

Individual and Consolidated Financial Statements

Orizon Valorização de Resíduos S.A.

December 31, 2022
with Independent Auditor's Report

Orizon Valorização de Resíduos S.A.

Individual and Consolidated Financial Statements

December 31, 2022

Table of Contents

Independent auditor's report on the individual and consolidated financial statements

Individual and consolidated financial statements

Balance sheets

Statements of income

Statements of comprehensive income

Statements of changes in shareholder's equity

Statements of cash flows

Statements of value added

Notes to the individual and consolidated financial statements

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Administrators of
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, 2022 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, 2022, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and 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 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, the professional standards issued by the 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.

Emphasis of matter - Restatement of financial statements

We draw attention to Note 2.16 to the individual and consolidated financial statements for the year ended December 31, 2022, which were amended and are being restated to reflect the effects of correction of the error identified in the recognition of the result from disposal of equity interest of the indirect subsidiary without changing the shareholding control of said subsidiary. On March 29, 2023, we issued an unmodified audit report on the individual and consolidated financial statements of the Company, which are now being restated. We continue to express an unmodified opinion, given that the individual and consolidated financial statements have been adjusted.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual 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 our responsibilities described in the "Auditor's responsibilities for the audit of 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 procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Business combinations

As disclosed in Notes 1.l and 1.m to the individual and consolidated financial statements, on April 10, 2022, the Company concluded all the conditions provided for in the binging proposal and other related documents. These transactions were accounted for under the acquisition method in accordance with CPC 15 (R1) – Business Combinations (IFRS 3 - Business Combinations), which requires, among other procedures, that the Company determine the effective date of acquisition of control, the fair value of the consideration transferred, the fair value of the assets acquired and liabilities assumed, and calculate income earned from the business combination. These procedures involve a high level of judgment and require the preparation of estimated fair value based on calculations and assumptions relating to the future performance of the businesses acquired, which are subject to a high degree of uncertainty. This was considered a key audit matter due to the high level of judgment required and the impact that any changes in the assumptions could have on the financial statements.

How our audit addressed this matter

Our audit procedures included, among others (i) reading the documents relating to the transactions such as agreements and minutes, and obtaining evidence that provided a basis for determining the dates of acquisition of ownership control of the acquired companies, and calculating fair value of the consideration amounts transferred; (ii) analyzing the financial information of the acquired companies, discussing with management the consistency of accounting practices and estimates, obtaining an understanding of the flow of significant transactions and reviewing the significant accounting balances of the acquirees; (iii) assessing the objectivity, independence and technical capacity of the external experts involved in the measurement at fair value of the assets

acquired and liabilities assumed; (iv) with the assistance of EY specialists on company appraisal, we analyzed the methodology used for measuring at fair value the consideration transferred, assets acquired and liabilities assumed, assessed the reasonableness of the assumptions used and calculations made, crosschecked these amounts, when available, against market information, and conducted a sensitivity analysis of the significant assumptions used and the impacts of any changes in such assumptions on the fair values computed; and (iv) assessing the disclosures relating to this matter.

Additionally, we reviewed the adequacy of the Company's disclosures on these matters, included in Notes 1.l and 1.m to the financial statements.

Based on the result of the audit procedures performed on the accounting impacts of the business combinations, which is consistent with the executive board's assessment, we believe that the criteria and assumptions adopted by the Company, and respective disclosures, are acceptable in the context of the financial statements taken as a whole.

Recoverability of goodwill from business combinations

As at December 31, 2022, the Company recorded, by means of its subsidiary Orizon Meio Ambiente S.A., goodwill for expected future profitability, whose amounts should be tested annually for impairment, whether or not there are indications of impairment (Note 11).

This was considered a key audit matter due to the magnitude of the amounts involved and the fact that the process of assessing the recoverability of these assets is complex and involves a high level of subjectivity. Additionally, this calculation is based on various assumptions such as the determination of cash-generating units, discount rates, projected inflation, percentages of growth and profitability of the Company's and its subsidiaries' businesses for the coming years, among others. These assumptions will be affected by future market conditions or economic scenarios in Brazil, which may not be accurately estimated.

