

Mills Estruturas e Serviços de Engenharia S.A.

Financial statements at December 31, 2018 and 2017

(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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Independent auditor's report on the financial 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 Board of Directors and Shareholders Mills Estruturas e Serviços de Engenharia S.A.

Rio de Janeiro - RJ

Opinion

We have audited the financial statements of Mills Estruturas e Serviços de Engenharia S.A. ("Company"), which comprise the balance sheet as at December 31, 2018, and the statements of operations and other comprehensive income (loss), changes in shareholders' 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 financial position of Mills Estruturas e Serviços de Engenharia S.A., as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

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 Financial Statements section of our report. We are independent from the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), 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 the most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the 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

As mentioned in Notes 2.2 (ix); 2.2 (xi); 2.2 (xii); 3.1; 14 and 15 to the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Company has assessed the existence of impairment triggers in its cash generating units ("CGUs"), and to calculate the recoverable amount of each business segment, which includes the amount of property, plant and equipment and goodwill, it used a discounted cash flow model, according to each segment's economic and financial projections. Due to the uncertainties inherent in cash flow forecasts, to the estimates to determine asset recovery capacity, such as the discount rate, the estimated economic growth, the cost inflation rate used to determine the value in use of assets, and to the complexity of procedures, which requires a significant degree of judgment by the Company to determine accounting estimates, 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 analyses provided by the Company. We evaluated the reasonableness of the estimate of values in use prepared by the Company, the determination of the CGUs and the methodology used to test the assets for impairment. With the assistance of our corporate finance experts, we evaluated the assumptions and methodologies used by the Company to prepare the discounted cash flow model and compared them with the data obtained from external sources such as the estimated economic growth projected for the sector, the cost inflation rate and the discount rates, and we also conducted a sensitivity analysis for these assumptions and a sensitivity analysis for the projection of revenues and costs. We compared the budget for the current year approved in the prior year with the actual amounts calculated in the current year to check the Company's capacity to project future results. We compared the sum of discounted cash flows with the Company's recorded amounts of property, plant and equipment and goodwill to determine value in use. We also evaluated the adequacy of the disclosures made by management.</p> <p>Based on the evidences obtained through the procedures summarized above, we considered that the balances of property, plant and equipment and goodwill are acceptable in the context of the financial statements for the year ended December 31, 2018 taken as a whole.</p>

2- Valuation of the Investment in Rohr

As mentioned in Notes 2.2 (iii.1.); 3.1 and 13 to the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Company classifies the investment in Rohr S.A. Estrutura Tubulares as a financial asset measured at fair value through other comprehensive income. The Company used the discounted cash flow valuation method to calculate the fair value of that investment according to economic and financial projections. Due to the inherent uncertainty about cash flow projections and its estimates to determine the fair value of that investment, such as the discount rate, the estimated economic growth, the cost inflation 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 process for preparation and review of the discounted cash flow to determine the fair value of that investment. We evaluated the reasonableness of the projections prepared by the Company and the methodology used to measure the fair value of financial assets. With the assistance of our corporate finance experts, 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 projected for the sector, the cost inflation rate and the discount rates, and we also conducted a sensitivity analysis for these assumptions. We checked whether the amount calculated as the asset's discounted cash flow was duly recognized as the fair value of that financial asset as of December 31, 2018.</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 that financial asset, which were recorded and disclosed by management.</p> <p>Based on the evidences obtained through the procedures summarized above, we considered as acceptable the fair value of this investment, classified as a financial asset measured at fair value through other comprehensive income, and the related disclosures in the context of the financial statements at December 31, 2018 taken as a whole.</p>

3 - Deferred tax assets

As mentioned in Notes 2.2 (vi); 3.3 and 21 to the financial statements.

Key audit matter

How the matter was addressed in our audit

The Company recognizes deferred tax assets according to the likelihood that taxable profit will be generated in the future against which these assets can be utilized. Due to the uncertainties inherent in business that have an impact on forecast future taxable profit and on the Company's estimates to determine its capacity to recover these deferred tax assets, and to the fact that the Company exercises significant judgment to determine the value of future taxable profit, which are based on estimated revenues, costs and financial results, we considered this to be a key audit matter.

We obtained an understanding of the process of preparation of future taxable profit forecast by the Company. With the assistance of our tax experts, we evaluated the nature of temporary differences and the reasonableness of income and social contribution tax losses that make up taxable profit. Moreover, we involved our corporate finance experts, who have assisted us to evaluate the assumptions and methodologies used by the Company, and we compared assumptions with data obtained from external sources such as the estimated economic growth for the sector, the cost inflation rate and the discount rates, and we also conducted a sensitivity analysis for these assumptions and a sensitivity analysis for the projection of revenues and costs. We compared the budget for the current year approved in the prior year with the actual amounts calculated in the current year to check the Company's capacity to project future results. We compared the expected future taxable profit with the amount limit to be recognized as the Company's deferred tax assets.

We also evaluated the adequacy of the disclosures made by management.

Based on the evidences obtained through the procedures summarized above, we considered that the amount of deferred tax assets and the respective disclosures are acceptable in the context of the financial statements for the year ended December 31, 2018 taken as a whole.

4 - Revenue recognition on rental

As mentioned in Notes 2.2 (xxi); 3.8 and 28 to the financial statements.

Key audit matter

The Company earns revenue from rendering services, sales of products and leasing assets, and its main source of revenue is the lease of assets. Rental revenue is recognized monthly on a pro rata and straight-line basis in the statements of operations in accordance with equipment lease agreements. This process involves judgment to determine the moment when the Company satisfies a performance obligation to transfer the control of goods or services and when it is probable that the Company will receive the consideration to which it is entitled in exchange for goods or services transferred to the counterparty and, therefore, when revenue must be recognized based on the measurement of services and rental of assets incurred to that date. For that reason and because of its relevance in the financial statements as a whole we considered that it is a key audit matter.

How the matter was addressed in our audit

We obtained an understanding of the processes followed to recognize rental revenue by evaluating the design and implementation of internal controls. We conducted a detailed test of a sample selected according to the breakdown of revenues, checking for their existence by conducting an analysis of supporting documentation, such as contracts, invoices and service measurement documents. and, when applicable, we inspected the financial settlement of these receivables recorded in the current year. Moreover, we conducted a detailed test of the revenue recognition criteria applied to the sales made close to the reporting date (test of the revenue cutoff date). Our work included an analysis of supporting documentation mainly for the measurement of services. We also evaluated the adequacy of the disclosures made by management.

Based on the audit procedures performed, we identified adjustment that affect the measurement and disclosure of revenue from rental of assets which were not recorded and disclosed by management, since they were considered immaterial.

As a result of the evidences obtained through the procedures summarized above, we consider that the recognition of rental revenue and the respective disclosures are acceptable in the context of the financial statements for the year ended December 31, 2018 taken as a whole.

Other matters

Statements of added value

The statements of added value (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein 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 those statements are reconciled with financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria determined in the Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of added value have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall financial statements.

Other information accompanying the financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the 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 financial statements, our responsibility is to read the management report and, in doing so, consider whether such report 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 a material misstatement of this 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRSs) 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 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 or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International and Brazilian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise 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 International and Brazilian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 a 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 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, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 12, 2019

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

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 12, 2019

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 12, 2019, examined the Management Report and the Financial Statements of the Company for the fiscal year ended on December 31, 2018, 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 12, 2019.

Members of the Fiscal council:

Eduardo Botelho Kiralyhegy

Henry Stanley de Oliveira
Carpenter

Peter Edward Cortes
Mardsen Wilson

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 2018.

Rio de Janeiro March 12, 2019.

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 2018.

Rio de Janeiro March 12, 2019.

Management Report 2018

B3:MILS 3

The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards - IFRS).

Mills

SUMMARY

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1. Message from the CEO

The year 2018 was filled with challenges and achievements for the Company, highlighting:

- ✓ Advancement of our commercial strategy in the Rental business started in 2017, focusing on price recovery, greater market coverage with diversification of the customer base and increased profitability. The challenges were in the strategy of price improvement and in the more structured stratification of the demand for locality, making it possible to adjust the sensitivity of price recovery. As a result, we were able to deliver in December 2018 an increase in Average Ticket (Price/Mix), of the new contracts, of approximately 35% when compared to the same period of the previous year;
- ✓ New cycle of the redesign of the structure of the Construction business unit, to adapt the products and the efforts to the markets where we have always had a greater differential: the works of greater size and complexity. Thus, the plan included the closure of four deposits, with a reduction of approximately 28% of its volume of assets in tons. This strategy is also directly related to the search for the Construction business unit cash break even in 2019. It should be noted that the Company will continue to maintain its national presence and that the expenses with the restructuring cash effect were borne by the sale of equipment in this segment, such as used or scrap. Even with rationalization over the years, we remain leaders in terms of volume of equipment;
- ✓ Election of new Chief Financial Officer and Investor Relations Officer, James Guerreiro, on July 2, 2018;
- ✓ Approval of the Company's new Restricted Stock Incentive Plan on July 18, 2018, with the main objective of making the compensation package competitive to the market, align expectations, motivate employees and leverage the operational performance of the business;
- ✓ Signing of a Merger Agreement on December 20, 2018, of binding nature, between Mills and Solaris, the second largest player in the Brazilian market for the rental and sale of Aerial Work Platforms, according to a material fact disclosed on December 21, 2018; and
- ✓ Compliance with the original covenants of the debentures, linked to Adjusted Ebitda.

Other factors that contributed to the 2018 challenges were exogenous to our industry with a presidential election year, as well as a trucker strike midway through the process.

For the year 2019, we are very optimistic. We believe that in the Construction business unit the cash balance delivery is feasible and in the Rental business unit we will continue in the search for the recovery of profitability. Once the business combination between Mills and Solaris in EGM is approved, the biggest challenge will be to reach all fronts of integration, with special attention to Culture, Processes and Information Technology, in order to capture synergies consistently.

To conclude, the preservation of cash and the resumption of profitability will continue to be treated as our priority. With that, I believe we are better prepared to face the year 2019.

We thank our employees for the dedication and commitment, the support of our clients, suppliers, shareholders, counselors and other publics and partners.

Sergio Kariya
CEO of Mills

2. Business Overview

We have more than 65 years of history and we are the largest aerial work platform rental company in Latin America and the largest infrastructure engineering solutions company in Brazil. In 2017, we were internationally recognized for our commitment to offer the best quality in training for aerial work platform operators in Brazil.

We are present throughout the national territory, 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 advanced technology.

Our rental business unit operates in the trading, rental and distribution of aerial work platforms, as well as its parts and components, and in the technical assistance of these equipment. Our Construction business unit basically operates in the rental and sales of forms and shoring for civil construction, with the supply of related engineering projects, supervision and assembly option.

We enjoy a strong reputation for consistent, reliable and quality service delivery, observing all technical safety standards.

3. Business combination between Mills and Solaris

On December 20, 2018, a Merger Agreement of a binding nature was entered into between Mills, its controlling shareholders, Solaris and its controlling shareholders, through which the terms and conditions for a Business Combination between Mills and Solaris were established.

Among other provisions, the Merger Agreement: (a) provides for the merger of Solaris Participações into Mills, with Solaris Participações shareholders becoming holders of 30.22% of the new Company's share capital; (b) contains statements and obligations customary for this type of transaction; and (c) establishes compliance with certain prior conditions for the completion of the Transaction, such as the consent of creditors of Mills and Solaris. This exchange ratio is final and has been confirmed by the parties after independent negotiations and the execution of financial, legal and operational due diligence procedures.

With the Business Combination, the Company seeks to reinforce its outstanding position in the equipment rental segment with a more attractive business mix and greater capacity to serve clients from the most varied sectors of the economy and regions of Brazil, combining the best operational practices and the teams of both companies. In addition, it will have better prospects for growth and profitability through optimization of operations and absorption of synergies, generating value for its shareholders.

As already announced, once the Mills and Solaris merger is completed, which should take 12 to 18 months (post closing), it is estimated that there is an opportunity to capture synergies in the approximate amount of R\$ 30 million¹ per year, for which will be invested between capex and opex, approximately R\$ 20 million (Mills + Solaris) during the integration period.

3. Business Combination between Mills and Solaris (continued)

In addition, a shareholders' agreement will be entered into between the Mills' Controlling Shareholders and the Solaris' Controlling Shareholders, which will regulate the exercise of their political and economic rights as shareholders of the Company, such as: (a) the Mills' Controlling Shareholders will remain as Mills' controlling shareholders and will have the right to appoint a majority of the Company's Board of Directors; (b) the Solaris' Controlling Shareholders will have some veto rights; and (c) there shall be standard market restrictions for the transfer of shares related to the shareholders' agreement.

The General Shareholders' Meetings of Mills and Solaris, necessary for the closing of the Business Combination, will be called as soon as the verification of all previous conditions is completed.

The Company will keep the market informed of any developments related to the Business Combination.

4. Operational and Financial Performance

R\$ million	2017 (A)	2018 (B)	(B)/(A)	(B)-(A)
Net revenue from sales and services	296,3	304,2	2,7%	7,9
Cost of products sold and services rendered	(314,6)	(272,0)	-13,5%	42,6
Gross Profit	(18,3)	32,2	-275,6%	50,5
Selling, general and administrative expenses	(170,2)	(163,4)	-4,0%	6,8
Reversal (provision) for impairment and fair value	(2,0)	(2,0)	-0,1%	0,0
Other revenues	1,6	6,8	332,9%	5,3
Loss before Financial Result	(189,0)	(126,4)	-33,1%	62,5
Financial result	(13,6)	(12,8)	-5,4%	0,7
Loss before taxes	(202,5)	(139,2)	-31,2%	63,3
Income tax and social contribution	64,1	44,3	-31,0%	(19,9)
Results of Operations	(138,4)	(95,0)	-31,4%	43,4
CVM EBITDA	(43,2)	0,3	-100,6%	43,5
CVM EBITDA margin (%)	-14,6%	0,1%	-100,6%	-
EBITDA ex. non-recurring items	(5,0)	43,8	-977,2%	48,8
EBITDA ex. non-recurring items margin	-1,7%	14,4%	-954,4%	-
Adjusted Operating Cash Flow¹	50,2	63,3	26,1%	13,1
Adjusted Operating Free Cash Flow to the Firm²	49,2	59,8	21,7%	10,7
Cash balance (including restricted accounts)	218,3	149,4	-31,6%	(68,9)
Gross Debt	299,4	181,2	-39,5%	(118,2)
Gross Capex (accrual basis)	29,5	4,5	-84,6%	(24,9)

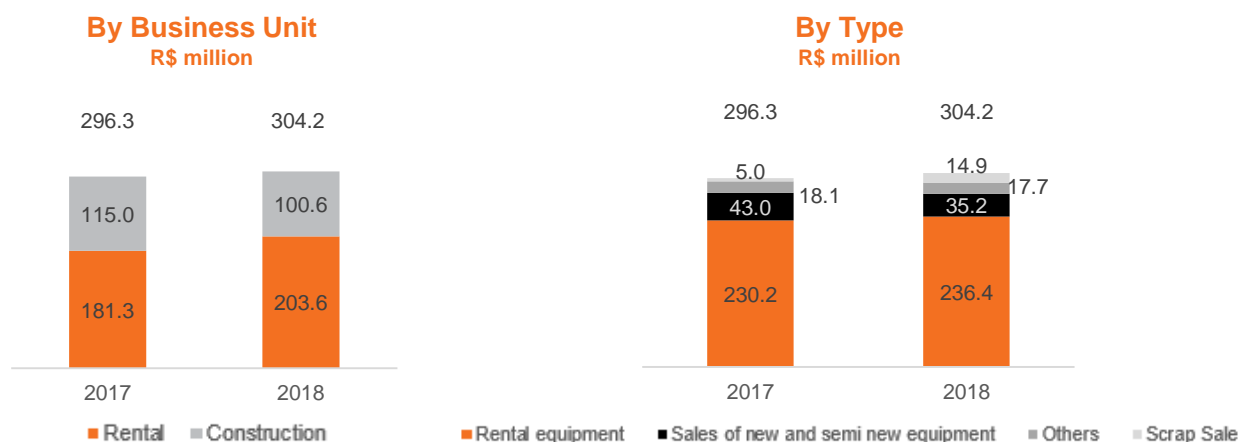
¹For the adjusted operating cash flow, interest on debentures and Finame, leasing investments and interest and monetary variations on net assets and liabilities are disregarded.

