

# **Individual and Consolidated Financial Statements**

**Orizon Valorização de Resíduos S.A.**

December 31, 2020  
and independent auditor's report

## MESSAGE FROM THE MANAGEMENT

The year 2020 was marked by the changes in everyone's routine and life brought by the new coronavirus. Orizon VR has positioned itself swiftly in this scenario, adopting appropriate preventive measures to preserve the health and safety of its employees, guaranteeing the continuance of its activities. The essential nature of the services provided by the Company and the dedication of our employees were instrumental in mitigating the impacts of the pandemic.

Noting our DNA in ESG (Environmental, Social and Governance), in 2020, Orizon VR was one of the Companies that most generated certified carbon credits (CERs) in Brazil, according to data from the United Nations (UN), and this, together with our other pillars, has contributed to the sustainable development of Brazilian cities through the generation of clean energy, increase in the circular economy, protection of the environment and health of the population.

The Net Revenue in the period was R\$392 million, a 12.5% growth in relation to the previous year, when it was R\$348 million. This variation results mainly from the execution of new agreements relating to the sale of carbon credits and from the increase in biogas in the Company's eco-industrial parks.

The EBITDA reached R\$153 million, EBITDA margin of 39%, a R\$53 million growth in comparison with the adjusted EBITDA<sup>1</sup> of the previous year.

To us, the year 2020 was marked by the preparation for the Company's initial public offering (IPO), occurred on February 17, 2021, at R\$22.00 per common share (ORVR3), involving approximately R\$460 million, of which R\$360 million relate to primary funds and R\$100 million to secondary funds for the shareholders. The funds from the capitalization will be used mainly for investments in expansion, acquisitions and amortization of debt.

The year 2021 and the subsequent years will be intensive with respect to the progress of the Company's expansion plans. We believe that the growth will be based on: (i) the implementation of new landfills, (ii) the growth of energy generation from biogas, (iii) projects for mechanical sorting of waste to be implemented in the eco-industrial parks, (iv) industrial waste processing, (v) implementation of the first WtE project in Brazil and (vi) strategic acquisitions.

Simultaneously to the expansion, we will continue totally focused on the ESG agenda, as well as on the strengthening of the Company's shares in the capital market. We will continue a proactive, transparent and agile plan for communication with our base of investors, analysts and capital markets in general. Orizon VR commences to implement an active agenda with the investors with participation in conferences, meetings, a communication agenda that adheres to the best practices and needs of the investor market.

We are living in a period of transformation with challenges and opportunities, aiming at a direct and pragmatic management focused on the continued and sustained generation of value to our shareholders, on the development and excellence of our professionals and on the well-being and progress of the community, particularly in our areas of operation.

**Milton Pilão**

Chief Executive Officer

**Leonardo Santos**

Chief Financial and Investor Relations Officer

(1) The adjusted EBITDA excludes impairment.

## COMPANY'S PROFILE

Orizon Valorização de Resíduos S.A. (former Haztec Investimentos e Participações S.A.) was organized in December 2009, with its principal place of business in the State of Rio de Janeiro. The change in its name was approved at the Special Shareholders' Meeting held on August 20, 2020.

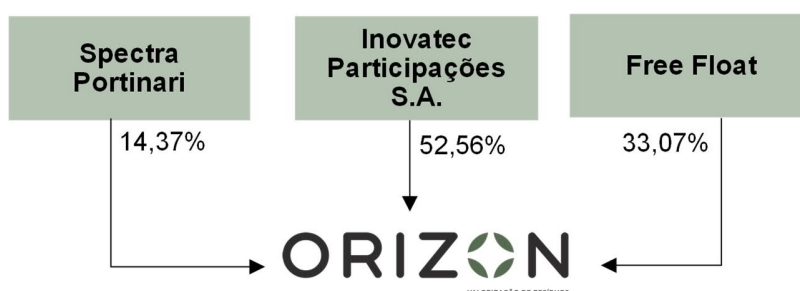
On December 31, 2020, the main asset of the Company is the direct investment in Orizon Meio Ambiente S.A. ("Orizon Meio Ambiente"), former Haztec Tecnologia e Planejamento Ambiental S.A. ("Haztec").

Please note that Orizon VR commences its activities exclusively at the end of the treatment of waste chain and in the provision of high value-added environmental services to public and private customers in Brazil.

## SHAREHOLDING STRUCTURE

After conduction of the initial public offering (IPO) in February 2021, Orizon Valorização de Resíduos commenced to trade in common shares ("ORVR3") on the São Paulo Stock Exchange ("B3"), listed in the Novo Mercado, a listing segment that leads to the highest standard of corporate governance, valuing the ethics and transparency in the relationship with shareholders and other stakeholders of the Company.

Below is the Company's shareholding structure after the end of the stabilization of the offering ended on March 18, 2021.



Within the scope of the offering, 17,336 thousand new common shares were issued, with a unit value of R\$22.00, and the number of share of the Company was increased from 54.164 thousand shares to **71,550 thousand common shares**, and the Capital Stock from R\$544 million in December 2020 to R\$844 million, after closing of the offering.

## LINES OF BUSINESS

### 1. FINAL DISPOSAL OF SOLID WASTE

In 2020, Orizon VR received in its landfills approximately 4.8 million tons of urban solid waste (RSU), generated by the equivalent of 20 million inhabitants. These ventures are engineering works that provide cutting-edge technology and are prepared to act as instruments for basic sanitation and protection of the environment and public health.



Its **assets** are **located** in the states of **Pernambuco**, municipality of Jaboatão dos Guararapes, **Paraíba**, municipality of João Pessoa, and **Rio de Janeiro**, spread through 7 municipalities (Nova Iguaçu, São Gonçalo, Barra Mansa, Duque de Caxias, Rio Bonito and Belford Roxo).

#### **SOLID WASTE PROCESSING AND FINAL DISPOSAL UNITS**

- 5 eco-industrial parks
- 3 Hazardous Processing and Disposal Units
- 1 Waste Transfer Station (ETR)

In relation to waste treatment and final disposal, we account for approximately 10% of the volume of waste adequately treated in Brazil. Brazil currently processes only 3% of the waste generated in the year (generation of 80 million tons of waste/year in Brazil).

### 2. ENERGY, BIOGAS and CERs

**Efficient systems for generating clean energy** in eco-industrial parks. **Bioenergetic** plants for **capturing and treating gases** from the decomposition of waste, for sale or reuse of methane gas.

The electric power plants powered by biogas installed in its eco-industrial parks are responsible for more than 540 thousand MWh per year of incentivized energy in the network. Through the Clean Development mechanism of the United Nations, the Company also **trades carbon credits on the free market**. In 2020, the Company generated around 1.7 million carbon credits, 0.7 million more than in 2019.

#### **ENERGY, BIOGAS AND CARBON CREDIT (CER) UNITS**

- 5 Carbon Credit Projects
- 3 Biogas Exploration / Sale Projects
- V2 Biogas Energy Projects

All the Company's eco-industrial parks generate energy from biogas, under contracts ranging from biogas supply to energy generation. Orizon VR is one of the main players in the carbon credit market in Brazil, through destruction of methane and displacement of the energy matrix.

### 3. WASTE PROCESSING AND WASTE-TO-ENERGY

In this Division, the company develops **plants for the processing of materials from the Industry (UBM)**, plants for **recycling solid urban waste (UTM)** and plants for the **direct burning of waste for power generation (WTE)**.

With respect to the **UBMs**, the Company is investing in highly technological and innovation-oriented processes, which contribute to the circular economy with companies that wish to adopt a positive development cycle.

With respect to the **UTMs**, the waste undergoes an automated separation process, widely used abroad, which brings efficiency for reuse. The Company plans to invest in UTM projects in the future, since it is an important component of its organic growth, increasing the profitability of the managed waste.

With respect to waste-to-energy, the Company develops the first project for burning waste to generate electric power in Latin America, located in the municipality of Barueri, in the form of a Public-Private Partnership under a 30-years agreement.

#### WASTE PROCESSING AND WASTE-TO-ENERGY UNITS

- 2 Waste Processing Units (UBR)
- 1 Waste-to-Energy Unit, under implementation

#### 4. ENVIRONMENTAL ENGINEERING

They are service agreements, in general entered into with large companies for the provision of environmental services all over Brazil, such as: (i) restoration of degraded areas, (ii) remediation of contaminated areas, (iii) environmental diagnosis and monitoring; (iv) waste management; (v) cleaning of oil tanks etc.

#### OPERATIONAL DATA

Below we note the volumes received in the five (5) eco-industrial parks in operation (Barra Mansa, Jaboatão dos Guararapes, João Pessoa, Nova Iguaçu and São Gonçalo):

Volume	Unidade de medida	4T19	4T20	Var. (%)	2019	2020	Var. (%)
Resíduos	ton (tonelada)	1.188.058,7	1.181.213,4	-1%	4.568.164,8	4.795.758,1	5%
Créditos de Ca (tonelada de carbono equivalente evitado)	tCO <sub>2e</sub>	334.000,8	428.255,0	28%	922.497,0	1.633.226,7	77%
Biogás	Nm <sup>3</sup> /hora (normal metro cúbico/hora)	26.721	31.802	19%	19.820	29.992	51%

Legend:

Volume – Measurement unit – 4Q19 - 4Q20 – Var. (%) – 2019 – 2020 – Var. (%)

Waste – ton

Carbon Credits – tCO<sub>2e</sub> (ton of carbon equivalent avoided)

Biogás – Nm<sup>3</sup>/hour (normal cubic meter/hour)

#### CORPORATE GOVERNANCE

At Orizon VR, the purpose of the corporate governance is to contribute to the creation of value for shareholders and other stakeholders of the Company, in compliance with the principles of transparency, equity, accountability and corporate responsibility, aiming at strengthening the management and governance structure with the purpose of solidifying the pillars for the permanence of the Company and its businesses.

Thus, Orizon VR strongly believes that the adoption of the best corporate governance practices contributes to the success and prosperity of all its activities.

In this respect, the Company observes a set of rules that govern the relations between the Company, its shareholders and the financial market, as is the case of the Novo Mercado Regulations Corporate Governance of B3 - Brasil, Bolsa, Balcão SA and all regulations of the Brazilian Securities Commission – CVM.

Orizon VR is also committed to the recommendations of the Brazilian Corporate Governance Code of the Brazilian Institute of Corporate Governance - IBGC, an important tool for managers and investors to follow the corporate governance practices of Brazilian companies.

## CONSOLIDATED FINANCIAL RESULTS

### 1. NET OPERATING REVENUE

In the year 2020, the net operating revenue totaled R\$392 million, an increase by R\$44 million (13%) in relation to the R\$348 million in 2019. The growth in the net revenue in the period may be for the most part explained as follows:

- ⊕ **Energy, biogas and carbon credits:** Increase by R\$39.9 million in 2020, due to the growth by 77% in the volume of generation of CERs, with the consequent execution of new agreements relating to the sale of carbon credits in the year 2020 and to the increase by 51% in the volume of biogas generation in the Company's eco-industrial parks.
- ⊕ **Processing and final destination:** Increase by R\$3.6 million in 2020 in comparison with the year 2019, as a result of the growth in the volume of waste allocated in the Company's eco-industrial parks.
- ⊕ **Waste processing and WtE:** Increase by R\$4 million, due to the execution of new electric power purchase agreements and to the adjustments of the agreements in effect.

These effects have been partially offset by:

- ⊖ **Environmental engineering:** negative variation of R\$6.5 million, due to termination of the environmental engineering services agreements. This activity was affected by the economic slowdown. However, the Company recently entered into new agreements with large customers.

### 2. COSTS AND EXPENSES

In 2020, the total costs and expenses reached R\$295 million, an increase by 1% in relation to 2019, when it reported R\$293.0 million, i.e., a gain in scale when compared with the growth in revenue.

The variation in the annual comparison results mainly from the increase in the costs and expenses relating to freight (+124%), rent (+42%), energy (+13%), fuel (+11%) and grant (+7%), which are directly linked to the increase in the agreements and volumes of operation of the controlled companies, partially offset by: (i) a 16% reduction in materials and (ii) a 20% reduction in third-party services, which follows the decrease in the environmental engineering revenue.

### 3. EBITDA

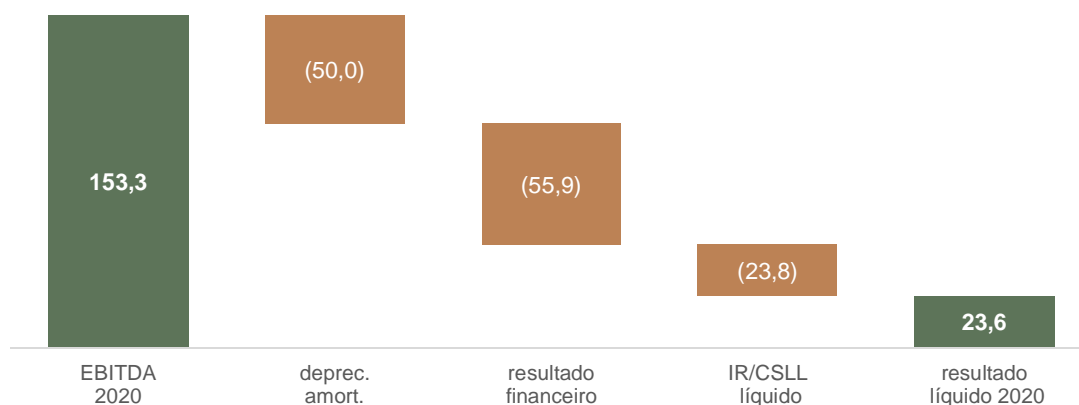
The EBITDA totaled R\$153 million with a 37% margin, an increase by R\$46 million (+46%) in relation to the Adjusted EBITDA of 2019, when it reported R\$101 million. The growth in the EBITDA may be mainly explained by the increase in the net revenue, as a result of the growth in the revenue from the valuation activities, including the generation of energy, biogas and carbon credit, combined with maintenance of the Company's costs and expenses, which shows an efficient management and focus on the discipline of costs and expenses.

#### 4. FINANCIAL RESULT

The net financial result in 2020 registered an expense of R\$56 million if compared with the revenue of R\$11 million presented in 2019. The variation in the annual comparison us mainly due to: (i) measurement at fair value of the assumption of debt with Banco Bradesco S.A. in 2019 in the amount of ~R\$36 million; (ii) reduction in the consolidated debt of R\$35 million obtained in the 4Q2019; (iii) increase by R\$7 million, in 2020, in the interest from loans; (iv) acknowledgment of R\$7.5 million originating from the effects of the aforementioned assumption of debt and of the effects of the creation of the debt with individuals due to the settlement of balance with Synthesis.

#### 5. NET RESULT

The net result of 2020 presented a profit of R\$24 million against a loss of R\$16 million in 2019. The graph below presents the main factors that influenced the net result of 2020, based on the adjusted EBITDA of the same period (R\$ million):



Legend:

EBITDA 2020 – depreciation / amortization – financial result – Net IR/CSLL – net result 2020

#### 6. INDEBTEDNESS

On December 31, 2020, the gross debt reached R\$320 million, a decrease by 28% in relation to the balance of R\$460 million existing on December 31, 2019, especially due to the payment of R\$157 million settled with subscription warrants issued by the controlled company Orizon Meio Ambiente S.A. (former Haztec Tecnologia e Planejamento Ambiental S.A.).

The position of cash and cash equivalents in the end of December 2020 was R\$17 million against R\$14 million in December 2019. The net debt on December 31, 2020 was R\$321 million, it being understood that considering the cash of R\$360 million originating from the IPO, carried out in February 2021, the Company would report a negative net debt.

#### RELATIONSHIP WITH THE INDEPENDENT AUDITORS

In accordance with CVM Instruction No. 381, of January 14, 2003, Orizon VR explains that the company Ernst Young Auditores Independentes S.S. provides services to the Company since February 4, 2016. In the fiscal year 2020, it provided the following services to this Company:

- ◉ Independent audit services for purposes of the reissuance of the individual and consolidated financial statements of the Company prepared in accordance with the accounting practices adopted in Brazil and with the international financial reporting standards (IFRS), relating to the fiscal years ended on December 31, 2019, 2018 and 2017.
- ◉ Independent audit services for purposes of the reissuance of the individual and consolidated financial statements of the Company prepared in accordance with the accounting practices adopted in Brazil and with the international financial reporting standards (IFRS), relating to the fiscal year ended on December 31, 2020, as well as of review of the individual and consolidated interim financial information of the Company contained in the Quarterly Information Forms – ITR, prepared in accordance with the accounting practices adopted in Brazil and with the international financial reporting standards (IFRS) relating to the periods ended on March 31, June 30 and September 30, 2020.

In the fiscal year ended on December 31, 2020, the Company agreed on the total amount of R\$1,756,268.00 fees by way of remuneration for the independent Audit services provided, as described in the two items above.

- ◉ Provision of professional services in connection with the public offering of shares issued by the Company on the base date September 30, 2020. Amount of R\$1,805,248.00 agreed in 2020.

The agreement on services not related to external audit with its independent auditors is carried out in such a way that there is no conflict of interest, loss of independence or objectivity and is based on the principles that preserve the auditor's independence.

## MANAGEMENT'S STATEMENT

We acknowledge, as members of the Company's Management, that we are responsible for the fair presentation of the individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS).

We believe that the individual and consolidated financial statements fairly present, in all material respects, the Company's equity and financial position, results of operations and cash flows, in accordance with accounting practices adopted in Brazil, and that they are free from material misstatements, including omissions.

As members of the Company's Management, we believe that the Company has an adequate internal control system in place that enables the preparation of accurate individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRS, which are free from material misstatements, whether due to fraud or error.

The members of management declare that they have discussed, reviewed and agreed with the opinions expressed in the audit report issued by ERNST & YOUNG Auditores Independentes S.S.

# Orizon Valorização de Resíduos S.A.

Individual and consolidated financial statements

December 31, 2020

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**A free translation from Portuguese into English of independent auditor's report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB)**

## **Independent auditor's report on individual and consolidated financial statements**

The Shareholders, Board of Directors and Officers  
**Orizon Valorização de Resíduos S.A.**  
Rio de Janeiro - RJ

### **Opinion**

We have audited the individual and consolidated financial statements of Orizon Valorização de Resíduos S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Impairment of goodwill generated in business combinations

As at December 31, 2020, through its subsidiary Orizon Meio Ambiente S.A., the Company accounted for goodwill of R\$78.701 thousand, which according to accounting practices adopted in Brazil must be tested for impairment annually, regardless of evidence of deterioration, as described in Note 12.

This annual test was considered a key audit matter, considering the magnitude of the amounts involved and the fact that the process for testing these assets for impairment is complex and involves a high degree of subjectivity, and is based on various assumptions, such as the determination of cash-generating units, discount rates, inflation projection, growth rates, and profitability of the Company's and its subsidiaries' businesses for the coming years, among others. These assumptions will be affected by the market conditions or future economic scenarios in Brazil, which cannot be estimated accurately.

#### *How our audit addressed this matter*

Our audit procedures included, among others: (i) understanding and evaluation of the methodology used by management to project discounted cash flows; (ii) use of valuation model specialists to help us evaluate and test the model used to measure the recoverable amount and the assumptions, projections and methodology used by the Company, in particular those related to estimates of future sales, growth rates and discounted rates used in the discounted cash flows, and profit margin of the cash-generating units in which the goodwill was allocated; (iii) validation of the information used in the calculations; (iv) a retrospective review of prior projections to identify any inconsistency in the development of estimates in the future; (v) an independent calculation sensitizing the main assumptions used; and (vi) a review of the appropriateness of the disclosures made by the Company on the assumptions used in the impairment calculations, mainly those with the most significant effect on the determination of the recoverable amount of goodwill.

Based on the results of the audit procedures performed on the impairment testing of goodwill, which is consistent with management's assessment, we consider the criteria and assumptions relating to the goodwill recoverable amount adopted by management, as well as the respective disclosures in Note 12, acceptable, in the context of the financial statements as a whole.



### Impairment of deferred income and social contribution taxes

As at December 31, 2020, through its subsidiary Orizon Ambiente S.A., the Company accounted for deferred income and social contribution taxes amounting to R\$145,518 thousand, recognized substantially on income and social contribution tax losses. In accordance with the accounting practices adopted in Brazil, the Company must annually review the projection of future taxable profits for the purpose of testing deferred income and social contribution taxes for impairment, as described in Note 7.d.

This annual test was considered a key audit matter, considering the magnitude of the amounts involved and the fact that the process for testing deferred income and social contribution taxes for impairment is complex and involves a high degree of subjectivity in projecting future taxable profit, and is based on various subjective assumptions that will be affected by the market conditions or future economic scenarios in Brazil, which cannot be estimated accurately.

#### *How our audit addressed this matter*

Our audit procedures included, among others: (i) understanding the Company's internal processes for measuring and analyzing impairment of deferred income and social contribution taxes; (ii) use of tax specialists to help us measure and test the balances recognized by the Company, as well as the model used to measure the recoverable amount of deferred income and social contribution taxes and the assumptions, projections and methodology used; (iii) validation of the information used in the calculations; (iv) a retrospective review of prior projections to identify any inconsistency in the development estimates in the future; (v) an independent calculation sensitizing the main assumptions used; and (vi) a review of the appropriateness of the disclosures made by the Company on the assumptions used in the calculations, especially those with the most significant effect on the determination of the recoverable amount of deferred income and social contribution taxes.

Based on the results of the audit procedures performed on the Company's deferred income and social contribution balance testing, as well as on its corresponding recoverable amount, which is consistent with management's assessment, we consider the criteria used to recognize it and the impairment assumptions adopted by management, as well as the respective disclosures in Note 7.d, acceptable in the context of the financial statements as a whole.

### Revenue recognition

As mentioned in Note 2.7, the Company recognizes its revenues on an accrual basis, when services are effectively rendered, and to the extent that it is probable that economic benefits will flow to the Company, and when they can be measured reliably, at an amount that reflects the consideration to which the Company and its subsidiaries expect to be entitled in exchange for the services.

The Company's revenue recognition process was considered a key audit matter due to the following factors, among others: (i) the significant volume of transactions; (ii) the different natures of services rendered; and (iv) the significance of the amounts involved. On account of these characteristics, the Company and its subsidiaries must have and maintain controls as part of a routine that efficiently identifies and measures revenue on an accrual basis.





### *How our audit addressed this matter*

Our audit procedures included, among others: (i) understanding the Company's internal processes for measuring and recognizing revenue; (ii) performing substantive tests on key items and representative samples, including, when applicable, inspection of contracts, invoices issued, proof of the effective delivery of services relating to the selected transactions and subsequent receipts; (iii) cut-off tests on sales and their respective recognition upon effective delivery of services provided in the periods prior and subsequent to the reporting date; (iv) monthly revenue review using aggregated and disaggregated data to identify relationships or changes that are contrary to our expectations based on our knowledge of the Company and the industry; and (v) reviewing fairness of the disclosures included in Notes 2.7 and 22 to the financial statements.

