.3 million, with a 14.2% margin. The variation relative to the previous quarter may be seen below:



## Financial Result

The net financial result was negative in R\$3.1 million in 3Q18, compared to the negative amount of R\$4.1 million in the previous quarter. Financial revenue between quarters dropped R\$1.1 million and financial expenses R\$2.1 million.

| in R\$ million              | 3Q17<br>(A) | 2Q18<br>(B) | 3Q18<br>(C) | (C)/(A)      | (C)/(B)       |
|-----------------------------|-------------|-------------|-------------|--------------|---------------|
| <b>Net financial result</b> | <b>-2.0</b> | <b>-4.1</b> | <b>-3.1</b> | <b>61.0%</b> | <b>-23.7%</b> |
| Financial Revenues          | 6.9         | 4.3         | 3.2         | -54.2%       | -25.5%        |
| Financial Expenses          | -8.9        | -8.4        | -6.3        | -28.9%       | -24.6%        |

## Investments

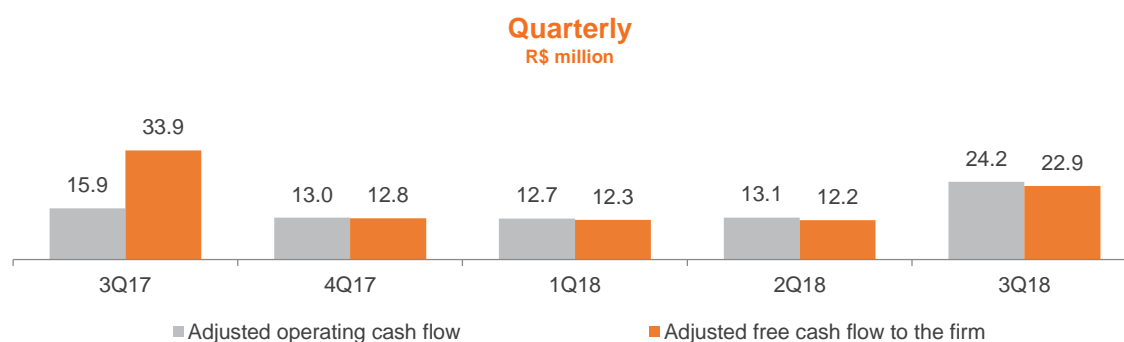
In 3Q18, investments totaled R\$1.2 million, 19% for rental assets and 81% destined to operational and supporting assets. The value invested in operational use and supporting items was for improvements and adjustments in branches, in addition to software licenses and maintenance.

In 9M18, Mills invested R\$3.5 million, R\$1.6 million for rental assets. With the current idle time rate of the Construction business unit and its resizing plan, there is equipment for approximately another two years, without the need for new investments.

For the Rental business unit, due to the average fleet age of 6 years and the current use below the level considered ideal, of approximately 70%, there is also no projection for new investments in the next two years.

## Adjusted Cash Flow

The adjusted operating cash flow<sup>1</sup>, i.e., before interests are paid, active and passive net monetary variation and acquisition of rental assets, was positive in R\$24.2 million in the quarter, 51.6% higher than 3Q17 and 84.8% higher than 2Q18. The positive variation relative to the previous quarter is due, mostly, by the offset of timely credits of PIS/COFINS in 3Q18, in the amount of R\$3.0 million and better clients' receipts in the period.



Mills closed 3Q18 with R\$50.1 million in cash and free financial investments and R\$88.0 million in **restricted** bank deposits, as guarantee of debentures, addressed hereinafter.

<sup>1</sup> For the adjusted cash flow are disregarded interests paid, investment in rental and interests and active and passive net monetary variations. For the free cash flow to the company, are disregarded interests paid and active and passive net monetary variations.