²For the free cash flow to the adjusted firm, interest on debentures and Finame and monetary variations on net assets and liabilities are disregarded.

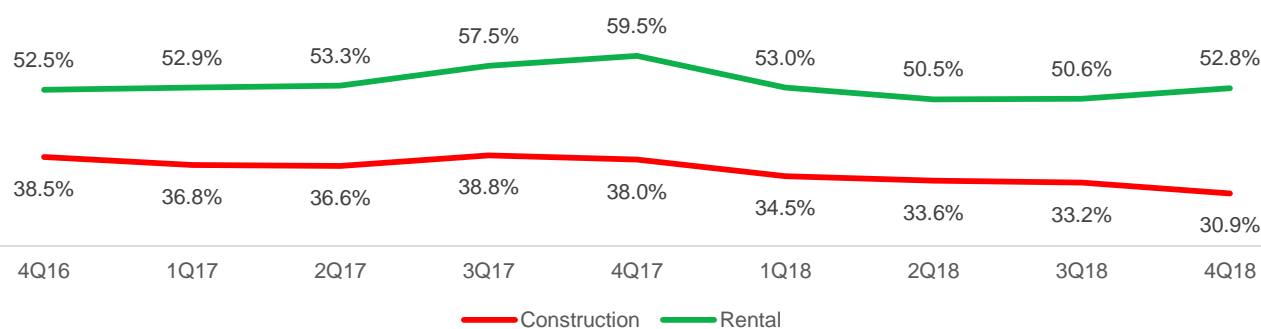
4. Operational and Financial Performance (continued)

4.1 Net Revenue

Mills' net revenue reached R\$ 304.2 million in 2018, an increase of 2.7% over the previous year. The main lines that positively impacted the result were the sale of scrap as a result of the scalability plan of the Construction business unit and the rental revenue, as a result of the recovery of the Rental business unit.



Evolution of the Quarterly Rate of Physical Use



4.2 Costs and Expenses (ex. Depreciation)

Mills' costs, excluding depreciation, decreased by 14.0% in relation to the previous year, mainly due to the downsizing of the Construction business unit and the lower sale of used by Rental. Considering also that in 2018 we classified the revenues from the sale of scrap in the top line, the respective costs were reclassified to COGS, being R\$ 6.6 million higher than in 2017.

General and administrative expenses, excluding the Provision for Expected Credit Losses (ECL), decreased by 1.0% in relation to the previous year. Excluding non-recurring expenses (R\$ 18.6 million in 2017 and R\$ 32.3 million in 2018), there was a 12.0% reduction, reflecting the rationalization of costs and expenses adopted by the Company. Of the R\$ 11.6 million reduction in commercial, operating and administrative expenses, approximately R\$ 8 million refers to the reduction of staff costs. Non-recurring items are discussed further below.

In 2018, ECL totaled R\$ 2.3 million (0.7% of net revenue), due to extraordinary receipts in the year, compared to 3.6% in 2017.

4. Operational and Financial Performance (continued)

	2017 (A)	2018 (B)	(B)/(A)	(B)-(A)
COGS Total, ex-depreciation	184.5	158.6	-14.0%	(25.8)
Rental costs (maintenance, personnel, warehouses, etc)	118.2	97.0	-18.0%	(21.2)
Cost of sales of new equipment	4.2	7.4	78.1%	3.2
Cost of sales of semi new equipment	28.9	19.4	-32.7%	(9.5)
Cost of assets write-offs	8.6	3.6	-58.3%	(5.0)
Cost of scrap sale	24.7	31.3	26.8%	6.6
G&A, ex-depreciation and ECL	144.4	143.0	-1.0%	(1.4)
Commercial, Operational and Administrative	78.9	67.3	-14.7%	(11.6)
General Services	37.6	31.2	-17.0%	(6.4)
Other expenses	28.0	44.5	59.1%	16.5
ECL	10.6	2.3	-78.5%	(8.3)
COGS + Total SG&A	339.5	303.9	-10.5%	(35.6)

4.3 Non-recurring Items

In 2018, we recorded R\$ 43.5 million of costs and expenses related to non-recurring items, composed mainly of: (i) restructuring expenses, mainly reflecting the strategy of resizing the Construction business unit to tailor products and efforts to low economic activity, seeking to achieve the *break even* of Ebitda proxy cash in 2019; (ii) liabilities of the Industrial Services business unit, sold in 2013; and (iii) expenses related to the business combination project with Solaris (studies, due diligence, etc.), as follows:

Non-recurring items - in R\$ million	2017 (D)	2018 (E)	(E)/(D)
Total non-recurring expenses	-38.2	-43.5	13.8%
Resizing expenses	-32.7	-32.1	-1.6%
Branches demobilization	-13.0	-20.9	60.3%
Result of sale of semi new equipment		15.5	
Cost of sale of semi new equipment		-10.4	
Revenue of scrap sale	5.0	14.9	197.2%
Cost of scrap sale	-24.7	-31.3	26.8%
Business combination between Mills and Solaris		-5.3	
Other non-recurring expenses	-5.6	-6.1	8.7%
Impairment Rohr	-6.0		
Mills SI Expenses	0.4	-6.1	-1743.7%

In the year 2018, then, the process of demobilization of four Construction branches was finalized: Brasília, Belo Horizonte, Recife and São Luis. As a result, we closed the year with four operating subsidiaries and approximately 62,000 tons of equipment in this business unit, maintaining a national presence. In addition, changes were made to the rental units of Belém and Recife.

It is important to note that the expenses with the restructuring cash effect are borne by the sale of the Construction equipment itself, such as used or scrap.

4. Operational and Financial Performance (continued)

In 2018, the Company performed all necessary tests, and no impairment was required in any of the cash generating units.

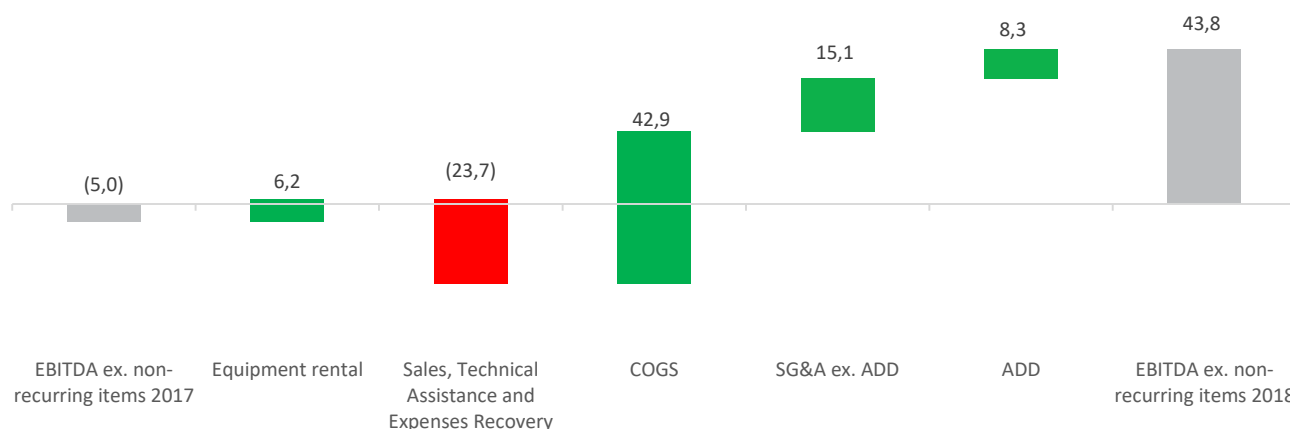
During 2018, the Company reviewed the fair value of the financial instrument related to the investment in Rohr through an internal study. The fair value of this asset was determined based on economic projections of the market, by the income approach, through the projection of discounted cash flow for a period of ten years plus perpetuity, for purposes of rationalization of the book value, considering the long maturity of investments in infrastructure and civil construction. The revenue was projected based on the Gross Domestic Product (GDP) plus the Extended Consumer Price Index (IPCA), considering multipliers. Costs were projected based on a gross margin target, which stabilizes at 65%. Expenses were projected according to the IGPM variation. Also considered was the need for working capital and investments to maintain the asset tested. The respective flows were discounted at a discount rate of 15.2%, including a 4.2% premium, obtained through the methodology used by the market, the weighted average cost of capital (WACC). Growth rate in real terms in perpetuity was not considered.

Based on this study, Management estimates that the fair value of the investment in Rohr as of December 31, 2018 is R\$ 54.5 million (R\$ 55.2 million as of December 31, 2017). The gross variation in fair value was R\$ 0.8 million, with a net variation of R\$ 0.5 million considering the effect of deferred income and social contribution taxes as of December 31, 2018, recorded in the Company's net equity.

4.5 EBITDA and EBITDA Margin

	2017	2018	(B)/(A)	(B)-(A)
CVM EBITDA	-43,2	0,3	-100,6%	43,5
Resizing of Construction business unit	-32,7	-32,1	-1,6%	0,5
Expenses of Industrial Services business unit	-5,6	-6,1	8,7%	(0,5)
Business combination between Mills and Solaris	0,0	-5,3		(5,3)
EBITDA ex. non-recurring items	-5,0	43,8	-977,2%	48,8

As seen above, CVM EBITDA was positive by R\$ 0.3 million in 2018, reflecting a significant evolution compared to the previous year. Excluding non-recurring items, Adjusted EBITDA is R\$ 43.8 million in 2018, as shown below:



4. Operational and Financial Performance (continued)

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

	2018
EBITDA CVM	0.3
Non cash items	81.1
Provision for tax, civil and labor risks	7.0
Accrued expenses on stock options	0.7
Post Employment Benefits	1.1
Residual value of property, plant and equipment and intangible assets sold and written off	59.3
Provision (reversal) for impairment loss on trade receivables	2.3
Provision (reversal) for impairment	2.0
Provision (reversal) for slow-moving inventories	0.3
Impairment loss on inventories held for sale	(1.6)
Provision for rental equipment inventory adjustment	-
IFRS 9/CPC 48 Adjustment	0.0
Provision for Profit Sharing	8.0
Other provisions	1.9
EBITDA ex-non cash provisions	81.4
Cash	(41.2)
Interest and monetary and exchange gains and losses (cash)	12.6
Trade receivables	(3.7)
Acquisitions of rental equipment	(0.6)
Inventories	0.5
Taxes recoverable	2.9
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	6.1
Judicial deposits	(5.9)
Other assets	(1.8)
Suppliers	(4.4)
Payroll and related taxes	(1.5)
Taxes payable	(4.0)
Other liabilities	(1.1)
Law suits settled	(5.1)
Interest paid	(35.2)
Cash flows from operating activities according to the financial statements	40.2
Interest and monetary and exchange gains and losses (cash)	12.6
Acquisitions of rental equipment	(0.6)
Interest paid	(35.2)
Adjusted Operating Cash Flow	63.3

4.6 Financial Result

The financial result was negative by R\$ 12.8 million in 2018, compared to a negative value of R\$ 13.6 million in 2017, as a consequence of the reduction in indebtedness due to the amortization of R\$ 141.3 million of debt in the year, of which 98% debentures.

4.7 Net Result

In 2018, net loss was R\$ 95.0 million against R\$ 138.4 million recorded in 2017.

4. Operational and Financial Performance (continued)

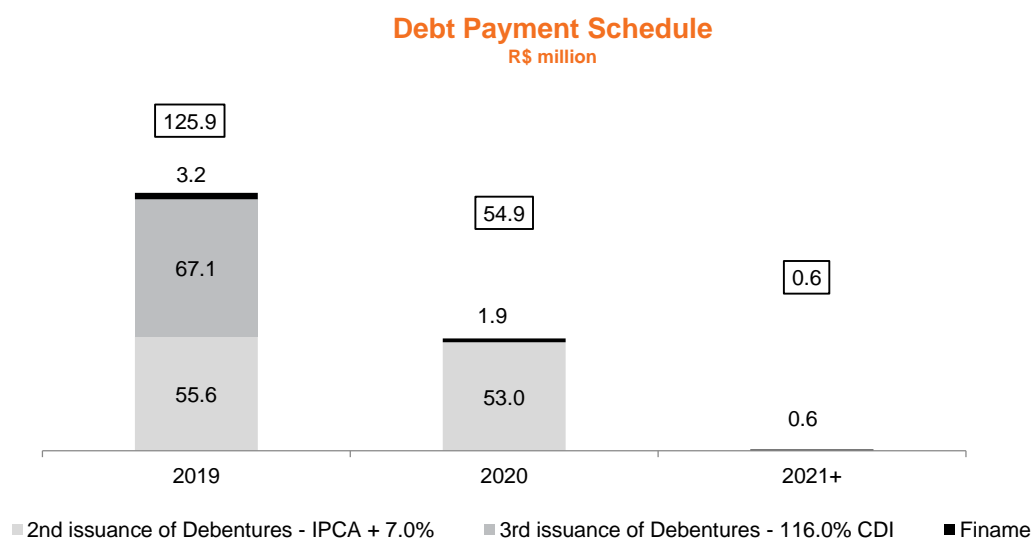
4.8 Indebtedness

Mills' gross debt ended 2018 at R\$ 181.2 million.

The Company continues to generate operating cash, closing the year with R\$ 60.6 million in cash and cash equivalents (free), R\$ 88.8 million in linked accounts (debenture guarantee) and, therefore, net debt of R\$ 31.8 million.

On December 31, 2018, in addition to verifying the adequacy to the covenants of the debentures linked to the Adjusted OCF (the Net Debt/Adjusted OCF ratio was 0.5x and the OCF Adjusted/Financial Result ratio was 4.9x), Mills also complied the original covenants coupled to Adjusted Ebitda, with a Net Debt/Adjusted Ebitda ratio of 0.7x and Adjusted Ebitda/Financial Income ratio equal to 3.4x.

