



International Conference Call
Mills - Estruturas e Serviços de Engenharia
2nd Quarter 2017 Earnings Results
August 9, 2017

Operator: Good morning ladies and gentlemen. Welcome to Mills conference call during which we will be discussing the results of 2Q 17. At this time all participants are connected in listen only mode and afterwards we will have a question-and-answer session.

Should you need assistance during the call please press star zero to reach the operator. I would like to remind you that this call is being recorded and translated simultaneously into English. Questions may be asked normally by participants connected from abroad. The recording will be available at the company's website www.mills.com.br/ir. This call is being broadcast simultaneously on the Internet and can also be accessed at www.mills.com.br/ir.

Before proceeding we would like to clarify that forward-looking statements that might be made during the call related to the company's perspectives and businesses as well as projections are assumptions based on the Management expectations in relation to Mills' future. These expectations are subject to macroeconomic conditions, market risks and other factors.

Today with us we have Mr. Sergio Kariya, CEO; Mr. Gustavo Zeno, CFO and Investor Relations officer and the investor relations team.

In order to open this call of 2017 we would like to turn the floor over to the CEO Sergio Kariya.

Mr. Sergio Kariya: Good morning everyone and thank you very much for participating in this call. Economic activity has been driven by reduction of inflation and interest rates; on the other hand the main sector in which we operate, heavy construction, still remains unfavorable with the federal public investment rate YTD this year reaching 0.39% of the GDP, the lowest level since 2003.

The balance of formal jobs in the civil construction sector continues to be negative as well as the GDP of civil construction that closed 1Q as 6.3% negative. Because of that our efforts to increase our presence in the nonconstruction sectors have been relevant and we present already 38% of Mills total revenue, worth more than half of rental revenue.

The change in the aerial platforms mix of rental was started this quarter, which will allow us to have a more adequate fleet for this market segment.

In the meantime we are working hard in capital discipline and in operational and commercial processes.

We concluded in the quarter the moving from the Osasco to Cotia branch and we advanced in the demobilization process in the construction ranchers in our estimate... According to our estimate.

The company continues to take actions to preserve cash and we held this quarter a commercial convention with 100% of the team, and this initiative aims at tapping into this period and keeping the team trained and motivated in order to differentiate Mills in the market where we operate.

Now to talk more specifically about the quarter's results I would like to turn the floor over to Gustavo Zeno, our CFO and IRO.

Mr. Gustavo Zeno: good morning everyone. I would like to thank you very much for your presence. I would like to start with slide number three. On slide three you can see the nonrecurring items that are impacting our results.

We split these expenses into two: the first part, restructuring expenses, which are due to the demobilization of the construction unit branches as a result of the sale of scrap and equipment for real estate and organizational changes all planned at the end of last year in order to cope with the crisis, and also bringing the company to a size more consistent to the market reality.

And the second part is made up of our expenses of liabilities that we have as a result of the sale of industrial services business unit sold in 2013. In this quarter we were able to make a great strive closing of branches that we announced in the previous quarters and the construction branches of Curitiba, Belo Horizonte, Campinas, Ribeirao Preto, Vitoria, Fortaleza and Belem had already the equipment transferred to other branches and/or scrapped.

In this quarter we ended the moving from the Sao Paulo branch from Osasco to Cotia for the next half year, there will be only some expenses due to the properties returned, the transfer of rental equipment transferred of Curitiba that will go to another location in the city, and also some other expenses of smaller amount, and with that we believe that the nonrecurring values will be lower in the next half year.

Now going to the next slide we show the revenue evolution. On a consolidated basis net revenue was 6.8% higher than the previous quarter and this improvement was due to the higher semi-new sales revenue and indemnity.

About the construction business unit as shown on the variation chart from rental revenue and utilization rate we continue with the drop in physical utilization; but we analyze our revenue and it was positively impacted by the change in the equipment mix.

Currently we are participating in smaller infrastructure projects with lower volume of equipment; but with some kind of equipment that we call internally special equipment, and this kind of equipment has a higher price when compared to the traditional formwork and shoring due to the higher complexity.