## Debt

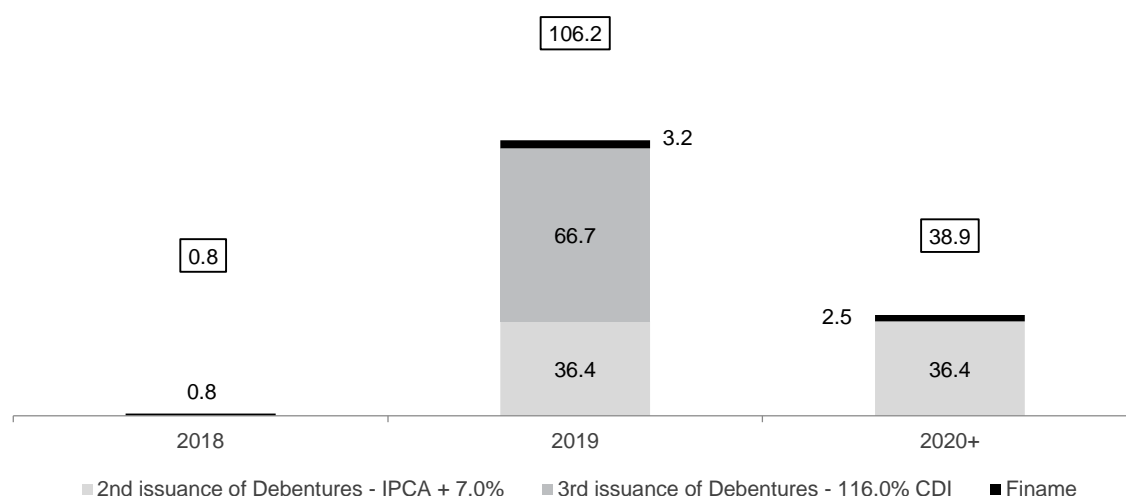
On September 30, 2018, Mills' gross debt was of R\$180.8 million, 96.4% in debentures, and the net debt was of R\$42.7 million.

The Company has no debt in foreign currency and the average term for payment of its total debt is 1.1 year, at the average cost of CDI + 3.03% per year. The short term debt at the end of the quarter corresponded to 69.1% of the total.

The net debt/ adjusted operating cash flow ratio was of 0.7x and the Adjusted operating cash flow/ financial result ratio was 4.3x, meeting the required covenants.

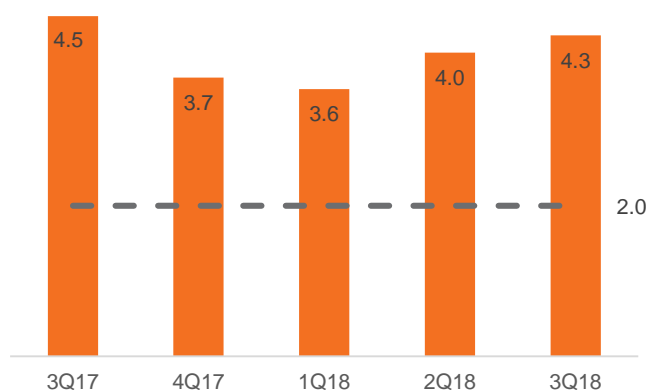
In 3Q18, we amortized the first annual installment of the second series of the 2nd issuance of debentures at the amortization value of R\$36.6 million, plus IPCA monetary adjustment and interests of R\$27.2 million.

### Amortization Time Table R\$ million

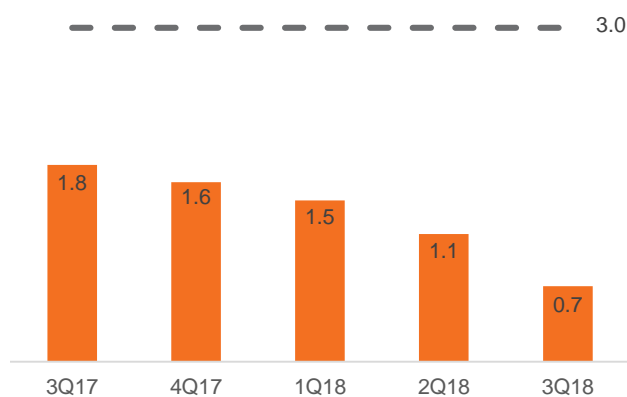


### Debt Indicators

Adjusted Operating Cash Flow LTM\* / Financial Result



Net Debt / Adjusted Operating Cash Flow LTM\*



## Tables

In R\$ million

Table 1 – Net revenue per type

|                                 | 3Q17<br>(A) | 2Q18<br>(B) | 3Q18<br>(C) | (C)/(A)       | (C)/(B)      |
|---------------------------------|-------------|-------------|-------------|---------------|--------------|
| <b>Total net revenue</b>        | <b>82.3</b> | <b>78.4</b> | <b>72.7</b> | <b>-11.6%</b> | <b>-7.3%</b> |
| Rental                          | 57.3        | 58.2        | 56.1        | -2.2%         | -3.7%        |
| Sales of new equipment          | 2.2         | 1.8         | 2.4         | 11.4%         | 34.6%        |
| Sales of semi new equipment     | 16.6        | 5.8         | 6.6         | -60.3%        | 12.7%        |
| Scrap sale                      | 0.2         | 6.8         | 3.3         | 1287.4%       | -50.9%       |
| Technical Assistance            | 1.6         | 1.4         | 1.5         | -11.5%        | 0.4%         |
| Indemnity and Expenses Recovery | 4.3         | 4.3         | 2.8         | -34.5%        | -34.1%       |