The Company has no foreign currency debt and the average term for payment of its total indebtedness is 0.9 year, with an average cost of CDI + 2.41% pa. Short-term debt at the end of the year corresponds to 69.4% of the total. The chart below shows the debt repayment schedule:

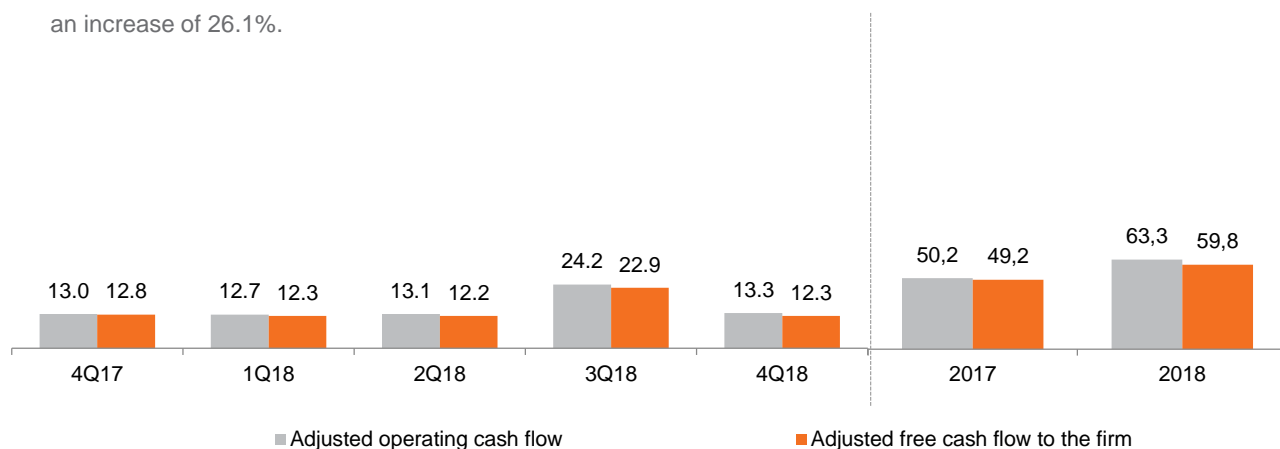


Additionally, according to a material fact released on February 22, 2019, the holders of the debentures of Mills approved at the General Meeting of Debenture Holders held on the same date: (i) prior consent for the merger by the Company, of Solaris Participações, Equipamentos e Serviços S.A., into the context of the aforementioned business combination; (ii) permission to carry out loan operations with its subsidiaries or affiliated companies in the amount of up to R\$ 25 million; (iii) alteration of the linked account mechanism of the Debentures, provided for in the respective fiduciary assignment agreements, in order to allow the use of part of such funds in the own amortization of the Debenture installments; and (iv) other related matters on the agenda.

4. Operational and Financial Performance (continued)

4.9 Adjusted Cash Flow

Adjusted operating cash flow, before interest paid, acquisition of leasing assets and interest and monetary variations of net asset and liability, was positive at R\$ 63.3 million in 2018. Compared to the year 2017, there was an increase of 26.1%.



4.10 Investments

In 2018, the Company invested R\$ 4.5 million, of which R\$ 2.9 million was allocated mainly to improvements and adjustments of branches and R\$ 1.6 million to rental assets.

For the year 2019, considering the utilization rate in both business units, as well as the lease prices currently practiced, no investments are expected to increase the Company's capacity, and there may be movements to improve the profile of the aerial platform fleet, according to market demand.

¹For the adjusted operating cash flow, interest on debentures and Finame, leasing investments and interest and monetary variations on net assets and liabilities are disregarded. For the adjusted free cash flow, the interest paid and the monetary variations and net asset and liabilities are disregarded.

5. Behavior of Shares (B3: MILS3)

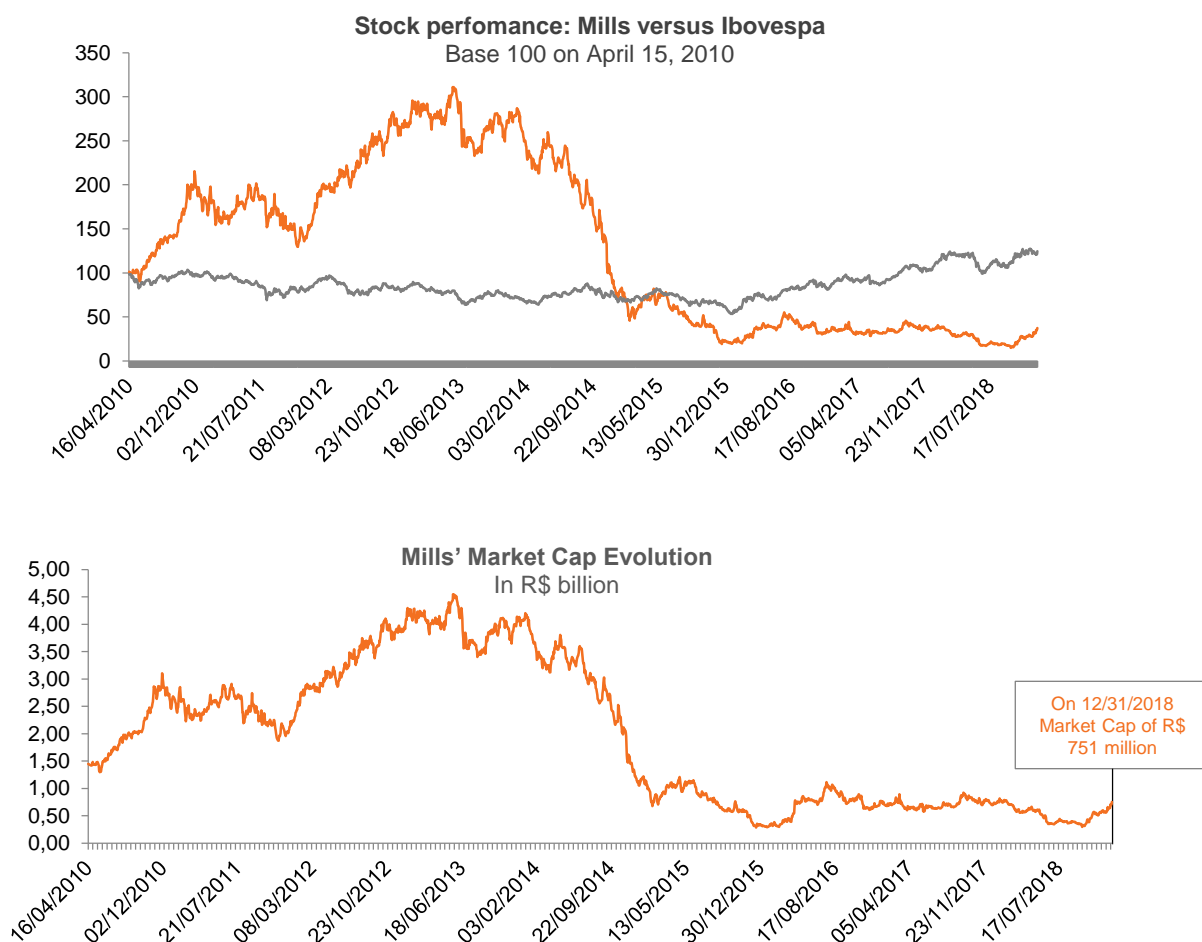
As of December 31, 2018, Mills' voting and total voting share capital was comprised of 175,586,442 common shares, of which the controlling shareholders held a total of 34.5% of the voting and total share capital. During the same period, the Company had 2,278,422 treasury shares. The *free float* was equal to 63.8%.

The closing price of Mills' share at B3 on December 31, 2018 was R\$ 4.28, an increase of 3.9% over the closing price of 2017, while the IBOVESPA index had a positive variation of 15.0% in the same period. At the end of 2018, Mills' *market cap* was equal to R\$ 751.5 million.

Since its IPO on April 15, 2010, until the end of 2018, the MILS3 shows a 62.8% devaluation, versus a 24.6% appreciation of the IBOVESPA Index.

The average daily financial volume of Mills shares traded in B3 in 2018 was R\$ 2.1 million, 35.2% lower than in the previous year.

Due to the results obtained in 2018, there was no distribution of dividends or interest on net equity.



6. Corporate Governance

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

On December 31, 2018, considering the resignation presented by Mr. Fabio Bruggioni at the end of the year, the Board of Directors was composed of four members, two co-chairs and one member appointed by minority shareholders, with a 2-year term. The Board of Directors of the Company shall evaluate in due course said vacancy and the election of a new member.

In line with good corporate governance practices, Mills has two advisory committees to the Board of Directors. It is the responsibility of the committees to make the performance of the Board of Directors more efficient, enhancing the pertinent discussions with sound recommendations, assisting in the performance of their legal and statutory functions.

These committees are non-permanent and may be freely created or terminated by the Board of Directors, being: (i) Finance and Risk Committee, composed of members Eduardo Luiz Wurzmann (Independent Member of the Board of Directors) and Roberto Pedote (Co-Chairman of the Board of Directors); and (ii) People and Management Committee, composed of members Roberto Pedote, Francisca Nacht (Member of the Board of Directors) and Marcelo Luis Orticelli.

The Company also has a Fiscal Council installed since 2011, which is composed of three effective members, one of which is indicated by the minority shareholders.

The Company's Executive Board is composed of four members, 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, the Code of Conduct was revised and approved by the Board of Directors on July 3, 2018. The Company also has an active complaint channel, managed by a specialized company, and may be used by all employees to report unethical and/or illegal situations, in a confidential and anonymous manner. All reports are determined and directed in accordance with internal policies and current legislation. We also have a communication channel available to external audiences on the Company's website.

7. People Management

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

Mills has an Internship Program with the objective of attracting, developing and retaining talent that wants to grow and acquire expertise, contributing to the Company's growth. At the end of 2018, 38 trainees participated in the Program, of which 73% were engineering students and technical courses. Mills hired 25 interns in 2017 and 18 in 2018.

The monthly turnover was 3.57% in 2018, versus 1.17% in 2017. As a reflection of changes in the Company's organizational structure, including the closure of branches due to the low economic activity of the infrastructure sector in the country, the number of active employees of Mills was reduced from 1,260 at the end of 2017 to 847 at the end of 2018, when the Company invested R\$ 512,000 in training (totaling 11,946 hours).

The Profit Sharing Program, assured to all employees of the Company, was based on the usual market model, in which multiple individual salary awards are defined at the beginning of the cycle based on the compensation strategy. Target multiples are linked to performance indicators and targets. In addition, triggers and locks are used to ensure that payments only occur if there is generation of necessary resources. In 2019, there will be distribution referring to the result for the year 2018.

In 2016, a new discretionary stock option plan was approved for the Company's managers and key people, with the purpose of encouraging our employees to successfully conduct the Company's business and stimulate the entrepreneurial and results-oriented culture, aligning the interests of managers and shareholders. The exercise price of the options is R\$ 2.63, monetarily restated according to the IPCA, and may be exercised from 2019 to 25% every 12 months.

Additionally, in 2018, the Company structured a Long-Term Incentive Program based on restricted shares, intended for all executives and some key positions. This program has as main objective to make the remuneration package competitive with the market, to align expectations, to motivate the employees and to leverage the operational performance of the business. Each program will initially have three-year cycles, linking long-term goals to all eligible, where those goals will be associated with creating value for the Company. The grants granted under the terms of the plan may confer, for 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. For the purpose of satisfying the granting of the restricted shares granted under the Restricted Stock Plan, the Company will necessarily use shares held in treasury, since there will be no new shares to be subscribed.

8. Relationship with Independent Auditors

According to CVM Instruction 381/2003, the hired services from KPMG, which are our independent auditors, regarding to 2018 social exercise, other than the financial statements audit services usually provided by KPMG, presented disbursements with fees in the amount of R\$12,000, equivalent to 2.68% of the expenses with auditing of the financial statements in the same period, and refer to the review of the accounting and fiscal books of the Company with the purpose of supporting the work of the audit itself, which does not affect or compromise the independence of our auditors.

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

Mills Estruturas e Serviços de Engenharia S.A.

Balance sheets as of December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	Notes	12/31/2018	12/31/2017
Assets			
Current			
Cash and cash equivalents	6	60,635	67,826
Restricted bank deposits	7	62,000	63,291
Trade receivables	8	56,491	56,757
Inventories	9	15,297	16,089
Inventories - other assets held for sale	10	58	4,246
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	11	400	6,531
Taxes recoverable	11	4,110	6,983
Advances to suppliers		169	176
Other assets		5,228	3,376
Assets held for sale	12	4,989	7,151
		<u>209,377</u>	<u>232,426</u>
Non-current			
Restricted bank deposits	7	26,810	87,228
Deferred taxes - IRPJ and CSLL	21.b	205,299	159,973
Judicial deposits	22.a	17,194	10,968
Other assets		80	82
		<u>249,383</u>	<u>258,251</u>
Investments			
Financial assets at fair value through other comprehensive income.	13	54,451	55,234
Property, plant and equipment	14	467,444	639,689
Intangible assets	15	33,993	37,976
		<u>555,888</u>	<u>732,899</u>
Total assets		<u>1,014,648</u>	<u>1,223,576</u>

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

Mills Estruturas e Serviços de Engenharia S.A.

Balance sheets as of December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	Notes	12/31/2018	12/31/2017
Liabilities and equity			
Current			
Suppliers	16	15,703	16,898
Payroll and related taxes		12,730	14,185
Borrowings and financing	17	3,177	3,182
Debentures	18	122,552	122,094
Tax debt refinancing program (REFIS)	23	1,391	1,345
Taxes payable	24	2,493	5,451
Provision for profit sharing	20.a	8,000	-
Dividends and interest on capital payable		3	3
Derivative financial instruments		-	18
Provision for post-employment benefits		-	963
Other liabilities		311	1,300
		<u>166,360</u>	<u>165,439</u>
Non-current			
Borrowings and financing	17	2,535	5,688
Debentures	18	52,921	168,411
Provision for tax, civil and labor risks	22	25,142	21,364
Tax debt refinancing program (REFIS)	23	6,358	7,492
Provision for post-employment benefits	20.b	10,441	7,939
Other liabilities		582	663
		<u>97,979</u>	<u>211,557</u>
Total liabilities		<u>264,339</u>	<u>376,996</u>
Equity			
Subscribed capital	25	688,319	688,319
Capital reserves	25	33,714	32,964
Earnings reserves	25	55,275	151,459
Treasury shares	25	(20,287)	(20,287)
Equity adjustments	25	(6,712)	(5,875)
		<u>750,309</u>	<u>846,580</u>
Total equity		<u>750,309</u>	<u>846,580</u>
Total liabilities and equity		<u>1,014,648</u>	<u>1,223,576</u>

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

Mills Estruturas e Serviços de Engenharia S.A.

Statements of operations

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	Notes	2018	2017 (Restated)
Net revenue from sales and services	28	304,189	296,282
Cost of sales and services	29	<u>(272,002)</u>	<u>(314,613)</u>
Gross profit (loss)		<u>32,187</u>	<u>(18,331)</u>
Selling, general and administrative expenses	29	(163,400)	(170,169)
Reversal (provision) for impairment and fair value	30	(2,039)	(2,040)
Other revenues		<u>6,839</u>	<u>1,580</u>
Loss before finance income (costs) and taxes		<u>(126,413)</u>	<u>(188,960)</u>
Finance income	30.a	14,451	31,848
Finance costs	30.b	<u>(27,278)</u>	<u>(45,404)</u>
Loss before taxes		(139,240)	(202,516)
Current and deferred income and social contribution taxes	21.a	<u>44,271</u>	<u>64,135</u>
Loss from continuing operations		<u>(94,969)</u>	<u>(138,381)</u>
Loss for the year		<u>(94,969)</u>	<u>(138,381)</u>
Basic and diluted loss per share - R\$	27.a and b	(0.59)	(0.86)

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

Mills Estruturas e Serviços de Engenharia S.A.