As a result of the audit procedures performed on revenue, we identified audit adjustments that were not recorded by management in view of their immateriality in relation to the financial statements as a whole.

Based on the result of the audit procedures performed on revenues, which is consistent with management's assessment, we consider that the Company's revenue recognition policies for service revenues and their respective disclosures in the financial statements are acceptable in the context of the financial statements as a whole.

### **Other matters**

#### **Statements of value added**

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

#### **Other information accompanying the individual and consolidated financial statements and the auditor's report**

Management is responsible for such other information, which comprise the Management Report.

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



In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this 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 we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the individual and consolidated financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the individual and consolidated financial statements**

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

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.



- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 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 individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or future conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated interim financial statements represented the underlying transactions and events in a manner that achieves fair presentation.

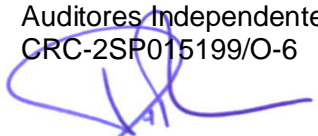
We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated 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 determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 30, 2021.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6



Pia Leocádia de Avellar Peralta  
Accountant CRC-1RJ101080/O-0

## Orizon Valorização de Resíduos S.A.

### Balance sheets

as of December 31, 2020 and 2019

(Amounts in thousands of Brazilian *Reais*)

	Note	Parent company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	01/01/2019
Assets					
Current assets					
Cash and cash equivalents	3	1	1	6,044	2,317
Securities	4	5	2	10,511	11,526
Restricted cash	5	-	-	-	1,609
Trade accounts receivable	6	-	-	112,143	80,839
Taxes and contributions recoverable	7.a	6	7	9,758	8,485
Related parties	8	-	-	-	6,000
Other assets - Advances	9.a	4,129	1,455	17,061	12,257
Total current assets		4,141	1,465	155,517	123,033
Non-current assets					
Bonds and securities	11	8,110	-	8,135	-
Trade accounts receivable	6	-	-	9,730	15,474
Related parties	8	5,982	5,982	8,485	3,220
Court deposits and bonds	18.c	11	11	8,498	6,267
Deferred income and social contribution taxes	7.d	-	-	82,727	112,994
Advances	9.a	-	-	5,999	5,960
Investments	10	743,923	456,951	-	-
Property and equipment	11	-	-	284,195	272,158
Intangible assets	12	-	-	96,374	102,423
Right-of-use assets	13	-	-	11,201	11,585
Total non-current assets		758,026	462,944	515,344	530,081
Total assets		762,167	464,409	670,861	653,114

	Note	Parent company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	01/01/2019
<b>Liabilities</b>					
<b>Current liabilities</b>					
Loans and financing	13	-	-	<b>43,921</b>	28,517
Leases	13	-	-	<b>5,493</b>	4,633
Suppliers	14	<b>812</b>	90	<b>43,166</b>	46,505
Grants payable	15	-	-	<b>7,412</b>	6,441
Salaries and payroll charges	16	-	-	<b>9,789</b>	9,530
Taxes and contributions payable	7.b	<b>60</b>	45	<b>39,696</b>	21,415
Taxes payable in installments	17	-	-	<b>6,707</b>	4,243
Advances from customers	19	-	-	<b>17,628</b>	18,864
Related parties	8	-	61,507	-	61,507
Acquisitions payable		-	-	-	629
Accounts payable	20	<b>1,545</b>	-	<b>10,272</b>	11,282
Other current liabilities	9.b	<b>63</b>	59	<b>15,054</b>	13,639
<b>Total current liabilities</b>		<b>2,480</b>	61,701	<b>199,138</b>	227,205
<b>Non-current liabilities</b>					
Loans and financing	13	<b>553,610</b>	425,492	<b>281,737</b>	418,862
Leases	13	-	-	<b>6,226</b>	7,530
Taxes payable in installments	17	-	-	<b>23,660</b>	10,313
Provision for losses on investments	10	-	-	<b>1,003</b>	1,581
Related parties	8	<b>107,763</b>	33,856	-	130
Provision for contingencies	18.a	-	-	<b>34,762</b>	18,991
Advances from customers		-	-	<b>5,149</b>	-
Deferred income and social contribution taxes	7.d	<b>14,684</b>	44,437	<b>14,684</b>	44,437
Deferred PIS and COFINS taxes	7.e	<b>9,105</b>	9,105	<b>9,105</b>	9,105
Accounts payable	20	<b>7,103</b>	-	<b>12,671</b>	13,383
<b>Total non-current liabilities</b>		<b>692,265</b>	512,890	<b>388,997</b>	524,332
<b>Shareholders' equity</b>					
Share capital	21.a	<b>544,323</b>	543,448	<b>544,323</b>	543,448
Equity instruments	21.b	<b>30,877</b>	30,877	<b>30,877</b>	30,877
Special premium reserve	21.c	<b>3,023</b>	3,023	<b>3,023</b>	3,023
Subscription warrants	21.d	<b>156,664</b>	-	<b>156,664</b>	-
Equity valuation adjustments	21.e	<b>10,359</b>	10,359	<b>10,359</b>	10,359
Accumulated losses		<b>(677,824)</b>	(697,889)	<b>(677,824)</b>	(697,889)
		<b>67,422</b>	(110,182)	<b>67,422</b>	(110,182)
Controlling interests		<b>67,422</b>	(110,182)	<b>67,422</b>	(110,182)
Non-controlling interests		-	-	<b>15,304</b>	11,759
<b>Total shareholders' equity</b>		<b>67,422</b>	(110,182)	<b>82,726</b>	(98,423)
<b>Total liabilities and shareholders' equity</b>		<b>762,167</b>	464,409	<b>670,861</b>	653,114

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

## Orizon Valorização de Resíduos S.A.

### Statements of income

Years ended December 31, 2020 and 2019

(Amounts in thousands of Brazilian *Reais*, except for earnings per share)

	Note	Parent company		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net operating revenue	22	-	-	<b>391,968</b>	348,153
Cost of services provided	23	-	-	<b>(245,170)</b>	(241,687)
Gross profit		-	-	<b>146,798</b>	106,466
Operating revenues (expenses)					
General and administrative expenses	23	<b>(1,465)</b>	(192)	<b>(49,920)</b>	(51,269)
Other revenues (expenses), net		-	-	<b>5,822</b>	(6,863)
Income (loss) before financial result and equity pick-up		<b>(1,465)</b>	(192)	<b>102,700</b>	48,334
Financial result					
Financial income	24	<b>174</b>	94,303	<b>26,474</b>	62,892
Financial expenses	24	<b>(138,705)</b>	(61,147)	<b>(82,331)</b>	(52,002)
Equity pick-up	10	<b>130,308</b>	(37,796)	<b>578</b>	(1,134)
Provision for impairment	12	-	-	-	(68,382)
Income before income and social contribution taxes		<b>(9,688)</b>	(4,832)	<b>47,241</b>	(10,292)
Income and social contribution taxes					
Current	8,c	-	(14,655)	<b>(23,297)</b>	(9,985)
Deferred	8,c	<b>29,753</b>	-	<b>(514)</b>	3,696
Income (loss) for the year		<b>20,065</b>	(19,487)	<b>23,610</b>	(16,581)
Attributable to shareholders:					
Non-controlling shareholders				<b>3,545</b>	2,906
Controlling shareholders				<b>20,065</b>	(19,487)
Basic loss per share	21	<b>0.37</b>	(0.38)	<b>0.44</b>	(0.32)
Diluted loss per share	21	<b>0.28</b>	(0.37)	<b>0.33</b>	(0.31)

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

## Orizon Valorização de Resíduos S.A.

Statements of comprehensive income

Years ended December 31, 2020 and 2019

(Amounts in thousands of Brazilian *Reais*, except for earnings per share)

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Income (loss) for the year	<b>20.065</b>	(19.487)	<b>23.610</b>	(16.581)
Other comprehensive income	-	-	-	-
Comprehensive income for the year	<b>20.065</b>	(19.487)	<b>23.610</b>	(16.581)
Attributable to the shareholders:				
Non-controlling shareholders			<b>3.545</b>	2.906
Controlling shareholders			<b>20.065</b>	(19.487)

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

## Orizon Valorização de Resíduos S.A.

Individual and consolidated statements of changes in shareholders' equity  
 Years ended December 31, 2020 and 2019  
 (Amounts in thousands of Brazilian *Reais*)

	Note	Share capital	Equity instruments - convertible debentures	Capital reserves - share premium	Subscription Warrants	Equity valuation adjustments - deemed cost	Accumulated loss	Total Shareholders' equity	Non-controlling interests	Total
Balances as of January 1 <sup>st</sup> , 2019	21	543,448	30,877	3,023	-	10,359	(678,402)	(90,695)	8,853	(81,842)
Loss for the year		-	-	-	-	-	(19,487)	(19,487)	2,906	(16,581)
Balances as of December 31, 2019		543,448	30,877	3,023	-	10,359	(697,889)	(110,182)	11,759	(98,423)
Creation of subscription warrants	21	-	-	-	156,664	-	-	156,664	-	156,664
Payment of capital stock		875	-	-	-	-	-	875	-	875
Net loss for the year		-	-	-	-	-	20,065	20,065	3,545	23,610
Balances on December 31, 2020		<b>544,323</b>	<b>30,877</b>	<b>3,023</b>	<b>156,664</b>	<b>10,359</b>	<b>(677,824)</b>	<b>67,422</b>	<b>15,304</b>	<b>82,726</b>

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

## Orizon Valorização de Resíduos S.A.

### Statements of cash flows Years ended December 31, 2020 and 2019 (Amounts in thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flows from operating activities				
Loss for the year	20,065	(19,487)	23,610	(16,581)
Adjustments to reconcile loss:				
Equity valuation adjustment	(130,308)	37,797	(578)	1,134
Provision for impairment of trade accounts receivable	-	-	(1,251)	4,956
Provision for contingencies	-	-	9,227	5,640
Financial instruments measured at fair value	58,883	(36,057)	110	(36,057)
Adjustment to present value	28,516	(25,937)	(28,724)	-
Deferred income and social contribution taxes	(29,753)	14,655	514	14,655
Deferred PIS and COFINS taxes	-	3,002	-	3,002
Depreciation and amortization	-	-	50,029	53,526
Accrued interest	50,509	56,553	56,654	39,326
Discounts on financing	-	(35,281)	-	(35,281)
Provision for impairment	-	-	-	68,382
Write-off of the balance by assignment of debts	-	-	7,470	-
(Increase) decrease in operating assets				
Trade accounts receivable	-	-	(38,557)	(22,989)
Taxes recoverable	1	-	(1,273)	(9,672)
Court deposits and bonds	-	-	(2,231)	(482)
Advances	(2,674)	(8)	(4,843)	1,442
Increase (decrease) in operating liabilities				
Suppliers	722	(2)	(2,464)	2,238
Grants payable	-	-	971	(222)
Salaries and payroll charges	-	-	259	856
Taxes and contributions payable	15	16	35,018	5,143
Advances from customers	-	-	3,913	-
Accounts payable	(1,252)	-	(1,252)	-
Other	4	18	1,655	120
Cash from (used in) operating activities	(5,272)	(4,731)	108,257	79,136
Deferred income and social contribution taxes	-	-	(2,515)	(8,287)
Interest paid	-	-	(21,285)	(11,692)
Net cash from (used in) operating activities	(5,272)	(4,731)	84,457	59,157
Cash flows from investing activities				
Purchases of property and equipment	-	-	(39,652)	(37,346)
Purchases of intangible assets	-	-	(2,177)	(645)
Bonds and securities	(3)	-	(7,120)	(2,242)
Restricted cash	-	-	-	(76)
Net cash from (used in) investing activities	(3)	-	(48,949)	(40,309)
Cash flows from financing activities				
Leases paid	-	-	(7,704)	(7,451)
New loans and financing	-	-	293,227	-
Repayments of loans and financing	-	-	(312,694)	(16,155)
Related parties	5,275	4,731	(5,570)	2,959
Taxes payable in installments	-	-	1,589	9,225
Acquisitions payable	-	-	(629)	(7,948)
Net cash from (used in) financing activities	5,275	4,731	(31,781)	(19,370)
Increase (decrease) in cash and cash equivalents				
	-	-	3,727	(522)
Cash and cash equivalents at the beginning of the year				
	1	1	2,317	2,839
Cash and cash equivalents at the end of the year				
	1	1	6,044	2,317
Variation in the balance of cash and cash equivalents				
	-	-	3,727	(522)

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

## Orizon Valorização de Resíduos S.A.

Statements of value added  
 Years ended December 31, 2020 and 2019  
 (Amounts in thousands of Brazilian *Reais*)

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Revenues	-	-	<b>447,360</b>	388,997
Services provided	-	-	<b>446,109</b>	393,953
Provision for impairment of trade accounts receivable	-	-	<b>1,251</b>	(4,956)
Inputs acquired from third parties	<b>(1,465)</b>	(191)	<b>(165,615)</b>	(243,172)
Cost of services provided	-	-	<b>(139,789)</b>	(134,620)
Materials, electricity, outsourced services and others	<b>(1,465)</b>	(191)	<b>(25,826)</b>	(40,170)
Impairment (recovery) of assets	-	-	-	(68,382)
Gross value added	<b>(1,465)</b>	(191)	<b>281,745</b>	145,825
Withholdings	-	-	<b>(50,029)</b>	(53,526)
Depreciation and amortization	-	-	<b>(50,029)</b>	(53,526)
Net value added generated	<b>(1,465)</b>	(191)	<b>231,716</b>	92,299
Value added received in transfer	<b>130,499</b>	59,508	<b>30,242</b>	71,941
Equity valuation adjustment	<b>130,308</b>	(37,797)	<b>578</b>	(1,134)
Financial income	<b>191</b>	97,305	<b>29,664</b>	73,075
Total value added to be distributed	<b>129,034</b>	59,317	<b>261,958</b>	164,240
Distribution of value added	<b>129,034</b>	59,317	<b>261,958</b>	164,240
Personnel	-	-	<b>59,730</b>	55,852
Direct compensation	-	-	<b>27,348</b>	44,792
Benefits	-	-	<b>16,354</b>	6,101
Unemployment Fund (FGTS)	-	-	<b>3,500</b>	3,331
Other	-	-	<b>12,528</b>	1,628
Taxes, fees and contributions	<b>(29,736)</b>	17,657	<b>81,142</b>	62,272
Federal	<b>(29,736)</b>	17,657	<b>60,772</b>	44,276
State	-	-	<b>2,392</b>	2,528
Municipal	-	-	<b>17,978</b>	15,468
Interest on third-party capital	<b>138,705</b>	61,147	<b>97,476</b>	62,697
Rents	-	-	<b>15,145</b>	10,695
Financial expenses	<b>138,705</b>	61,147	<b>82,331</b>	52,002
Interest on equity	<b>20,065</b>	(19,487)	<b>23,610</b>	(16,581)
Loss for the year	<b>20,065</b>	(19,487)	<b>20,065</b>	(19,487)
Non-controlling interests	-	-	<b>3,545</b>	2,906

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

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements  
December 31, 2020 and 2019  
(In thousands of reais)

### **1 Operations**

Orizon Valorização de Resíduos S.A. (“Orizon” or “Company”, former Haztec Investimentos e Participações S.A.), was organized in December 2009, with headquarters at Rua Joaquim Palhares, nº 40, 1st<sup>o</sup> andar, Cidade Nova, in the municipality and State of Rio de Janeiro (RJ), and the change in its corporate name was approved at the Special Shareholders’ Meeting held on August 20, 2020.

The Company is engaged in holding interests in other business companies or civil associations as a partner or shareholder, and other related activities.

As of December 31, 2020, the Company’s main asset is the direct investment in Orizon Meio Ambiente S.A. (“Orizon Meio Ambiente”, former Haztec Tecnologia e Planejamento Ambiental S.A. - “Haztec”).

Additionally, the Company holds 100% of the shares of Foxx Holding SA (“Foxx Holding”), an entity that holds, through Foxx Inova, 67% of the João Pessoa (PB) landfill and of the Energy Recovery Unit (“URE”) of Barueri, the first project for the generation of electricity from burning of waste (waste-to-energy) in Latin America, which is in the pre-operational phase.

Subsidiaries and jointly controlled companies are defined herein as “Orizon Group” or “Group” when mentioned together with the Company.

On December 31, 2020, the Company has a negative consolidated net current capital of R\$43,621 (R\$104,172 on December 31, 2019). As from February 2021, the Company commenced to present a positive net current capital, especially due to the funds raised in the going-public process.

On December 28, 2020, the Company obtained a waiver to a debt to Credit Suisse, relating to the noncompliance with certain restrictive conditions, as detailed in note 13.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements  
December 31, 2019, 2018 and 2017  
(In thousands of reais)

### 1. Operation—Continued

The management continues promoting various actions for the purpose of continuously improving the Company's economic and financial position, such as: (i) study of opportunities to reduce costs and expenses that have been implemented and continuous evaluation of processes for operational and administrative improvement; (ii) implementation of new business, for which the Company estimates to obtain profitability over the next fiscal years; (iii) implementation of new waste valuation activities that will strengthen the Company's operational cash generation, with emphasis on the recycling, briquetting and generation of power from biogas; (iv) commencement of the operation of sale of power by the energetic recovery unit located in Barueri; (v) reprofiling of the short-term loan debt by means of the extension of terms; (vi) renegotiation of debts with related parties; (vii) strategic acquisitions and (viii) optimization of the funds originating from the process of Public Offering of Shares, completed on February 11, 2021, as detailed in note 30.

The operations of the direct subsidiaries are as follows:

#### Direct subsidiaries

##### a) *Orizon Meio Ambiente*

Orizon Meio Ambiente was organized in 1999 and its activities are: (i) treatment and final disposal of hazardous and non-hazardous waste, (ii) exploration of biogas, energy and carbon credits, (iii) waste processing, and (iv) environmental engineering services.

The purpose of Orizon Meio Ambiente is to invest and operate in the following segments:

#### *Treatment and Final Disposal of Hazardous and Non-Hazardous Waste*

Orizon Meio Ambiente holds, either directly or indirectly (through its subsidiaries and jointly controlled companies), three plants for treatment and final disposal of hazardous waste and four landfills for non-hazardous waste.

The assets are located in the state of Pernambuco, municipality of Jaboatão dos Guararapes, and in the state of Rio de Janeiro, spread across 6 cities (Nova Iguaçu, São Gonçalo, Barra Mansa, Rio Bonito and Belford Roxo). Currently, Orizon Meio Ambiente receives approximately 12,000 tons of waste daily.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements (Continued)  
December 31, 2019, 2018 and 2017  
(In thousands of reais)

### 1. Operation—Continued

#### Direct subsidiaries—Continued

##### a) *Orizon Meio Ambiente*—Continued

#### Biogas Energy, Supply of Biogas and Carbon Credits

Orizon Meio Ambiente explores biogas from its sanitary landfills for production of energy. Currently, the company captures approximately 31,000 Nm<sup>3</sup> per hour of biogas in its 4 landfills, which means a generation potential of approximately 60MW installed, which has been used in the most diverse ways in the context of generation of electricity.

Nova Iguaçu and São Gonçalo landfills have agreements for biogas availability and supply, in the take-or-pay format with private customers, which develop energy generation projects for incentivized energy.

The Barra Mansa landfill owned by CTR Barra Mansa trades biogas for the generation of 2 MW for a distributed generation project that serves large companies.

Regarding Jabotão dos Guararapes landfill, Orizon Meio Ambiente, through its subsidiary Ecopesa Ambiental, takes part in a consortium that develops a project for generation of electricity from biogas.

Finally, regarding the exploration of carbon credits (“CERs”), by means of its landfills, Orizon Meio Ambiente has an annual generation of 2.5 million tons of carbon equivalent annually in its four sanitary landfills, either by burning of biogas or generation of clean energy

#### Processing of Waste

In the waste processing activity, Orizon Meio Ambiente currently has 2 operating units, one branch in Magé (with blending for co-processing) and a joint venture with Vamtec Rio Insumos Siderurgicos Ltda. for processing of industrial waste in a plant installed at Companhia Siderurgica Nacional in the municipality of Volta Redonda, State of Rio de Janeiro.

Regarding future growth, management believes that this activity will be one of the Company's main growth pillars focused on: (a) processing of industrial waste and (b) mechanized sorting and recycling of solid urban waste.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Direct subsidiaries - Continued

##### a) *Orizon Meio Ambiente*--Continued

#### Environmental Engineering

Orizon Meio Ambiente has several service agreements, and is present throughout Brazil in the area of environmental services, such as: (i) recovery of degraded areas, (ii) remediation of contaminated areas; (iii) environmental diagnosis and monitoring; (iv) waste management; (v) cleaning of tanks of the oil industry; among others.

##### b) *Foxx Holding*

Foxx Holding is a joint-stock company headquartered in the municipality of São Paulo and it is engaged in holding interests in other business companies or civil associations as a partner or shareholder, both in the country and abroad. Foxx Inova Ambiental SA, is a holding company, and a wholly owned subsidiary of Foxx Holding, whose investments are: (i) majority interest (67%) of Foxx URE JP, which holds the João Pessoa landfill concession, and (ii) it is the only shareholder of URE Barueri, which holds the concession, under a Public Private Partnership, of the waste-to-energy generation project to be implemented in the municipality of Barueri, in the Metropolitan Region of São Paulo

The operations of the indirect subsidiaries are as follows:

##### a) *Central de Tratamento de Resíduos Nova Iguaçu S.A. ("CTRNI")*

CTRNI was organized in February 2003, and it is engaged in earthworks for environmental protection, containment and protection of slopes, drainage, construction, implementation, operation and maintenance of the unit for treatment and final disposal of solid waste in the municipality of Nova Iguaçu (RJ), under the terms of the Service Concession Agreement ("Concession Agreement") entered into with Empresa Municipal de Limpeza Urbana ("EMLURB"), of that municipality; among other related activities.

The main characteristics of the Concession Agreement entered into between CTRNI and EMLURB are described below:

- Works / Service: Concession of services for the construction, implementation, operation and maintenance of a unit for treatment and final disposal of solid waste.
- Beginning: December 15, 2000.
- End: December 15, 2034.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries --Continued

a) *Central de Tratamento de Resíduos Nova Iguaçu S.A. ("CTRNI") -- Continued*

Currently, in addition to the municipality of Nova Iguaçu, CTRNI serves other (government and private) customers, among them the cities of Duque de Caxias, Nilópolis, Belford Roxo and Mesquita. In addition, CTR NI makes available 13,000 Nm<sup>3</sup> per hour of biogas to the electric energy generation plant, which currently has about 23MW installed, and also generates CERs for trade.

Orizon Meio Ambiente has an area adjacent to the landfill for expansion of the activities performed there after the concession term.

b) *Central de Tratamento de Resíduos de Alcântara S.A. ("CTRA")*

On November 26, 2008, Orizon Meio Ambiente acquired CTRA, a landfill concessionaire in the municipality of São Gonçalo (RJ). CTRA performs, solely and exclusively, the activities related to the closing and monitoring of the former Itaóca dumping ground, implementation of the landfill and operation of the new waste treatment and final destination unit set forth in PMSG Concession Agreement No. 001/2004.