Table 2 – Net revenue per segment

|                          | 3Q17        | %             | 2Q18        | %             | 3Q18        | %             |
|--------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
| <b>Total Net revenue</b> | <b>82,3</b> | <b>100,0%</b> | <b>78,4</b> | <b>100,0%</b> | <b>72,7</b> | <b>100,0%</b> |
| Construction             | 34,1        | 41,4%         | 28,2        | 36,0%         | 23,1        | 31,8%         |
| Rental                   | 48,2        | 58,6%         | 50,2        | 64,0%         | 49,6        | 68,2%         |

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

|  | 3Q17         | %            | 2Q18         | %            | 3Q18         | %            |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>COGS total, ex-depreciation</b>         | <b>-47,7</b> | <b>61,8%</b> | <b>-46,0</b> | <b>54,8%</b> | <b>-37,1</b> | <b>50,8%</b> |
| Job execution, warehouse and projects      | -28.0        | 36.3%        | -25.5        | 30.4%        | -22.1        | 30.3%        |
| Costs of sales of new equipment            | -1.1         | 1.4%         | -1.4         | 1.7%         | -2.2         | 3.0%         |
| Costs of sales of semi new equipment       | -11.8        | 15.3%        | -6.2         | 7.3%         | -6.5         | 8.9%         |
| Cost of scrap sale                         | -1.2         | 1.5%         | -13.3        | 15.8%        | -5.1         | 7.0%         |
| Costs of assets write-offs                 | -5.6         | 7.3%         | 0.4          | -0.5%        | -1.2         | 1.7%         |
| <b>SG&amp;A, ex-ADD</b>                    | <b>-29,1</b> | <b>37,7%</b> | <b>-35,9</b> | <b>42,7%</b> | <b>-37,5</b> | <b>51,3%</b> |
| Commercial, Operational and Administrative | -17.9        | 23.2%        | -16.3        | 19.4%        | -16.8        | 23.1%        |
| General Services                           | -8.5         | 11.0%        | -8.1         | 9.6%         | -7.2         | 9.9%         |
| Other expenses                             | -2.7         | 3.5%         | -11.5        | 13.7%        | -13.4        | 18.4%        |
| <b>ADD</b>                                 | <b>-0,4</b>  | <b>0,6%</b>  | <b>-2,1</b>  | <b>2,5%</b>  | <b>1,6</b>   | <b>-2,1%</b> |
| <b>COGS + SG&amp;A Total</b>               | <b>-77,3</b> |              | <b>-84,0</b> |              | <b>-73,1</b> |              |

Table 4 – CVM EBITDA per business unit and EBITDA margin

|                                      | 3Q17        | %             | 2Q18         | %             | 3Q18         | %             |
|--------------------------------------|-------------|---------------|--------------|---------------|--------------|---------------|
| <b>CVM EBITDA</b>                    | <b>5.0</b>  | <b>100.0%</b> | <b>-5.6</b>  | <b>100.0%</b> | <b>-0.3</b>  | <b>100.0%</b> |
| Construction                         | -5.3        | -104.7%       | -20.5        | 368.6%        | -16.6        | 5220.7%       |
| Rental                               | 10.2        | 203.3%        | 15.5         | -277.6%       | 16.9         | -5321.9%      |
| Others*                              | 0.1         | 1.4%          | -0.5         | 9.0%          | -0.6         | 201.2%        |
| <b>EBITDA margin (%)</b>             | <b>6.1%</b> |               | <b>-7.1%</b> |               | <b>-0.4%</b> |               |
| EBITDA excluding non-recurring items | 9.6         |               | 9.9          |               | 10.3         |               |

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

## Continuation Tables

In R\$ million

Table 5 – CVM EBITDA Reconciliation<sup>1</sup>

|   | 3Q17<br>(A)  | 2Q18<br>(B)  | 3Q18<br>(C)  | (C)/(A)        | (C)/(B)       |
|---|--------------|--------------|--------------|----------------|---------------|
| <b>Results of Operations</b>  | <b>-23.1</b> | <b>-43.7</b> | <b>-32.6</b> | <b>40.8%</b>   | <b>-25.4%</b> |
| Financial Result  | -2.0         | -4.1         | -3.1         | 61.0%          | -23.7%        |
| Income tax and social contribution expenses   | 9.6          | -1.8         | 1.6          | -83.6%         | -186.1%       |
| <b>Loss Earnings before Financial Result</b>  | <b>-30.8</b> | <b>-37.7</b> | <b>-31.0</b> | <b>0.6%</b>    | <b>-17.7%</b> |
| Depreciation  | -35.9        | -32.1        | -30.7        | -14.4%         | -4.4%         |
| <b>CVM EBITDA</b>   | <b>5.0</b>   | <b>-5.6</b>  | <b>-0.3</b>  | <b>-106.3%</b> | <b>-94.3%</b> |
| Non-recurring - Expenses related to IS Business Unit                                      | 0.1          | -0.5         | -0.6         | -1002.7%       | 27.0%         |
| Non-recurring - Restructuring Expenses  | -4.7         | -14.6        | -10.3        | 120.7%         | -29.1%        |
| Non-recurring - Net Result of Sales of semi-new equipment<br>- Construction business unit | 0.0          | -0.4         | 0.3          |                | -180.1%       |
| <b>EBITDA ex. non-recurring items</b>   | <b>9.6</b>   | <b>9.9</b>   | <b>10.3</b>  | <b>6.9%</b>    | <b>4.0%</b>   |