Statements of comprehensive income (loss)

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	Notes	2018	2017
Loss for the year		(94,969)	(138,381)
Items that may be reclassified subsequently to profit or loss		-	-
Fair value adjustment Investment Rohr, net of taxes	13	(517)	(9,142)
Provision for post-employment benefits, net of taxes	20	<u>(320)</u>	<u>(5,875)</u>
Total comprehensive income (loss) for the year		<u>(95,806)</u>	<u>(153,398)</u>

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

Mills Estruturas e Serviços de Engenharia S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	Capital reserves			Earnings reserves			Treasury shares	Equity adjustments	Accumulated losses	Total
	Subscribed capital	Stock option premium	Share premiums	Legal	Expansion	Retained earnings				
At January 1, 2017	<u>688,319</u>	<u>49,383</u>	<u>(18,448)</u>	<u>32,611</u>	<u>63,649</u>	<u>193,580</u>	<u>(20,287)</u>	<u>9,142</u>	<u>-</u>	<u>997,949</u>
Stock option premium	-	2,029	-	-	-	-	-	-	-	2,029
Fair value adjustment -Investment in Rohr	-	-	-	-	-	-	-	(9,142)	-	(9,142)
Post-employment benefits	-	-	-	-	-	-	-	(5,875)	-	(5,875)
Loss for the year	-	-	-	-	-	-	-	-	(138,381)	(138,381)
Absorption of loss for the year	-	-	-	-	(63,649)	(74,732)	-	-	138,381	-
At December 31, 2017	<u>688,319</u>	<u>51,412</u>	<u>(18,448)</u>	<u>32,611</u>	<u>-</u>	<u>118,848</u>	<u>(20,287)</u>	<u>(5,875)</u>	<u>-</u>	<u>846,580</u>
Adjustment on first-time adoption of CPC 48 / IFRS 9	-	-	-	-	-	-	-	-	(1,215)	(1,215)
At January 1, 2018	<u>688,319</u>	<u>51,412</u>	<u>(18,448)</u>	<u>32,611</u>	<u>-</u>	<u>118,848</u>	<u>(20,287)</u>	<u>(5,875)</u>	<u>(1,215)</u>	<u>845,365</u>
Stock option premium	-	750	-	-	-	-	-	-	-	750
Fair value adjustment - Investment in Rohr	-	-	-	-	-	-	-	(517)	-	(517)
Post-employment benefits	-	-	-	-	-	-	-	(320)	-	(320)
Loss for the year	-	-	-	-	-	-	-	-	(94,969)	(94,969)
Absorption of loss for the year	-	-	-	-	-	(96,184)	-	-	96,184	-
At December 31, 2018	<u>688,319</u>	<u>52,162</u>	<u>(18,448)</u>	<u>32,611</u>	<u>-</u>	<u>22,664</u>	<u>(20,287)</u>	<u>(6,712)</u>	<u>-</u>	<u>750,309</u>

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

Mills Estruturas e Serviços de Engenharia S.A.

Statements of cash flows

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	12/31/2018	12/31/2017
Cash flows from operating activities		
Loss for the year	(94,969)	(138,381)
Adjustments:		
Depreciation and amortization	126,684	145,720
Deferred income and social contribution taxes	(44,271)	(64,135)
Provision (reversal) for tax, civil and labor risks	6,994	(637)
Accrued expenses on stock options	750	2,029
Residual value of property, plant and equipment and intangible assets sold and written-off	59,338	64,004
Interest and monetary exchange gains and losses, net	25,443	42,811
Provision for impairment loss on trade receivables	2,274	10,598
Provision (reversal) for impairment loss on inventories held for sale	(1,619)	1,619
Provision for impairment and fair value	2,039	2,040
Provision (reversal) for slow-moving inventories	339	(1,914)
Provision for rental equipment inventory adjustment	-	2,243
Post-employment benefits	1,056	-
Adjustment IFRS 9/CPC 48	46	-
Provision for profit sharing	8,000	-
Other provisions (reversals)	1,888	(2,470)
(Increase) decrease in assets and increase (decrease) in liabilities:		
Trade receivables	(3,739)	(6,302)
Acquisitions of rental equipment	(581)	(14,515)
Inventories	452	(270)
Taxes recoverable	2,873	9,647
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax)	6,131	5,845
Judicial deposits	(5,914)	361
Other assets	(1,843)	5,093
Suppliers	(4,356)	3,606
Payroll and related taxes	(1,455)	(3,484)
Taxes payable	(4,046)	2,919
Other liabilities	(1,090)	1,497
Lawsuits settled	(5,074)	(2,958)
Interest paid	(35,160)	(40,472)
Net cash generated by operating activities	40,190	24,494

Mills Estruturas e Serviços de Engenharia S.A.

Statements of cash flows

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	12/31/2018	12/31/2017
Cash flows from investing activities:		
Acquisition of PP&E for own use and intangible assets	(2,920)	(11,978)
Amount received from sale of business unit - Industrial Services SI	-	23,878
Interest on capital received	<u>-</u>	<u>1,546</u>
Net cash generated by (used in) investing activities	<u>(2,920)</u>	<u>13,446</u>
Cash flows from financing activities		
Restricted bank deposits	61,708	(150,519)
Amortization of borrowings and debentures	<u>(106,169)</u>	<u>(150,277)</u>
Net cash used in financing activities	<u>(44,461)</u>	<u>(300,796)</u>
Net (decrease) in cash and cash equivalents	<u>(7,191)</u>	<u>(262,856)</u>
Cash and cash equivalents at the beginning of the year	<u>67,826</u>	<u>330,682</u>
Cash and cash equivalents at the end of the year	<u><u>60,635</u></u>	<u><u>67,826</u></u>
Net (decrease) in cash and cash equivalents	<u>(7,191)</u>	<u>(262,856)</u>

Until December 31, 2018 the Company wrote off bills that were past due up to five years, totaling R\$ 13,418, and exchanged credits amounting to R\$ 7,028 for assets held for sale and R\$ 2,979 for rental assets, which are not recognized in the statement of cash flows because they do not reflect cash movements.

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

Mills Estruturas e Serviços de Engenharia S.A.

Statements of added value

Years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais – R\$)

	12/31/2018	12/31/2017 (Restated)
Revenues:		
Sales of products and services	353,166	375,669
Cancelations and discounts	(20,004)	(52,205)
Other revenues	6,839	1,580
Recognition of impairment loss on trade receivables	(2,274)	(10,598)
	<u>337,727</u>	<u>314,446</u>
Inputs purchased from third parties:		
Cost of sales and services	(7,404)	(2,244)
Materials, energy, outside services and others	(90,833)	(137,158)
Provision for impairment	(2,039)	(2,040)
Write-off of assets	(57,719)	(42,959)
	<u>(157,995)</u>	<u>(184,395)</u>
Gross added value	179,732	130,045
Depreciation, amortization and depletion	(126,684)	(145,720)
Net added value generated by the Company	<u>53,048</u>	<u>(15,675)</u>
Added value received in transfer		
Finance income	14,451	31,848
Total added value for distribution	<u>67,499</u>	<u>16,173</u>
Distribution of added value:		
Personnel and payroll taxes	112,118	103,146
Salaries	90,535	78,800
Benefits	16,407	18,528
Government Severance Indemnity Fund for Employees (FGTS)	5,176	5,818
Taxes and contributions	5,273	(14,603)
Federal	1,339	(18,176)
State	2,428	899
Municipal	1,506	2,674
Remuneraton on third party capital	45,076	66,011
Interest and exchange gains (losses)	26,586	43,911
Rentals	18,490	22,100
Remuneration of shareholders	(94,969)	(138,381)
Loss for the year	(94,969)	(138,381)
Added value distributed	<u>67,499</u>	<u>16,173</u>

The accompanying notes are an integral part of these 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:

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

The Company's operations are segmented according to the new organization and management model approved by Management, divided into the following business units: Construction and Rental. The descriptions of each business unit are included in note 32

Business combination of Mills and Solaris

Mills Estruturas e Serviços de Engenharia S.A. (Company), in accordance with the provisions of article 157, paragraph 4, of Law No. 6404, dated December 15, 1976, as amended, and Instruction No. 358 of the Brazilian Securities and Exchange Commission (CVM) dated January 3, 2002, communicated to its shareholders and the market in general the signing of a preliminary and non-binding memorandum of understanding on September 25, 2018, between the Company and its controlling shareholders ("Mills Controlling Shareholders"), Solaris Equipamentos e Serviços S.A. ("Solaris"), and its controlling shareholders ("Solaris Controlling Shareholders" and, jointly with the Company, Solaris, and Mills Controlling Shareholders, the "Parties"). This established the preliminary terms and conditions for a possible business combination between Mills and Solaris ("Operation" and "Business Combination", respectively).

The submission of this Business Combination to Brazilian or foreign competition authorities has been waived: (a) as it does not result in an obligation to undertake a public offering, pursuant to article 34, paragraph 9, of the Company's Bylaws; and (b) as it does not extend any right of withdrawal to Mills shareholders.

With the Business Combination, the Company seeks to strengthen its distinguished position in the equipment rental industry with a more attractive business mix, greater scale and better prospects for growth and profitability, with the optimization of operations and absorbing potential synergies. In addition, the Company shall achieve better conditions to serve customers in various industries throughout Brazil by combining the best operating practices and teams of both companies to provide greater benefits to customers as well as value to shareholders.

As of October 2018, Mills and Solaris conducted mutual due diligence audits with the participation of external consultants and employees. As a result of these audits, the previously established conditions were confirmed through entry into a definitive and binding Merger Agreement between the Mills and Solaris Controlling Shareholders on December 20, 2018, relating to the combination of their businesses.

The completion of the business combination under which Mills will become the holder of all Solaris shares while Solaris shareholders will become holders of 30.5% of Mills' shares (excluding treasury shares), is still subject to the verification of precedent conditions, as is common market practice in this type of transaction, including approval from the corporate bodies of both companies as well as obtaining consent from creditors.

Once the Business Combination is implemented, a shareholders' agreement shall be entered into between Mills and Solaris Controlling Shareholders, which will regulate the exercise of their political and economic rights as shareholders of the Company, for example: (a) Mills Controlling Shareholders shall remain controlling shareholders of Mills and shall have the right to appoint a majority of the Company's Board of Directors; (b) Solaris Controlling Shareholders shall have some veto rights; and (c) there shall be standard market restrictions on the transfer of shares associated with the shareholders' agreement.

2 Basis of preparation and presentation of the financial statements and summary of significant accounting policies

2.1 Basis of presentation

(i) Statement of compliance

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

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 12, 2019.

The Company's 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, 6, 7, 8, 13 and 33).

(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.

(iii.1) 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.

(iii.2) **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 period.

(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 expected loss and the historical period considered (January to December 2018).
- The calculation is a result of the average historical default in the last 12 months applied on the trade receivables balances of each aging for each Business Unit; and
- The aging of outstanding invoices issued is considered in the calculation.

(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.

(v.1) *Inventories - Other assets held for sale*

Refer to assets previously included in the Company's property, plant and equipment and currently separate from rental assets due to the purpose of their sale. Such assets are measured in conformity with the requirements of CPC 16 (R1).

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

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 14, 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 (2018), 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 2018 Profit Sharing Program is based on the achievement of Adjusted EBITDA and Free Cash Flow budgeted.

The recognition of profit sharing, when applicable, is made during the year and the payment, when due, in the subsequent year (note 20.a).

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 these financial statements are the same used in the financial statements for the year ended December 31, 2017, disclosed in Notes 2 and 3. These financial statements were filed with CVM on March 13, 2018 and published on the newspaper Valor Econômico and the Official Gazette of the State of Rio de Janeiro on March 21, 2018.

2.4 Changes in significant accounting policies

On January 1, 2018, the Company adopted for the first time the requirements from the following pronouncements: CPC 48 Financial Instruments, similar to IFRS 9 and CPC 47 Revenue from Contracts with Customers, similar to IFRS 15.

CPC 48 / IFRS 9 Financial Instruments

CPC 48/IFRS 9 establishes requirements for the recognition and measurement of financial assets, financial liabilities and certain purchase or sale agreements of non-financial items. This standard replaces the guidance existing in IAS 39 Financial Instruments: *Recognition and Measurement* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new model of expected credit loss to calculate the impairment of financial assets and new requirements on hedge accounting. The standard maintains the existing guidance on the recognition and derecognition of financial instruments of IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Therefore, these financial assets were classified as financial assets measured at amortized cost under CPC 48 / IFRS 9.

As a result of the adoption of CPC 48/IFRS 9 the Company adopted consequential amendments to CPC 26/IAS 1 presentation of financial statements, which require the impairment of financial assets to be presented in a separate line in the statement of operations.

In the transition to CPC 48/IFRS 9, the Company defined the simplified approach to monitor the history of changes in the aging of trade receivables, thus recognizing on the first-time adoption a provision for impairment of receivables of R\$ 1,731, which was recognized as a reduction to assets against the accumulated losses in the amount of R\$ 1,142, and in deferred income and social contribution tax assets, in the amount of R\$ 589.

Regarding cash and cash equivalents, a provision for impairment was recognized on the first-time adoption in the amount of R\$ 22, which was recognized as a reduction to cash and cash equivalents against accumulated losses in the amount of R\$ 15 and deferred income tax and social contribution assets in the amount of R\$ 7.

As regards restricted bank deposits, a provision for impairment was recognized on the first-time adoption in the amount of R\$ 87, which was recognized as a reduction to restricted bank deposits against accumulated losses in the amount of R\$ 57 and deferred income tax and social contribution assets in the amount of R\$ 30.

These effects were recognized in the opening balance sheet of 2018 and are shown in the table below:

Balance Sheet	Previous classification under CPC38/IAS39	Current classification under CPC48/IFRS9	Balance at December 31, 2017	Adjustments on the adoption of CPC 48 / IFRS 9	Adjusted opening balance at January 1, 2018
		Fair value			
		through profit or loss			
Cash and cash equivalents	Fair value through profit or loss	loss	67,826	(22)	67,804
Restricted bank deposits	Loans and receivables	Amortized cost	150,519	(87)	150,432
Provision for impairment loss on trade receivables	Loans and receivables	Amortized cost	(133,801)	(1,731)	(135,532)
Deferred taxes - IRPJ and CSLL	-	-	159,973	589	160,562
Accumulated losses	-	-	-	1,215	1,215

CPC 47 / IFRS 15 - Revenue from Contracts with Customers

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control of these assets or services. The new standard replaces most of the detailed guidance on revenue recognition that existed in the IFRS. The new standard would be effective on or after January 1, 2018, and could be adopted on a retrospective basis, using a cumulative effect approach.

The Company engaged a specialized consulting firm to diagnose the need for compliance with the standard IFRS 15 - Revenue from Contracts with Customers, and determined how the revenues from contracts with customers should be recorded according to the model comprised of five steps, as follows: (1) Identification of contracts; (2) Identification of performance obligations; (3) Determination of the transaction price; (4) Allocation of the transaction price and (5) Fulfillment of performance obligations.

In accordance with such study and the temporary provisions in IFRS 15, the diagnosis was concluded and the result of the analysis was that there is no impact for the Company, which is not restating the financial statements of prior periods and years.

2.5 New standards and interpretations

A new standard or amendment to standard and interpretation is effective for annual periods beginning on or after January 1, 2019. The Company does not plan to early adopt this standard.

CPC 06 (R2)/IFRS 16 - Leases

Among the changes for lessees, IFRS 16 eliminated the classification into finance and operating leases, now there is a single model in which all leases result in the recognition of right-of-use asset and lease liability. With the adoption of IFRS 16, the Company no longer recognizes operating costs and expenses arising from operating lease agreements and recognizes in its statement of operations: (i) the effects of the depreciation of right of use of the leased assets; and (ii) the finance costs and exchange differences calculated based on the lease liabilities of the lease agreements.