CTRA is one of the main landfills in the state of Rio de Janeiro, receiving waste from major municipalities, such as São Gonçalo, Niterói, Guapimirim and Maricá.

Currently, CTRA is deploying a thermal plant to generate energy from the sanitary landfill biogas.

As shown below, the CTRA concession was extended until August 2030 in the scope of the consent decree, and can be extended for another 10 years.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

Indirect subsidiaries --Continued

b) *Central de Tratamento de Resíduos de Alcântara S.A. ("CTRA") -- Continued*

*Instrument of settlement and adjustment of understandings*

On November 23, 2017, the subsidiary CTRA signed an instrument of settlement and adjustment of understandings with the São Gonçalo Municipal Government ("PMSG"), with the Public Prosecution Office of the State of Rio de Janeiro ("MPRJ") as intervening party. The purpose of the document signed is, among other matters, to reach an understanding regarding the long outstanding balances that PMSG (grantor) has with CTRA and the economic and financial rebalancing of the concession agreement.

CTRA and PMSG agreed that the estimated amount of R\$28,904 should be settled by PMSG on a deferred basis, until the deadline of December 31, 2020, in monthly installments in the approximate amount of R\$407 thousand since the approval of the instrument signed until the conclusion of the expert work, when then the monthly installments would be recalculated so that the settlement occurred until December 31, 2020. A possible debit balance that exceeded the amount to be settled until the 2020 deadline, as verified by the expert, shall be settled in monthly installments starting on January 1, 2021, with a monthly amount of approximately R\$825 thousand (adjusted by the IPCA as from the date the instrument is signed), in as many installments as necessary until the full settlement of any outstanding balance that exceeds the amount to be settled by the deadline of December 31, 2020. The outstanding balance on December 31, 2020 is 14,660 (20,538 on December 31, 2019), according to the changes in receipts shown in Note 6.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

Indirect subsidiaries --Continued

b) *Central de Tratamento de Resíduos de Alcântara S.A. ("CTRA") -- Continued*

*Instrument of settlement and adjustment of understandings - Continued*

The instrument signed was approved by a judge, and is valid as an execution instrument, so that the early maturity of the debt can be declared in case of default by the granting authority.

Based on the instrument signed, CTRA obtained from PMSG and MPRJ the extension of the term of the concession agreement until 2030, in addition to the ratification of the right to update the balances receivable from the São Gonçalo Municipal Government. CTRA and PMSG agreed that the extension of the concession period would be the appropriate solution to restore the economic and financial balance of the agreement for CTRA the effective period not used due to the change in the area where the sanitary landfill would be implemented.

Additionally, after the instrument of settlement was signed between the subsidiary CTRA, MPRJ and PMSG, an expert examination was initiated to determine the updated amounts receivable owned by the granting authority to the subsidiary. On April 19, 2019, the MPRJ issued a document in the scope of the lawsuit, which resulted in the following information:

<u>In favor or CTRA (Concessionaire)</u>	<u>Balance</u>
Reference monthly fees (*)	31,649
Surplus volume	20,509
Adjustment	667
Carbon credit	16,042
Treatment of Itaóca's slurry	14,715
Transportation of Itaóca's slurry	7,943
<b>Total</b>	<b>91,525</b>
Disallowance applied	(14,724)
<b>Net adjusted balance</b>	<b>76,801</b>

(\*) The amounts initially agreed upon are included in this line and refer to CTRA's initial claim.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries --Continued

#### b) *Central de Tratamento de Resíduos de Alcântara S.A. ("CTRA") -- Continued*

##### Instrument of settlement and adjustment of understandings--Continued

On September 1, 2020, a favorable judgement was rendered regarding an ordinary collection lawsuit against the Municipality of São Gonçalo, granting the main claim made by CTR Alcântara to order the Municipality of São Gonçalo to pay eighteen million, eight hundred sixty-eight thousand *Reais* (R\$18,868) – amount consolidated on June 20, 2018, admitting, in the establishment of the base value, a disallowance of 8%. The original amount claimed was R\$20,509, plus a R\$667 adjustment as detailed in Note 1.

On September 21, 2020, the Municipality filed an appeal against said judgment, and an appellate brief will be filed by CTRA. Upon lapse of the term for the appellate briefs, the proceedings will be submitted to the Court of Justice for trial of the appeal. The Company awaits that the case becomes final and unappealable to recognize the amount in the financial statements.

The aforementioned balances are part of the discussions in progress by the Company's Management jointly with PMSG. Of the amount of R\$76,801, shown in the table above, R\$14,660 comprise accounts receivable as of December 31, 2020 (R\$20,358 on December 31, 2019), recorded in the financial statements. The remainder refers to the amount claimed and will only be recognized in the accounting books after completion of all applicable proceedings confirming that CTRA.

#### c) *Central de Tratamento de Resíduos de Barra Mansa S.A. ("CTRBM")*

On December 3, 2011, CTRBM won the bidding process for implementation of the sanitary landfill of the municipality of Barra Mansa (RJ), which will expire in 2031, may be renewed until 2036. The concession agreement includes the environmental recovery of the "dumping ground" that received waste from that municipality for 24 years. CTRBM receives around 1,300 tons per day from municipalities and private customers, particularly from the steel industry.

CTRBM provides biogas for the generation of 2MW of thermal energy, which is currently used in a distributed generation project.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries --Continued

##### d) *ETR Jardim Gramacho S.A. ("ETR Gramacho")*

ETR Gramacho is engaged in the transshipment and disposal of non-hazardous waste. This unit is located in the city of Duque de Caxias, in the State of Rio de Janeiro, where it has a transshipment to carry out its operational activities. ETR Gramacho receives approximately 50,000 tons of waste per month coming from the municipality of Duque de Caxias and private customers, all of which are disposed of at CTR NI.

On October 28, 2016, the Company completed the full acquisition of ETR Gramacho, becoming its sole controlling company. Below we present the amounts payable resulting from said acquisition:

Balance as of December 31, 2019	131
Payments made	<u>(131)</u>
Balance as of December 31, 2020	<u><u>-</u></u>

##### e) *Ecopesa Ambiental S.A. ("Ecopesa")*

Ecopesa, headquartered in the city of Jaboatão dos Guararapes, state of Pernambuco, is engaged in the provision of services for implementation and operation of solid waste treatment and final disposal system, waste management, including conservation, maintenance, modernization, expansion, exploration activities, preparation of technical studies and works required to perform these services.

Currently, Ecopesa has only one operating unit, i.e., the landfill located in Jaboatão dos Guararapes ("CTR Candeias"), in the state of Pernambuco, which receives approximately 5,000 tons of waste per day.

#### Acquisition of investment

On May 29, 2017, the subsidiary Orizon Meio Ambiente and Empresa de Engenharia Sanitária e Construções Ltda. signed an agreement for purchase and sale of ownership interest in Ecopesa. On that date, such companies held a 33.33% stake each one in the capital of the company. The agreement refers to the purchase of a 33.33% stake in Ecopesa by Orizon Meio Ambiente.

The shares were acquired for the amount of R\$24,250, corresponding to 5,170 transferred shares, which were fully subscribed and paid in.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries--Continued

##### e) *Ecopesa Ambiental Ltda. ("Ecopesa")* -- Continued

The seller and its affiliates undertook to maintain a non-competition agreement with the buyer as from the date of signature of the purchase and sale agreement, not participating in any activity related to the acquired company's business in the municipalities in the area of influence of Ecopesa, under penalty of a non-compensatory fine.

On August 3, 2017, the subsidiary Orizon Meio Ambiente and Empresa Vital Engenharia Ambiental S.A. signed an agreement for purchase and sale of ownership interest in Ecopesa. On that date, they held a 66.67% and 33.33% stake, respectively, in Ecopesa's capital. The agreement refers to the purchase of a 33.33% stake in Ecopesa by Orizon Meio Ambiente.

With this acquisition, Orizon Meio Ambiente became the holder of 100% of Ecopesa's capital as from the date of signature of the agreement with Vital.

Below we present the amounts payable resulting from said acquisition:

Balance as of December 31, 2018	8,202
Payments made	<u>(7,704)</u>
Balance as of December 31, 2019	498
Payments made	<u>(498)</u>
Balance as of December 31, 2020	<u>-</u>

In the beginning of 2020, Orizon Meio Ambiente settled the amounts of acquisition of Ecopesa with the sellers, and there is currently no balance payable to the sellers.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries--Continued

e) *Ecopesa Ambiental S.A. ("Ecopesa") -- Continued*

Use of biogas for energy generation

On November 17, 2016, Ecopesa signed a binding instrument with ASJA do Brasil Serviços para o Meio Ambiente Ltda., having ASJA Ambiente Italia S.p.A. as intervening guarantor, for generation and trading of electricity through biogas produced at Jaboatão dos Guararapes landfill. ASJA, leader of energy generation projects from biogas of sanitary landfills in Europe, will be responsible for all investments and expenses required for the implementation, operation, maintenance and use of all biogas produced in the landfill. The agreement became effective on the date of signature and will remain in force for up to 15 years, counted as from the beginning of the commercial operation. The consortium currently operates with ten (10) engines with an installed capacity of 14MW of energy, with two more new engines being implemented.

f) *SES Haztec Serviços de Resposta a Emergência Ltda. ("SES Haztec")*

SES Haztec was organized in 2006, with the purpose of participating in a specific bidding process. However, after this unsuccessful process, SES Haztec has developed no operational activity. Currently, closing of this subsidiary by the Company's management is in an advanced stage.

g) *Vamtec Haztec Soluções Ambientais Ltda. ("Vamtec Haztec")*

Vamtec Haztec was organized on October 25, 2017, as a result of the association between Orizon Meio Ambiente and Vamtec Rio Insumos Siderúrgicos Ltda. with the purpose of processing fine steel waste to be returned to the production process. Vamtec Haztec start-up was in December 2019.

The only customer of Vamtec Haztec is Companhia Siderurgica Nacional, and already operates with part of its installed capacity.

h) *Foxx Inova*

Foxx Inova is a joint-stock company headquartered in the city of São Paulo (SP). Foxx Inova is engaged in holding interests in other business companies or civil associations as a partner or shareholder, both in the country and abroad and in the development of studies and projects for the performance of works and provision of services related to urban cleaning and disposal of solid waste, in addition to the provision of civil and environmental engineering services.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Indirect subsidiaries--Continued

i) *Foxx URE-BA*

Foxx URE-BA is a joint-stock company headquartered in the city of Barueri, state de São Paulo, and it is engaged in the treatment and final disposal of urban solid waste under a concession system, trading of energy from energetic recycling, carbon credits and the by-product resulting from the treatment and final disposal of urban solid waste. Foxx URE-BA is a pioneer in the implementation of waste-to-energy in Latin America.

j) *Foxx URE-JP*

Foxx URE-JP is a concessionaire in the municipality of João Pessoa that receives waste from various municipalities in the region, with a volume of 2,000 tons per day, and it is engaged in the treatment and final disposal of non-hazardous waste, including the elimination of non-hazardous waste by combustion or incineration, with or without the purpose of generating electricity or steam, ashes or other by-products for future use.

The company has motor-generators for the generation of energy from biogas in a consortium entered into with ASJA.

k) *Orizon FIDC - Fundo de Investimentos em Direitos Creditórios Não-Padronizados*

On December 10, 2020, Orizon signed (i) Instrument of Accession to the Bylaws of the exclusive fund Orizon Fundo de Investimento em Direitos Creditórios Não Padronizados ("FIDC ORIZON"), CNPJ No. 37.737.564/0001-11, administrated by Modal Distribuidora de Títulos e Valores Mobiliários Ltda. and managed by Modal Asset Management Ltda. and (ii) Subscription Bulletin of Shares of the 1<sup>st</sup> Issue of Shares of FIDC ORIZON, the payment of which was made on December 11, 2020, in the amount of R\$8,000. The Fund will be designed for investment exclusively by a single shareholder (Orizon VR), which qualifies as Professional Investor, pursuant to the provisions of the applicable regulation. The Fund will be the owner of the Recovered Assets for the specific purpose of selling them to third parties for purposes of recovery of the investment of the Eligible Credit Assets.

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### Impact of Covid-19

According to the Brazilian Ministry of Health, on March 11, 2020, the World Health Organization (WHO) declared a global pandemic due to the effects of the new Coronavirus ("COVID 19"). On March 20, 2020, the Brazilian Federal Senate enacted a Legislative Decree acknowledging the state of public calamity in Brazil.

Upon enactment of the Decree, interruptions of possible non-essential activities, resulting from social distancing measures, were requested or imposed by government authorities or defined by companies as preventive measures.

In addition, Provisional Measure 927 of March 22, 2020, established the labor measures to deal with the public health emergency resulting from the Coronavirus, and defined the rules for teleworking, granting and anticipating collective and individual vacation, use and advancing of holidays, creation of a compensatory scheme by means of compensatory time, suspension of administrative requirements in occupational safety, directing the worker to qualification and deferring the payment of the Guarantee Fund for Length of Service.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### 1. Operations -- Continued

#### Impact of Covid-19 - Continued

These measures have affected various segments of the Brazilian economy, but, since a significant part of the Company's revenue derives from essential services to society, there were no material impacts on the Company's economic or financial results between January and December 2020.

Due to the challenges that the COVID-19 pandemic imposed on everyone, the Company established a commitment, together with Employees, Partners and Customers, to face and work to be part of the solution, with a focus on maintaining operations with the minimum impact on the Customers, promoting the well-being of the Collaborators and contributing to minimize the risks to the community.

As from March 2020, the Company adopted emergency actions upon creation of a Multidisciplinary Committee – COVID 19 Prevention, which frequently communicates by reporting the situations of each unit, establishing contingency plans to preserve the integrity and health of its collaborators, as well as guaranteeing the protection of the professionals and avoiding propagation of the disease.

#### Care with the collaborators

In accordance with the governmental measures and Provisional Measure 927, the Management has adopted policies and actions to protect its collaborators from dissemination of the virus, such as:

- (i) Home-office for part of the employees, including for people over 60 and others who are considered to be at risk;
- (ii) Flexible hours to arrive at and leave the office;
- (iii) Introduction of cleaning, sterilization and sanitization routines for furniture and building facilities;
- (iv) Full-time follow-up and monitoring for cases identified as suspect and/or confirmed;
- (v) Provision of telemedicine service via a medical agreement executed by the Company, with subsequent referral for covid-19 testing;
- (vi) Among other procedures.

With the increase of the pandemic and consequently the need to improve measures to combat the effects caused by COVID-19, the Company started to adopt additional measures throughout 2020, such as:

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

- Internal communication addressing COVID-19 themes: symptoms, transmission, treatment and prevention and Orizon's internal communication channels for notification of cases;
- Inclusion of the emergency phone in the screen saver of all computers;
- Priority of teleconference meetings over face-to-face meetings;
- Immediate withdrawal from face-to-face activities of employees who have had any symptoms of COVID-19 or who have had contact with a suspected case;
- Distribution of hygiene and personal protection kits, such as masks, alcohol-based hand sanitizer, 70% liquid alcohol and table cleaning cloth;
- Home office system for employees whose activities allowed remote work, reducing circulation in society and mitigating the chances of contamination or rotation system of work in the head office, avoiding agglomerations;
- Distribution of basic basket of necessities to essential workers;
- Daily monitoring of all suspected and/or confirmed cases of COVID-19, sending a report to the Executive Board and Senior Management of the Units;
- Acquisition of telemedicine service to serve all employees and their dependents free of charge.

### Economic and financial impacts

The actions adopted, such as rotation of personal, increase in the costs incurred with sanitization materials, among others, resulted in a marginal impact on the operations of the eco-industrial parks.

In the commercial part, there was a reduction in the volume of waste of certain customers, especially of the blending and incineration units, in addition to a reduction in the activities of environmental services in certain agreements.

The Company maintains a cash volume deemed sufficient by the management to support the operational and investment needs, which condition, to the understanding of the management, guarantees the strength to face this crisis. Still, the potential economic and financial impacts are monitored daily.

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### **1. Operations -- Continued**

Analysis of impairment of non-financial assets

On December 31, 2020, no losses for impairment of the non-financial assets of the Company were recognized.

Economic balance of the agreements

A relevant portion of the Company's services is deemed essential by the customers. However, in accordance with their activities and guidelines, and in compliance with the orders of public bodies and governments with respect to the closing of operations, the Company is keeping its activities in operation.

In order to preserve the Company's margins, measures have been established to monitor the operational impacts in each unit, such as meeting with managers to monitor possible demands from customers, negotiation of costs and terms with suppliers, among others.

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices**

#### **2.1. Declaration of compliance**

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporation Law, the Procedures, Guidelines and Interpretations issued by the Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities Commission - CVM and the Federal Accounting Council - CFC, which are in compliance with international accounting standards issued by the International Accounting Standards Board - IASB.

The statements of value added are being presented as supplementary information for IFRS purposes.

The Company's management authorized the issuance of the financial statements on March 30, 2021.

Pursuant to Technical Guideline OCPC 07, Management affirms that all material information specific to the financial statements is being disclosed and corresponds to that used by Management for the performance of its duties.

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices**

#### **2.1. Declaration of compliance--Continued**

The main accounting policies applied in the preparation of these financial statements are described in this note. These policies have been consistently applied for the years presented.

#### **2.2. Basis of preparation**

The individual and consolidated financial statements were prepared based on historical cost, except for those measured at fair value, as indicated. The financial statements were prepared based on historical cost, except when otherwise stated in a note. The financial statements are prepared in *Reais* (R\$), which is the Company's functional currency.

#### **2.3. Basis of consolidation**

The consolidated financial statements comprise the Group's financial statements as of December 31, 2020 and 2019. Control is obtained when the Group is exposed or entitled to variable returns based on its involvement with the investee and has the capacity to affect these returns through the power exercised in relation to the investee.

The variation in the ownership interest of subsidiaries, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the corresponding assets (including goodwill), liabilities, non-controlling interest and other equity components are written off, whereas any resulting gain or loss is recognized in income. The Group's ownership structure is as follows:

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

Company	Category	Ownership interest (%)	
		12/31/2020	12/31/2019
Haztec	Subsidiary	100	100
Foxx Holding	Subsidiary	100	100
FIDC Orizon	Subsidiary	100	100
<u>Haztec's direct subsidiaries:</u>			
CTRNI	Indirect subsidiary	100	100
CTRA	Indirect subsidiary	100	100
CTRBM	Indirect subsidiary	100	100
SES Haztec	Jointly controlled company	50	50
ETR Gramacho	Indirect subsidiary	100	100
Ecopesa	Indirect subsidiary	100	100
Vamtec Haztec	Jointly controlled company	50	50
<u>Foxx's direct subsidiaries:</u>			
Foxx Inova	Indirect subsidiary	100	100
Foxx URE-BA	Indirect subsidiary	100	100
Foxx URE-OS	Indirect subsidiary	100	100
Foxx URE-JP	Indirect subsidiary	67	67

## 2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices--Continued

### 2.4. Investment in subsidiaries, affiliates jointly controlled companies (joint venture)

The Company's investments are recorded based on the equity method, and they are initially registered at the acquisition cost. All changes in the shareholders' equity of the investees are reflected in the Company's investment.

On December 31, 2020 and 2019, the Company's only investment in joint venture is Vamtec Haztec. The other investments are controlled by the Company.

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices--Continued**

#### **2.5. Current versus non-current classification**

The Company classifies assets and liabilities in the balance sheet based as current and non-current. An asset is classified as current when:

- Its realization, sale or consumption is expected in the normal operating cycle;
- It is held mainly for trading;
- Its realization is expected within 12 months after the reporting year;
- Cash or cash equivalents, unless there are restrictions on their exchange or they are used to settle a liability at least 12 months after the reporting year.
- All other assets are classified as non-current. A liability is classified as current when:
- Its settlement is expected in the normal operating cycle;
- It is held mainly for trading;
- Its realization is expected within 12 months after the reporting year;
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year;

The Company classifies all other liabilities as non-current.

#### **2.6. Fair value measurement**

The Company measures its financial instruments at their respective fair values, taking into consideration the price that would be received for the sale of an asset or paid for the transfer of a liability in an unforced transaction between market players on the measurement date. Fair value measurement is based on the assumption that the transaction for sale of the asset or transfer of the liability will occur in accordance with the premises of the rule, as follows:

- In the main market for the asset or liability; or
- In the absence of a main market, in the most advantageous market for the asset or liability.

## **Orizon Valorização de Resíduos S.A.**

Notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of reais)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices--Continued**

#### **2.6. Fair value measurement--Continued**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the Level 2 fair value hierarchy – Valuation techniques for which the lowest level and most significant information for fair value measurement is directly or indirectly observable;

The Company appraises its financial instruments from time to time, in order to determine if transfers have occurred between levels of the hierarchy, reassessing the categorization (based on the lowest and most significant information for measuring fair value as a whole).

The disclosures of the financial instruments and those classified by their fair value are detailed in note 26.

## Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements  
December 31, 2019, 2018 and 2017  
(In thousands of reais)

### 2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices--Continued

#### 2.7. Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company and when they can be measured on a reliable basis, regardless of when the payment is received.

CPC 47/IFRS 15 establishes a five-step model for accounting for revenue arising from contracts with customers. According to that standard, revenue is recognized at an amount that reflects the consideration that an entity expects to be entitled to in exchange for the transfer of goods or services to a customer.

##### 2.7.1. Revenue from environmental engineering

Revenue is recognized on the accrual basis of the services provided, based on the progress of the performance of contracted services. The managers of each agreement periodically send service performance status versus contractual conditions, measuring as from this base the revenues and costs that should be recognized in the accounting books.

##### 2.7.2. Revenue from treatment and disposal of waste

Revenue is recognized on the accrual basis of the services provided, based on the measurements issued to each customer. Measurements are extracted from the report of the scales that periodically control the volume of waste (TN) received at the waste treatment and disposal units. At the end of each month, reports are generated with the volume received from each customer, unit value and total revenue. Based on this information, revenue is recognized in the accounting books.

##### 2.7.3. Revenue from biogas

Revenue from biogas is recognized on an accrual basis, based on measurements, through the control of flow of biochemical gas gauged by equipment installed in sanitary landfills. Based on this information extracted, the technician in charge and the manager of each agreement obtain the revenue for the period by multiplying the volume of gas by the contracted unit value; with this information, revenue is recognized in the accounting books.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --continued  
December 31, 2019, 2018 and 2017  
(In thousands of BRL)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices--Continued**

#### **2.7. Revenue recognition --Continued**

##### 2.7.4. Revenue from carbon credit

Revenue from carbon credit is recognized on an accrual basis, based on measurements through the control of reduction of emission of polluting gases in the atmosphere, gauged by equipment installed in sanitary landfills, and provided the sale price of the CERs is contractually defined. Based on this information extracted, the technician in charge and the operation manager obtain the revenue for the period by the ratio of the volume reduction in the emission of polluting gases to the contracted unit value; with this information, revenue is recognized in the accounting books.