<sup>1</sup> As CVM Instruction 527

Table 6 – CVM EBITDA Reconciliation with Operating Cash Flow

|  | 3Q18          | 9M18          |
|--|---------------|---------------|
| <b>EBITDA CVM</b>  | <b>(0.3)</b>  | <b>2.3</b>    |
| <b>Non cash items</b>  | <b>17.4</b>   | <b>60.9</b>   |
| Provision for tax, civil and labor risks   | 1.2           | (1.2)         |
| Accrued expenses on stock options  | 0.1           | 0.6           |
| Post Employment Benefits   | 0.3           | 0.8           |
| Residual value of property, plant and equipment and intangible assets sold and written off | 15.3          | 53.3          |
| Provision (reversal) for impairment loss on trade receivables                              | (1.6)         | 1.0           |
| Provision (reversal) for impairment  | -             | -             |
| Provision (reversal) for slow-moving inventories   | (0.2)         | 1.1           |
| Impairment loss on inventories held for sale   | (0.8)         | (1.4)         |
| Provision for rental equipment inventory adjustment  | -             | -             |
| IFRS 9/CPC 48 Adjustment   | 0.0           | 0.0           |
| Provision for Profit Sharing   | 2.5           | 2.5           |
| Other provisions   | 0.6           | 4.3           |
| <b>EBITDA ex-non cash provisions</b>   | <b>17.1</b>   | <b>63.2</b>   |
| <b>Cash</b>  | <b>(17.8)</b> | <b>(36.2)</b> |
| Interest and monetary and exchange gains and losses (cash)                                 | 2.7           | 10.2          |
| Trade receivables  | 6.6           | (4.1)         |
| Acquisitions of rental equipment   | (0.2)         | (0.5)         |
| Inventories  | 0.4           | 0.1           |
| Taxes recoverable  | 0.0           | 1.9           |
| IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)                             | 0.1           | 5.6           |
| Judicial deposits  | 0.2           | (4.5)         |
| Other assets   | 0.0           | (0.9)         |
| Suppliers  | (1.6)         | (4.3)         |
| Payroll and related taxes  | 1.5           | 0.4           |
| Taxes payable  | (0.4)         | (3.6)         |
| Other liabilities  | 0.5           | (0.5)         |
| Law suits settled  | (0.4)         | (3.4)         |
| <b>Interest paid</b>   | <b>(27.3)</b> | <b>(32.6)</b> |
| <b>Cash flows from operating activities according to the financial statements</b>          | <b>(0.7)</b>  | <b>27.0</b>   |
| Interest and monetary and exchange gains and losses (cash)                                 | 2.7           | 10.2          |
| Acquisitions of rental equipment   | (0.2)         | (0.5)         |
| Interest paid  | (27.3)        | (32.6)        |
| <b>Adjusted Operating Cash Flow</b>  | <b>24.2</b>   | <b>50.0</b>   |

## Continuation Tables

In R\$ million

Table 7 – ROIC LTM Mills

|                  | 3Q17<br>(A) | 2Q18<br>(B) | 3Q18<br>(C) | (C)/(A) | (C)/(B) |
|------------------|-------------|-------------|-------------|---------|---------|
| Invested capital | 1,085.5     | 929.5       | 861.7       | -20.6%  | -7.3%   |
| Rental Net PP&E  | 701.1       | 571.9       | 530.7       | -24.3%  | -7.2%   |
| Others           | 384.4       | 357.5       | 331.1       | -13.9%  | -7.4%   |
| NOPAT            | - 128.8     | - 100.2     | - 99.9      | -22.4%  | -0.3%   |
| ROIC             | -11.9%      | -10.8%      | -11.6%      |         |         |