The Company started the studies related to the implementation of IFRS 16 in 2018, and introduced a single method for lease recognition in its balance sheet, whose impact will be recognized in the opening balance of 2019.

All the Company's lease agreements with term over one year and with unit price of leased items above the ceiling established by the standard were analyzed. For the purposes of initial application, the modified retrospective model was adopted, where the lease agreements of properties and vehicles used by the Company for its Construction and Rental business units were analyzed. The discount rate used for the calculation of net present value of agreements was 9.93% p.a.

These preliminary effects that will be recognized in the opening balance sheet of 2019 are shown in the table below:

Balance Sheet	Balance at December 31, 2018	Adjustments on the adoption of CPC 48)/ IFRS 16	Adjusted opening balance at January 1, 2019
Property, plant and equipment	467,444	57,786	525,230
Finance leases	-	(57,786)	(57,786)

The analyses on the measurement and recognition of lease agreements are substantially completed, pending the definition of the following items:

- discount rate
- expected flow of payments of lease agreements, net or gross of taxes

Therefore, in view of the existence of significant components of judgment in this pronouncement, Management believes that there may be changes in the amounts presented above.

Other amendments

The amended standards below are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23/ CPC22 Uncertainty over Income Tax Treatments
- Plan amendments, curtailments and settlements (Amendments to CPC 33/ IAS 19)

2.6 Restatement of amounts corresponding to the financial statements for the year ended December 31, 2018

The Company reassessed the presentation and disclosure in the financial statements of routine PP&E sales transactions that were previously held for rental to third parties, denominated as sales of semi new (others). Previously, these sales and costs were disclosed as other operating income and the Company concluded that these transactions should be disclosed as net revenue from sales and services and as cost of sales and services in the statement of operations, since they are part of the Company's operational activities. Accordingly, the comparative figures for the year ended December 31, 2017, originally presented in the financial statements for 2017, are being restated.

The comparative figures of the statement of operations for year ended December 31, 2017 and the statement of added value for the year ended December 31, 2017, originally presented in the financial statements approved on March 9, 2018, are being restated accordingly, as summarized below:

Statement of operations

	12/31/2017 (Original balance)	12/31/2017 (Restated balance) Reclassifications	
	Accumulated	Accumulated	Accumulated
Net revenue from sales and services	291,265	5,017	296,282
Cost of sales and services	(289,958)	(24,655)	(314,613)
Gross profit (loss)	1,307	(19,638)	(18,331)
Selling, general and administrative expenses	(168,589)	-	(168,589)
Estimated impairment losses	(2,040)	-	(2,040)
Other operating income (expenses)	(19,638)	19,638	-
Loss before finance income (costs) and taxes	(188,960)	-	(188,960)
Finance income	31,848	-	31,848
Finance costs	(45,404)	-	(45,404)
Loss before taxes	(202,516)	-	(202,516)
Current and deferred income and social contribution taxes	64,135	-	64,135
Loss from continuing operations	(138,381)	-	(138,381)
Loss for the year	(138,381)	-	(138,381)

Statement of added value

	12/31/2017		
	Original balance	Reclassifications	Restated balance
Revenues			
Sales of products and services	370,621	5,048	375,669
Cancelations and discounts	(52,205)	-	(52,205)
Other revenues	6,628	(5,048)	1,580
Recognition of impairment loss on trade receivables	(10,598)	-	(10,598)
	314,446	-	314,446

3 Critical accounting judgments and key estimates and assumptions

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

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

3.1 Impairment of nonfinancial assets 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 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

As described in Note 14, the Company reviews the estimated useful lives of its property, plant and equipment annually at the end of each reporting period. During the year the Company assessed the useful lives of its assets and concluded that the ten-year period adopted in prior years reasonably represents the average useful life of the Company's assets and should be maintained for its equipment in 2018.

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 4.2 (iii).

(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. Additionally, other two scenarios are presented, pursuant to CVM Instruction 475/2008, in order to show a 25% and 50% deterioration in the risk variable considered, respectively (scenarios II and III).

Short-term investments	Indicator	Accounting	Profit (loss) effect		
			Probable	25%	50%
Short-term investments	CDI	60,514	3,805	2,909	1,939
Restricted bank deposits	CDI	88,810	5,577	4,264	2,842
	Total	149,324	9,382	7,173	4,781
			Change	25.00%	50.00%

Debt	Indicator	Profit (loss) effect			
		Accounting	Probable	25%	50%
BNDES	TJLP	(5,713)	(449)	(550)	(651)
2nd issue of debentures					
2nd series	IPCA	(108,627)	(12,288)	(13,459)	(14,630)
3rd issue of debentures	CDI	(67,062)	(5,640)	(7,050)	(8,460)
	Total	(181,384)	(18,377)	(21,059)	(23,741)
			Change	15%	29%

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

Scenarios	12/31/2018		
	Probable I	Scenario II 25%	Scenario III 50%
Rates			
CDI (%) (i)	7.25%	9.06%	10.88%
TJLP (%) (ii)	7.03%	8.79%	10.55%
IPCA (%) (iii)	4.03%	5.04%	6.05%

- (i) As regards the interest rate risk, the Company's management considered as probable assumption (scenario I) for its financial instruments a rate of 6.75%, information extracted from the FOCUS report released by the Brazilian Central Bank on January 19, 2019, 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.
- (ii) For financial liabilities relating to borrowings - BNDES, the Company's management used as probable assumption (scenario I) the maintenance of the TJLP rate since there is no evidence of change in rate in the near term, and an increase in rate as the assumption for the other two scenarios.
- (iii) For financial liabilities relating to the 2nd series debentures, the Company's management used as probable assumption (scenario I) the IPCA rate estimated for 2019 according to the FOCUS report released by the Central Bank of Brazil on January 19, 2019 since there is no evidence of change in rate in the near term, and an increase in rate as the assumption for the other two scenarios.

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 2018 was 52 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.

The table below provides information on the exposure at credit risk and expected credit losses for the trade receivables at December 31, 2018.

	Estimated weighted average loss rate	Accounts receivable balance	Provision for estimated credit loss	With recovery problems
Aging				
Not yet due	19,0%	51.244	9.714	No
Past due from 1 to 60 days	31,3%	11.056	3.463	No
Past due from 61 to 120 days	63,7%	4.001	2.548	No
Past due from 121 to 180 days	78,7%	5.161	4.065	No
Past due above 180 days	95,6%	<u>109.418</u>	<u>104.600</u>	Yes
Total		180.880	124.390	

(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*

	12/31/2018	12/31/2017
Bank account		
Bank (i)	121	45
Restricted bank deposits (i)	-	3
Short-term investments		
Bank (i)	60,514	67,781
Restricted bank deposits (i)	88,810	150,516
Total cash and cash equivalents and restricted bank deposits	149,445	218,345

- (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.

	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	Over five years	Total
At December 31, 2017								
Borrowings and financing	-	317	624	2,751	3,469	2,669	-	9,830
Debentures	-	-	-	137,443	131,553	60,608	-	329,604
Trade payables	1,695	11,611	2,524	1,068	-	-	-	16,898
At December 31, 2018								
Borrowings and financing	-	297	884	2,294	-	2,674	-	6,149
Debentures	-	-	-	130,813	-	60,220	-	191,033
Trade payables	1,272	12,354	1,697	370	10	-	-	15,703

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.

In addition, the Company uses as the main performance indicator to assess its gearing ratio the total net debt ratio (total bank debt less total cash and cash equivalents).

	2018	2017
Total bank debt	<u>181,401</u>	<u>299,856</u>
Financing	5,712	8,870
Gross debentures	<u>175,689</u>	<u>290,986</u>
Cash and cash equivalents	<u>60,635</u>	<u>67,826</u>
Restricted bank deposits	<u>88,810</u>	<u>150,519</u>
Net debt	<u>31,956</u>	<u>81,511</u>
Equity	<u>750,309</u>	<u>865,535</u>
Net debt to Equity		
Equity	<u>0.04</u>	<u>0.09</u>

The Company is not subject to any external capital requirement.

Credit lines available

	2018	2017
Unsecured bank credit lines, reviewed annually and with payment upon request		
Used	5,713	-
Not used	9,600	56,130
Secured bank credit lines with varying maturity dates that can be extended by common agreement:		
Used	5,713	8,870
Not used	-	6,350

6 Cash and cash equivalents

	12/31/2018	12/31/2017
Cash and banks	121	45
Short-term investments	<u>60,514</u>	<u>67,781</u>
	<u><u>60,635</u></u>	<u><u>67,826</u></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, 2018, short-term investments consist of repurchase agreements and bank deposit certificates (CDB) bearing average interest of 99.29% of the interbank deposit certificate (CDI) (100.13% as at December 31, 2017).

7 Restricted bank deposits

On May 19, 2017, debenture holders approved at their general meeting held on March 22, 2017, due to the renegotiation of the terms of the debenture indenture, related to covenants, the pledging of collateral consisting of a fiduciary transfer made by opening a restricted account, held by the Company on behalf of the debenture holders, in an amount equivalent to 50% of the outstanding balance, measured monthly as mentioned in note 18. The segregation between current and non-current was made using the same segregation of the debenture liabilities.

	12/31/2018	12/31/2017
Current	62,000	63,291
Non-current	26,810	87,228
Total	88,810	150,519

8 Trade receivables

	12/31/2018			12/31/2017		
	Gross receivables	Impairment loss	Net receivables	Gross receivables	Impairment loss	Net receivables
Construction	98,667	(75,017)	23,650	105,241	(77,632)	27,609
Rental	82,213	(49,372)	32,841	83,925	(54,777)	29,148
Industrial Services (*)	-	-	-	1,392	(1,392)	-
Total	180,880	(124,389)	56,491	190,558	(133,801)	56,757
Current	84,164	(27,673)	56,491	190,558	(133,801)	56,757
Non-current	96,716	(96,716)	-	-	-	-

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

The impairment loss on trade receivables is calculated according to an amount considered sufficient to cover potential losses on the realization of receivables, considering an individual analysis of the major customers.

The approach adopted was the simplified one, and there is no significant financing component.

Movement in the impairment loss on trade receivables:

	12/31/2018	12/31/2017
Balance at the beginning of the year	(133,801)	(138,494)
Effect of first-time adoption of CPC 48 / IFRS 9 (i)	(1,731)	-
Impairment loss on trade receivables - net of P&L effect (ii)	(2,274)	(10,598)
Write-offs	<u>13,416</u>	<u>15,291</u>
Balance at the end of the year	<u>(124,390)</u>	<u>(133,801)</u>

- (i) The Company defined a methodology to monitor the history of changes in the aging of trade receivables (adjustment due to the first-time adoption of IFRS 9 / CPC 48 amounting to R\$ 1,731, as mentioned in note 2.4.
- (ii) In the year ended December 31, 2018, the impairment loss on trade receivables totaled R\$ 42,779 (at December 31, 2017 - R\$ 60,831) and the reversal of the impairment loss on trade receivables totaled R\$ 40,505 (at December 31, 2017 - R\$ 50,233), generating a net P&L negative effect of R\$ 2,274 (at December 31, 2017, net P&L negative effect of R\$ 10,598).

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

Aging schedule of trade receivables:

	12/31/2018	12/31/2017
Not yet due	49,463	45,114
Not yet due (bills with original due dates extended)	1,781	17,194
1-60 days past due (*)	11,056	12,504
61-120 days past due (*)	4,001	4,226
121-180 days past due (*)	5,161	2,912
Over 180 days past due (*)	<u>109,418</u>	<u>108,608</u>
Total	<u>180,880</u>	<u>190,558</u>

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

9 Inventories

	12/31/2018	12/31/2017
Raw materials	-	37
Goods for resale	1,963	2,787
Spare parts and supplies	15,209	14,801
Provision for slow-moving inventories (*)	<u>(1,875)</u>	<u>(1,536)</u>
Total	<u>15,297</u>	<u>16,089</u>

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

Inventories of raw materials refer to toll manufacturing processes to meet the demands of the Company and its customers. Inventories of spare parts consist mainly of access equipment. All inventories are stated at average cost.

10 Inventories - Other assets held for sale

On August 6, 2015, the Company's Board of Directors approved the sale of the Rental business unit's aerial work platforms and telescopic handlers until December 31, 2017, the total amount of which accounts for up to ten (10%) percent of the residual book value of such unit's assets, as reported in the Company's balance sheets as of June 30, 2015.

The following contracts in US Dollars were signed to sell cargo handling equipment and aerial work platforms:

Contract date	Type	Quantity	Delivery schedule	Acquisition cost	Accumulated depreciation
3/15/2017	Telescopic handlers	170	Apr 2017 to Feb 2019	24,690	14,038

The acquisition cost and accumulated depreciation mentioned above were transferred from rental equipment (property, plant and equipment) to inventories - other assets held for sale. With the transfer, the depreciation of such equipment was ceased. The proceeds from the sale transaction is recognized only when the items are delivered.

For the contracts signed on March 15, 2017, the Company entered into a hedge by acquiring a derivative instrument (NDF - Non-Deliverable Forward), as described in note 33.3. This hedge ended in July 2018, and the exchange differences were recognized in profit or loss.

In accordance with technical pronouncement CPC 16, inventories shall be measured at their cost value or net realizable value, whichever is lower. Realizable value was calculated according to total sales value, less the residual value of the assets transferred to inventories, including expenses on maintenance and internal freight to be incurred.

	12/31/2018	12/31/2017
Inventories - Other assets held for sale	58	5,865
Provision for impairment	-	(1,619)
	<u>58</u>	<u>4,246</u>

11 Taxes recoverable

	12/31/2018	12/31/2017
IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) (*)	400	6,531
PIS and COFINS (taxes on revenue) (**)	3,186	5,599
ICMS (State VAT) (***)	541	1,018
Others	383	366
Current	4,510	13,514

(*) Refers to negative balance of income tax, arising from the withholding income tax on redemption of investments in 2017, which will be adjusted for inflation monthly according to the SELIC rate and offset against taxes of the same nature during 2018.

(**) PIS and COFINS credits refer basically to amounts recoverable on purchases of property, plant and equipment offset at the rate of 1/48 per month against non-cumulative PIS and COFINS federal tax obligations.

(***) Refers to ICMS (State VAT) levied on the Company's operations, arising from the purchase of goods for resale.

12 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.

	12/31/2018	12/31/2017
Assets held for sale	7,028	7,151
Asset impairment losses (i)	(2,039)	-
	4,989	7,151

(i) The provision for impairment of assets is the result of the difference between the carrying amount and the market value of assets at December 31, 2018, according to appraisal reports prepared by experts. See Note 30.

13 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, 2018, 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, 2017 and previous years.

b. Impairment loss

In 2018, 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. The revenue was projected based on the Gross Domestic Product (GDP) plus the Broad Consumer Price Index (IPCA), considering multipliers. Costs were projected based on a gross margin target, set at 65%. Expenses were projected based on the variation of the IGP-M. The study also considered the need for working capital and investments for maintenance of the tested asset. The related flows were discounted at an discount rate of 15.2%, including premium for size of 4.2%, obtained through the methodology used by the market, the weighted average cost of capital (WACC). 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, 2018 is R\$ 54,451, (R\$ 55,234 at December 31, 2017). The gross change in fair value was R\$ 783, and the net change was R\$ 517, considering the effect of deferred income and social contribution taxes at December 31, 2018, and recognized in the Company's equity.