About the rental business unit we had a slight increase in the utilization rate that went from 52.9% in 1Q 17 to 53.3% in this quarter - but we continue to suffer price pressure besides the market factors also because of the increase in the percentage of rental to the nonconstruction sector, and this sector in most of the times uses equipment that have lower average price impacting the overall average price.

On slide five we have the breakdown of the quarter Ebitda. The CVM Ebitda in the quarter was 11.8 million negative and in the have here 28.1 million also negative. Net of the results of sales of semi-new and nonrecurring items Ebitda would be 6.8 negative in the quarter and 1.3 million negative YTD.

On the next slide we show the evolution of ADD and delinquency in the last few quarters. This quarter ADD expense was impacted by some debt concessions that were not honored that accounted for the positive results obtained in the previous quarter and the efforts to continue reducing the balance of our Accounts Receivable allowed us to have a drop in the percentage of past-due from 1 to 60 days and we continue to be focused on the recovery of these values; however we depend on the financial health of our clients.

As we believe that Ebitda is not the best metrics to see the operating cash generation of the company, on slide eight we show you the reconciliation of Ebitda with the adjusted operating cash flow and restated by the up-and-down monetary variation and investments in rental assets and interest paid.

In order to consider Ebitda as a good proxy of the operating cash flow we have to exclude some provisions and write offs. The bars in gray show variations between quarters. In this quarter we invested 9.8 million and 7.1 in rental assets; of this amount 1.9 million was to change the rental fleet mix. This investment does not have cash impact because we are selling some aerial platforms of less demanded models to acquire smaller platforms and adapt to our portfolio mix to go after the nonconstruction sector.

It is important to present the equipment sale contracts that are being dealt with, and for this reason I would like you to go to slide number eight. On slide eight we detail rental equipment divestment and we are working simultaneously on three contracts: the first contract is for the sale of 170 handlers already announced and signed in the last quarter and classified as assets available for sale. The sale is in line with the company's strategy



to reduce the operation with this kind of asset that requires high maintenance costs and has also high idleness.

And the other two contracts signed this quarter are for the sale of 108 aerial platforms and the focus is to replace some bigger models and low utilization rate for smaller, electric models, in line with our strategy to adapt the fleet mix in order to increase our exposure to the nonconstruction market.

Up to now we have sold 28 and we have acquired 23 aerial platforms of different models, and we will continue to make this movement of mix changes. By the end of the year we will be probably closing the last sale contract. Other details of our sales can be seen in our explanatory note number seven in 2Q 17 of the financial statement.

On the next slide number nine we can see the operating cash flow generation of the company and the company continues with capital discipline seeking to preserve cash.

On the next slide we show you data about our indebtedness. According to what was agreed during our general debentures holders meeting on March 22, part of our cash is in escrow accounts and the balance is made up of 50% of the outstanding debentures balance. With that we closed the quarter with 70 million in cash and 194 in escrow accounts. Net debt of the company at the end of the quarter was 123 million.

On slide 11 we show you our covenants.

In order to finish our remarks about the performance, on slide 12 we show you our historical data since 2010 as well as LTM closed in 2Q 17.

The next slide shows some information about the performance of each one of the business units.

To conclude I would like to emphasize that 2017 will be another challenging year mainly for the construction segment with low volume of investments by public and private sectors. We continue to be focused on capital discipline with efforts to reduce our costs and improve our efficiency seeking opportunities to generate value for our shareholders.

Now we will be available to answer questions that you might have.

Q&A Session

Operator: Ladies and gentlemen now we will start the Q&A session. In order to ask a question please press star one and in order to remove your question from the queue please press star two. Once again in order to ask a question please press star one. Once



again we would like to remind you that in order to ask a question you should press star one.

Now we close the question-and-answer session and we give the floor back to Mr. Sergio Kariya for his closing remarks.

Mr. Kariya: I would like to thank you very much for your participation in the call about Mills' results in 2Q 17. The IR team is available to you for any additional clarifications, thank you.

Operator: Mills' conference call is closed. Ladies and gentlemen the audio of this conference for replay and the presentation, the slide presentation, will be available at www.mills.com.br/ri. We thank you for participating.