How our audit addressed this matter

Our audit procedures included, among others: : (i) obtaining an understanding of and assessing the methodology used by the executive board to project discounted cash flows; (ii) using specialists in valuation models to help us evaluate and test the model used to measure the recoverable amount and the assumptions, projections and methodology used by the Company, particularly those relating to estimates of future sales, growth rates and discount rates used in the discounted cash flows and profit margin of the cash generating units to which goodwill was allocated; (iii) validating the information used in the calculations; (iv) retrospectively reviewing previous projections to identify any inconsistencies in the development of estimates in the future; (v) conducting an independent sensitivity analysis of the main assumptions used; and (vi) reviewing adequacy of the disclosures made by the Company on the assumptions used in recoverability calculations, mainly those that had a most significant impact on determining the recoverable amount of goodwill.

Based on the result of the audit procedures performed on the goodwill impairment test, which is consistent with the executive board's assessment, we believe that the criteria and assumptions for the recoverable amount of goodwill adopted by the executive board, as well as respective disclosures in Note 11, are acceptable in the context of the financial statements taken as a whole.

Recoverability of deferred income and social contribution taxes

As at December 31, 2022, the Company recorded, by means of its subsidiary Orizon Meio Ambiente S.A., deferred income and social contribution taxes substantially on income and social contribution tax losses. In accordance with the accounting practices adopted in Brazil, the Company should annually review the projections of future taxable profit in order to assess the recoverability of deferred income and social contribution taxes (Note 6.d).

This was considered a key audit matter due to the magnitude of the amounts involved and the fact that the process of assessing the recoverability of deferred income and social contribution taxes is complex and involves a high level of subjectivity in the projections of future taxes profits. Additionally, this calculation is based on various assumptions, usually subjective, which will be affected by future market conditions or economic scenarios in Brazil, which may not be accurately estimated.

How our audit addressed this matter

Our audit procedures included, among others: (i) obtaining an understanding of the Company's internal processes for measuring and analyzing the recoverability of deferred income and social contribution taxes; (ii) using tax specialists to assist us in evaluating and testing the balance set up 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) validating the information used in the calculations; (iv) retrospectively reviewing previous projections to identify any inconsistencies in the development of estimates in the future; (v) conducting an independent sensitivity analysis of the main assumptions used; and (vi) reviewing the adequacy of the disclosures made by the Company on the assumptions used in the recoverability calculations, mainly those that had a most significant impact on determining the recoverable amount of deferred income and social contribution taxes.

Based on the result of the audit procedures performed on deferred income and social contribution taxes recorded by the Company, as well as these taxes' recoverable amount, which is consistent with the executive board's assessment, we believe that the recording criteria and assumptions for the recoverable amount adopted by the executive board, as well as respective disclosures in Note 6.d, are acceptable in the context of the financial statements taken as a whole.

Revenue recognition

As mentioned in Note 2.7, the Company recognizes its revenue on an accrual basis, when the services are effectively provided, to the extent that economic benefits are likely to be generated and when these amounts may be reliably measured for an amount that reflects the consideration to which the Company and its subsidiaries expect to be entitled in exchange for the services.

This was considered a key audit matter due to the following factors, among others: (i) the expressive volume of transactions; (ii) the existence of different natures of services provided; and (iii) the significance of the amounts involved. Such characteristics require that the Company and its subsidiaries have controls and maintain these controls within a routine that effectively identifies and measures revenue on the accrual basis.

How our audit addressed this matter

Our audit procedures included, among others: (i) obtaining an understanding of the Company's internal processes for measuring and recognizing revenue; (ii) conducting substantive tests of key items and representative samples, including, when applicable, the inspection of contracts, issued invoices, documentary evidence of services rendered related to selected transactions and subsequent receipts; (iii) performing sales cut-off tests and their respective accounting recognition upon effective provision of services in the period before and after accounting closing; (iv) monthly analyzing revenue using aggregated and disaggregated data to identify relationships or changes that are inconsistent with our expectations based on our knowledge of the Company and the sector; and (v) reviewing adequacy of the disclosures included in Notes 2.7 and 21 to the financial statements.

As a result of the audit procedures performed on revenue, we identified an audit adjustment that was not recorded by the executive board on view of its immaterial nature on the financial statements as a whole.