##### 2.7.5. Revenue from energy consortia

Revenue from participation in an energy consortium is recognized on an accrual basis, based on measurements through the control of energy generated and sold under the responsibility of ASJA consortium. Based on this analysis, the indirect subsidiaries taking part in these consortia are compensated through variable participation in accordance with the contractual conditions established.

##### 2.7.6. Revenue from the trade of energy

Revenue from energy is recognized on an accrual basis, based on the contracted quantity of energy (MWh) established in the agreement and delivered by the Company. This operation is currently carried out by the indirect wholly-owned subsidiary Foxx URE-BA to comply with an agreement entered into with CEMIG. Since Foxx URE-BA is still implementing the installation that will generate electricity in the waste-to-energy modality, energy is currently purchased at a trading counter with other suppliers and later passed on to CEMIG to fulfill the contract signed.

##### 2.7.7. Financial income

Financial income is recognized at the effective interest rate method.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### **2 Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.8 Taxes**

##### Income and social contribution taxes – current

The Company measures its current tax assets and liabilities based on their recoverable values or values payable to the tax authorities. The tax rates and tax laws used to calculate the amounts are those in force or substantially in force as at the balance sheet date.

##### Deferred Taxes

The Company evaluates and measures its deferred taxes in the assets and liabilities considering the effects of the temporary differences assessed in the current transactions on the balance sheet date between the tax bases of assets and liabilities and their book values and on tax losses and negative bases of social contribution, to the extent that it is likely that taxable income will be available so that the deductible temporary differences can be realized, and unused tax credits and losses can be used.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.8 Taxes — Continued**

##### Deferred Taxes — Continued

From time to time, the Company reviews the accounting value of the deferred tax assets and recognizes the write-off to the result for the period, according to studies and projections to realize these credits.

Deferred tax assets and liabilities are shown net if there is a legal or contractual right to offset the tax asset against the tax liability, and if the deferred taxes are related to the same taxable entity and subject to the same tax authority.

#### **2.9 Property and equipment**

The classes of property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. This cost includes the amount in the acquisition and/or construction of the asset. The other costs relating to repair and maintenance are recognized in the result, whenever they are incurred.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.9 Property and equipment – Continued**

Depreciation is calculated on the straight-line basis over the course of the estimated useful lives of the assets, also considering the tax fees for assets with defined useful life. The eco-industrial parks (operations in landfills) are amortized on a variable basis, taking into account the total waste receiving capacity in the valleys, based on studies conducted by engineers of the Company and/or contracted specialists, the volume of waste received and the cost of formation of the valleys.

The assets are appraised in relation to the loss by reduction to the recoverable value whenever there is an indication of loss of economic value of the asset.

An item of property and equipment is written off for reasons of sale or obsolescence (when no future economic benefit is expected from its use or sale). Any gain or loss as a result of writing-off the asset (calculated as being the difference between the asset's net sales amount and book value) is included in the statement of income in the year in which the asset is written off.

The residual value together with the useful life of the assets and the depreciation and amortization methods are reviewed from time to time, and are adjusted prospectively when there are relevant changes in the estimates of useful life of the assets.

#### **2.10. Intangible Assets**

The classes of intangible assets are demonstrated at cost, net of accrued depreciation and accrued losses by loss by reduction to the recoverable value, if any. The useful life of intangible assets is evaluated as finite or indefinite.

Intangible assets with a finite useful life are amortized over their economic useful life and tested for impairment loss whenever there is any indication of the asset's impairment. The method of amortization for an intangible asset with a finite useful life is reviewed from time to time and also considers the tax fees.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### **2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.10. Intangible assets — Continued**

Intangible assets with an indefinite useful life are not amortized, but are tested annually for impairment losses, either individually or at the cash generating unit level. The indefinite useful life assessment is reviewed on an annual basis in order to determine whether this assessment is still justifiable. Otherwise, the change in useful life from indefinite to finite is made prospectively.

Gains and losses resulting from the write-off of an intangible asset are measured as the difference between the net amount obtained from the sale of the asset and its book value, and are recognized in the statement of income when the asset is written off.

#### **2.11. Financial Instruments**

The financial instruments are appraised and classified in accordance with the CPC 48 / IFRS 9 and the detailed information is presented in note 26.

##### Financial Assets

The Company recognizes its financial instrument at amortized cost or at fair value through profit or loss plus transaction costs. The classification of this instrument is appraised by the Company in accordance with the characteristics of each instrument.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 2. Basis of preparation and presentation of the individual and consolidated financial statements and significant accounting practices – Continued

#### 2.11. Financial Instruments — Continued

##### Financial Assets — Continued

##### *Initial recognition and measurement* — Continued

A financial asset is no longer recognized when the contractual rights to the asset's cash flows expire, or when the Company transfers the rights to receive the contractual cash flows in relation to a financial asset by means of a transaction under which, essentially, all the risks and benefits of ownership of the financial asset are transferred.

The Company measures financial assets at amortized cost if the financial asset is maintained within a business model intended to keep financial assets for the purpose of receiving contractual cash flows, and if the contractual terms of the financial asset give rise, on specified dates, to cash flows that constitute, exclusively, payments of principal and interest on the amount of outstanding principal.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in income when the asset is written off, modified or impaired.

On December 31, 2020, the financial assets corresponded basically to cash and cash equivalents, financial investments, bonds and securities and accounts receivable from customers and related parties.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### **2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.1. Financial Instruments — Continued**

##### Financial Liabilities

The Company appraises its financial liabilities at amortized cost using the effective interest method. As at December 31, 2020, they basically consist of loans and financing, leases, suppliers and other accounts payable. The financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are initially measured at their fair value, plus or minus, in the case of financial liabilities other than those valued at fair value through profit or loss, the transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, debentures issued, interest-bearing loans and financing contracted are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in income when the liabilities are written off, as well as by amortization of the effective interest rate.

#### **2.11. Financial Instruments — Continued**

##### *Offsetting of financial instruments:*

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

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### **2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.12. Cash and cash equivalents**

Cash equivalents are held for the purpose of meeting short-term cash obligations. The Company considers cash equivalents to be financial investments that are immediately convertible into a known amount of cash and which are subject to an insignificant risk of any change in value, in addition to having short-term maturity for realization.

#### **2.13. Provisions**

##### General

Provisions are recognized when the Company has a present obligation (legal or not formalized) as a result of a past event and when it is probable that economic benefits will be required in order to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Company expects that the amount of a provision will be reimbursed, either in whole or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually guaranteed. The expense related to any provision is shown in the statement of income, net of any reimbursement.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### **2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.13. Provisions — Continued**

##### Provisions for tax, civil and labor risks

The Company is a party to a number of judicial and administrative proceedings. Provisions are set up for all contingencies related to lawsuits where it is likely that an outflow of funds will be made in order to settle the contingency/obligation and where a reasonable estimate can be made. Determination of the probability of loss includes an evaluation of the available evidence, the hierarchy of laws, the available case law, the most recent decisions by the courts and their relevance within the legal system, together with the evaluation of external lawyers. The provisions are reviewed from time to time by the Company and adjusted whenever necessary.

#### **2.14. Judgments, estimates and accounting assumptions**

##### Judgments

The preparation of the Company's individual and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures, as well as the disclosures of contingent liabilities.

##### Estimates and assumptions

The main assumptions regarding sources of uncertainty in future estimates and other important sources of uncertainty in estimates as at the balance sheet date, involving significant risk of causing a material adjustment to the book value of assets and liabilities in the next financial year, are discussed below:

##### *Provisions for tax, civil and labor risks*

The Company recognizes provisions for civil and labor claims, appraised by the legal team and by the advisors with the possibility of probable loss. Assessment of the probability of loss includes an evaluation of the available evidence, the hierarchy of laws, the available case law, the most recent decisions by the courts and their relevance within the legal system, as well as the evaluation of external lawyers. The provisions are reviewed and adjusted to take into account changes in circumstances, such as any applicable statute of limitations, the findings of any tax inspections or any additional exposure identified based on new matters or decisions by the courts.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### **2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued**

#### **2.14. Judgments, estimates and accounting assumptions — Continued**

##### Estimates and assumptions — Continued

##### *Useful lives of property and equipment*

The book values of property and equipment are based on estimates, assumptions and judgments in relation to capitalized costs and the total capacity of the landfill operations (eco-industrial park) to receive solid waste.

##### *Provision for doubtful debts*

Over the course of each year, the Company evaluates the realization of the balances of accounts receivable based on an estimate that makes use of a weighting of the risk of loss of each group on the aging list, taking into account the different risks according to the collection operations and the future probability of default, according to management's best expectation. The assessment of the need for a provision for doubtful debts is based on the assumptions set forth in CPC 48/IFRS 9 - Financial Instruments, considering the history of default by age range.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued

#### 2.15. New and revised standards and interpretations

##### 2.15.1 New or revised pronouncements applied for the first time in 2020

###### Amendments to CPC 15 (R1): Definition of business

The amendments to CPC 15 (R1) explain that to be deemed a business, an integrated set of activities and assets must include at least an input – inflow of funds and a substantive process that, taken jointly, significantly contribute to the capacity to generate output – outflow of funds. In addition, it explained that a business may exist without including all inputs – inflow of funds and necessary processes to create outputs – outflow of funds. These amendments have not affected the individual and consolidated financial statements of the Company, but they may affect future periods in case the Company enters in any business combination.

###### Amendments to CPC 38, CPC 40 (R1) and CPC 48: Reform of the Reference Interest Rate

The amendments to Pronouncements CPC 38 and CPC 48 provide exemptions that apply to all hedge relationships directly affected by the reform of the reference interest rate. A hedge relationship is directly affected if the reform creates uncertainties about the period or the amount of the cash flows based on the reference interest rate of the item that is subject to hedge or to the hedge instrument. These amendments do not affect the individual and consolidated financial statements of the Company, since it does not have interest rate hedge relationships.

###### Amendments to CPC 26(R1) and CPC 23: Definition of material

The amendments provide a new definition of material that states that “the information is material if the omission, distortion or obscurity thereof could reasonably influence decisions that the primary users of the accounting statements of general purpose use as basis in these accounting statements, which provide financial information on a specific report of the entity”. The amendments explain that the material nature will be conditional upon the nature or magnitude of the information, individually or in combination with other information, within the context of the financial statements. A distorted information is material if it could be reasonably expected to influence the decisions made by the primary users. These amendments have not affected the individual and consolidated financial statements, and they are not expected to affect the Company in the future.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
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### Review of CPC 00 (R2): Conceptual Structure for Financial Report

The pronouncement reviewed some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and explains some important concepts.

These amendments have not affected the individual and consolidated financial statements of the Company.

### Amendments to CPC 06 (R2): Benefits Related to the Covid-19 Granted to Lessees in Lease Agreements

The amendments provide on a concession to the lessees in the application of the guidance of CPC 06 (R2), on the amendment to lease agreements, by accounting the related benefits as a direct consequence of the Covid-19 pandemic.

As a practical measure, a lessee may choose not to evaluate if a benefit relating to the Covid-19 granted by lessor is an amendment to the lease agreement. The lessee that makes this option must account for any change in the payment of the lease resulting from the benefit granted in the lease agreement related to the Covid-19 in the same form it would account for the change by applying CPC 06(R2) if the change were not an amendment to the lease agreement.

This amendment has not affected the individual and consolidated financial statements of the Company.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 2. Presentation of the individual and consolidated financial statements and significant accounting practices – Continued

#### 2.16. Standards issued, but not yet in effect:

Standards	Description	Compulsory application
IFRS 17	Insurance contracts	Fiscal years starting on or after January 1, 2023
IAS 1	Classification of assets as current and non-current	Fiscal years starting on or after January 1, 2023

### 3. Cash and cash equivalents

	Parent Company		Consolidated	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	01/Jan/2019
Cash	1	1	44	43
Cash equivalents	-	-	6,000	2,274
Total	1	1	6,044	2,317

Cash equivalents include short-term investments with immediate liquidity, for a known amount of cash and where there is an insignificant risk of any change in value and which are maintained for the purpose of managing short-term commitments. Short-term investments are measured at fair value through profit or loss, with any variations being recognized as a gain or loss in income.

### 4. Securities

	Controlling Company		Consolidated	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	01/Jan/2019
Bank certificates of deposit (CMDB)	5	2	8,038	9,053
Savings bonds	-	-	2,473	2,473
Total	5	2	10,511	11,526

The balance of financial investments consists of funds for the purpose of maintaining working capital and achieving profitability by means of investments in CDB, without risk of any significant variation in the principal and earnings upon redemption and which are remunerated with earnings close to 100% of the variation in the Interbank Deposit Certificates ("CDIs").

Savings bonds refer to Banco Bradesco savings BNDS, with maturity in 12 months, with earnings close to 2% p.a. over their face values and loss of value (discount) in the case of early redemption.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 5. Restricted cash (consolidated)

	<u>31/Dec/2020</u>	<u>31/Dec/2019</u>
Restricted cash	-	1,609

Until December 31, 2019, it referred to the amount maintained for the payment of the subsequent monthly installment (principal + interest) of the debentures issued to the Caixa Econômica Federal - FGTS Administered Sanitation Portfolio (Note 13). Restricted investments were remunerated at floating rates with earnings close to 100% of the variation in the Interbank Deposit Certificates ("CDIs"). The full redemption occurred due to the early redemption of the CEF debentures in February 2019.

### 6. Trade accounts receivable (consolidated)

	<u>31/Dec/2020</u>	<u>31/Dec/2019</u>
Accounts receivable	<b>104,903</b>	102,980
Services to be billed (1)	<b>49,261</b>	29,006
	<b>154,164</b>	131,986
Provision for doubtful debts	<b>(32,291)</b>	(35,673)
Total	<b>121,873</b>	96,313
Current	<b>112,143</b>	80,839
Non-current	<b>9,730</b>	15,474

- (1) The balance of services to be billed refers to accounting on an accruals basis, based on measurement reports that indicate the effective provision of services in accordance with the contracted conditions, the balances of which will be transferred to accounts receivable when the corresponding billing is made.

The balances receivable from the sale of biogas have been offset against advances and accounts payable for arbitration. Details of this information are given in notes 19 and 20, respectively.

The balances of accounts receivable, billed, by age of maturity are shown below:

	<u>31/Dec/2020</u>	<u>31/Dec/2019</u>
To mature	<b>50,752</b>	39,394
Up to 30 days overdue	<b>9,380</b>	10,378
Between 31 and 60 days overdue	<b>3,228</b>	6,508
Between 61 and 90 days overdue	<b>1,282</b>	4,429
Between 91 and 180 days overdue	<b>3,753</b>	5,507
Between 181 and 360 days overdue	<b>8,004</b>	9,097
More than 360 days overdue	<b>28,504</b>	27,667
Total	<b>104,903</b>	102,980

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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The aging of accounts receivable includes balances receivable from the indirect subsidiary CTRA with PMSG. As detailed in note 1, there is a case in progress the claimed amounts of which exceed the receivables currently accounted for this customer. The amounts receivable signed in an agreement with PMSG are classified in the 'to mature' age bracket in the table above.

The change in the provision for doubtful debts for December 31, 2020 and 2019 is as follows:

	<b>Consolidated</b>	
	<b>31/Dec/2020</b>	<b>31/Dec/2019</b>
Balance as at January 1	<b>(35,673)</b>	(30,717)
Reversal(setting up) of provision, net	<b>(1,251)</b>	(4,956)
Write-off of asset provision	<b>4,633</b>	-
Balance as at the end of the year	<b>(32,291)</b>	(35,673)

The assessment of the need of a provision for doubtful debts is carried out based on the assumptions established in CPC 48/IFRS 9 - Financial Instruments, with the analysis of certain customers and transactions. According to Management's understanding, certain receivables should not be taken into account for the purpose of setting up a provision for doubtful debts given that there is no indication of loss upon realization, such as services provided to companies within the same Economic Group and amounts for which there are advances which can be offset in the future against active balances.

The Company does not expect to incur losses that exceed the provision for doubtful debts that was set up on December 31, 2020.

As detailed in Note 1.d, there is an agreement signed by the indirect subsidiary CTRA with the grantor, mediated by the Public Prosecutor's Office of the State of Rio de Janeiro, in the amount of R\$28,904 for receipt of the amounts, the changes in which are shown below:

<b>Changes in the agreement</b>	
Balance as at January 1, 2019	24,021
Tranches received in 2019	(3,663)
Balance as at December 31, 2019	<b>20,358</b>
Tranches received in 2020	<b>(5,698)</b>
Balance as at December 31, 2020	<b>14,660</b>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### Carbon credits trade (Consolidated)

On March 3, 2020, our indirect subsidiaries CTR NI and Ecopesa participated in the 4<sup>th</sup> carbon credit sales auction organized by the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF), which is a mechanism created by the World Bank to foster investments in projects to reduce greenhouse gas emissions, optimizing the impact of public funds and leveraging the private financing sector. The participation in this auction involved the payment of a fee of US\$0.30 per carbon credit offered by the Company. In this case, the subsidiaries jointly disbursed US\$370, equivalent to R\$1,690 on the payment date.

The subsidiaries were successful in this auction, having traded 1,232,500 carbon credits at the price of US\$1.98 per CER, it being understood that the subsidiaries shall generate the amounts traded, in the period from March 3 to December 31, 2020. The credits will be validated by an external audit during the first half of 2021, and the amounts contracted are expected to be received until November 2021.

On June 23, 2020, the indirect subsidiary CTRA entered into an Agreement with Caixa Econômica Federal for the purchase and sale of Certificates of Emissions (CERs). The trade in Certified Reductions of Emissions is backed by funds of the Carbon Partnership Facility (CPF), transferred by the World Bank to the Coordinating Entity, subject to the contractual conditions.

Unit price (CERs) – 1,91 Euro

Number of CERs contracted:

- Period – January 1, 2019 to December 31, 2019 – 350,000 CERs
- Period – January 1, 2020 to December 31, 2020 – 467,180 CERs

On December 31, 2020, the amounts receivable by the subsidiaries relating to the carbon credit transactions amount to R\$27, 868.

In addition, the indirect subsidiary Foxx URE JP already had an agreement entered into in 2019 to trade in carbon credits, without direct relationship with the transactions described above. On December 2020, the amount receivable was R\$3,062 (R\$1,692 on December 31, 2019).

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 7. Taxes and contributions

#### a) Taxes and contributions recoverable

Taxes recoverable	Parent Company		Consolidated	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	01/Jan/2019
Taxes recoverable	6	7	2,364	2,968
Withholding Income Tax (IRRF) (1)	-	-	690	661
Social Contribution Tax on Net Profit (CSLL) (1)	-	-	1,283	1,185
National Social Security Institute (INSS)	-	-	757	408
Social Integration Program (PIS) (1)	-	-	2,523	1,354
Contribution to Social Security Financing (COFINS) (1)	-	-	188	188
Tax on Industrialized Products (IPI)	-	-	409	429
Other taxes recoverable	6	7	8,214	7,193
Subtotal – Federal taxes	-	-	100	-
Tax on the Circulation of Goods and Services (ICMS)	-	-	100	-
Subtotal – State taxes	-	-	1,444	1,292
Services Tax (ISS)	-	-	1,444	1,292
Subtotal – Municipal taxes	-	-	1,444	1,292
Total	6	7	9,758	8,485

- (1) For the most part the balances shown refer to taxes withheld at source by customers, which are detailed in the invoices for the provision of services, in addition to taxes withheld from financial investments.

The Company's expectation is that it will recover the amounts shown within a period of not more than 12 months, bearing in mind the turnover of offsets made in the last months.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 7. Taxes and contributions – Continued

#### b) Taxes and contributions payable

	Parent Company		Consolidated	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	01/Jan/2019
National Social Security Institute (INSS)	60	-	1,946	1,774
Contribution to Social Security Financing (COFINS)	-	-	12,862	5,135
Social Integration Program (PIS)	-	-	2,478	1,636
Social Contribution Tax on Net Profit (CSLL)	-	-	4,633	2,437
Income Tax for Legal Entities (IRPJ)	-	-	10,343	3,110
Services Tax of any type (ISS)	-	-	1,697	1,481
Tax on Circulation of Goods and Services (ICMS)	-	-	1,260	1,483
Other taxes (*)	-	45	4,477	4,359
<b>Total</b>	<b>60</b>	<b>45</b>	<b>39,696</b>	<b>21,415</b>

(\*) This item mainly includes taxes provisioned for services to be billed.

#### c) Reconciliation of income and social contribution tax expenses in income for the fiscal year

The reconciliation between the amount of tax charges determined as per the nominal rates and the amount recorded in the Company's consolidated income for the years ended December 31, 2020 and 2019 is as follows:

	Parent Company		Consolidated	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	31/Dec/2019
Income before income and social contribution taxes	(9,688)	(4,832)	47,421	(10,292)
Combined nominal rate	34%	34%	34%	34%
IRPJ / CSLL tax expense at the tax rate in force	3,294	1,643	(16,123)	3,499
Adjustments to the calculation by the effective rate				
Equity pick-up	44,305	(12,851)	197	(386)
Donations	-	-	-	(211)
Write-off of uncollectible accounts receivable	(170)	-	(2,540)	-
Realization of advances from clients	-	-	1,071	-
Tax credits not constituted	(17,676)	(3,447)	(6,416)	(9,192)
	<b>29,753</b>	<b>(14,655)</b>	<b>(23,811)</b>	<b>(6,289)</b>
Effective rate (*)	307%	303%	50%	61%
Income tax and social contribution - Current	-	(14,655)	(23,297)	(9,985)
Income tax and social contribution - Deferred	29,753	-	(514)	3,696

(\*) The calculation of the effective rate is directly affected by the effects of the indirect subsidiaries that are taxed under the estimated profit regime.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 7 Taxes and contributions – Continued

#### d) Deferred income and social contribution tax assets and liabilities

The balances of deferred income and social contribution tax assets are as follows:

	Consolidated	
	12/31/2020	12/31/2019
On tax losses	140,087	117,248
On the negative social contribution tax base	50,431	42,209
On temporary differences		
Provision for doubtful debts	10,979	12,129
Provision for contingencies	11,819	6,390
Provision for realization of tax credits	(67,789)	(32,458)
Total deferred tax assets	145,518	145,518

The calculation of the expected offset of taxes against tax losses and negative base factored in assumptions based on our business plan and the projected taxable income for the years ahead, taking into account the undertaking of corporate restructurings that increase the tax efficiency of the subsidiary Orizon Meio Ambiente, realization of fair value of the debenture operation between Orizon Valorização de Resíduos and its subsidiary Orizon Meio Ambiente, with realization of the effects of fair value appraised in the origin of the transaction, in addition to improvement in the operational performance, with consequent increase in the taxable base.

Management is of the opinion that the assumptions in preparing the projected results and, consequently, in determining the realization amount of the deferred taxes, they are adherent to the Company's business plan.