14 Property, plant and equipment

	Equipment for rental and operational use	Rental equipment in progress	Total rental and operational use equipmentd	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Construction in progress	Total assets in use	Total PP&E
Cost of PP&E, gross												
Balance at December 31, 2016	1,426,339	141	1,426,480	24,432	24,138	15,191	1,529	9,317	10,993	27	85,627	1,512,107
Acquisition	14,422	3,889	18,311	562	-	7	243	475	102	6,330	7,719	26,030
Write-offs/disposals and transfer to inventories held for sale	(184,109)	-	(184,109)	(15,760)	-	(264)	(386)	-	(42)	-	(16,452)	(200,561)
Adjustment for PIS and COFINS credits	(1,596)	-	(1,596)	-	-	-	-	-	-	-	-	(1,596)
Transfers	3,917	(3,917)	-	6,050	-	-	-	71	5	(6,126)	-	-
Reclassification	181	(40)	141	3,412	-	-	-	-	-	-	3,412	3,553
Reversal of (allowance for) for impairment	-	-	-	3,926	-	-	-	-	-	-	3,926	3,926
Balance at December 31, 2017	1,259,154	73	1,259,227	22,622	24,138	14,934	1,386	9,863	11,058	231	84,232	1,343,459
Acquisition	1,809	-	1,809	256	-	7	173	60	64	689	1,249	3,058
Write-offs/disposals and transfer to inventories held for sale	(179,605)	-	(179,605)	(4,821)	(1,179)	(138)	(316)	(237)	(119)	-	(6,810)	(186,415)
Adjustment for PIS and COFINS credits	(152)	-	(152)	-	-	-	-	-	-	-	-	(152)
Transfers	-	-	-	788	-	-	-	(43)	-	(745)	-	-
Reclassification	73	(73)	-	71	-	-	-	262	-	-	333	333
Balance 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

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December 31, 2018 and 2017

Accumulated depreciation	Equipment for rental and operational use	Rental equipment in progress	Total rental and operational use equipment	Leasehold improvements	Buildings and land	Computers and peripherals	Vehicles	Facilities	Furniture and fixtures	Construction in progress	Total assets in use	Total PP&E
Balance at December 31, 2016	(650,320)	(39)	(650,359)	(15,321)	(3,496)	(11,986)	(1,080)	(2,860)	(5,813)	-	(40,556)	(690,915)
Depreciation	(133,033)	-	(133,033)	(3,486)	(670)	(1,778)	(196)	(835)	(858)	-	(7,823)	(140,856)
Write-offs/disposals and transfer to inventories held for sale	117,411	-	117,411	10,572	-	256	174	-	28	-	11,030	128,441
Adjustment for PIS and COFINS credits	-	-	-	(355)	-	-	-	(85)	-	-	(440)	(440)
Balance at December 31, 2017	<u>(665,942)</u>	<u>(39)</u>	<u>(665,981)</u>	<u>(8,590)</u>	<u>(4,166)</u>	<u>(13,508)</u>	<u>(1,102)</u>	<u>(3,780)</u>	<u>(6,643)</u>	<u>-</u>	<u>(37,789)</u>	<u>(703,770)</u>
Depreciation	(116,173)	-	(116,173)	(2,320)	(670)	(1,066)	(94)	(862)	(833)	-	(5,845)	(122,018)
Write-offs/disposals and transfer to inventories held for sale	128,409	-	128,409	3,327	834	138	260	219	86	-	4,864	133,273
Adjustment for PIS and COFINS credits	-	-	-	(236)	-	-	-	(88)	-	-	(324)	(324)
Reclassification	(39)	39	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	(42)	-	-	-	42	-	-	-	-
Balance at December 31, 2018	<u>(653,745)</u>	<u>-</u>	<u>(653,745)</u>	<u>(7,861)</u>	<u>(4,002)</u>	<u>(14,436)</u>	<u>(936)</u>	<u>(4,469)</u>	<u>(7,390)</u>	<u>-</u>	<u>(39,094)</u>	<u>(692,839)</u>
Annual depreciation rates - %	10	-	-	10	4	20	20	10	10	-	-	-
Property, plant and equipment, net												
Balance at December 31, 2017	593,212	34	593,246	14,032	19,972	1,426	284	6,083	4,415	231	46,443	639,689
Balance at December 31, 2018	427,534	-	427,534	11,055	18,957	367	307	5,436	3,613	175	39,910	467,444

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, 2018, by group of assets:

Shoring	334
Aerial work platforms and telescopic handlers	1,263
Reusable concrete formworks	5
Suspended scaffolding and access structures	27
Machinery and equipment for operational use	180
Leasehold improvements	256
Construction in progress	689
Vehicles	173
Others	131
	<hr/>
Total	3,058

The depreciation for the year, allocated to cost of services and general and administrative expenses, amounts to R\$ 113,359 and R\$ 8,659 as at December 31, 2018 (R\$ 130,127 and R\$ 10,729 as at December 31, 2017), respectively.

Certain items of property, plant and equipment are pledged as collateral for borrowings (Note 17).

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

Review of estimated useful life

There was no change in the remaining estimated useful lives of fixed assets, and, thus, there was no change in the depreciation rate for the year ended December 31, 2018.

Provision for impairment of goodwill

Management found signs of impairment for the Construction and Rental business units in 2018, based on CPC 01, and, accordingly performed the applicable impairment tests. The recoverable value of this group of assets was determined according to market economic projections made under the income approach, by forecasting discounted cash flow. To determine the value in use of goodwill a period of ten-year plus perpetuity was considered, considering the long-term maturation of infrastructure and civil construction investments, and to determine the value in use of property, plant and equipment a ten-year period was considered, according the useful life of the asset. The revenue was projected based on the Gross Domestic Product (GDP) plus the General Market Price Index (IGP-M), considering multipliers. For costs and expenses, the index considered was the volume of lease growing according to the variation of the Broad Consumer Price Index (IPCA). The study also considered the need for working capital and investments for maintenance of the tested assets. The related flows were discounted at an average discount rate of 11.3% for Rental and 12% for Construction, obtained through the methodology usually applied by the market, taking into consideration the weighted average cost of capital (WACC).

Based on this assessment, Management concluded that there is no need to recognize an allowance for the impairment of the assets held by the Construction and Rental Business Units for the year ended December 31, 2018.

15 Intangible assets

	Software	Trademarks and patents	Intangible assets in progress	Goodwill on investments	Total intangible assets
Cost of intangible assets, gross					
Balance at December 31, 2016	52,367	3,156	-	13,376	68,899
Acquisition	997	-	2,445	-	3,442
Disposals	(10)	-	-	-	(10)
Reclassification	(1,151)	-	(2,402)	-	(3,553)
Balance at December 31, 2017	52,203	3,156	43	13,376	68,778
Acquisition	926	-	565	-	1,492
Transfers	92	-	(92)	-	-
Reclassification	-	-	(333)	-	(333)
Balance at December 31, 2018	53,221	3,156	184	13,376	69,937
Accumulated amortization					
Balance at December 31, 2016	(20,409)	(817)	-	(4,232)	(25,458)
Amortization	(4,803)	(61)	-	-	(4,864)
Disposals	10	-	-	-	10
Adjustment for PIS and COFINS credits	(490)	-	-	-	(490)
Balance at December 31, 2017	(25,692)	(878)	-	(4,232)	(30,802)
Amortization	(4,666)	-	-	-	(4,666)
Adjustment for PIS and COFINS credits	(476)	-	-	-	(476)
Balance at December 31, 2018	(30,833)	(878)	-	(4,232)	(35,943)
Annual amortization rates - %	20	10	-	-	-
Intangible assets, net					
Balance at December 31, 2017	26,511	2,278	43	9,144	37,976
Balance at December 31, 2018	22,388	2,278	184	9,144	33,993

The carrying amount of trademarks and patents at December 31, 2018, of R\$ 2,278 refers to an intangible asset with definite useful life, which was included in the impairment test of the Construction CGU.

Impairment loss on goodwill

Goodwill 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 14 and Management concluded that no provision for impairment of this asset is required.

16 Trade payables

	12/31/2018	12/31/2017
Domestic suppliers	15,219	16,479
Foreign suppliers	<u>484</u>	<u>419</u>
	<u><u>15,703</u></u>	<u><u>16,898</u></u>

As at December 31, 2018 and 2017, trade payables consist basically of installment purchase spare parts and supplies, services and PP&E.

17 Borrowings and financing

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

The Company entered into rental equipment financing agreements that bear interest at the TJLP rate plus interest of 0.2% to 0.90% per year, with monthly amortization through June 2021.

Borrowings and financing are as follows:

	12/31/2018	12/31/2017
Current	3,177	3,182
Non-current	<u>2,535</u>	<u>5,688</u>
Borrowings and financing (*)	<u><u>5,712</u></u>	<u><u>8,870</u></u>

The financial institutions with which the Company has borrowings as at December 31, 2018 are as follows:

- Banco do Brasil
- Itaú BBA

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

	12/31/2018	12/31/2017
Guarantees provided:		
Collateral sale (*)	<u>26,993</u>	<u>26,993</u>
Total guarantees	<u><u>26,993</u></u>	<u><u>26,993</u></u>

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

The installments to fall due as at December 31, 2018 are shown below:

2019	3,177
2020 to 2021	<u>2,535</u>
	<u><u>5,712</u></u>

The Company's borrowing referring to FINAME and related to Itaú BBA has the following covenants:

- (1) Net debt (iii) to EBITDA (i) ratio equal to or lower than three (3); and
 - (2) EBITDA-to-net financial expenses (iv) equal to or higher than two (2).
- (i) "EBITDA" means, based on the Company's four immediately preceding consolidated financial statements, profit or loss before income tax and social contribution, less income and plus expenses generated by finance income and costs and nonoperating income and expenses, depreciation and amortization, and nonrecurring income and expenses; and

The definitions of items (ii), (iii) and (iv) are presented in note 18.

The Company complied with the covenants described above.

18 Debentures

Description	Series	Issued amount	Beginning	Maturity	Finance charges	12/31/2018	12/31/2017
2nd issue	2nd series	109,060	Aug/2012	Aug/2020	IPCA + 7,00 p.a.	108,627	156,811
Issue cost						<u>(152)</u>	<u>(251)</u>
						<u>108,475</u>	<u>156,560</u>
3rd issue	Single	200,000	May/2014	May/2019	116.00% CDI	67,062	134,175
Issue cost						<u>(64)</u>	<u>(230)</u>
						<u>66,998</u>	<u>133,945</u>
Total debentures						<u>175,473</u>	<u>290,505</u>
Current						122,552	122,094
Non-current						52,921	168,411

2nd issue of debentures

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

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

- **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% per year of the amount adjusted for inflation as described above.

3rd issue of debentures

The third issue of Company debentures, of a total of 20,000 simple, nonconvertible, registered, unsecured debentures, in a single series, was approved on May 30, 2014, totaling R\$200,000 and unit face value of R\$10. These debentures mature on May 30, 2019 and bear interest equivalent to 108.75% of the CDI, payable semiannually, and amortized in three annual, consecutive installments, commencing on May 30, 2017. At a general meeting held on March 22, 2017 debenture holders decided that the interest is 116.00% of CDI. The transaction costs associated with this issue, in the amount of R\$745, are being recognized as borrowing costs, in accordance with the contractual terms of the issue.

On May 30, 2018, the gross amount of R\$ 71,619 was paid related to the 3rd issue of debentures, of which R\$ 66,660 referring to principal and R\$ 9,959 to interest.

On August 15, 2018, the gross amount of R\$ 63,553 was paid related to the 2nd issue of debentures - 2nd series, of which R\$ 36,350 referring to principal and R\$ 27,203 to interest and inflation adjustment.

As at December 31, 2018, the balances of debentures including transaction costs are R\$ 122,707 in current liabilities and R\$ 52,982 in non-current liabilities and R\$ 122,552 and R\$ 52,921 less transaction costs respectively (as at December 31, 2017, the gross balance of debentures is R\$ 122,338 in current liabilities and R\$ 168,647 in non-current liabilities, and R\$122,094 and R\$ 168,411 less transaction costs).

The main decisions made at the general meeting held by debenture holders on March 22, 2017, were:

- Replacement of EBITDA by Operating Cash Flow - FCO (i), for the calculation of covenants for the purpose of early maturity;
- Pledge of collateral consisting of a fiduciary transfer made by the Company in up to 60 days as of March 22, 2017 by opening a restricted account, on behalf of debenture holders, in an amount equivalent to 50% of the outstanding balance, measured monthly;
- Keeping of EBITDA in covenants for the purpose of clearance of restricted account and restrictions on dividend distribution and loans between related parties;
- Renegotiation of the interest rates as described above;
- Limitation of dividends above the minimum legal level of 25%;
- Restriction on loans between related parties.

Covenants

The debenture indentures require compliance with debt and interest coverage ratios under preset parameters, which were altered by decision of debenture holders at their general meeting of March 22, 2017, as follows:

- (3) Financial ratio from the quotient of the division of the Net Financial Debt (iii) by FCO shall be equal to or lower than 3; and
- (4) Financial ratio from the quotient of the division of FCO by Net Finance Expense (iv) shall be equal to or higher than 2.
- (ii) “FCO” means, based on the Company’s four immediately preceding consolidated financial statements, net cash generated by operating activities less interest and net monetary gains and losses, acquisitions of rental PP&E items and interest paid; and
- (iii) “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 and financing with third parties and/or related parties and issue of fixed-rate securities, convertible or not, in the local and/or international capital markets, as well as guarantees provided by the Company, but excluding debts arising from tax installment payments; (b) less the sum of the Company’s cash and cash equivalents (cash and short-term investments), on a consolidated basis;
- (iv) “Net Finance Expense” means, based on the Company’s four immediately preceding consolidated financial statements, the balance of the difference between the consolidated gross finance income and the consolidated gross finance costs.
- (v) Considering the decisions related to covenants approved by the General Meeting of Debentureholders on March 22, 2017, and the decisions related to the original covenants for determination of non-recurring expenses for the adjusted EBITDA calculation, on the closing of the financial statements at December 31, 2018, all covenants have been complied with.

19 Related parties

a. Transactions and balances

There were no loans between the Company and its officers during the years ended December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the Company had no consulting service agreements with members of the Board of Directors.

Management compensation

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

	2018	2017
Salaries and payroll charges - officers	6,381	5,823
Fees paid to Board of Directors members	2,388	1,664
Bonus	720	1,054
Share-based payments	468	856
Total	9,489	9,397

20 Employee benefits

a. Provision for profit sharing

The provision for profit sharing is recognized on an accrual basis and is accounted for as an expense. The amount, which is paid in the year subsequent to the recognition of the provision, is determined considering the profit sharing agreement negotiated and ratified annually with the labor union, in accordance with Law 10,101/00, amended by Law 12,832/13.

The 2018 Profit Sharing Program is based on the achievement of the adjusted EBITDA and of the annual cash flow budgeted, as well as on corporate and individual goals. All Mills employees with at least 90 days worked in 2018 are eligible.

In this quarter, the amount accrued was R\$ 5,516, totaling a provision of R\$ 8,000 until December 31, 2018.

b. Post-employment benefits

The post-employment benefits granted and to be granted to former employees, related to healthcare plan, 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. Actuarial gains and losses are recognized in other comprehensive income in the "Equity adjustments" account and presented in equity.