Table 8 – Investment per business unit (accrual regime)

|                         | 3Q17<br>(A) | 2Q18<br>(B) | 3Q18<br>(C) | (C)/(A)       | (C)/(B)       |
|-------------------------|-------------|-------------|-------------|---------------|---------------|
| <b>Total Capex</b>      | <b>7.2</b>  | <b>0.8</b>  | <b>1.2</b>  | <b>-82.7%</b> | <b>47.2%</b>  |
| <b>Rental equipment</b> | <b>5.9</b>  | <b>0.1</b>  | <b>0.2</b>  | <b>-95.9%</b> | <b>205.6%</b> |
| Construction            | 1.2         | 0.1         | 0.2         | -80.1%        | 285.1%        |
| Rental                  | 4.7         | 0.0         | 0.0         | -99.7%        | 0.0%          |
| Corporate and use goods | 1.2         | 0.8         | 1.0         | -19.4%        | 30.9%         |

Table 9 – Construction business unit

|  | 3Q17<br>(A)  | 2Q18<br>(B)  | 3Q18<br>(C)  | (C)/(A)       | (C)/(B)       |
|--|--------------|--------------|--------------|---------------|---------------|
| <b>Total net revenue</b>                                     | <b>34.1</b>  | <b>28.2</b>  | <b>23.1</b>  | <b>-32.1%</b> | <b>-18.0%</b> |
| Rental   | 20.8         | 14.6         | 12.7         | -38.6%        | -12.7%        |
| Sales of new equipment                                       | 0.8          | 0.1          | 0.3          | -66.9%        | 136.5%        |
| Sales of semi new equipment                                  | 7.7          | 2.7          | 4.4          | -42.8%        | 60.9%         |
| Scrap Sale   | 0.2          | 6.8          | 3.3          | 1287.4%       | -50.9%        |
| Technical Assistance   | 1.3          | 1.1          | 0.9          | -29.8%        | -14.8%        |
| Indemnity and Expenses Recovery                              | 3.3          | 2.9          | 1.5          | -55.3%        | -48.8%        |
| <b>COGS Total, ex-depreciation</b>                           | <b>-20.6</b> | <b>-27.2</b> | <b>-18.0</b> | <b>-12.7%</b> | <b>-33.7%</b> |
| Job execution, warehouse and projects                        | -12.9        | -10.1        | -6.6         | -48.6%        | -34.6%        |
| Cost of sales of new equipment                               | -0.4         | -0.1         | -0.2         | -43.8%        | 152.7%        |
| Cost of sales of semi new equipment                          | -3.3         | -3.1         | -4.0         | 21.0%         | 28.2%         |
| Cost of scrap sale   | -1.2         | -13.3        | -5.1         | 334.1%        | -61.3%        |
| Cost of assets write-offs and Provision of recoverable value | -2.8         | -0.5         | -2.0         | -29.4%        | 266.5%        |
| <b>G&amp;A, ex-depreciation and ADD</b>                      | <b>-17.6</b> | <b>-20.4</b> | <b>-21.1</b> | <b>19.5%</b>  | <b>3.4%</b>   |
| <b>ADD</b>   | <b>-1.1</b>  | <b>-1.2</b>  | <b>-0.7</b>  | <b>-39.9%</b> | <b>-45.5%</b> |
| <b>EBITDA CVM</b>  | <b>-5.3</b>  | <b>-20.6</b> | <b>-16.6</b> | <b>215.1%</b> | <b>-19.2%</b> |
| Margem EBITDA (%)  | -15.5%       | -72.9%       | -71.9%       |               |               |
| Depreciation   | -17.9        | -15.0        | -13.7        | -23.8%        | -9.0%         |
| Equipment rental capex                                       | 1.2          | 0.1          | 0.2          | -80.1%        | 285.1%        |
| Rental gross fixed assets                                    | 700.0        | 570.4        | 536.1        | -23.4%        | -6.0%         |
| Utilization Rate Quarter                                     | 38.8%        | 33.9%        | 33.2%        |               |               |
| Utilization Rate LTM   | 37.7%        | 36.6%        | 35.2%        |               |               |

<sup>1</sup>Until 1Q17 we classified the expenses of Projects area in SG&A.