Based on the result of the audit procedures performed on revenues, which is consistent with the executive board's assessment, we believe that the Company's policies for recognizing revenue from services provided and respective disclosures in the financial statements, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2022, prepared under the executive board's responsibility, whose presentation is required as supplementary information under IFRS, have been subject to audit procedures in conjunction 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 – Statements of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in referred to Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Responsibilities of the executive board and of 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 the 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 from material misstatement, whether due to fraud or error.



In preparing the individual and consolidated financial statements, the executive board 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 the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of 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 conducted 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 misstatements 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 the executive board.



- Concluded on the appropriateness of the executive board'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 substantial 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we 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 are required to determine 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, April 19th, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-2SP015199/F

A handwritten signature in blue ink, appearing to read 'Glaucio Dutra Silva', is written over the printed name and title.

Glaucio Dutra Silva
Accountant CRC-RJ090174/O

Orizon Valorização de Resíduos S.A.

Balance sheets

December 31, 2022 and 2021

(Amounts in thousands of Brazilian *Reais*)

	Note	Parent company		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Assets					
Current assets		(Restated)		(Restated)	
Cash and cash equivalents	3	138,827	295	168,875	2,917
Securities	4	70,000	227,328	71,922	398,458
Trade accounts receivable	5	-	-	258,897	163,362
Taxes and contributions recoverable	6.a	1,815	974	13,907	7,136
Other assets	8.a	976	2,204	66,610	31,276
Total current assets		211,618	230,801	580,211	603,149
Non-current assets					
Securities	4	-	9,168	-	9,041
Trade accounts receivable	5	-	-	14,660	14,660
Related parties	7	190,039	27,027	7,866	7,015
Court deposits and bonds	17.c	-	11	7,162	6,579
Deferred income and social contribution taxes	6.d	-	3,582	53,090	69,563
Advances	8.a	-	-	12,964	6,194
Investments	9	771,975	819,547	44,084	4,422
Property and equipment	10	-	-	785,079	375,789
Intangible assets	11	-	-	525,522	90,841
Right-of-use assets	12	-	-	42,658	18,810
Total non-current assets		962,014	859,335	1,493,085	602,914
Total assets		1,173,632	1,090,136	2,073,296	1,206,063

	Note	Parent company		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Liabilities					
Current liabilities		(Restated)		(Restated)	
Loans and financing	12	-	-	37,616	16,844
Leases	12	-	-	15,211	9,526
Suppliers	13	312	126	65,821	43,810
Grants payable	14	-	-	11,676	12,641
Salaries and payroll charges	15	1,112	1,008	24,849	12,710
Taxes and contributions payable	6.b	4,320	101	48,673	31,313
Taxes payable in installments	16	-	-	17,904	7,561
Advances from customers	18	-	-	24,140	20,195
Related parties	7	32,255	16,829	32,255	16,829
Accounts payable	19	78	4,284	12,945	13,470
Other current liabilities	8.b	160	218	31,792	4,190
Total current liabilities		38,237	22,566	322,882	189,089
Non-current liabilities					
Loans and financing	12	418,912	658,938	977,538	539,432
Leases	12	-	-	40,800	11,431
Taxes payable in installments	16	678	-	56,406	36,790
Provision for losses on investments	9	-	-	158	158
Related parties	7	151,893	43,879	3,619	11,917
Provision for contingencies	17.a	-	-	25,075	33,160
Deferred income and social contribution taxes	6.d	9,282	-	-	-
Deferred PIS and COFINS taxes	6.e	4,139	9,105	4,139	9,105
Accounts payable	19	-	-	40,021	5,568
Other non-current liabilities	8.b	-	-	21,191	-
Total non-current liabilities		584,904	711,922	1,168,947	647,561
Shareholders' equity					
Capital stock	20.a	844,323	844,323	844,323	844,323
Capital reserve	20.c	269,131	240,818	269,131	240,818
Equity valuation adjustment	20.e	10,359	10,359	10,359	10,359
Accumulated losses		(888,858)	(739,852)	(888,858)	(739,852)
Other comprehensive income		315,536		315,536	
		550,491	355,648	550,491	355,648
Controlling interests		550,491	355,648	550,491	355,648
Non-controlling interests		-	-	30,976	13,765
Total shareholders' equity		550,491	355,648	581,467	369,413
Total liabilities and shareholders' equity		1,173,632	1,090,136	2,073,296	1,206,063

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

Orizon Valorização de Resíduos S.A.