Based on a technical study of the estimated taxable income calculated in accordance with CPC/32 IAS 12, we expect to recover the tax credit arising from temporary differences and accumulated losses in the following business years:

2022	207
2023	4,871
2024	17,545
2025	20,642
2026	23,425
2027	25,853
2028	28,167
2029	34,151
	<hr/>
	154,861

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 7. Taxes and contributions -- continued

Tax losses and negative income and social contribution tax bases are not subject to the statute of limitation for offset purposes. However, offset is limited to 30% of the taxable income of the year when the offset occurs.

The deferred tax liability registered by the subsidiary Orizon Meio Ambiente refers to the effect of 34% on the tax deductibility of the installments of tax amortization of goodwill, which, for accounting purposes, ceased as from 2009. Up to the year ended 2013, the goodwill generated from acquisitions and mergers were fully amortized for tax purposes.

The balances of deferred income and social contribution tax assets and liabilities are shown net and are as follows:

*Deferred tax assets (Consolidated):*

	Consolidated					
	12/31/2020			12/31/2019		
	Deferred assets	Deferred liabilities	Net. effect	Deferred assets	Deferred liabilities	Net. effect
Orizon Meio Ambiente (*)	145,518	(62,781)	82,727	145,518	(32,524)	112,994
Orizon	-	(14,684)	(14,684)	-	(44,437)	(44,437)

(\*) In the end of the fiscal year 2019, the subsidiary Orizon Meio Ambiente recorded in the result the reversal of the amount of R\$18,351 to the detriment of realizing via provision for impairment of premiums that have already been fully amortized for tax purposes. The detailed information regarding impairment of these premiums is shown in Note 13.

On December 31, 2020, the subsidiary Orizon Meio Ambiente recorded an amount of R\$9,587 of deferred tax liabilities over the amount of the adjustment to present value of the Transaction of assumption of the debt to Bradesco (Note 13). It is also a deferred tax assets over the amount to the adjustment to present value created in balances of debentures issued to the controlling company, to which it had already recorded deferred tax liabilities on the same amount created. For consolidated effects, these deferred amounts are annulled, since they are created in the assets and in the liabilities.

In addition, Orizon Valorização de Resíduos crated deferred tax assets in the amount of R\$29,753 over the recognition of adjustment at fair value of the debenture transaction with the subsidiary Orizon Meio Ambiente.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 7. Taxes and contributions -- continued

#### d) Deferred income and social contribution tax assets and liabilities--continued

##### *Deferred tax liabilities (Parent Company)*

The balance shown below refers to recognition of deferred income and social contribution tax on the effect recognized in our income arising from the FIDC NP transaction, as better explained in Note 13.

	<b>Parent Company</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Deferred tax liabilities – Balance shown in non-current liabilities	<b>44,437</b>	44,437

##### *Deferred PIS and COFINS taxes*

During 2020 and 2019, we recorded deferred PIS (0.65%) and COFINS (4%) taxes on the effect recognized in income arising from the FIDC NP transaction, as mentioned in Note 13.

Description	<b>Parent company and consolidated position</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Financial instrument measured at fair value	<b>195,813</b>	195,813
Deferred PIS and COFINS tax liabilities (0.65% and 4%)	<b>9,105</b>	9,105

### 8. Transactions with related parties

Details of the transactions between us and our related parties are shown below:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2020</b>	<b>01/01/2019</b>
<b>Assets</b>				
Foxx Holding (1)	<b>3,845</b>	3,845	-	-
Synthesis Empreendimentos Ltda. (2)	-	-	-	1,845
CTR Nova Iguacu (1)	<b>2,137</b>	2,137	-	-
Confidere (2)	-	-	-	5,255
LS Participações (3)	-	-	<b>7,597</b>	1,695
Advances to officers (4)	-	-	<b>888</b>	425
<b>Total</b>	<b>5,982</b>	5,982	<b>8,495</b>	9,220
<b>Current</b>	-	-	-	s 6,000
<b>Non-Current</b>	<b>5,982</b>	5,982	<b>8,495</b>	3,220

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 8. Transactions with related parties--Continued

- (1) The balances refer to checking account transactions for working capital purposes.
- (2) Refer to amounts transferred to Synthesis and Confidere for the purpose of investments in future transactions. Synthesis and Confidere are subsidiaries of SH1000, which in turn is a minority shareholder of ORIZON.
- In June 2020, the subsidiary Orizon Meio Ambiente recorded the write-off of the amount of R\$7,100 for the result of the period, according to the settlement instrument signed by the creditors, giving full and complete release of the outstanding amounts between the parties, in view of the settlement of ORIZON's debt to Synthesis via assumption of debt of Bradesco by the subsidiary Orizon Meio Ambiente, which debt was previously due by Synthesis. The details of the debt assumed are in note 13.
- (3) The balances refer to checking account transactions for working capital purposes. Transactions with a minority shareholder of Foxx URE-JP.
- (4) The balances refer to advances to officers for daily routines.

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	01/01/2019
Liabilities				
Synthesis Empreendimentos Ltda. (1)	-	61,507	-	61,507
CTRBM (2)	18,113	18,113	-	-
Orizon Meio Ambiente(2)	81,016	7,109	-	-
CTR Alcântara (2)	8,634	8,634	-	-
Other/Confidere (4)	-	-	-	130
Total	107,763	95,363	-	61,637
Current	-	61,507	-	61,507
Non-Current	107,763	33,856	-	130

- (1) Up to December 31, 2019, this referred to the balance of loans payable to the related party Synthesis, maturing in 01/2020 with remuneration of CDI+0.45% per month. In June 2020, the Company executed an assumption of the debt of the related party in consideration for settlement of said loan. According to note 13, ORIZON and Synthesis signed, in June 2020, a debt settlement instrument. Therefore, Synthesis' debt to Bradesco was assigned to Orizon Meio Ambiente in the adjusted amount of R\$61,542, and ORIZON became a debtor of its direct subsidiary, settling the outstanding debt with Synthesis.
- (2) Refer to checking account transactions, originating from amounts transferred for payment of the debentures issued by ORIZON.

As detailed in note 21, on December 31, 2020 there was the payment of capital stock of minority shareholder via provision of services with the issue of invoice. This payment was pending since 2009.

The balances with related parties refer substantially to non-interest bearing, indefinite-maturity checking accounts and guarantees. The settlement of the balances produces effects on the balances of banks and on the property accounts of related parties.

In order to avoid the unpredictability of the entries of funds vis-à-vis the obligations, the economic group commenced to carry out "checking account" transactions for the Company, its controlled companies and subsidiaries to be able to attain their corporate purpose and preserve the interests of the companies, as well as to honor their agreed financial obligations and, therefore, avoid any default of and/or noncompliance with statutory and contractual obligations that could result in adverse financial effects for the Company's economic group and, as a consequence, for its shareholders.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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The transactions identified as “checking account” are not understood by the Company as a specific loan agreement on a given amount received, in which the borrower assumes the obligation to return it in the same quantity, quality and ender. Such transaction, to the Company's understanding, occurs under a checking account regime, where the premise is the establishment of a financial flow without previously defined conditions, carried out according to the need for working capital. In addition, currently the management of the funds and cash flows of the companies of the economic group of the Company are subject to the same policy and financial management, and it is incumbent upon the executive members to make the final decision on the best allocation of the funds in accordance with the aforementioned needs.

In these transactions, there is no acknowledgment of loss and/or expectation of loss or any formalizations of guarantees due to the act that the Group companies are under the same economic and financial management.

Additionally, ORIZON holds debentures payable to the subsidiary Orizon Meio Ambiente, with details of their respective effects on income for the year in Note 13.

### Compensation of key management personnel

We consider as “key management personnel” only those members of our statutory executive board and the members of the board of directors. On December 31, 2020 and 2019, the compensation of key management personnel can be summarized as follows:

	<b>Consolidated</b>	
	<b>12/31/2020</b>	<b>12/31/2019</b>
Compensation of key management personnel (*)	<b>6,533</b>	6,506

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 8. Transactions with Related Parties--continued

#### Others

We have no additional post-employment obligations, nor do we offer other long-term benefits such as leave for time of service and other time-of-service benefits. We also do not provide other benefits on the termination of the members of our senior management, in addition to those defined by the labor legislation prevailing in Brazil.

According to Brazilian Corporate Law (Law no. 6.404/76) and our bylaws, it is the responsibility of the general shareholders' meeting to establish the annual global amount of management compensation, with the board of directors being responsible for distributing such amount among the members of our management.

Furthermore, except for the comments in the topic share-based payment, we have no other share-based compensation program or other long-term benefits for our employees and/or management.

### 9. Advances and other liabilities

#### a) Advances

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	01/01/2019
Advance of awards (1)	-	-	5,850	5,850
Advances to employees (2)	-	-	2,106	2,285
Advances to suppliers (3)	960	1,455	10,444	9,009
Deferred expenses – Going-public transaction (4)	3,169	-	3,169	-
Other	-	-	1,491	1,073
Total	4,129	1,455	23,060	18,217
Current	4,129	1,455	17,061	12,257
Non-Current	-	-	5,999	5,960

(1) Refers to the advance of future awards to the city administration of São Gonçalo via rebate in the fixed monthly amount of R\$65 on the invoices issued against it, for future offset against revenue from sales of carbon credits as provided for in the concession agreement. Bearing in mind that the generation of carbon credits began in 2016, these amounts shall begin to be realized after completion of the court investigation of the amounts with the city administration of São Gonçalo (Note 1).

(2) This refers substantially to advances to employees (salaries, vacation pay, and travel, among others).

(3) Refers primarily to the amounts of advance to service providers, property insurance and healthcare.

(4) Refers to expenses incurred with auditors and advisors in the going-public process, the amount of which shall be reclassified to shareholders' equity in 2021, when the going-public process was actually implemented.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 9. Advances and other liabilities--Continued

#### b) Other Liabilities

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	01/01/2019
S,A, Paulista de Construções e Comércio (1)	-	-	7,470	7,286
Other bills payable (2)	63	59	7,585	6,353
Total	63	59	15,054	13,639

(1) Refers to balances payable by CTRA to the former parent company, S.A. Paulista, referring to outstanding balances prior to the acquisition by Orizon Meio Ambiente.

(2) The greater part of the balance refers to obligations with the client Bayer. At present, the incineration unit in Belford Roxo is located within the Bayer industrial complex where services are provided to the latter. For the use of space and infrastructure, Bayer requests monthly reimbursements from Orizon Meio Ambiente.

### 10. Investments

The variation in investments (Parent Company and Consolidated) for the year ended December 31, 2020 and year ended December 31, 2019 is as follows:

	Parent Company - 12/31/2020			
	12/31/2019	Subscription warrant - Reflex	Equity accounting income	12/31/2020
Orizon Meio Ambiente	449,948	156,664	126,432	733,044
Foxx Holding	7,003	-	3,876	10,879
Total	456,951	156,664	130,308	743,923

	Parent Company - 12/31/2019		
	12/31/2018	Equity accounting income	12/31/2019
Orizon Meio Ambiente	492,970	(43,022)	449,948
Foxx Holding	1,778	5,226	7,003
Total	494,748	(37,796)	456,951

	Consolidated - 12/31/2020		
	12/31/2019	Equity accounting expense	12/31/2020
SES Haztec (i)	(158)	-	(158)
Vamtec Haztec	(1,423)	578	(845)
Total	(1,581)	578	(1,003)

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 10. Investments -- continued

	<b>Consolidated</b>		
	<b>12/31/2018</b>	<b>Equity accounting result</b>	<b>12/31/2019</b>
SES Haztec (i)	(158)	-	(158)
Vamtec Haztec	(289)	(1,134)	(1,423)
<b>Total</b>	<b>(447)</b>	<b>(1,134)</b>	<b>(1,581)</b>

(i) In accordance with Technical Pronouncement CPC 19 (R2)/IFRS 11 - Joint Arrangements, the investees in which we share control are not consolidated.

#### Composition of the balance

Financial information of direct and indirect controlled companies, indirect jointly controlled companies and indirect affiliate:

	<b>Orizon Meio Ambiente</b>	<b>Foxx Holding Company</b>	<b>Vamtec Haztec (i)</b>	<b>SES Haztec (i)</b>
Shareholders' equity (uncovered liabilities) on				
12/31/2020(*)				
12/31/2019	<b>733,044</b>	<b>10,879</b>	<b>(1,690)</b>	<b>(315)</b>
Net income (loss) for the year				
12/31/2020	449,948	7,003	(2,846)	(315)
12/31/2019	<b>126,432</b>	<b>3,876</b>	<b>1,156</b>	-
	(43,022)	5,226	(2,268)	-

(\*) In June 2020, the amount of R\$156,664 was recorded with respect to share subscription warrant, as detailed in note 21.

(i) SES Haztec has no income for the years shown. Furthermore, the income of Vamtec Haztec had already been recognized in Orizon Meio Ambiente, which holds 50% of the equity of this investee, affecting only the consolidated balance sheet of **ORIZON**.

#### Composition of the balance

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/Dec/2020</b>	<b>31/Dec/2019</b>	<b>31/Dec/2020</b>	<b>01/Jan/2019</b>
Investments	<b>743,923</b>	456,951	-	-
Provision for losses on investments (*)	-	-	<b>1,003</b>	1,581
<b>Total, net</b>	<b>743,923</b>	456,951	<b>1,003</b>	1,581

(\*) The provision for losses on investments is classified in non-current liabilities.

## **Orizon Valorização de Resíduos S.A.**

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### Bonds and securities

#### Investment Fund in Non-Standardized Credit Rights

As detailed in note 1.k, in the end of 2020 Orizon signed an Instrument of Adhesion to the By-Laws of the exclusive fund Orizon Fundo de Investimento em Direitos Creditórios Não Padronizados ("FIDC ORIZON"), administrated by Modal Distribuidora de Títulos e Valores Mobiliários Ltda. and managed by Modal Asset Management Ltda. On December 31, 2020, the measured amount of this investment was R\$8,110, and this amount is recorded in the subsidiary Orizon Valorização Resíduos, but distributed through the consolidated assets and liability of the parent company via consolidation of FIDC ORIZON.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --continued  
December 31, 2019, 2018 and 2017  
(In thousands of BRL)

### 11. Property and equipment (consolidated)

Property and equipment, net	Consolidated								
	Land	Vehicles	Improvements to third-party properties (1)	Buildings	Furniture and Fixtures	Machines and equipment	Facilities (2)/(3)	Surplus value	Total
Balance on January 1, 2019	24,000	3,702	8,674	1,018	3,528	49,486	469,928	9,942	570,278
Additions	-	-	-	-	303	1,056	35,129	858	37,346
Write-offs	-	(152)	-	-	-	-	-	-	(152)
Balance on December 31, 2019	24,000	3,550	8,674	1,018	3,831	50,542	505,057	10,800	607,472
Additions	-	596	72	-	143	3,508	42,958	-	47,277
Write-offs	-	-	-	-	-	(209)	(14)	(858)	(1,081)
Balance on December 31, 2020	<b>24,000</b>	<b>4,146</b>	<b>8,746</b>	<b>1,018</b>	<b>3,974</b>	<b>53,841</b>	<b>548,001</b>	<b>9,942</b>	<b>653,668</b>
Accumulated depreciation									
Balance on January 1, 2019	-	(3,416)	(7,992)	(161)	(2,639)	(34,737)	(244,863)	(846)	(294,654)
Additions	-	(219)	(369)	(282)	(303)	(5,265)	(33,778)	(596)	(40,812)
Write-offs	-	152	-	-	-	-	-	-	152
Balance on December 31, 2019	-	(3,483)	(8,361)	(443)	(2,942)	(40,002)	(278,641)	(1,442)	(335,314)
Additions	-	(91)	(81)	(12)	(199)	(2,519)	(30,740)	(595)	(34,237)
Write-offs	-	-	-	-	-	78	-	-	78
Balance on December 31, 2020	-	<b>(3,574)</b>	<b>(8,442)</b>	<b>(455)</b>	<b>(3,141)</b>	<b>(42,443)</b>	<b>(309,381)</b>	<b>(2,037)</b>	<b>(369,473)</b>
Property and equipment, net									
Balance on December 31, 2019	24,000	67	313	575	889	10,540	226,416	9,358	272,158
Balance on December 31, 2020	<b>24,000</b>	<b>572</b>	<b>304</b>	<b>563</b>	<b>833</b>	<b>11,398</b>	<b>238,620</b>	<b>7,905</b>	<b>284,195</b>
Average useful life (years)	-	5	-	25	10	10	10		

(1) According to the term of the lease agreements (average of 20% p.a.).

(2) Refers substantially to the construction of waste treatment "cells" (units), with depreciation using the useful life of each cell, usually between five and eight years, corresponding to a weighted average rate of approximately 15% p.a., depending on the ratio of the volume treated (cubic meters) to the total capacity of each cell.

(3) The amount of R\$45,290 is also classified in this line item, originating from advances for the acquisition of property and equipment by our indirect subsidiary Foxx URE-BA.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 11. Property and equipment (consolidated)--Continued

#### OCPC Guidance 05 - Concession Agreements (Consolidated)

	<b>Installation permit (LI) (*)</b>	<b>Operating permit (LO) (*)</b>
<b>Cost</b>		
Balances on January 1, 2019	650	1,696
(+) Additions	-	-
Balances on December 31, 2019	<u>650</u>	<u>1,696</u>
(+) Additions	-	<b>528</b>
Balances on December 31, 2020	<b><u>650</u></b>	<b><u>2,224</u></b>
<b>Amortization</b>		
Balances on January 1, 2019	(326)	(843)
(+) Additions	(65)	(180)
Balances on December 31, 2019	<u>(391)</u>	<u>(1,023)</u>
(+) Additions	<b>(19)</b>	<b>(83)</b>
Balances on December 31, 2020	<b><u>(410)</u></b>	<b><u>(1,106)</u></b>
Balances on December 31, 2020	<u>259</u>	<u>673</u>
Balances on December 31, 2019	<u>240</u>	<u>1,118</u>
Balances on December 31, 2020	<b><u>240</u></b>	<b><u>1,118</u></b>

(\*) Installation permits are shown in line item "facilities" in property and equipment.

To comply with the provisions of OCPC Guidance 05, the landfills (CTRNI, CTRA and CTRBM) have decided to register future environmental costs arising from the installation permits ("LIs") under property and equipment and operating permits ("LOs") under intangible assets, recognizing in their assets and liabilities the present value of the respective obligations.

The indirect subsidiaries (landfills) carried out a detailed survey of the costs and time frames of the programs referring to the implementation phase, as well as those arising from the operating permits that will remain in effect until the end of the concessions, that is, during the entire operating phase. For the year ended December 31, 2020, we did not identify material facts that affect the registration of these permits.

Following initial registration, the balances are updated monthly, based on the rate that reflects our weighted average cost of capital when that study was undertaken.

The booked amounts will be amortized monthly until their respective environmental permits expire.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 12. Intangible assets (consolidated)

	<b>Consolidated</b>	
	<b>31/Dec/2020</b>	<b>31/Dec/2019</b>
Acquisitions:		
Novagerar Eco-Energia Ltda. (i)	<b>3,533</b>	3,533
Ecopesa Ambiental S.A. (i)	<b>35,235</b>	35,235
Customer portfolio	<b>2,415</b>	4,177
Non-competition agreement	<b>524</b>	858
Workforce	<b>29</b>	40
Plastimassa Tecnologia em Tratamento de Resíduos Ltda. (i)	<b>8,065</b>	8,065
El Capitan Participações e Investimentos S.A. (ii)	<b>10,107</b>	10,107
Gaia - Gestão Ambiental da Indústria Ltda. (i)	<b>14,933</b>	14,933
E-Ambiental Ltda. (i)	<b>3,990</b>	3,990
Orizon Meio Ambiente S.A. (i)	<b>107</b>	107
ETR Gramacho	<b>2,731</b>	<b>2,731</b>
Customer portfolio	<b>1,328</b>	2,466
Non-competition agreement	<b>340</b>	632
Subtotal – goodwill and surplus value referring to acquisition of investments	<b>83,337</b>	86,874
CTRNI concession – allocation of purchase price	<b>8,681</b>	9,295
CTRA concession - allocation of purchase price	<b>1,786</b>	2,076
Subtotal - concessions	<b>10,467</b>	11,371
Determining factors for operating permits (LOs)	<b>1,118</b>	1,201
Trademarks and patents	-	2,760
Expenses in the sale of carbon credit	<b>1,182</b>	-
Software	<b>270</b>	217
Total	<b>96,374</b>	102,423

(i) Goodwill arising from acquisitions of investments from 2008 and 2009 up to 2016 and merged in the same periods. As goodwill is founded on future profitability, it is recognized and tested separately, ever year, for impairment.

(ii) Goodwill arising from reverse merger in 2007.

The variation in intangible assets is as follows:

	<b>Consolidated</b>
Balance on January 1, 2019	174,845
Additions of other intangible assets	645
Amortization - goodwill	(3,539)
Amortization of the intangible assets of the concession	(912)
Amortization of other intangible assets	(234)
Write-off for impairment - goodwill	(68,382)
Balance on December 31, 2019	102,423
Additions of other intangible assets	<b>2,177</b>
Amortization - goodwill (i)	<b>(3,537)</b>
Amortization of the intangible assets of the concession	<b>(904)</b>
Write-off for impairment - goodwill	<b>(2,760)</b>
Amortization of other intangible assets	<b>(1,025)</b>
Balance on December 31, 2020	<b>96,374</b>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 12. Intangible assets (Consolidated)--Continued

#### Impairment losses

At least once a year, we test the recoverable amount of the goodwill generated in business combinations by evaluating the value in use, where the estimated future cash flows are discounted to their present values using a pre-tax discount rate in a manner that reflects a current market evaluation of the value of the currency over time and the specific risks of the assets or the Cash Generation Unit, or UGC.

The amount of the goodwill ascertained in the business combination is allocated to the CGU or to the group of CGUs for which the benefit of the synergies from the combination is expected.

As part of the closing of the financial statements for the year ended December 31, 2020, we undertook an analysis of impairment of assets and has not identified the need to recognize impairment thereof.

On December 31, 2019, the Company recognized the amount of R\$68,382 as impairment in the subsidiary Orizon Meio Ambiente. The CGUs provisioned were Remediation and Advisory (primarily Aquamec) and Plastimassa (Magé unit) and arose from the acquisitions by Orizon Meio Ambiente in the past, prior to 2013.

We believe that all our estimates are reasonable, consistent with the in-house reports, our businesses and reflect management's best estimates.

Impairment testing, annually prepared, is based on a series of judgments, estimates and assumptions. The key assumptions on which our management based their future cash flow projections, estimates and exercised their judgment are as follows:

- Projected operating results for the first year, based on the growth rate of the current year. The flows are based on the strategic plans approved by our board of directors. This is prepared on a per-business basis, when applicable, and takes into account external sources such as macroeconomic scenarios of the segment where we operate, the evolution of the business, inflation, currency rates and our historical results;
- Projected operating results for future years, based on the results expected from capturing new clients, retention of existing clients and the development of new solutions for the market and the effectiveness period of the concession agreements. Management estimates recovering the goodwill amounts invested when acquiring businesses within a term of at least 10 years plus perpetuity, and for that analysis it used as assumptions the growth rates of the industry, rates of return on the investment made and the continuity of our operations. The considerations for the minimum term used are based on the concession agreements with clients whose terms exceed 10 years.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

The analysis of impairment used the discounted future cash flow model applying a WACC - weighted average cost of capital - discount rate as per the following table. Future cash flow was adjusted for the specific risk of the segment of our subsidiaries, based on the risk determined by our management.