## Continuation Tables

In R\$ million

Table 10 – Rental business unit

|  | 3Q17<br>(A)  | 2Q18<br>(B)  | 3Q18<br>(C)  | (C)/(A)       | (C)/(B)        |
|--|--------------|--------------|--------------|---------------|----------------|
| <b>Total Net Revenue</b>                                     | <b>48.2</b>  | <b>50.2</b>  | <b>49.6</b>  | <b>2.9%</b>   | <b>-1.2%</b>   |
| Rental   | 36.6         | 43.6         | 43.4         | 18.6%         | -0.7%          |
| Sales of new equipment                                       | 1.4          | 1.7          | 2.2          | 57.2%         | 27.9%          |
| Sales of semi new equipment                                  | 8.9          | 3.1          | 2.2          | -75.2%        | -29.2%         |
| Scrap Sale   | 0.0          | 0.0          | 0.0          | 0.0%          | 0.0%           |
| Technical Assistance   | 0.3          | 0.4          | 0.6          | 58.7%         | 44.9%          |
| Indemnity and Expenses Recovery                              | 1.0          | 1.4          | 1.3          | 0.0%          | 0.0%           |
| <b>COGS Total, ex-depreciation</b>                           | <b>-27.1</b> | <b>-18.9</b> | <b>-19.2</b> | <b>-29.3%</b> | <b>1.5%</b>    |
| Job execution and warehouse                                  | -15.1        | -15.4        | -15.5        | 2.5%          | 0.7%           |
| Cost of sales of new equipment                               | -0.7         | -1.4         | -2.0         | 181.5%        | 44.7%          |
| Cost of sales of semi new equipment                          | -8.5         | -3.0         | -2.4         | -71.3%        | -19.4%         |
| Cost of scrap sale   | 0.0          | 0.0          | 0.0          | 0.0%          | 0.0%           |
| Cost of assets write-offs and Provision of recoverable value | -2.8         | 0.9          | 0.8          | -127.6%       | -15.8%         |
| <b>G&amp;A, ex-depreciation and ADD</b>                      | <b>-11.5</b> | <b>-15.0</b> | <b>-15.8</b> | <b>36.7%</b>  | <b>5.0%</b>    |
| <b>ADD</b>   | <b>0.7</b>   | <b>-0.9</b>  | <b>2.2</b>   | <b>237.4%</b> | <b>-356.4%</b> |
| <b>CVM EBITDA</b>  | <b>10.2</b>  | <b>15.5</b>  | <b>16.9</b>  | <b>65.4%</b>  | <b>9.4%</b>    |
| EBITDA margin (%)  | 21.2%        | 30.8%        | 34.1%        | 0.0%          | 0.0%           |
| Depreciation   | -17.9        | -17.1        | -17.0        | -5.0%         | -0.5%          |
| Equipment rental capex                                       | 4.7          | 0.0          | 0.0          | -99.7%        | 0.0%           |
| Gross rental PP&E  | 685.3        | 676.4        | 675.9        | -1.4%         | -0.1%          |
| % Construction Revenue                                       | 27.7%        | 11.5%        | 8.6%         |               |                |
| % Non-Construction Revenue                                   | 59.1%        | 71.4%        | 72.8%        |               |                |
| % Spot Revenue   | 13.2%        | 17.1%        | 18.6%        |               |                |
| Utilization Rate Quarter                                     | 57.5%        | 50.5%        | 50.6%        |               |                |
| Utilization Rate LTM   | 54.0%        | 55.1%        | 53.4%        |               |                |

Income Statement<sup>1</sup>

|   | 3Q17<br>(A)   | 3Q17<br>(B)   | 2Q18<br>(C)   | (C)/(A)       | (C)/(B)       |
|---|---------------|---------------|---------------|---------------|---------------|
| Net revenue from sales and services         | 82.3          | 78.4          | 72.7          | -11.6%        | -7.3%         |
| Cost of products sold and services rendered | (79.7)        | (74.8)        | (64.6)        | -19.0%        | -13.7%        |
| <b>Gross Profit</b>                         | <b>2.6</b>    | <b>3.6</b>    | <b>8.2</b>    | <b>212.9%</b> | <b>124.4%</b> |
| General and administrative expenses         | (35.8)        | (41.4)        | (39.2)        | 9.6%          | -5.2%         |
| Provision for impairment and fair value     | 2.3           | -             | -             | -100.0%       |               |
| Other operational expenses                  | -             | -             | -             |               |               |
| <b>Loss before Financial Result</b>         | <b>(30.8)</b> | <b>(37.7)</b> | <b>(31.0)</b> | <b>0.6%</b>   | <b>-17.7%</b> |
| Financial expenses                          | (8.9)         | (8.4)         | (6.3)         | -28.9%        | -24.6%        |
| Financial revenues                          | 6.9           | 4.3           | 3.2           | -54.2%        | -25.4%        |
| <b>Financial result</b>                     | <b>(1.9)</b>  | <b>(4.1)</b>  | <b>(3.1)</b>  | <b>61.2%</b>  | <b>-23.7%</b> |
| <b>Loss before taxes</b>                    | <b>(32.8)</b> | <b>(41.8)</b> | <b>(34.2)</b> | <b>4.2%</b>   | <b>-18.3%</b> |
| Income tax and social contribution          | 9.6           | (1.8)         | 1.6           | -83.6%        | -186.0%       |
| <b>Loss for the year</b>                    | <b>(23.1)</b> | <b>(43.7)</b> | <b>(32.6)</b> | <b>40.8%</b>  | <b>-25.4%</b> |