	2018	2017
Current	-	963
Non-current	10,441	7,939
Total	10,441	8,902

The key actuarial assumptions are as follows:

Economic and financial assumptions

	2018
Discount rate	9.13% p.a. (actual 4.94% p.a.)
Health Care Cost Trend Rate (HCCTR)	7.12% p.a. (actual 3.00% p.a.)
Aging Factor	3.00% p.a.
Long-term inflation rate	4.00% p.a.

Biometric and demographic assumptions

	2018
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, 2018 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.	2,096	decrease of 1.0 p.p.	1,622
Change in expense - HCCTR	increase of 1.0 p.p.	298	decrease of 1.0 p.p.	221
Change in pension benefit obligation (PBO) - Discount rate	increase of 0.5 p.p.	843	decrease of 0.5 p.p.	965
Change in expense - Discount rate	increase of 0.5 p.p.	68	decrease of 0.5 p.p.	78

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. Stock option plan

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.

Plans	Grant date	Final exercise date	Share options in thousands			
			Share options granted	Share options exercised	Share options canceled	Outstanding share options
2012 Program	6/30/2012	5/31/2018	1,258	(403)	(855)	-
2013 Program	4/30/2013	4/30/2019	768	(91)	(186)	491
2014 Program	4/30/2014	4/30/2020	260	-	(75)	185
2016 Program	4/28/2016	4/28/2024	1,700	-	(750)	950

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, dividend yield and stock prices based on the Black-Scholes model to calculate the fair value.

On March 31, 2014, the Company approved at the Board of Directors meeting:

(i) the creation of the 1/2014 Stock Option program; (ii) the definition of the criteria to set the strike price of options and their payment terms; (iii) the definition of the terms and conditions of exercise of options; and (iv) the authorization for the Executive Officers to grant the stock options to the beneficiaries eligible under the 2014 Program.

At the Board of Directors meeting held on May 21, 2015, the Company decided to sell the Company's shares held in treasury in order to exercise the option to purchase the profit-sharing bonds under the 2010, 2011, 2012, 2013 and 2014 Stock Option Programs (see note 20.b).

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

The plans granted as from 2010 were classified as equity instruments and the weighted average fair value of the options granted was determined 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	Dividend yield at the grant date	Annual risk-free interest rate at the grant date	Maximum strike period at the grant date
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%	0.77%	3.37%	6 years
2013	Discretionary	11.92	31.72	26.16	35.34%	0.77%	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	3.29	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 sheets and the effects on the statement of operations.

	12/31/2018	12/31/2017
2002 Plan:		
Capital reserve	1,446	1,446
Number of shares exercised (thousands)	3,920	3,920
Top Mills, Special CEO and EX-CEO Plans		
Capital reserve	1,148	1,148
Number of shares exercised (thousands)	1,055	1,055
Mills Rental Executives Plan		
Capital reserve	4,007	4,007
Number of shares exercised (thousands)	391	391
2010 Plan:		
Capital reserve	5,693	5,693
Number of exercisable options (thousands)	106	106
Number of shares exercised (thousands)	1,369	1,369
Number of shares canceled (thousands)	106	106
2011 Program (2010 Plan):		
Capital reserve	7,329	7,329
Number of exercisable options (thousands)	0	422
Number of shares exercised (thousands)	597	597
Number of shares canceled (thousands)	588	166
2012 Program (2010 Plan):		
Capital reserve	14,161	14,162
Number of exercisable options (thousands)	-	487
Number of shares exercised (thousands)	403	402
Number of shares canceled (thousands)	855	369
2013 Program (2010 Plan):		
Capital reserve	11,900	11,900
Number of exercisable options (thousands)	491	513
Number of shares exercised (thousands)	91	91
Number of shares canceled (thousands)	186	164
2014 Program (2010 Plan):		
Capital reserve	4,701	4,470
Number of exercisable options (thousands)	185	189
Number of shares canceled (thousands)	75	71
2016 Program:		
Capital reserve	1,699	1,257
Number of exercisable options (thousands)	950	1,540
Number of shares canceled (thousands)	750	160
Total recognized as equity (accumulated)	52,086	51,412
Effect on profit (loss)	(673)	(2,029)

d. Restricted shares incentive program

The Company has a restricted shares incentive program approved by the 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.

Plans	Grant date	Final exercise date	Shares in thousands			
			Shares granted	Shares exercised	Canceled shares	Outstanding share options
2018 Program	11/19/2018	11/18/2021	868	-	-	868

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

On June 18, 2018, the Company approved at the Board of Directors' meeting: the proposal for the creation of a Company Restricted Shares Incentive Plan and the call of a Company Extraordinary General Meeting to discuss its approval.

On July 18, 2018, the Company discussed at the Extraordinary General Meeting the approval of the Restricted Shares Incentive Plan, as proposed by the Board of Directors.

On August 18, 2018, the Company discussed at a meeting of the Board of Directors the adoption of the Company Restricted Shares Incentive Program, within the scope of the Company Restricted Shares Incentive Plan approved by the Company Extraordinary General Meeting held on July 18, 2018.

On November 18, 2018, the Company approved at the Board of Directors meeting the grant of restricted shares to beneficiaries of the Restricted Shares Incentive Program, approved at the Board of Directors meeting held on August 3, 2018, within the scope of the Company Restricted Shares Incentive approved by the Extraordinary General Meeting held on July 18, 2018.

The plan granted in 2018 was classified as equity instrument 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 per share - R\$	Weighted average price of the share at the grant date - R\$	Strike price at the grant date - R\$	Volatility at the grant	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%	3 years

	12/31/2018	12/31/2017
2018 Plan:		
Capital reserve	868	-
Number of exercisable options (thousands)	868	-
Number of shares canceled (thousands)	-	-
Total recognized as equity (accumulated)	77	-
Profit (loss) effect	(77)	-

21 Income and social contribution taxes

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:

	2018	2017
Loss for the year before income and social contribution contribution	(139,240)	(202,516)
Statutory income and social contribution tax rate	34%	34%
Income and social contribution taxes at statutory rate	47,342	68,855
Nondeductible provisions (*) and permanent differences (4,720) (4,109)	(3,071)	(4,720)
Total deferred income and social contribution taxes	44,271	64,135
Effective rate	32%	32%

(*) Non-deductible expenses comprise expenses on provision for cancellations, debt waivers and non-compensatory fines, write-off of non-deductible ECL and write-off of damaged goods.

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

Description	At December 31, 2017	Additions	Write-offs	At December 31, 2018
GP Andaimes Sul Locadora goodwill	(672)	-	-	(672)
Jahu goodwill	(2,437)	-	-	(2,437)
IFRS 9 adjustment - cash and cash equivalents	-	12	(27)	(15)
Finance leases	(456)	-	248	(208)
Adjustment for inflation of judicial deposits	(1,649)	-	(109)	(1,758)
Debentures	(163)	-	90	(73)
Accelerated depreciation	(3,764)	-	752	(3,012)
Property, plant and equipment hedge	(551)	(443)	574	(420)
Exchange gain - accrual basis	(225)	(224)	62	(387)
Fair value adjustment(Rohr)	2,029	267	-	2,296
IFRS 9 adjustment - cash and cash equivalents (first time adoption)	-	36	-	36
ECL adjustment first time adoption CPC 48/IFRS 9	-	588	-	588
Post-employment benefits	-	359	-	359
Post-employment benefit (initial adjustment)	3,027	164	-	3,191
Bonus payable	114	1,781	(1,160)	735
Asset impairment loss	-	693	-	693
Impairment	551	542	(1,093)	-
Impairment allowance (Rohr)	8,906	-	-	8,906
Tax losses	124,243	41,717	-	165,960
Hedge provision (sale)	6	-	(6)	-
Provision for profit sharing	-	2,720	-	2,720
Provision for slow-moving inventories	521	1,174	(1,058)	637
Provision for discounts and cancellations	1,182	725	(1,907)	-
Impairment loss on trade receivables	13,392	19,277	(23,291)	9,378
Provision for realization ICMS tax credit	30	-	(1)	29

Description	At December 31, 2017	Additions	Write-offs	At December 31, 2018
Provision for costs and expenses	23	1,226	(2)	1,247
Provision for tax, civil and labor risks	7,263	6,233	(4,947)	8,549
Stock options	8,265	229	-	8,494
Exchange loss	338	139	(14)	463
	<u>159,973</u>	<u>77,215</u>	<u>(31,889)</u>	<u>205,299</u>

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

	2018	2017
ECL first time adoption CPC 48/IFRS 9	588	-
Cash and cash equivalents first time adoption CPC 48/IFRS 9	36	-
Fair value adjustment - Investment in Rohr	267	-
Provision for post-employment benefits	<u>3,191</u>	<u>3,027</u>
Total	<u>4,082</u>	<u>3,027</u>

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

Nature	
GP Andaimes Sul Locadora goodwill	Disposal/impairment of the asset
Jahu goodwill	Disposal/impairment of the asset
IFRS 9 adjustment - cash and cash equivalents	Realization of the provision
Finance leases	Realization of the asset over the straight-line depreciation period
Adjustment for inflation of judicial deposits	Withdrawal of the deposit
Debentures	Amortization of the borrowing cost
Accelerated depreciation	Tax depreciation over five years
Property, plant and equipment hedge	Depreciation of the asset
Exchange gain	Payment of the borrowing
Fair value adjustment(Rohr)	Sale of stake in the investment
IFRS 9 adjustment - cash and cash equivalents (first time adoption)	Reversal/realization of the provision
ECL adjustment first time adoption CPC 48/IFRS 9	Reversal/realization of the provision
Bonus payable	Payment
Impairment	Reversal/realization of the provision
Asset impairment loss	Reversal/realization of the provision
Provision for impairment	Realization of the provision
Tax losses	Expectation of future taxable profits (i)
Provision for costs and expenses	Payment
Hedge provision (sale)	Derivative contracting/settlement
Provision for profit sharing	Payment
Provision for post-employment benefit	Reversal/realization of the provision
Provision for post-employment benefit (initial adjustment)	Reversal/realization of the provision
Provision for discounts and cancellations	Reversal/realization of the provision
Impairment loss on trade receivables	Filing of lawsuits and past-due receivables
Provision for slow-moving inventories	Write-off or sale of the asset
Provision for realization of tax credit	Realization of tax credit
Provision for tax, civil and labor risks	Tax realization of the loss or settlement of the lawsuit
Stock options	Exercise of options
Exchange loss	Payment of the borrowing

- (i) The Company prepared the impairment analysis of the deferred tax asset recognized as at December 31, 2018 and concluded that there are sufficient evidences that taxable profits will be generated against which the recognized tax losses 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, according to the same assumptions described in Notes 13 and 14.

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, 2018 is as follows:

	Deferred IR and CSLL assets
2021	6,631
2022	16,602
2023	26,234
2020 to 2025	83,386
2026 to 2027	<u>72,446</u>
 Total	 <u><u>205,299</u></u>

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:

	12/31/2018	12/31/2017
Tax (i)	4,884	4,834
Civil (ii)	6,457	2,051
Labor (iii)	10,127	11,095
Success fees (iv)	2,607	2,359
Legal fees and costs (v)	<u>1,067</u>	<u>1,025</u>
 Total	 <u><u>25,142</u></u>	 <u><u>21,364</u></u>

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

	12/31/2018	12/31/2017
Balance at January 1	<u>21,364</u>	<u>20,125</u>
Provision	9,450	6,537
Adjustment for inflation	1,859	1,876
Reversals	<u>(7,531)</u>	<u>(7,174)</u>
 Balance at the end of the year	 <u><u>25,142</u></u>	 <u><u>21,364</u></u>

- (i) Consists basically in a 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.
- (ii) The Company has lawsuits filed against it relating to civil liability and compensation claims.

The main event that caused the decrease in civil contingencies in comparison with the amount provided for as at December 31, 2017 was the change in the likelihood of loss by the outside legal counsel in a lawsuit which was possible and became probable as at December 31, 2018.

- (iii) The Company is a defendant in various labor lawsuits. Most of the lawsuits involve claims for compensation due to occupational diseases, overtime, hazardous duty premium and equal pay.

The main events that caused the decrease in labor contingencies in comparison with the amount provided for as at December 31, 2017, were: (i) change in the risk assessment from probable to possible by the outside legal counsel for a lawsuit in which the claimant requires the annulment of dismissal with reinstatement and payment of salaries and severance pay, as well as compensation for pain and suffering and annulment of a non-compete agreement; and (ii) change in the risk assessment from probable to possible or remote by the outside legal counsel for some lawsuits, due to a change in the calculation with greater details of severance pay .

- (iv) Contingent fees are generally set at up to 10% of the amount of the claim, payable to outside legal counsel according to the success achieved in each claim. Payment is contingent upon a favorable outcome of the lawsuits.
- (v) Refers to the provision for legal fees and costs incurred in lawsuits, with probable risk of unfavorable outcome to the Company.

a. Breakdown of judicial deposits

	12/31/2018	12/31/2017
Tax (i)	8,326	7,988
Labor (ii)	3,110	2,980
Civil (iii)	5,758	-
	17,194	10,968

- (i) As at December 31, 2018, judicial deposits for tax lawsuits totaled R\$ 8,326. The reconciliation of this amount refers basically to the challenge of the increase in the PIS and COFINS rates, in the total amount of R\$ 4,484, as informed below in tax contingencies item “i”, (sub item “a”), and, also, judicial deposits made on behalf of certain municipalities due to the understanding of our legal counsel as regards the levy of the ISS (service tax) on asset rental income. The balance recognized in this line item is R\$ 3,283. Since 2003, with the enactment of Supplementary Law 116 and based on the opinion of its legal counsel, the Company has not made judicial deposits of this nature.
- (ii) The judicial deposits are linked to various labor lawsuits in which the Company is the defendant. Most of the lawsuits involve claims for compensation due to occupational diseases, overtime, hazardous duty premium and equal pay.
- (iii) Judicial deposit related to a lawsuit for damages and pain and suffering, in which the Company is the defendant. The Company originally proposed a lawsuit against a third party, aiming at recognizing the right to industrial property on a certain equipment model, which was denied, thus generating a lawsuit for damages and pain and suffering.

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

	12/31/2018	12/31/2017
Tax (i)	54,543	43,335
Civil (ii)	7,593	6,886
Labor (iii)	10,594	11,634
Total	72,730	61,856

- (i) Tax (main items):**
- (a)** 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;
- (b)** Requirement of the Finance Department of the State of Rio de Janeiro relating to ICMS and fine allegedly due arising from transfers of goods without the payment of the related tax.
- (c)** Non-recognition by the INSS (National Institute of Social Security) of the possibility of offsetting payments improperly made as social security contribution, based on the method established by Law 9,711/98;
- (d)** Imposition by the Brazilian Federal Revenue of fine allegedly due on installment payment of credits derived from voluntary reporting;
- (e)** Assessment by the Brazilian Federal Revenue Service of alleged deficiency in Tax on Profit (ILL), judged unconstitutional by the STF (Federal Supreme Court).
- (f)** Non-approval of the credits of the negative balance compensation statements originated from the rectification of the DIPJ of the calendar year 2012. The Brazilian Federal Revenue Service considered these compensation statements not declared, according to article 74, paragraph 3, item VI of the Law No. 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.
- (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 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.

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.

- (a) 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.