UGC	Average growth rate	Pre-tax discount rate	Net assets at 31/Dec/2020	Methodology Used
Remediation and Advisory	10%	15%	65,248	Value in use
Plastimassa	8%	15%	17,281	Value in use
Ecopesa	7%	15%	68,876	Value in use
ETR Jardim Gramacho	7%	15%	12,491	Value in use

### 13. Loans, financing and leases

Creditor	Subject	Maturity	Financial charges	Parent Company	
				31/Dec/2020	31/Dec/2019
Orizon Meio Ambiente (i)	Debentures	01/30/2022	CDI + 4% p.a.	663,888	623,279
Costs with issue of Debentures	Debentures			(1,974)	(1,974)
Adjustment to fair value	Debentures			(108,304)	(167,297)
Adjustment to present value	Debentures			-	(28,516)
Total				553,610	425,492
Current				-	-
Non-Current				553,610	425,492

Creditor	Object	Maturity	Financial Charges	Consolidated	
				31/Dec/2020	31/Dec/2019
Costs with issue of Debentures	Debentures			(1,974)	(1,974)
FGTS Sanitation Managed Portfolio	Debentures	01/Apr/2023	TR + 8.5% p.a.	-	40,406
Costs with issue of Debentures				(135)	(135)
FIDC NP Gestão de Recursos ("FIDC NP") - 2 <sup>nd</sup> Issue of debentures (ii)	Debentures	23/May/2019	1.67% p.m. (*)	-	296,177
FIDC NP Gestão de Recursos ("FIDC NP") - 3 <sup>rd</sup> Issue of debentures (ii)	Debentures	31/May/2019	1.67% p.m. (*)	-	112,905
Banco ABC Brasil	CCBs	02/Jun/2023	CDI + 3.8% p.a.	30,223	-
		10/07/2025	CDI + 9.5% p.a. and		
Banco de Investimentos Credit Suisse (Brasil)	CCBs	10/07/2026	21.0% p.a.	283,277	-
Fundraising costs				(19,963)	-
Banco Bradesco	CCB	30/04/2029	CDI + 1% p.a.	62,954	-
Adjustment to fair value				(28,724)	-
Total				325,658	447,379
Current				43,921	28,517
Non-Current				281,737	418,862

(i) Amount arising from the debentures of Orizon acquired by FIDC NP and paid in the debentures issued by Orizon Meio Ambiente (see details in this Note). The transaction was divided into 5 series, each with its respective corresponding amounts and grace periods.

(\*) Levied on the series that are not in the grace period. For the series in the grace period, interest is charged from the disbursement rate, as per the detailed tables in this note.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 13. Loans, financing and leases--Continued

The variation in loans and financing for December 31, 2020 and 2019 is as follows:

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance on January 1	425,492	466,215	447,379	508,926
Financial charges	40,609	21,272	41,627	986
Adjustment to fair value	-	(25,938)	(28,724)	-
Debentures transferred to the new creditor (*)	-	112,040	-	112,040
Settlement of expired debentures (*)	-	(148,097)	-	(148,097)
Funding/assumptions of debt	-	-	374,693	-
Deferral of expenses in the funding of debts	-	-	(19,923)	-
Payment of principal	-	-	(469,358)	(16,155)
Payment of interest	-	-	(20,036)	(10,321)
Balances on December 31	466,101	425,492	325,658	447,379

(\*) Amounts arising from the transaction with FIDC NP, as mentioned above. The FIDC NP negotiated and acquired from banks Santander, Haitong and Itaú the debentures previously held by these financial institutions with Orizon. On the date of acquisition by the FIDC NP of the debentures originally issued by Orizon and held by banks Santander, Haitong and Itaú, these amounted to R\$406,505. Subsequently to that acquisition, on April 23, 2018, the subsidiary Orizon Meio Ambiente issued new debentures amounting to R\$275,266 to the FIDC NP (as commented in detail below) and, in exchange, received the debentures acquired from Orizon. This transaction generated an immediate reduction in the consolidated debt recognized by Orizon, of R\$131,239, and this amount was recognized in financial result, without cash effect.

On November 1, 2019, the FIDC NP concluded the process for acquiring the debentures held thus far by Banco Bradesco, which on that date of negotiation amounted to R\$148,097. As a result of that negotiation, Orizon Meio Ambiente subscribed debentures on behalf of the FIDC NP amounting to R\$112,040 (3<sup>rd</sup> Issue of Debentures of Orizon Meio Ambiente) and, in exchange, received the Orizon debentures acquired from Banco Bradesco. This transaction generated a new reduction in the consolidated debt recognized by Orizon of R\$36,058 and the recognition of a positive effect on our financial results, without cash effect.

In June 2020, the debt of Synthesis with Bradesco bank was assigned to Orizon Meio Ambiente in the adjusted amount of R\$61,542, and ORIZON became a debtor of its direct subsidiary, paying the debt that was outstanding with Synthesis. In view of this transaction, the amount of R\$28,993 (R\$28,724 on December 31, 2020) was recognized in the same period as adjustment to present value, so as to reflect the time flow of the amounts receivable from the controlling company Orizon Valorização de Resíduos. The effect of the adjustment at present value reduced the debt recognized in the reduction account in the liabilities, which shall be realized until the maturity thereof.

#### Payment schedule

On December 31, 2020, the balances of loans and financing classified in non-current liabilities break down by year of maturity, as follows:

	Controlling Company	Consolidated
2022	533,610	59,621
2023	-	59,621
2024	-	59,621
2025	-	37,597
2026 and beyond	-	65,279
Total	533,610	325,658

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 13. Loans, financing and leases--Continued

#### Issue of debentures of Orizon Meio Ambiente

##### *CEF - FGTS Sanitation Managed Portfolio*

On April 15, 2011, and subsequently amended in December 2014, our subsidiary Orizon Meio Ambiente issued the Private Instrument of Deed of the 1<sup>st</sup> Issue of Simple Debentures (“Instrument”), not convertible to shares, with a floating guarantee and additional guarantees for public distribution, with limited placement efforts, in the amount of R\$245,000, in a single series, for the term of 12 years at a cost of TR + 8.5% p.a.

Several obligations were agreed upon in the deed, such as financial covenants, the setting up of guarantees and the annual issue of a risk rating for the transaction by a risk rating agency.

On February 28, 2020, our subsidiary Orizon Meio Ambiente carried out the early redemption of debentures that used to be held by CEF, as per the Private Deed of Debentures, through a settlement transaction carried out on B3. The early redemption amounted to R\$40,525, and it was paid with funds from the new debt taken with Banco ABC Brasil on February 28, 2020, which settled the Instrument almost entirely.

#### Issue of Debentures to the Financial Settlement Fund - Non-Standardized Credit Rights Investment Fund

Our subsidiary Orizon Meio Ambiente and FIDC NP entered into a Private Deed of the Second and Third Issues of Simple Debentures, convertible to shares, in five series, for private placement of Orizon Meio Ambiente, with Orizon as the intervening party, as well as other Group companies. The breakdown of the amounts issued and paid in of these debentures are as below:

<b>Date of acquisition</b>	<b>Payment date</b>	<b>Debentures subscribed</b>
23/Apr/2018	23/Apr/2018	193,752
23/May/2018	23/May/2018	49,223
30/Jul/2018	30/Jul/2018	32,291
01/Nov/2019	01/Nov/2019	112,040

Should an early maturity event occur or if the debentures were not repaid in full on the maturity date, with due regard for the respective applicable cure periods, the debentures could be converted to common shares.

The transactions were divided into five series, each with its respective corresponding amounts and grace periods. The debentures bear remuneration of 1.67% p.m., and four series of each issue had interest grace periods as defined in the agreed instruments.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 13. Loans, financing and leases--Continued

Issues of debentures of Orizon Meio Ambiente--Continued

#### *Issue of Debentures to the Financial Settlement Fund - Non-Standardized Credit Rights Investment Fund*

On June 19, 2020, subsidiary Orizon Meio Ambiente paid the debentures previously held by FIDC NP, partially with its own funds, in the amount of R\$416,124, partially with funds from the issue of 28 Bank Credit Notes issued in favor of Banco Credit Suisse, totaling R\$273,150, and partially with the issue of Subscription Warrants (R\$156,664). In addition, the Company disbursed R\$5,004 of its own funds. The Company incurred R\$19,963 with expenses to raise the funds.

#### *Fundraising – Banco ABC Brasil (Consolidated)*

On February 18, 2020, the subsidiary Orizon Meio Ambiente entered into loan agreements with Banco ABC Brasil, for the purpose of supporting the settlement of the 1<sup>st</sup> Issue of Simple Debentures, Non-Convertible into Shares, with Floating Guarantee and Additional Guarantees, for Public Distribution with Restricted Placement Efforts of Orizon Meio Ambiente.

The raising of funds with Banco ABC Brasil was carried out through the issue of two bank credit notes (“CCBs”) in the total amount of R\$40 million, and each note has the following characteristics:

#### 1. Note – R\$7,000 (“CCB1”):

- Monthly installments: R\$1,000 plus 100% of the CDI variation + 0,3113% p.m.
- Maturity: 1<sup>st</sup> installment on March 30, 2020 and last installment on September 25, 2020, i.e., it is settled.

#### 2. Note – R\$33,000 (“CCB2”):

- Monthly installments: R\$1,000 plus 100% of the CDI variation + 0,3113% p.m.
- Maturity: 1<sup>st</sup> installment on October 26, 2020 and last installment on June 12, 2023.

The CCBs were disbursed on February 28, 2020 and the acceleration clauses of these instruments are not related to the attainment of financial or non-financial indices.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 13 Loans and financing--Continued

Issue of Debentures of Orizon Meio Ambiente--Continued

*Fundraising – Banco ABC Brasil (Consolidated)--Continued*

Below is the table with the flow of payments of principals of the CCBs:

<b>Issues</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
CCB1	3,001	-	-	-
CCB2	3,012	12,000	12,000	6,000
Total	6,013	12,000	12,000	6,000

*Banco de Investimentos Credit Suisse (Brasil) – (Consolidated)*

On June 1, 2020, the subsidiary Orizon Meio Ambiente and Banco de Investimentos Credit Suisse (Brasil) S.A. signed CCBs Credit Suisse in the amount of R\$273,150.

See below the main conditions of the CCBs Credit Suisse (Consolidated):

- (i) The amount of R\$210,700 was divided into twenty-two (22) bank credit notes (“CCBs Credit Suisse 1”) with different maturity dates, as per the table below. Interest on the principal amount or principal balance, as the case may be, will correspond to 100% of the accrued variation in the daily average rates of 1-day over extra-group DI – Interbank Deposits, expressed as a *per annum* percentage for years with two hundred and fifty-two (252) business days, as calculated and disclosed on a daily basis by B3 S.A. - Brasil, Bolsa, Balcão - CETIP UTVM Segment (“B3”) in the newsletter available on its website (<http://www.b3.com.br>), plus a spread of nine point fifty percent (9.50%) *per annum* for years with two hundred and fifty-two (252) business days, calculated in a *pro rata temporis* exponential and cumulative manner, based on the business days elapsed as from the date of disbursement or the date of the latest remuneration payment, as the case may be, until the date of payment.
- (ii) The amount of R\$62,450 was divided into six (6) bank credit notes (“CCBs Credit Suisse 2”) with different maturity dates, as per the table below. On the Principal amount or updated Principal balance, as the case may be, pre-fixed interest of twenty-one percent (21%) will be charged per year, on a base of 252 business days, calculated under a compound capitalization regime, on a *pro rata temporis* basis. The capitalization period is the period (i) from the date of beginning of the calculation of remuneration, counted as from the disbursement date (as defined below), to the date of payment of interest, or the date of payment of the first installment, or (ii) from the date of one payment and the date of the subsequent payment.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 13 Loans and financing--Continued

#### Issue of Debentures of Orizon Meio Ambiente--Continued

##### *Banco de Investimentos Credit Suisse (Brasil) – (Consolidated)--Continued*

The agreements contemplate some obligations, such as financial and non-financial restrictive covenants, as well as the creation of guarantees. The Company shall maintain, during effectiveness of said Instrument, the following financial indices, which are verified every quarter, based on the result of 12 months accrued on the verification date, as follows:

- (1) Net debt/EBITDA ratio – 3.70x (3.60x as from June 2021).
- (2) EBITDA/Net Financial Expenses Ratio – 1.80x (2.00x as from December 2021).
- (3) Current liquidity index – 1.0
- (4) Capex – Limited to R\$7,000 per quarter, adjusted every twelve (12) months as from the date of issue, by the IPCA or another official index that may replace it.
- (5) Debt Service Coverage Ratio (DSCR) – 1.0

The guarantees of the transaction are the following: receivables, assignment of dividends to be received, fiduciary sale of equipment (R\$27,000), land and property (R\$12,105) and shares of investees (Value of shareholders' equity of the indirect investees CTRNI, CTRA, CTRBM and Ecopesa amount to R\$313,458 on December 31), among others.

On December 31, 2020, the Company failed to comply with the restrictive covenant relating to the current liquidity index.

#### *Suspension of the effects of acceleration*

As disclosed in note 1, on December 28, 2020, the Company obtained a waiver from Banco Credit Suisse for noncompliance with certain obligations of the CCBs issued by Orizon Meio Ambiente, such as the failure to attain the current liquidity index established in the CCBs.

In view of the above, on December 31, 2020 the debt is classified partially in the current (R\$13,203) and partially in the non-current (R\$250,016), without the impact of penalties.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 13 Loans and financing--Continued

#### Issue of Debentures of Orizon Meio Ambiente--Continued

##### *Debt assumption – Banco Bradesco (Consolidated)*

On June 23, 2020, Banco Bradesco S.A. and Orizon Meio Ambiente, with the Company as intervening party and guarantor, signed a Private Instrument of Confession, Assumption of Debt and Other Covenants, according to which Orizon Meio Ambiente assumed the position of Synthesis before Banco Bradesco in the amount of R\$61,954, to be paid as follows:

- (a) 12 monthly and consecutive installments of R\$327; and
- (b) Payment of the remaining outstanding balance on April 30, 2029

Interest is calculated until June 19, 2021 at a rate of 0.84% per month, equivalent to an annual rate of 10.50%. After said date, interest will be calculated at 0.08% per month, equivalent to an annual rate of 1%, while the amount added will be updated according to the daily variation corresponding to 100% of the rate of Interbank Deposit Certificates – CDIs, with a term of 1 business day, as calculated by Central de Custódia e de Liquidação Financeira de Títulos – CETIP.

As per said document, Synthesis and the Company, as a result of the terms agreed in the Instrument of Confession and Assumption of Debt, have mutually confirmed the settlement of the debt, having nothing else to claim from each other, at any time and for any reason, regarding the balance existing between the parties.

#### Issues of debentures by ORIZON

##### *4th Issue of non-convertible debentures*

On February 6, 2013, the Company issued a Private Non-Convertible Debenture Deed ("Private Deed"), with additional collateral and personal guarantees, in an amount of R\$256,000, in a single series, for a period of 7 years, with a coupon of 100% of the accumulated variation of the interbank deposit rate (DI) plus a margin varying from 2.5% to 4% p.a., depending on the Net Debt/EBITDA ratio.

Payment of principal starts after a grace period of 24 months. As from February 2015, principal and interest commenced to be paid in 11 six-monthly installments until the due date.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 13. Loans, financing and leases--Continued

#### Issues of debentures by ORIZON--Continued

##### *4th Issue of non-convertible debentures--Continued*

The Private Deed contains some financial and non-financial covenants, related mainly to default with other financial institutions and corporate restructuring without the prior approval of the banks bookkeeping the debentures.

The primary purpose of this debenture issue was to extend the Company debt profile with these lenders.

Orizon Meio Ambiente is currently the debentureholder of the 4<sup>th</sup> Issue of new simple debentures of Orizon;

On January 30, 2015, the Company issued a Private Debenture Deed ("Private Deed") simply to pay the interest on the latest debenture issue.

##### *5th Issue of non-convertible debentures – Amendment to the 4th Issue*

On January 30, 2015, the Company issued a Private Non-Convertible Debenture Deed, with additional collateral and personal guarantees, in an amount of R\$150 million, in a single series, for a period of 7 years, with a coupon of the DI rate plus a margin varying from 2.5% to 4% p.a., depending on the Net Debt/EBITDA ratio.

Payment of capital and interest starts after a grace period of 24 months in January 2017, in 21 quarterly installments until maturity in January 2022.

The 5<sup>th</sup> Issue of Debentures of the Company contains some financial and non-financial covenants, related mainly to default with other financial institutions and corporate restructuring without the prior approval of the banks bookkeeping the debentures.

The debentures were issued to pay the interest due on the 4<sup>th</sup> Issue to the same creditor banks.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 13. Loans, financing and leases--Continued

#### Issues of debentures by ORIZON--Continued

##### *5th Issue of non-convertible debentures – Amendment to the 4th Issue--Continued*

Orizon Meio Ambiente is the current debentureholder of the 5<sup>th</sup> Issue of Simple Debentures of ORIZON.

##### *Suspension of the effects of early maturity – 4th and 5th issues*

On December 18, 2020, Orizon Meio Ambiente signed waiver documents suspending the effective early maturities of all the monetary and non-monetary liabilities under the 4th and 5th issues of debentures, due to the Issuer's failure to meet its obligations by the dates indicated in the debenture deeds, including in respect of overdue installments and installments falling due up to November 2022, the maximum term for these issues to be restructured.

##### *Suspension of the effects of acceleration – Credit Suisse*

On December 28, 2020, Banco de Investimentos Credit Suisse (Brasil) S.A. signed a waiver to suspend the actual acceleration of all pecuniary and non-pecuniary obligations under the CCBs, due to failure to comply, within the terms indicated in the sections contained therein, with the obligations for which Orizon Meio Ambiente is liable.

#### Leases (Consolidated)

The Company and its subsidiaries have entered into lease agreements in the normal course of their business. The Company has adopted the following practical expedients to measure the impact of the application of CPC 06 (R2)/IFRS 16:

- Application of a single discount rate for a portfolio of leases with similar characteristics. The Company has adopted a rate of 9.5% p.a., its average cost of capital.
- Application of the exemption permitting non-recognition of right-of-use assets and lease liabilities for terms shorter than 12 months and for small amounts. Payments under these agreements will be recognized as expenses on a straight-line basis over the period of the lease. Expenses for agreements not affected by CPC 06 (R2)/ IFRS 16 are shown as equipment leases.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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- Retrospective use of observable information to determine lease periods, taking into account options for extension or termination.

The changes in the financing for December 31, 2020 and 2019 are as follows:

	<u>Consolidated</u>	
Creation of balance by adoption to IFRS 16 (January 1, 2019)		17,196
Addition of new agreements in the fiscal year		2,607
Payment of principal		(7,640)
Payment of interest		(1,278)
Interest appropriated in the fiscal year		1,278
Balance on December 31, 2019		<u>12,163</u>
Addition of new agreements in the fiscal year		<b>7,260</b>
Payment of principal		<b>(7,704)</b>
Payment of interest		<b>(1,249)</b>
Interest appropriated in the fiscal year		<b>1,249</b>
Balance on December 31, 2020		<b><u>11,719</u></b>
	<u>12/31/2020</u>	<u>12/31/2019</u>
Current	<b>5,493</b>	<b>4,633</b>
Non-current	<b>6,226</b>	<b>7,530</b>

### Payment schedule (consolidated)

As at December 31, 2020, the balances of loans classified as non-current liabilities were divided into years of maturity as follows:

	<u>Consolidated</u>
2021	<b>2,030</b>
2022	<b>1,264</b>
2023	<b>1,234</b>
2024	<b>1,037</b>
2025 onwards	<b>661</b>
Total	<b><u>6,226</u></b>

### Right-of-use assets (Consolidated)

Assets classified as right of use relate mainly to equipment and land lease agreements for use in the landfills and projects, which are for average periods of 1 to 7 years, with the possibility of renewal.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 13. Loans, financing and leases--Continued

#### Right-of-use assets (Consolidated) --Continued

On December 31, 2020, the details of right-of-use assets and changes during the year are shown in the table below:

	<u>Consolidated</u>
Recording of balance with adoption of IFRS 16 (January 1, 2019)	17,196
New agreements added during the year	2,607
Amortization of right of use during the year	<u>(8,218)</u>
Balance as at December 31, 2019	11,585
Addition of new agreements in the year	<b>7,260</b>
Amortization of right of use in the year	<b><u>(7,644)</u></b>
Balance as at December 31, 2020	<b><u>11,201</u></b>

#### Potential right to PIS and COFINS recoverable (Consolidated)

The Company has the potential right to PIS and COFINS recoverable embedded in the consideration for leases. Measurement of lease cash flows does not show tax credits, and the potential effects of PIS and COFINS on gross contractual flows, on December 31, 2020, amounted to R\$713 (707 as at December 31, 2019).

### 14. Suppliers

Outstanding balances refer mainly to the purchase of materials and services for parent company projects and for use in landfills by the subsidiaries.

Outstanding balances as at December 31, 2020 and 2019

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Suppliers	812	90	43,166	46,505

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 15. Grants payable (consolidated)

These are amounts varying from 2% to 10% of revenues from landfill services provided (CTRNI, CTRA and CTRBM), to other customers than the granting authority.

Grants are calculated on all revenues from the landfill, except those from the granting authority itself, for which the company has a concession, using percentages defined in the contracts. Payments are monthly and at the end of each period grant amounts are registered in income against a corresponding liability. The liability can be settled by direct payment to the granting authority or by offsetting against amounts receivable for services billed to the granting authority, subject to mutual agreement.

The grants originating from the subsidiary CTRNI began to be offset as from July 2013 against accounts receivable from the Granting Authorities (Note 6). Overdue grants not yet offset are adjusted by the same index as used by the Nova Iguaçu municipal government (INPC/IBGE + 1% a month).

Landfill	Grant percentage	12/31/2020	12/31/2019
Orizon Meio Ambiente (1)	10%	101	101
CTRNI (2)	6%	2,272	2,169
CTRAL	2%	4,054	3,410
CTRBM	10%	985	761
Total		<u>7,412</u>	<u>6,441</u>

(1) Grants calculated on previous contracts for carbon credit trading, through the merger of Novagerar in 2009 (previously the parent company of CTRNI).