<sup>1</sup>Includes the result of scrap

## Balance Sheet

| In R\$ million   | 3Q17           | 2Q18           | 3Q18         |
|--|----------------|----------------|--------------|
| <b>Assets</b>  |                |                |              |
| <b>Current assets</b>  |                |                |              |
| Cash and cash equivalents                                      | 59.6           | 60.3           | 50,1         |
| Restricted bank deposits                                       | 63.6           | 64.4           | 61,4         |
| Trade receivables  | 70.8           | 44.9           | 44,5         |
| Inventories  | 17.9           | 15.1           | 14,9         |
| Inventories - other assets held for sale                       | 9.7            | 1.7            | 0,2          |
| IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) | 6.4            | 1.0            | 0,9          |
| Taxes recoverable  | 8.5            | 5.1            | 5,1          |
| Advances to suppliers  | 0.1            | 0.3            | 0,2          |
| Derivative financial instruments                               | 0.2            | -              | -            |
| Other receivables - sale of investee                           | -              | -              | -            |
| Other assets   | 7.2            | 7.2            | 7,2          |
| Assets held for sale   | 5.0            | 4.2            | 4,2          |
| <b>Total Current Assets</b>                                    | <b>249.1</b>   | <b>204.1</b>   | <b>188,7</b> |
| <b>Non-current Assets</b>                                      |                |                |              |
| Restricted bank deposits                                       | 86.5           | 52.2           | 26,5         |
| Trade receivables  | -              | -              | -            |
| Deferred taxes - IRPJ and CSLL                                 | 133.1          | 164.2          | 164,2        |
| Judicial deposits  | 10.9           | 15.9           | 15,7         |
| Other assets   | 0.1            | 0.1            | 0,1          |
|  | 230.6          | 232.3          | 206,5        |
| Available-for-sale financial assets                            | 75.1           | 55.2           | 55,2         |
| Property, plant and equipment                                  | 677.6          | 542.2          | 500,9        |
| Intangible assets  | 39.2           | 36.1           | 35,1         |
|  | 791.8          | 633.5          | 591,2        |
| <b>Total Non-current Assets</b>                                | <b>1,022.4</b> | <b>865.8</b>   | <b>797,7</b> |
| <b>Total Assets</b>  | <b>1,271.6</b> | <b>1,069.9</b> | <b>986,4</b> |
| <b>Liabilities</b>   |                |                |              |
| <b>Current liabilities</b>                                     |                |                |              |
| Trade payables   | 19.1           | 16.0           | 14,9         |
| Borrowings and financing                                       | 3.2            | 3.2            | 3,2          |
| Debentures   | 123.1          | 128.3          | 121,7        |
| Payroll and related taxes                                      | 18.1           | 13.0           | 14,6         |
| Tax debt refinancing program (REFIS)                           | 1.3            | 1.4            | 1,4          |
| Taxes payable  | 1.5            | 2.7            | 2,6          |
| Profit sharing payable   | -              | -              | 2,5          |
| Dividends and interest on equity payable                       | 0.0            | 0.0            | 0,0          |
| Derivative financial instruments                               | -              | 0.0            | -            |
| Provision for post-employment benefits                         | -              | -              | -            |
| Other liabilities  | 0.7            | 0.3            | 0,8          |
| <b>Total Current Liabilities</b>                               | <b>167.1</b>   | <b>164.9</b>   | <b>161,7</b> |
| <b>Non Current Liabilities</b>                                 |                |                |              |
| Borrowings and financing                                       | 6.5            | 4.1            | 3,3          |
| Debentures   | 167.4          | 104.1          | 52,6         |
| Taxes payable  | 7.7            | 6.9            | 6,7          |
| Provision for tax, civil and labor risks                       | 21.6           | 20.1           | 21,5         |
| Provision for post-employment benefits                         | -              | 9.4            | 9,7          |
| Other liabilities  | 0.2            | 0.6            | 0,6          |
| <b>Total non-current Liabilities</b>                           | <b>203.4</b>   | <b>145.3</b>   | <b>94,4</b>  |
| <b>Total Liabilities</b>                                       | <b>370.5</b>   | <b>310.2</b>   | <b>256,1</b> |
| <b>Equity</b>  |                |                |              |
| Share capital  | 688.3          | 688.3          | 688,3        |
| Capital reserves   | 32.6           | 33.4           | 33,5         |
| Earnings reserves  | 289.8          | 151.5          | 151,5        |
| Treasury shares  | (20.3)         | (20.3)         | (20,3)       |
| Equity adjustments   | 9.1            | (5.9)          | (2,8)        |
| Accumulated losses   | (98.5)         | (87.3)         | (119,9)      |
| <b>Total Equity</b>  | <b>901.1</b>   | <b>759.7</b>   | <b>730,3</b> |
| <b>Total Liabilities and Equity</b>                            | <b>1,271.6</b> | <b>1,069.9</b> | <b>986,4</b> |