- (b) 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, 2017	Write-offs	Additions	Inflation adjustment SELIC	Balance at December 31, 2018
PIS	1,591	(409)	-	107	1,289
COFINS	4,558	(881)	-	334	4,011
IRPJ	1,855	(346)	-	137	1,646
CSLL	176	(34)	-	13	155
INSS	657	(52)	-	45	648
	<u>8,837</u>	<u>(1,724)</u>	<u>-</u>	<u>637</u>	<u>7,749</u>
Current	1,345	-	-	-	1,391
Non-current	7,492	-	-	-	6,358

24 Taxes payable

	12/31/2018	12/31/2017
PIS and COFINS (taxes on revenue)	1,825	4,856
INSS (Social Security Contribution)	42	167
State VAT (ICMS)	113	178
ISS (Service Tax)	122	133
Others	391	117
	<u>2,493</u>	<u>5,451</u>

25 Equity

a. Share capital

The Company's fully subscribed and paid-in capital as at December 31, 2018 is R\$688,319 (December 31, 2017 - R\$688,319), comprising 175,586 thousand (December 31, 2017 - 175,586 thousand) registered common shares without par value. Each common share entitles to one vote in the shareholders' meetings.

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

a.1 *Capital contribution - issue of new shares*

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

a.2 *Share issue*

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

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

Shareholders	12/31/2018		12/31/2017	
	Number of shares (in thousands)	Percentage	Numbers of shares (in thousands)	Percentage
Andres Cristian Nacht	13,817	7.87%	13,817	7.87%
Snow Petrel S.L.	23,677	13.48%	23,677	13.48%
Fundo de Investimento em participações Axxon ²				
Brazil Private Equity Fund II	12,294	7.00%	12,294	7.00%
Brandes Investment Partners ³	17,459	9.94%	17,568	10.01%
Fama Investimentos Ltda. ⁴	8,789	5.01%	8,788	5.01%
BTG Pactual WM Gestão de Recursos Ltda.	-	0%	13,395	7.63%
Other signatories of the Company Shareholders Agreement ⁵	23,044	13.12%	23,044	13.12%
Others	76,506	43.58%	63,003	35.88%
	<u>175,586</u>	<u>100.00 %</u>	<u>175,586</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%, distributing this amount among Antonia Nacht, Pedro Nacht and Tomas Nacht, resulting in 2,295,736 shares for each of them.
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 October 29, 2018, it became the holder of a material ownership interest of 9.94% according to information officially received by the Company and disclosed to CVM.
4. On November 8, 2017, it became the holder of a material ownership interest according to information officially received by the Company and disclosed to CVM.
5. Signatories of 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.

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 Expansion reserve

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

b.3 Earnings reserves

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 includes the transaction costs incurred in capital funding amounting to R\$ 15,069, net of taxes, relating to the primary public offering of shares, the stock option premium reserve amounting to R\$ 52,162, the stock option plans for employees, and the share issue cost in May 2016 of R\$3,379, totaling a capital reserve of R\$ 33,714 as at December 31, 2018 (December 31, 2017 - R\$ 32,964).

d. Treasury shares

The balance of treasury shares as at December 31, 2018 and 2017 is 2,278,422 shares totaling R\$ 20,287 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, and the amount of the sale of shares of R\$ 47.

e. Equity adjustments

Refers to the provision for post-employment benefits, as detailed in note 20.b and adjustment to the fair value of Rohr, as mentioned in note 13.b. .

f. Minimum mandatory dividends

The Company's bylaws provide for the payment of minimum mandatory dividends equivalent to 25% of the profit for the year, after the respective allocations, pursuant to art. 202 of the Brazilian Corporation Law (Law 6,404/76).

26 Dividends and interest on capital

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

In view of the results for 2018 and 2017, no dividends or interest on capital were paid.

27 Loss 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 common shares issued during the year.

	2018	2017
Profit (loss) attributable to owners of the Company	(94,969)	(138,381)
Weighted average number of common shares issued (thousands)	160,540	160,540
Basic earnings (loss) per share from continuing operations	(0.59)	(0.86)

b. Diluted

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

	2018	2017
Profit (loss) attributable to owners of the Company	(94,969)	(138,381)
Weighted average number of common shares issued (thousands)	160,540	160,540
Diluted earnings (loss) per share from continuing operations	(0.59)	(0.86)

The stock options did not have an effect on the calculation above as at December 31, 2018 because the potential common shares are antidiluting.

28 Net revenue from rental, sales and services

After a study, the Company's Management together with outside experts determined that IFRS 15/CPC 47 has no impact on its revenues.

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

	12/31/2018	12/31/2017 (Restated)
Rentals	274,400	293,701
Sales of new equipment	13,456	9,919
Sales of semi new equipment	29,833	38,920
Sales of semi new equipment (others)	15,099	5,017
Technical assistance	6,825	10,107
Indemnities	7,832	12,569
Others (i)	5,722	5,405
Total gross revenue	353,166	375,638
Taxes on sales and services	(28,974)	(27,151)
Cancelations and discounts	(20,004)	(52,205)
Total net revenue	304,189	296,282

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

29 Cost of sales and services and selling, 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;

Selling, 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.

Nature	2018			2017 (Restated)		
	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	(50,753)	(63,063)	(113,816)	(60,409)	(61,350)	(121,759)
Third parties	(3,046)	(24,456)	(27,502)	(2,009)	(22,200)	(24,209)
Freight	(9,245)	(6,531)	(15,776)	(13,807)	(6,551)	(20,358)
Construction/maintenance and repair materials	(32,420)	(4,177)	(36,597)	(35,327)	(4,945)	(40,272)
Equipment rental and others	(3,517)	(14,973)	(18,490)	(3,774)	(18,326)	(22,100)
Travel	(1,923)	(2,987)	(4,910)	(1,715)	(3,733)	(5,448)
Cost of sales	(7,404)	-	(7,404)	(4,158)	-	(4,158)
Depreciation and amortization	(113,359)	(13,325)	(126,684)	(130,127)	(15,593)	(145,720)
Write-off of assets	(23,005)	(2,086)	(25,091)	(37,460)	-	(37,460)
Cost of sales of semi new equipment - others	(31,257)	-	(31,257)	(24,655)	-	(24,655)
Allowance for expected credit losses (ECL)	-	(2,274)	(2,274)	-	(10,598)	(10,598)
Stock option plan	-	(750)	(750)	-	(2,029)	(2,029)
Provisions	-	(6,994)	(6,994)	-	(2,322)	(2,322)
Provision for profit sharing	-	(8,000)	(8,000)	-	-	-
Others	3,927	(13,784)	(9,857)	(1,172)	(22,522)	(23,694)
Total	(272,002)	(163,400)	(435,402)	(314,613)	(170,169)	(484,782)

30 Impairment allowance and fair value

The Company recognized an impairment allowance, as shown in the table below:

	2018	2017
Reversal due to recording of write-off (i)	-	3,926
Fair value adjustment - Investment in Rohr (ii)	-	(5,966)
Asset impairment losses (iii)	(2,039)	-
	(2,039)	(2,040)

- (i) The opening balance refers to the allowance recognized as at December 31, 2016 due to the project aimed at decommissioning the Construction Business Unit of the Campinas and Ribeirão Preto branches, and moving the Osasco branch, which did not finish in the contractual term initially expected. The decommissioning of the Campinas and Ribeirão Preto branches was completed in the second quarter of 2017 and the delivery of the property of the Osasco branch was completed in the third quarter of 2017, and, for this reason, the allowance balance was fully reversed.
- (ii) The balance refers to the provision for fair value adjustment of the Rohr investment recognized as at December 31, 2017.
- (iii) The impairment loss refers to properties received through barter, as mentioned in note 12.

31 Finance income and costs

a. Finance income

	2018	2017
Interest income	2,033	3,370
Investment income	11,401	27,356
Discounts obtained	52	61
Foreign exchange and inflation gains	967	1,046
Others	(2)	15
	14,451	31,848

b. Finance costs

	2018	2017
Interest on borrowings	(816)	(1,395)
Foreign exchange and inflation losses	(2,554)	(2,268)
Interest on debentures	(22,335)	(38,855)
Commissions and bank fees	(270)	(305)
(IOF)	(23)	(7)
Others	(1,280)	(2,574)
	(27,278)	(45,404)

32 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 business units Heavy Construction and Real Estate. The result of such consolidation was the creation of a new business unit Construction. From that date, segment information is presented according to this new structure.

Construction business unit

The Construction business unit operates in the heavy construction market and provides formworks, shoring, nonmechanized 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.

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

	Construction		Rental		Others (*)		Total	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Net revenue	100,566	114,986	203,630	181,296	(7)	-	304,189	296,282
(-) Costs	(82,252)	(100,685)	(76,391)	(83,801)	-	-	(158,643)	(184,486)
(-) Expenses	(71,865)	(79,034)	(69,845)	(65,224)	(6,091)	280	(147,801)	(143,978)
(-) Other revenues	4,957	373	1,867	1,200	15	7	6,839	1,580
(-) Reversal (provision) for impairment and fair value	(201)	1,950	(1,838)	1,976	-	(5,966)	(2,039)	(2,040)
(-) Impairment loss on trade receivables	(3,175)	(7,138)	904	(3,527)	(3)	67	(2,274)	(10,598)
(-) Depreciation and amortization	(58,222)	(73,102)	(68,462)	(72,618)	-	-	(126,684)	(145,720)
Profit (Loss) before finance income (costs) and taxes	(111,829)	(142,650)	(8,498)	(40,698)	(6,086)	(5,612)	(126,413)	(188,960)
Finance income	7,513	15,568	6,804	14,919	134	1,361	14,451	31,848
Finance costs	(13,722)	(22,186)	(13,144)	(22,267)	(412)	(951)	(27,278)	(45,404)
Profit (loss) before IRPJ/SCL	(118,038)	(149,268)	(14,838)	(48,046)	(6,364)	(5,202)	(139,240)	(202,516)
(-) IRPJ/CSL	37,530	47,275	4,718	15,213	2,023	1,647	44,271	64,135
Profit (loss) for the year	(80,508)	(101,993)	(10,120)	(32,833)	(4,341)	(3,555)	(94,969)	(138,381)

Assets by business segment

	Construction		Rental		Others (*)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Property, plant and equipment								
Acquisition cost	495,431	671,098	664,852	672,361	-	-	1,160,283	1,343,459
(-) Accumulated depreciation	(304,775)	(374,728)	(388,064)	(329,042)	-	-	(692,839)	(703,770)
	190,656	296,370	276,788	343,319	-	-	467,444	639,689
Other assets	176,095	252,861	339,779	275,320	31,330	55,706	547,204	583,887
Total assets	366,751	549,231	616,567	618,639	31,330	55,706	1,014,648	1,223,576

(*) Refer to the remaining operations of the former business unit Manufacturing Services, from the amount of Rohr investment on sale of investees.

33 Financial instruments

33.1 Category of financial instruments

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

	Previous classification under CPC38/IAS39	Current classification under CPC48/IFRS9	Fair value	Carrying amount	
				12/31/2018	12/31/2017
Financial assets					
	Fair value through profit or loss	Fair value through profit or loss	Level 1	60,635	67,826
Cash and cash equivalents	Loans and receivables	Amortized cost	-	56,491	56,757
Trade receivables		Fair value through other comprehensive income	Level 3	54,451	55,234
Rohr Investment	Available-for-sale	Amortized cost	-	88,810	150,519
Restricted bank deposits	Loans and receivables				
Financial liabilities					
Borrowings and financing	Amortized cost	Amortized cost	-	5,712	8,870
Debentures	Amortized cost	Amortized cost	-	175,473	290,505
Trade payables	Amortized cost	Amortized cost	-	15,703	16,898
Stock option plans	Amortized cost	Amortized cost	-	52,162	51,412

In accordance with the management model adopted by the Company, Management believes that the classification and measurement of financial assets to be adopted for most of the financial investments will be at fair value through profit or loss and the bank deposits linked to debentures will be classified as at amortized cost.

The Company considers that its cash and cash equivalents and restricted bank deposits have low risk based on the external credit ratings of the counterparties.

The investment in Rohr is measured at fair value through other comprehensive income.

33.2 Fair value of financial instruments

Several Company accounting policies and disclosures require the determination of the fair value both for financial assets and liabilities and for nonfinancial assets and liabilities. Fair value for measurement and/or disclosure purposes is determined 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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs, except for quoted prices included in Level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices).
- Level 3 - Inputs for the asset or liability, that are not based on observable market inputs (unobservable 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 - Investment in Rohr

As at December 31, 2018, the Company has an investment measured at fair value recorded as available-for-sale asset - Investment Rohr in the amount of R\$ 54,451 (R\$ 55,234 as at December 31, 2017), as presented in note 13. This financial instrument is classified in level 3.

33.3 Derivative financial instruments

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
			US\$ thousand		R\$ thousand		R\$ thousand	
Less than three months	-	3.32	-	1,399	-	4,641	-	-
Three to six months	-	3.33	-	265	-	882	-	-
Total			-	1,664	-	5,523	-	-

The derivative instruments contracted during 2018 refer to NDFs on the export of equipment as described in note 10, which were settled until July 2018.

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

33.4 Financial instruments at amortized cost

a. Borrowings and financing

The amortized cost of a financial asset or liability is the amount for which the financial asset or liability is measured on initial recognition less capital reimbursements, changes in amortization or interest and impairment losses.

b. Debentures

Debt	Indicator	Carrying amount	
		12/31/2018	12/31/2017
2nd issue of debentures:			
2nd series	IPCA	108,627	156,811
3rd issue of debentures	CDI	67,062	134,175

The classifications of hierarchical levels are shown in note 33.1.

34 Insurance

As at December 31, 2018, the Company's total insurance against operational risks is R\$ 1,365,824 (R\$ 1,284,333 as at December 31, 2017), R\$ 523,266 ((R\$ 631,625 as at December 31, 2017) for property damages and R\$ 110,500 (R\$ 110,500 as at December 31, 2017) for civil liability, considered sufficient by Management to cover its operational risks.

35 Event after the reporting period

On February 22, 2019, the debentureholders of the 2nd and 3rd issuances approved: (i) the prior approval for the merger of Solaris Participações, Equipamentos e Serviços S.A. into the Company, in the context of the business combination disclosed in the material fact on December 21, 2018; (ii) the approval for loan agreements with its subsidiaries or associates amounting to R\$ 25,000,000; (iii) the change in the mechanism of the Debentures' restricted account, provided for in the respective fiduciary assignment, in order to allow the use of part of the resources in the amortization of the installments of Debentures; and (iv) other matters related to the agenda for the day, as per the minutes of the meetings of debentureholders available in full at the website www.mills.com.br/ri and in the CVM website.

The Company is fully compliant with its cash and non-cash obligations related to the Debentures and the amendments to the Debenture terms and conditions, approved thereon, are in the Company's best interests.

The General Meetings of Shareholders of Mills and Solaris, required for the completion of the Business Combination, will be called after the verification of the other prior conditions.

Board of Directors

Elio Demier
Vice Chairman

Roberto Pedote
Vice Chairman

Francisca Kjellerup Nacht
Director

Eduardo Luiz Wurzmann
Independent Director

Supervisory Board

Eduardo Botelho Kiralyhegy
Chairman

Rodrigo Fagundes Rangel
Board Member

Peter Edward Cortes Marsden Wilson
Independent Board Member

Executive Board of Directors

Sérgio Karya
CEO

James Oliver Guerreiro Carneiro
Administrative and Finance and Investor Relations Officer

Ricardo de Araújo Gusmão
Officer

Daniel Brugioni
Officer

Accountant in Charge

Sebastião Dantas Ramos
Accountant CRC RJ-050305/O-3