(2) Grants calculated on operations in the Nova Iguaçu landfill, for the following transactions: treatment and disposal of waste, sale of Biogás and sale of carbon credits

### 16. Salaries and social charges (consolidated)

b	12/31/2020	12/31/2019
Salaries and fees payable	1,560	1,392
Social Security payable (INSS) payable	1,473	1,704
Unemployment Insurance (FGTS) payable	341	302
Provision and charges on vacation pay	5,928	5,726
Withholding income tax (IRRF) on salaries	430	347
Others	57	59
Total	<u>9,789</u>	<u>9,530</u>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 17. Tax paid in installments (consolidated)

	12/31/2020	12/31/2019
INSS	1,837	22
ISS (1)	1,668	3,405
ICMS (2)	2,567	1,832
COFINS (3)	12,512	4,312
IRPJ (3)	4,979	1,000
CSLL (3)	2,018	799
PIS (3)	2,780	936
PERT(3)	2,006	2,250
Total	<u>30,367</u>	<u>14,556</u>
Current	6,707	4,243
Non-current	23,660	10,313

The information relating to the taxes in installments of the Consolidated are presented below:

	Original amount	No. of installments	Installments to mature	Adjustment indices
INSS	5,308	19 to 60	41 to 60	SELIC + Fine of 20% Arrears interest +
ISS	2,096	24 to 84	18	IPCA Arrears interest +
ICMS	264	36 to 120	54	UFIR
IRPJ	3,423	60	41 to 57	SELIC + Fine
CSLL	1,519	60	41 to 57	SELIC + Fine
PIS	2,987	60	41 to 60	SELIC + Fine
COFINS	14,086	60	41 to 60	SELIC + Fine

- (1) On March 18, 2016, the indirect subsidiary CTRNI obtained approval for a request to pay ISS in installments to the Nova Iguaçu Municipal Government. Approval was given for payment of R\$4,884 in 36 installments (plus fines and interest), which had the effect of reclassifying tax payable as tax payable in installments, since the debt had already been registered. These installments were settled in full in 2020. The outstanding balance on December 31, 2020 refers to the homologation of the ISS installment plan of the indirect subsidiaries CTR BM and CTRA.
- (2) In 2014, Orizon Meio Ambiente joined a special program of payment in installments of outstanding balances of ICMS (PEP) owing to the State of São Paulo. The total amount involved was R\$3,525, divided into 120 installments. Installments of R\$29 have been being paid since December 2014, and the last one is due in May 2024.
- (3) In 2017, Orizon Meio Ambiente, CTRNI, CTRBM and CTRA settled in full the federal taxes payable up to 04/30/2017, under an installment program introduced by Law 13.496/2017, which permitted the offsetting of tax debt adjusted for fines and interest (5%) by using the tax losses of Orizon Meio Ambiente. The balance of the debt was repaid in cash. The outstanding balance of the REFIS program relates to the subsidiary Ecopesa, all of whose shares were acquired on August 3, 2017. In addition in 2019, the indirect subsidiaries CTRA, CTRBM, CTRNI, ETR, Ecopesa and Foxx URE-BA obtained approval for payment of federal taxes (IRPJ, CSLL, PIS and COFINS) in installments from the Brazilian Federal Revenue, for a total of R\$7,518. The debt is to be settled in 60 installments, plus fines and interest. In the 4<sup>th</sup> quarter of 2020, the installment of federal taxes was approved in the amount of R\$14,222, with maturity within up to 60 installments of the direct subsidiary Orizon Meio Ambiente and indirect subsidiaries CTRNI, CTRBM, CTRA, ETR and URE-JP.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 17. Tax paid in installments (consolidated)--Continued

#### Payment schedule

As at December 31, 2020, the balances of taxes due in installments classified as non-current liabilities were divided into years of maturity as follows:

2022	5,878
2023	2,884
2024	2,884
2025 onwards	12,014
Total	<u>23,660</u>

### 18. Provision for contingencies

#### a) Contingent liabilities where a loss is probable

In the normal course of its business, the Company is the subject of labor, tax and civil claims. For each case or potential case, management assesses the probability that the final ruling may result in a loss for the Company and, based on this assessment, sets up provisions to cover probable labor, tax and civil losses.

Management and its external legal counsel classify probable losses, for which provisions have been set up, as follows:

	Consolidated	
	12/31/2020	12/31/2019
Labor	23,182	16,511
Civil	11,092	2,047
Tax	488	433
Total	<u>34,762</u>	<u>18,991</u>

The following is a summary of changes in the contingencies:

	Labor	Tax	Civil	Total
Balance as at January 1, 2019	11,736	117	2,410	14,263
Additions/Reversals	5,687	316	(363)	5,640
Payments	(912)	-	-	(912)
Balance as at December 31, 2019	16,511	433	2,047	18,991
Additions/Reversals	6,852	55	9,125	16,032
Payments	(181)	-	(80)	(261)
Balance as at December 31, 2020	<u>23,182</u>	<u>488</u>	<u>11,092</u>	<u>34,762</u>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 18. Provision for contingencies--Continued

#### a) Contingent liabilities where a loss is probable--Continued

Labor claims are mainly related to the payment of overtime, transfer bonuses etc., frequently connected to disputes on severance pay. In addition, there are provisioned amount on risks relating to payments to the executive body.

The Company continues to defend its interests in all these lawsuits, and has set up a provision for probable losses where it has been served notice as a defendant.

#### b) Contingent liabilities where a loss is possible

As at December 31, 2020 and 2019, cases where losses were considered possible by management and its external counsel, not provisioned in the financial statements, were as follows:

Nature of the cases	Consolidated	
	12/31/2020	12/31/2019
Civil	219,996	226,098
Labor	7,726	5,721
Tax	175,326	43,798
Total	<u>403,048</u>	<u>275,617</u>

#### *Civil action (Consolidated)*

In 2005, the Rio de Janeiro State Prosecutor's Office filed Public Civil Action No. 2005.004.080695-8 against S.A. Paulista de Construções e Comércio, CTRA et all, alleging administrative misconduct in the bidding process held by the São Gonçalo Municipality for the installation and operation of an Urban Solid Waste Treatment and Final Disposal System (Bidding process No. 13/03 and Concession Agreement No. 001/04). At the time, the amount in dispute was R\$145,992, with no change as at December 31, 2020.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### *Tax proceedings (Consolidated)*

#### Income and Social Contribution Taxes (Consolidated)

This is a discussion on Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) for an amount of R\$17,089, relating to calendar year 2008, for a deduction of expenses and uncomputed additions by the companies acquired Azurix, Aquamec, Novagerar and El Capitan.

There is a discussion on IRPJ and CSLL amounting to R\$10,222, in calendar year 2012, based on estimated profit, plus fines and arrears interest. In March 2017 a challenge to the assessment was submitted. In January 2018 the challenge was denied. An appeal was filed in March 2018, and a decision is now awaited.

In 2018, the indirect subsidiary was assessed by the Federal Revenue for income and social contribution taxes (IRPJ and CSLL) for R\$10,957 (R\$11,547 adjusted as at December 31, 2019). The assessment challenges the basis for estimated profit for calendar year 2015. The Company is currently awaiting a decision on the challenge to the assessment submitted by the lawyers handling the case.

In 2020, the subsidiary Orizon Meio Ambiente and the indirect subsidiaries CTRNI, CTRA and CTRBM received Assessment Notices from the Federal Revenue Service ("RFB") relating to supposed identified IRPJ, CSLL, PIS, COFINS, IOF and social-security contribution debts in the total amount of R\$131,798. The cases are currently in progress in the First Level of Jurisdiction of the Trial Federal Revenue Office, awaiting a decision on the challenge already filed.

#### c) Court deposits

Court deposits are mainly related to labor claims, in addition to judicial blocking of bank balances in civil proceedings, and are held as non-current assets. As at December 31, 2020 and 2019, balances were as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Court deposits	11	11	8,498	6,267

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
(In thousands of BRL)

### 18. Provision for contingencies--Continued

#### c) Court deposits--Continued

In 2019 an Action for Execution of Extrajudicial Instrument was filed by the direct subsidiary Orizon Meio Ambiente and the indirect subsidiary Foxx URE-BA by a supplier of Foxx URE-BA, demanding payment under a trading agreement between the parties. Funds were paid into court until the conclusion of the case. The balance on December 31, 2020 was R\$4,183 (R\$1,862 on December 31, 2019).

### 19. Advances from customers (consolidated)

On October 15, 2014, CTRNI and CTRA signed exclusive contracts for the supply of biochemical gas extracted and collected from the landfills at Nova Iguaçu (RJ) and São Gonçalo (RJ), to Nova Iguaçu Energia e Gás Renovável Ltda. ("NIEGAR") and São Gonçalo Energia e Gás Renovável Ltda ("SGEGAR"), respectively. These companies generate energy from biogas of landfills. The terms of the supply contracts are as follows:

#### Expiration:

CTRNI – December 15, 2034.

CTRA – August 10, 2030.

Price: R\$0.12 to R\$0.14 per Nm<sup>3</sup> (base date: October 2014), free of tax, depending on the quantities supplied. Minimum requirements 1,369 Nm<sup>3</sup>/h for CTRA and 2,933 Nm<sup>3</sup>/h for CTRNI (flow unit: Normal Cubic Meter per hour), adjusted annually by the IPCA/IBGE<sup>1</sup>.

Compensation: under the agreement, the advance will be offset by a forty percent (40%) rebate on the value of invoices issued.

In the 1<sup>st</sup> quarter of 2016, the Company started the activities of supply of Biogás to its customer Gás Verde, and then NIEGAR and SGEGAR took over the Gás Verde agreements with CTRNI and CTRA.

Balances are classified as current or non-current liabilities on the basis of estimated revenues from the sale of Biogás during the following year. On this amount we apply the forty percent (40%) provided for in the contract.

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<sup>1</sup> Broad National Consumer Price Index (IPCA), published by the Brazilian Institute of Geography and Statistics (IBGE).

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 19. Advances from customers (consolidated) --Continued

#### Compensation--Continued

In 2017 Gás Verde settled the outstanding balance owed by CTRA to Paraná Banco, as a type of contractual advance for starting Biogás sales, in the amount of R\$14,000. This advance was recognized by CTRA as an obligation to Gás Verde and offset it when sales of Biogás began. The advance has been set off against invoices issued to Gás Verde.

On February 27, 2015, the direct subsidiary CTRNI also received an advance from Gás Verde (subsequently NIEGAR) for the sale of Biogás, amounting to R\$9,308, R\$7,308 of it in cash and R\$2,000 by settling the debt of a related party.

In addition, under an agreement between the parties, after the concession period of the landfill was extended in July 2017, CTRNI received a further advance from Gás Verde of R\$10,000. CTRNI recognized these sums as an obligation to Gás Verde (subsequently NIEGAR) and since trade in Biogás began they have been offset against invoices of revenue from biogas issued to Gás Verde/NIEGAR.

In 2018, CTRNI and CTRA started billing and receiving amounts based on current measurements. As indicated in Note 13, the receivables for the sale of Biogás were given as security of the transaction with Credit Suisse in June 2020, the receivables were previously offered as guarantee of the transaction with FIDC NP, also settled in June 2020.

Below we show changes in the balances of advances from customers:

Balance as at January 01, 2019	26,551
Net offsets	<u>(7,687)</u>
Balance as at December 31, 2019	18,864
Entries	9,845
Offsets	<u>(5,932)</u>
Balance as at December 31, 2020	<u><b>22,777</b></u>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 20. Accounts payable

#### Arbitration

On January 31, 2012, Biogás filed arbitration proceedings relating to a Private Deed of Purchase and Sale Option on an Asset against the subsidiary Orizon Meio Ambiente, which recognized the debt in view of the Arbitration Award.

On October 15, 2014, Orizon Meio Ambiente and Biogás signed a Private Deed for the Assumption of Debt, whereby the indirect subsidiaries CTRNI and CTRA assumed all Orizon Meio Ambiente's debt (R\$26,480 at the time of the agreement) plus charges. CTRA assumed the sum of R\$9,930 and CTRNI R\$16,550. Biogás, in turn, transferred the rights to these receivables to Gás Verde, which has contracts with CTRA and CTRNI for the purchase of Biogás from the landfills.

It was agreed that the sums now owned by CTRA and CTRNI to Gás Verde (NIEGAR/SGEGAR) within the scope of the arbitration would be deducted to the extent of 30% of each invoice due by it.

On June 22, 2020, Orizon Meio Ambiente, NIEGAR and SGEGAR signed an agreement ratifying the understandings and confirming the amounts to be offset from receivables under the Biogás sales agreement, against the arbitration balances provisioned.

As at December 31, 2020, the balances were as follows:

	<u>CTR NI</u>	<u>CTRA</u>	<u>Total</u>
Balance as at January 1, 2019	18,896	12,042	30,938
Offsets against Biogás invoices	(6,052)	(1,909)	(7,961)
Monetary adjustments	966	722	1,688
Balance as at December 31, 2019	13,810	10,855	24,665
Offsets against Biogás invoices	<b>(9,648)</b>	<b>(4,600)</b>	<b>(14,248)</b>
Monetary adjustments	<b>1,783</b>	<b>2,095</b>	<b>3,878</b>
Balance as at December 31, 2020	<b>5,945</b>	<b>8,350</b>	<b>14,295</b>

#### Assignment of debts

In March 2020, Orizon and Synthesis signed a Private Instrument of Debt and Renegotiation of Terms and Conditions. This document defines the portion of the new balance agreed that would be transferred to Synthesis creditors in order to settle this company's debts. Thus, Orizon became a debtor of two individuals that had a relationship with Synthesis, in the total amount of R\$9,491. The assignment was divided into two debts, as follows:

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 20. Accounts payable--Continued

#### Assignment of debts--Continued

- 1<sup>st</sup> assignment of debt: Principal amount: R\$8,991; Remuneration: 8.6% p.a and maturity in March 2027, with monthly payments.
- 2<sup>nd</sup> assignment of debt: Principal amount: R\$500; Remuneration: 80% of the CDI and maturity in June 2023, with monthly payments.

The amounts are presented in the table below:

Creation by assignment of the debt - 03/27/2020	9,491
Discounts obtained	(81)
Net payments	(1,252)
Monetary adjustments	490
Balance as at December 31, 2020	<u>8,648</u>
Current	1,545
Non-current	7,103

### 21. Shareholders' equity

#### a) Capital stock

As at December 31, 2020, our capital stock was R\$544,323 (R\$543,448 as at December 31, 2019), represented by 5,122,089 registered common shares of no par value, subscribed and fully paid up. The following is the shareholder structure:

The table below shows a breakdown of our capital stock on December 31, 2020:

Shareholder	Number of shares (thousands)	Percentage interest (%)
Inovatec Participações S.A.	37,633,010	73.47%
Spectra Portinari Fundo de Investimentos em Participações Multiestratégia	12,074,350	23.58%
SH 1000 Participações S.A.	478,820	0.93%
SGRP Empreendimentos e Participações S.A.	403,590	0.79%
Pro-Ambiente Gerenciamento e Projetos Ltda.	140,430	0.27%
Other minority shareholders	490,690	0.96%
Total	<u>51,220,890</u>	100.00%

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 21. Shareholders' Equity --Continued

#### a) Shareholders' Equity--Continued

The table below shows a breakdown of our capital stock as at December 31, 2019:

<u>Shareholder</u>	<u>Number of shares (thousands)</u>	<u>Percentage interest (%)</u>
Inovatec Participações S.A.	3,503,419	68.4%
Infrabrasil Fundo de Investimento em Participações	808,569	15.79%
Fundo de Investimento em Participações Caixa Ambiental	398,866	7.79%
SH 1000 Participações S.A.	356,833	6.97%
SGRP Empreendimentos e Participações S.A.	40,359	0.79%
Pro-Ambiente Gerenciamento e Projetos Ltda.	14,043	0.27%
Total	<b>5,122,089</b>	100.00%

On July 26, 2019, Fundo de Investimento em Participações Multisetorial Plus Investimentos no Exterior ("Fundo Multisetorial Plus") signed an agreement transferring its shares and convertible debentures to Inovatec Participações S.A. ("Inovatec"), thus ceasing to be a shareholder of the parent company.

On January 6, 2020, the companies SH1000 Participações S.A. ("SH1000") and Inovatec Participações S.A. ("Inovatec"), which are shareholders of ORIZON – the parent company of Orizon Meio Ambiente, entered into a private instrument of transfer of shares and other covenants. SH1000 transferred 259,882 shares to Inovatec, reducing its equity interest to 0.93481% before the conversion of debentures, and to 0.8975% after potential conversion of debentures by Inovatec Participações S.A. This transaction did not impact our results.

On October 28, 2020, the shareholders of Infrabrasil Fundo de Investimentos em Participações e Fundo de Investimentos em Participações Caixa Ambiental transferred, respectively, 808,569 and 398,866 shares to Spectra Portinari Fundo de Investimentos em Participações Multiestratégia under an agreement between the parties that includes, among other matters, adherence by the new shareholder to our Shareholders' Agreement. Following this transaction, Spectra became the holder of 1,207,435 shares representing a 23.58% interest in Orizon's capital stock, with no change in interest of our other shareholders.

In the end of 2020, the shareholder Pro-Ambiente Gerenciamento e Projetos Ltda. paid the amount of R\$875 through the provision of services with issue of a tax invoice, since the payment of this capital stock was pending.

As detailed in note 30, early in 2021 the Company split its shares, and issued and converted new shares.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### b) Equity instruments – convertible debentures

Between 2008 and 2012 Orizon Valorização de Resíduos S.A (the “Company”) made three private issues of convertible debentures to Fundo de Investimentos em Participações Multisetorial Plus, managed by Banco Bradesco BBI (the “Debenture holder”). Below we give the par values and number of shares corresponding to each issue:

<u>Shareholder</u>	<u>Value</u>	<u>Shares</u>
1st Issue of debentures:	<b>84,917,474</b>	<b>156,638</b>
2nd Issue of debentures:	<b>50,000,000</b>	<b>112,362</b>
3rd Issue of debentures:	<b>15,919,083</b>	<b>159,159</b>
Total	<b>150,836,557</b>	<b>428,159</b>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 21. Shareholders' Equity--Continued

#### b) Equity instruments – convertible debentures--Continued

In 2010 and 2013, the Debenture holder converted all the 1st Issue debentures and some of the 2nd issue. Below is the balance of par values and number of shares for December 2020 and 2019:

<u>Shareholder</u>	<u>Value</u>	<u>Shares</u>
2nd Issue of debentures:	<b>14,958,096</b>	<b>53,872</b>
3rd Issue of debentures:	<b>15,919,083</b>	<b>159,159</b>
Total	<b>30,877,179</b>	<b>213,031</b>

On July 26, 2019, Fundo de Investimentos em Participações Multisetorial Plus transferred to Inovatec Participações S.A the debentures not yet converted. This transaction took place upon acquisition of shares in Fundo de Investimentos em Participações Multisetorial Plus pela Inovatec Participações S.A.

#### c) Special premium reserve upon merger

On February 7, 2013, the Company swapped shares with Inovatec S.A. and thereby acquired a 100% interest in Foxx Holding. The investment was valued on the basis of the Foxx Holding shareholders' equity as at December 31, 2012, which was R\$2,815. However when the investment was effectively recognized, Foxx Holding was valued at R\$5,838, an increase of R\$3,023. The Company recognized this sum as premium on the issue of new shares in the financial statements.

#### d) Warrants

On June 19, 2020, Orizon Meio Ambiente issued 10,000 warrants according with Article 77 of Law 6.404/1976, as amended (Brazilian Corporation Law), which were delivered as payment to the debenture holders of the Issues, corresponding to R\$156,664. The conditions of the issue of shares the quantity, price, maturity and form of payment, as well as other conditions and procedures are provided for in the Warrant Certificate. This amount is recorded in our shareholders' equity according to the conditions established with FIDC NP for future conversion into capital stock. The conditions established include: (1) the subscriber is entitled to subscribe and pay-in 52,657 common shares; and (2) the exercise is only allowed in case of a liquidity event.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 21. Shareholders' equity--Continued

e) Equity valuation adjustment

This represents the value in the Company books of the cost of R\$10,359 attributed to a piece of land located in the city of Barra Mansa - RJ, net of tax effects, in the financial statements on the transition date, January 1, 2009. In 2010, on initial adoption of the new standards, the land, which was in the books at acquisition cost of R\$1,304, was revalued to R\$16,999, giving a gross gain of R\$15.695 (R\$10,359 net of deferred income and social contribution taxes calculated at 34%).

f) Dividend distribution policy

The Company bylaws provide for the payment of mandatory minimum dividends of 5% of net income for the year, after transferring 5% to the legal reserve, as required by law.

g) Basic and diluted loss per share

In the years ended December 31, 2020 and 2019, earnings per share were as follows:

	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Loss for the year	20,065	(19,487)	23,610	(16,581)
Number of common shares (*)	54,164	5,1220	51,164	5,1220
Basic net earnings per share	0.37	(0.38)	0.44	(0.32)
Number of common shares and convertible debentures (*)	54,164	5,335	53,350	5,335
Diluted loss per share	0.28	(0.37)	0.33	(0.31)

(\*) For calculation purposes as of 12/31/2020, this includes the event that took place on January 25, 2021, regarding the split of shares in the proportion of 52,220 in the Parent Company and R\$53,350, as detailed in note 30.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 22. Net operating revenues (consolidated)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Gross operating revenues	<u>447,537</u>	<u>395,865</u>
Deductions from Gross Revenues		
Social Integration Program - PIS	<b>(6,352)</b>	(4,958)
Contribution to Social Security Financing - COFINS	<b>(27,419)</b>	(22,846)
Services tax - ISS	<b>(17,978)</b>	(15,468)
Tax on Circulation of Goods and Services - ICMS	<b>(2,392)</b>	(2,528)
Other taxes	<b>(1,428)</b>	(1,912)
Total tax payable	<u><b>(55,569)</b></u>	<u>(47,712)</u>
Net operating revenues	<u><u>391,968</u></u>	<u><u>348,153</u></u>

### 23. General and administrative costs and expenses

Costs and expenses by type	Cost of services provided	12/31/2020 General and administrative expenses	Parent Company		12/31/2019 General and administrative expenses	Total
			Total	Cost of services provided		
Third party services	-	(1,465)	(1,465)	-	(192)	(192)
Total	-	(1,465)	(1,465)	-	(192)	(192)

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 23. General and administrative costs and expenses --Continued

Costs and expenses by type	Cost of services provided	12/31/2020 General and administrative expenses	Consolidated		12/31/2019 General and administrative expenses	Total
			Total	Cost of services provided		
Personnel (salaries and wages)	(44,055)	(15,675)	(59,730)	(42,513)	(13,339)	(55,852)
Materials for production and consumption	(39,098)	(330)	(39,428)	(46,341)	(750)	(47,091)
Depreciation and amortization	(48,619)	(1,410)	(50,029)	(51,323)	(2,203)	(53,526)
Third party services	(15,410)	(16,870)	(32,280)	(19,333)	(21,148)	(40,481)
Rents	(12,707)	(2,438)	(15,145)	(8,275)	(2,420)	(10,695)
Grants	(10,199)	(977)	(11,176)	(9,188)	(1,216)	(10,404)
Energy (*)	(47,790)	(310)	(48,100)	(42,098)	(418)	(42,516)
Fuel	(10,152)	(82)	(10,234)	(9,094)	(106)	(9,200)
Freight	(5,892)	(7)	(5,899)	(2,635)	(1)	(2,636)
Contingencies	-	(7,104)	(7,104)	-	(4,728)	(4,728)
Others	(11,248)	(4,717)	(15,965)	(10,887)	(4,940)	(15,827)
<b>Total</b>	<b>(245,170)</b>	<b>(49,920)</b>	<b>(295,090)</b>	<b>(241,687)</b>	<b>(51,269)</b>	<b>(292,956)</b>

(\*) This heading includes the sum of R\$41,225 for the purchase of electricity by the indirect subsidiary Foxx URE-BA in the year ended December 31, 2020 (R\$36,693 in the year ended December 31, 2019).