## Indirect Cash Flow

| in R\$ million   | 3Q18          | 9M18           |
|--|---------------|----------------|
| Cash flows from operating activities   |               |                |
| <b>Loss for the year</b>   | <b>(32.6)</b> | <b>(106.7)</b> |
| <b>Non cash adjustments:</b>   | <b>52.4</b>   | <b>180.1</b>   |
| Depreciation and amortization  | 30.7          | 97.0           |
| Deferred income and social contribution taxes  | (1.6)         | 1.1            |
| Provision (reversal) for tax, civil and labor risks  | 1.2           | (1.2)          |
| Accrued expenses on stock options  | 0.1           | 0.6            |
| Post-employment benefit  | 0.3           | 0.8            |
| Residual value of property, plant and equipment and intangible assets sold and written off | 15.3          | 53.3           |
| Interest and monetary exchange gains and losses, net                                       | 5.8           | 21.1           |
| Provision (reversal) for impairment loss on trade receivables                              | (1.6)         | 1.0            |
| Impairment loss on inventories held for sale   | (0.8)         | (1.4)          |
| Provision (reversal) for impairment and fair value   | -             | -              |
| Provision (reversal) for slow-moving inventories   | (0.2)         | 1.1            |
| Provision for rental equipment inventory adjustment  | -             | -              |
| IFRS 9/CPC 48 Adjust   | 0.0           | 0.0            |
| Provision for Profit Sharing   | 2.5           | 2.5            |
| Other provisions   | 0.6           | 4.3            |
| <b>Variations on assets and liabilities:</b>   | <b>(20.5)</b> | <b>(46.4)</b>  |
| Trade receivables  | 6.6           | (4.1)          |
| Acquisitions of rental equipment   | (0.2)         | (0.5)          |
| Inventories  | 0.4           | 0.1            |
| Taxes recoverable  | 0.0           | 1.9            |
| IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)                             | 0.1           | 5.6            |
| Judicial deposits  | 0.2           | (4.5)          |
| Other assets   | 0.0           | (0.9)          |
| Trade payables   | (1.6)         | (4.3)          |
| Payroll and related taxes  | 1.5           | 0.4            |
| Taxes payable  | (0.4)         | (3.6)          |
| Other liabilities  | 0.5           | (0.5)          |
| Lawsuits settled   | (0.4)         | (3.4)          |
| Interest paid  | (27.3)        | (32.6)         |
| <b>Net cash generated by operating activities</b>  | <b>(0.7)</b>  | <b>27.0</b>    |
| <b>Cash flows from investing activities:</b>   |               |                |
| Acquisition of PP&E for own use and intangible assets                                      | (1.0)         | (2.0)          |
| Proceeds from sale of the Industrial Services business unit                                | -             | -              |
| Interest on capital received   | -             | -              |
| <b>Net cash generated from investing activities</b>  | <b>(1.0)</b>  | <b>(2.0)</b>   |
| <b>Cash flows from financing activities</b>  |               |                |
| Advance for future capital increase  | -             | -              |
| IFRS 9/CPC 48 Adjustment   | -             | -              |
| Capital contribution   | -             | -              |
| Restricted bank deposits   | 28.6          | 62.5           |
| Share issue cost   | -             | -              |
| Amortization of borrowings and debentures  | (37.1)        | (105.4)        |
| <b>Net cash used in financing activities</b>   | <b>(8.5)</b>  | <b>(42.8)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                | <b>(10.3)</b> | <b>(17.8)</b>  |
| Cash and cash equivalents at the beginning of the period                                   | 60.3          | 67.8           |
| Cash and cash equivalents at the end of the period   | 50,1          | 50.1           |
| Net increase (decrease) in cash and cash equivalents                                       | (10.3)        | (17.8)         |
| <b>Operating Cash Flow</b>   | <b>(0.7)</b>  | <b>27.0</b>    |
| Interest Paid  | 27.3          | 32.6           |
| Acquisitions of rental equipment   | 0.2           | 0.5            |
| Interest and monetary exchange net gains and losses (non-cash)                             | (5.8)         | (21.1)         |
| Financial Result Income Statement  | 3.1           | 10.9           |
| <b>Adjusted Operating Cash Flow</b>  | <b>24.1</b>   | <b>50.0</b>    |

## Glossary

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

## Continuation Glossary

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

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

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

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