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 24. Financial income and expenses

	Parent Company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial income				
Fair value adjustment	110	36,057	110	36,057
Adjustment to present value	-	25,938	28,724	-
Positive exchange adjustment	-	-	170	1,144
Earnings on financial investments	-	-	118	323
Discounts obtained	81	35,281	226	35,407
Other financial income	-	29	316	141
Tax payable on financial income	(17)	(3,002)	(3,190)	(10,180)
Total	174	94,303	26,474	62,892
Financial expenses				
Adjustment to present value	(28,516)	-	-	-
Fair value adjustment	(58,992)	-	-	-
Negative exchange adjustment	-	-	(253)	(145)
Interest on loans and financing	(40,609)	(56,553)	(42,876)	(36,360)
Fines and interest	(10)	-	(10,545)	(2,725)
Commission on bank surety	-	-	(1,946)	(3,046)
Discount granted	-	-	(885)	(345)
Write-off of balances on transfer of debts (1)	-	-	(7,470)	-
Other financial expenses (2)	(10,578)	(4,594)	(18,356)	(9,381)
Total	(138,705)	(61,147)	(82,331)	(52,002)
Financial result, net	(138,531)	33,156	(55,857)	10,890

- (1) This heading includes the recognition of effects of the transfer of Synthesis debt to creditors, through the increase in the value of debt, as explained in (note 8)..
- (2) This heading includes the recognition of effects of the setup of debt with individuals on the settlement of the balance with Synthesis, as explained in (note 20).

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements--Continued  
as of December 31, 2020 and 2019  
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### 25. Segment reporting

The Group's reportable operating segments are shown in the table below:

	Consolidated				
	12/31/2020				
	Treatment and final disposal	Energy, Biogás and carbono credits	Waste processing / Waste to Energy (WtE)	Environmental engineering	Total
Net operating revenues	247,771	70,424	50,954	22,819	391,968
Cost of services provided	(123,997)	(3,989)	(50,798)	(17,767)	(196,551)
Gross profit before depreciation	123,774	66,435	156	5,052	195,417
Depreciation costs					(48,619)
Gross profit					146,798
Operating revenues (expenses)					(49,920)
General and administrative expenses					5,822
Other revenues, net					102,700
Income (loss) before financial result and equity accounting					26,474
Financial result					(82,331)
Financial income					(55,857)
Financial expenses					578
Financial result, net					47,421
Equity accounting income					(23,297)
Income (loss) before income and social contribution taxes					(514)
Income and social contribution taxes					23,610
Current					
Deferred					
Loss for the year					

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
December 31, 2020 and 2019  
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### 25. Segment reporting--Continued

	Consolidated				
	31/12/2019				
	Treatment and final disposal	Energy, Biogás and carbono credits	Waste processing / WtE	Environmen tal engineering	Total
Net operating revenues	241,340	30,522	46,955	29,336	348,153
Cost of services provided	(116,953)	(4,317)	(46,065)	(23,028)	(190,363)
Gross profit before depreciation	124,387	26,205	890	6,308	157,790
Depreciation costs					(51,324)
Gross profit					106,466
Operating revenues (expenses)					
General and administrative expenses					(51,269)
Other revenues (expenses), net					(6,863)
Income from financial result and equity accounting					48,334
Financial result					
Financial income					62,892
Financial expenses					(52,002)
Financial result, net					10,890
Equity accounting income					(1,134)
Provision for impairment					(68,382)
Loss before income and social contribution taxes					(10,292)
Income and social contribution taxes					
Current					(9,985)
Deferred					3,696
Loss for the year					(16,581)

### 26. Commitments (consolidated)

#### Emission reduction certificates

We have negotiated carbon credits in short- and medium-term agreements.

As indicated in Note 6, in 2020 the indirect subsidiaries CTR NI, Ecopesa and CTTRA entered into new carbon credit agreements, as well as Foxx URE-JP, which already had an active agreement.

#### Biogas trading

Through our subsidiaries, we have exclusive agreements on the supply of biogas generated in our operations of processing and allocation of waste in ecoparks, and all gas generated in these operations must be made available.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments

#### a) Risk management objectives and strategies

As its policy for financial asset management, the Company is always seeking to improve yield according to risk. Criteria and indicators are selected to show the level of liquidity, market and credit risks.

In the normal course of its business, the Company is exposed to market risks such as interest rates, liquidity, credit etc.

The main financial instruments used by the Company are listed below:

		12/31/2020			
		Parent Company		Consolidated	
Category		Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents	Amortized cost	1	1	6,044	6,044
Securities	Fair value through result	5	5	10,511	10,511
Trade accounts receivable	Amortized cost	-	-	121,873	121,873
Accounts receivable from related parties	Amortized cost	5,982	5,982	8,485	8,485
Court deposits and guarantees	Amortized cost	-	-	8,498	8,498
Financial liabilities					
Trade accounts payable	Amortized cost	812	812	43,166	43,166
Loans and financing	Amortized cost	553,610	466,101	337,377	337,377
Accounts payable to related parties	Amortized cost	107,763	98,043	-	-
Grants payable	Amortized cost	-	-	7,412	7,412
Advance from customers	Amortized cost	-	-	22,777	22,777
		12/31/2019			
		Parent Company		Consolidated	
Category		Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents	Amortized cost	1	1	2,317	2,317
	Fair value through profit or loss	-	-	11,526	11,526
Securities	Fair value through profit or loss	-	-	1,609	1,609
Restricted cash	Amortized cost	-	-	96,313	96,313
Trade accounts receivable	Amortized cost	-	-	-	-
Receivable from related parties	Amortized cost	5,982	5,982	9,220	9,220
Court deposits and bonds	Amortized cost	11	11	6,267	6,267
Financial liabilities					
Suppliers	Amortized cost	90	90	46,505	46,505
Loans and financing	Amortized cost	425,492	425,492	459,542	459,542
Accounts payable to related parties	Amortized cost	95,363	95,363	61,637	61,637
Grants payable	Amortized cost	-	-	6,441	6,441
Advances from customers	Amortized cost	-	-	18,864	18,864

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments--Continued

a) Risk management objectives and strategies--Continued

The Company has no forward contracts, options, swaptions, flexible options, derivatives embedded in other products, structured transactions with derivatives or “exotic” derivatives. The Company does not use derivative financial instruments.

Management also believes that the book values of the other financial instruments are not significantly different from their fair values, since the interest rates applicable to them are not significantly different from market rates.

b) Fair value hierarchy

Technical Pronouncement CPC 48/ IFRS 9 – Financial Instruments defines fair value as the value/price that would be obtained for selling an asset or paid on transfer of a liability in an ordinary transaction between market participants on the measurement date. The standard states that fair value must be based on the premises that the participants in a market use when attributing a value/price to an asset or liability, and establishes a hierarchy which gives priority to the information used to define these premises. The fair value hierarchy gives more weight to information available in a market (i.e. observable data) and less to information based on data showing little or no market activity (i.e. non-observable data). The standard also requires a company to consider every aspect of nonperformance risk, including the company’s own credit, to measure the fair value of a liability.

CPC 48/ IFRS 9 establishes a three-level hierarchy to be used to measure and report fair value. An instrument is categorized in the fair value hierarchy according to the lowest level of significant input for its measurement. A description of the three levels of this hierarchy follows:

*Level 1* - Inputs are based on prices practiced in an active market for identical assets or liabilities on the measurement date. The Company must also be able to trade in this active market, and must not be able to adjust the price. As at December 31, 2020 and 2019, the Company was not holding any financial instruments classified as Level 1.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments--Continued

#### b) Fair value hierarchy--Continued

*Level 2* - Inputs are directly or indirectly observable for the asset or liability, but do not qualify as Level 1. Level 2 inputs include prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities; or inputs that are observable or that may corroborate the observation of market data by correlation or otherwise, for substantially the whole of the asset or liability. The financial instruments held by the Company as at December 31, 2020 and 2019 are all classified as Level 2.

*Level 3* – Non-observable inputs where there is little or no market activity. These inputs represent management's best estimates of how market participants might attribute value/price to assets or liabilities. Generally, Level 3 assets and liabilities are measured using pricing models, discounted cash flows or similar methods that require a significant level of judgment or estimate.

As at December 31, 2020 and 2019, the Company was not holding any financial instruments classified as Level 3.

Under Technical Pronouncement CPC 48/ IFRS 9 – *Financial Instruments: Disclosure*, the Company measures financial investments and restricted financial investments at fair value.

The following table summarizes financial assets recorded at fair value as at December 31, 2020 and 2019:

	Fair value hierarchy	Parent Company			
		Book value		Prices quoted for identical assets and liabilities (Level 2)	
		12/31/2020	12/31/2019	12/31/2019	12/31/2018
Financial assets					
Cash and cash equivalents	Level 2	1	1	1	1
Securities	Level 2	5	2	5	2
Receivable from related parties		5,982	5,982	5,982	5,982
Court deposits		11	11	11	11
Financial liabilities					
Suppliers		812	90	812	90
Loans and financing		553,610	425,492	553,610	425,492
Accounts payable to related parties		107,763	95,363	107,763	95,363

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27 Financial instruments--Continued

#### b) Fair value hierarchy--Continued

##### *Level 3 --Continued*

	Fair value hierarchy	Consolidated			
		Book value		Prices quoted for identical assets and liabilities (Level 2)	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
<b>Financial assets</b>					
Cash and cash equivalents	Level 2	6,044	2,317	6,044	2,317
Securities	Level 2	10,511	11,526	10,511	11,526
Restricted cash	Level 2	-	1,609	-	1,609
Trade accounts receivable		121,873	96,313	121,873	96,313
Accounts receivable from related parties		8,485	9,535	8,485	9,535
Court deposits		8,498	6,267	8,498	6,267
<b>Financial liabilities</b>					
Trade accounts payable		43,166	46,505	43,166	46,505
Loans and financing, and leases		337,377	447,379	337,377	333,210
Accounts payable related parties		-	61,637	-	61,637
Grants payable		7,412	6,441	7,412	6,441
Advance from Customers		22,777	18,864	22,777	19,548

##### *Financial instruments measured at fair value*

The Company assessed its financial assets and liabilities against the relevant market values or recoverable values, by using the information available and the best practices in market assessment methods for each situation. The interpretation of market data and the methods selected require a high degree of judgment in order to define reasonable estimates for calculating the fair value. As a result, the estimates presented may not necessarily indicate the amounts that would be obtained in the current market. The use of different hypotheses to calculate the fair value may significantly affect the amounts obtained.

For agreements whose current conditions are similar to those under which they have been originally agreed, or agreements without quotation or contracting parameters, the fair values are similar to the book values. The assessment to determine the fair value of these assets and liabilities measured at amortized cost took into account the impacts from adoption of CPC 48/IFRS 9.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27 Financial instruments--Continued

#### c) Management of financial risks

The Company is exposed to liquidity, credit and market risks. Our Management believes that the main market risk to which we are exposed is the interest rate risk, as described below:

##### *Liquidity risk*

Liquidity risk represents the possibility of mismatches between the maturity dates of our assets and liabilities, as a result of which we may be unable to meet our obligations within the established deadlines. We manage our liquidity risk by matching the maintenance of appropriate reserves, credit facilities and other financial products, and continuously monitoring our budget and current cash flow, matching the maturity dates of our financial assets and liabilities.

Our Management is working to reverse the accumulated losses and negative net current capital. The targets established by Management to achieve better results, as well as the results achieved, include:

- Analysis of opportunities to reduce costs and expenses that were implemented, and continuity of the assessment of processes for operating and administrative improvements. Advance in negotiations with the local government of São Gonçalo involving balances receivable of the indirect subsidiary CTRA, regarding the settlement of past balances, offsetting of municipal taxes and grants outstanding, in addition to request for increase in concession terms.
- Implementation of new business, from which we expect to receive profits in the coming years. Among others, they include (i) the trading of biogas generated from the decomposition of solid waste disposed of in the sanitary landfills of Nova Iguaçu, São Gonçalo, for which our indirect subsidiaries have undertaken to supply gas to third parties until 2029; (ii) biogas supply agreement entered into between CTRBM and Biogera; and (iii) partnership agreement on the sharing and use of biogas in electricity generation, entered into between Ecopesa and ASJA Brasil Serviços para o Meio Ambiente Ltda.
- Implementation of new waste improvement activities that will strengthen our operating cash generation, with focus on recycling, briquetting and energy generation.
- Start of energy trading operations by the energy recovery unit located in Barueri, State of São Paulo, as per the long-term agreement entered into with Companhia Energética de Minas Gerais (15 years). Agreement to match our liabilities with payment flows compatible with the cash generation of our Company and its subsidiaries.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments -- Continued

#### c) Management of financial risks -- Continued

##### *Liquidity risk* -- Continued

The table below shows the composition and the schedule of receipt of payments of our financial assets and liabilities:

##### Financial assets

	Parent Company				
	No maturity date	Up to 1 month	From 1 to 3 months	From 1 to 5 years	Total
Cash and cash equivalents	1	-	-	-	1
Securities	5	-	-	-	5
Related parties	-	-	-	-	5,982
<b>Total</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,988</b>

	Consolidated					
	No maturity date	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Total
Cash and cash equivalents	6,044	-	-	-	-	6,044
Financial investments	18,646	-	-	-	-	18,646
Trade accounts receivable	-	57,274	53,861	1,008	9,730	121,873
Related parties	-	-	-	-	8,485	8,485
<b>Total</b>	<b>24,690</b>	<b>57,274</b>	<b>53,861</b>	<b>1,008</b>	<b>18,215</b>	<b>155,048</b>

##### Financial liabilities

	Parent Company					
	Up to 1 month	From 1 to 3 months	From 1 to 3 months	From 1 to 5 years	Over 5 years	Total
Suppliers	341	471	-	-	-	812
Loans, financing	-	-	-	553,610	-	553,610
Related parties	-	-	-	107,763	-	107,763
<b>Total</b>	<b>341</b>	<b>471</b>	<b>-</b>	<b>661,373</b>	<b>-</b>	<b>662,185</b>

	Consolidated					
	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Suppliers	36,717	6,449	-	-	-	43,166
Loans and Financing	4,456	2,913	36,552	220,747	60,990	325,658
Leases	458	916	4,120	6,226	-	11,719
Grants payable	7,412	-	-	-	-	7,412
Advances from customers	1,469	2,938	13,221	5,149	-	22,777
<b>Total</b>	<b>50,512</b>	<b>13,216</b>	<b>53,893</b>	<b>232,122</b>	<b>60,990</b>	<b>410,732</b>

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments -- Continued

#### c) Management of financial risks – Continued

##### *Credit risk*

Credit risk refers to the risk of possible default by a counterparty regarding its contractual obligations, resulting in financial loss for the Company. The financial instruments that may subject us to the concentration of credit risk are, primarily, cash and cash equivalents, financial investments, restricted financial investments, trade accounts receivable and receivables from related parties. The Company's practice is to deposit cash and cash equivalents, financial investments and restricted financial investments in fixed income securities of financial institutions with high credit ratings. The Company limits the amount of exposure to financial institutions in order to reduce its credit risk exposure.

With respect to other credits, our Management monitors the credit risk attentively by adopting the measures and precautions required, and recording a provision for doubtful debts, whenever this is needed.

On December 31, 2020 and December 21, 2019, the consolidated balance of the provision for losses on accounts receivable was R\$32,291 and R\$35,673 respectively (Note 6).

##### *Price risk*

The prices used by the Company substantially reflect the conditions of the market. The prices used in special projects are based on the trade negotiations on a case-by-case basis.

##### *Interest rate risk*

This is the risk of the Company incurring losses due to changes in interest rates, which may boost our financial expenses due to liabilities raised on the market. We do not have a policy in place for contracting derivative transactions for speculative purposes.

The sensitivity analyses below were defined based on the exposure to interest rates of derivative and non-derivative financial instruments as of the balance sheet date. Scenarios I and II were estimated based on a deterioration of 25% and 50%, respectively, above probable expectations.

## Orizon Valorização de Resíduos S.A.

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### 27. Financial instruments -- Continued

#### c) Management of financial risks -- Continued

*Interest rate risk -- Continued*

#### Sensitivity analysis on the variation in CDI rates

Market expectations <sup>(\*)</sup> indicated an estimated CDI rate of 2.75%, which was the probable scenario for the year ended December 31, 2020, against the effective rate of 3,58% ([www.cetip.com.br](http://www.cetip.com.br)) on December 31, 2020.

Our Management applied the sensitivity test in assets and liabilities indexed to the CDI, considering a deterioration of 25% and 50%, respectively, below and above the probable scenario, as follows:

Transaction	Balance on 12/31/2020	Assets (Consolidated)		
		Probable scenario	Scenario I Δ 25%	Scenario II Δ 50%
Effective CDI rate – year ended 12/31/2020	2.75%			
Financial investments (Note 4)	10,511	10,598	10,692	10,786
Estimated annual rate – Year ending 12/31/2020		3.58%	4.48%	5.37%
Effect on income/shareholders' equity – year ending 12/31/2021		87	181	275
Transaction	Balance on 12/31/2020	Liabilities (Consolidated)		
		Probable scenario	Scenario I Δ 25%	Scenario II Δ 50%
Effective CDI rate – year ended 12/31/2020	2.75%			
Loans, financing (Note 13)	325,658	328,361	331,275	334,190
Estimated annual rate – Year ending 12/31/2021		3.58%	4.48%	5.37%
Effect on income/shareholders' equity – year ending 12/31/2021:		2,703	5,617	8,532

(\*) Source: BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ([www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)).

#### *Capital management risk*

We manage our capital for the purpose of guaranteeing the continuity of our activities, and, simultaneously, seeking to optimize the return for all stakeholders or parties involved in our operations through the optimization of our debt and equity balance.

We are not subject to external capital requirements.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### 27. Financial instruments -- Continued

#### d) Criteria, assumptions and limitations used in calculating fair values

We analyzed the fair values of our main financial instruments as of December 31, 2020, by applying usual market pricing techniques that involve our management's judgment. This analysis indicates that the fair values approach the book values recorded.

In order to estimate the fair value of our financial instruments, Management used the following assumptions:

#### *Cash and cash equivalents*

Due to their immediate liquidity and insignificant risk of change in value, the fair values of cash and cash equivalents balances are similar to their book values.

#### *Financial investments and restricted financial investments*

Due to their immediate liquidity and insignificant risk of change in value, the fair values of financial investments and restricted financial investments are similar to their book values.

#### *Loans and Financing*

Our Management believes that the value recorded approaches the fair value.

#### *Accounts receivable, suppliers (third parties) and miscellaneous credits*

Since they represent trade transactions that are carried out based on the market, Management believes that there are no material differences between the fair value and the accounting balances.

#### *Related parties*

The balances of assets and liabilities with related parties are not remunerated. It was not possible to classify the fair values since there are no contractual maturity terms.

## Orizon Valorização de Resíduos S.A.

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### 28. Insurance coverage (consolidated)

According to our policy, we contract insurance coverage for assets subject to risks in amounts considered sufficient by management to cover any losses, bearing in mind the nature of our activities.

On December 31, 2020, the main insurance coverages in effect for us and our subsidiaries refer to our sanitary landfills and waste processing units, in addition to administrative coverage. The risk assumptions adopted, given their nature, are not part of the scope of the review performed by our independent auditors.

### 29. Transactions not involving cash (Consolidated)

Warrants	156,664
Assumption of debt	61,542
Capital stock paid-in through the provision of services	875

### 30. Subsequent events

#### Corporate changes

On January 25, 2021, the following events took place:

- Conversion of convertible debentures of the 2<sup>nd</sup> and 3<sup>rd</sup> issue, upon issue of 213 new common shares. The capital increase was recorded against warrants.
- Issue of 81,245 new shares on the entry of the shareholder “Fundo de Liquidação Financeira Fundo de Investimento em Direitos Creditórios – Não Padronizado” represented by its manager.
- Unanimous approval of the split of shares, with each share represented by 10 shares. Accordingly, the capital stock is now divided in 54,163 shares.

These transactions had an impact of R\$2.00 on our Capital Stock, which amounted to R\$544,323 represented by 54,164 shares.

## Orizon Valorização de Resíduos S.A.

Explanatory notes to the individual and consolidated financial statements --Continued  
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### Going public – Public Offering of Shares

On February 11, 2020, we formalized our capital increase in the amount of R\$381,339 upon issue of 17,336 new common shares, with value of R\$22.00 per unit. The quantity of shares increased from 54,164 to 71,550, and the amount increased from R\$544,323 to R\$844,323. These new shares will be subject matter of the Public Offering for Primary and Secondary Distribution of Common Shares. Due to the contributions received in this process, we started to record a positive net current capital balance. Our Public Offering of Shares was held on February 17, 2021 at the price of R\$22.00 per common share (ORVR3). We raised the gross amount of R\$381,399, and received the amount of R\$359,977 net of transaction costs.

### Share split

On January 25, 2021, the Special Shareholders' Meeting approved the split of shares in the proportion of 54,163, after the issue and conversion of new shares on the same date, as mentioned above. Accordingly, the quantity of shares rose from 5,122 to 54,163 registered, book-entry common shares without nominal value.

The split changes only and exclusively the number of shares issued by us, as provided for in Article 12 of Law 6.404/76, not resulting in any change in our total capital stock, or in the rights granted by the shares issued by us. The split will not change the shareholders' proportional equity interest in our capital stock, and it will not affect the rights and benefits, whether relating to equity or policies, of our shares.

The composition of our capital stock by class of shares (without nominal value) and main shareholders, after the effect of the split of shares, is as follows:

Shareholders	Number of Shares	%	Balance
Inovatec Participações S.A.	39,763	73.41%	399,605
Fundo Spectra Portinari	12,074	22.29%	121,342
Minority Shareholders	2,326	4.29%	23,375
<b>Total</b>	<b>54,164</b>	<b>100.00%</b>	<b>544,323</b>

### Share-based payment

In February 2021, we provisioned in our liabilities the amount of R\$39,547 regarding share-based payments, as result of the agreement entered into with members of the executive board due to a successful liquidity event, that is, the listing of our shares for trading in B3 as from February 2021. Payments will be made in installments from 2021 to 2024. This event is described in item 13.1.g of the Reference Form, and it was submitted to the relevant corporate approvals.