Statements of income

Years ended December 31, 2022 and 2021

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

	Note	Parent company		Consolidated	
		12/31/2022 (Restated)	12/31/2021	12/31/2022 (Restated)	12/31/2021
Net operating revenues	21	-	-	626,224	435,516
Cost of services provided	22	-	-	(438,329)	(256,599)
Gross profit		-	-	187,895	178,917
Operating revenues (expenses)					
General, administrative and selling expenses	22	(27,343)	(54,519)	(148,420)	(98,430)
Other revenues (expenses), net	1.g/ 1.m	(1,064)	(383)	10,310	(1,529)
Income (Loss) before financial result and equity pick-up		(28,407)	(54,902)	49,785	78,958
Equity pick-up	9	(58,572)	75,624	7,720	724
Financial result					
Financial income	23	77,144	4,908	77,221	26,520
Financial expenses	23	(135,589)	(105,923)	(231,580)	(125,697)
Loss before income and social contribution taxes		(145,424)	(80,293)	(96,854)	(19,495)
Income and social contribution taxes					
Current	6.c	-	-	(38,691)	(37,534)
Deferred	6.c	(3,582)	18,265	(7,919)	1,520
Loss for the year		(149,006)	(62,028)	(143,464)	(55,509)
Attributable to shareholders:					
Non-controlling shareholders				5,542	6,519
Controlling shareholders				(149,006)	(62,028)
Basic loss per share		(2.08)	(0.87)	(2.01)	(0.78)
Diluted loss per share		(2.08)	(0.87)	(2.01)	(0.78)

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

Orizon Valorização de Resíduos S.A.

Statements of comprehensive income

Years ended December 31, 2022 and 2021

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

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(Restated)		(Restated)	
Loss for the year	(149,006)	(62,028)	(143,464)	(55,509)
Net gain in instruments at fair value through other comprehensive income, net of taxes (Note 19)	27,300	-	27,300	-
Deferred income and social contribution taxes (Note 6)	(9,282)	-	(9,282)	-
Other comprehensive income not reclassified in income for the year in subsequent periods, net of taxes	18,018	-	18,018	-
Total other comprehensive income for the period, net of taxes	(130,988)	(62,028)	(125,446)	(55,509)
Attributable to shareholders:				
Non-controlling shareholders			5,542	6,519
Controlling shareholders			(130,988)	(62,028)

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

Orizon Valorização de Resíduos S.A.

Individual and consolidated statements of changes in shareholders' equity
 Year ended December 31, 2022 and 2021
 (Amounts expressed in thousands of Brazilian *Reais*)

	Note	Capital Reserves						Equity valuation adjustment – Attributed cost	Accumulated losses	Other comprehensive income	Total	Non-controlling interest	Total shareholders' equity
		Capital stock	Cost on the issue of shares	Equity instruments – convertible debentures	Other	-- goodwill on the issue of new shares	Warrants						
Balances on January 1, 2021	20	544,323	-	30,877	-	3,023	156,664	10,359	(677,824)	-	67,422	15,304	82,726
Capital increase on the issue of shares	20.a	300,000	-	-	81,400	-	-	-	-	-	381,400	-	381,400
Conversion of equity instruments into capital		-	-	(30,877)	30,877	-	-	-	-	-	-	-	-
Cost on the issue of shares – CPC 08		-	(31,146)	-	-	-	-	-	-	-	(31,146)	-	(31,146)
Dividend distribution		-	-	-	-	-	-	-	-	-	-	(8,058)	(8,058)
Loss for the year		-	-	-	-	-	-	-	(62,028)	-	(62,028)	6,519	(55,509)
Balances on December 31, 2021		844,323	(31,146)	-	112,277	3,023	156,664	10,359	(739,852)	-	355,648	13,765	369,413
Equity instruments	20.b	-	-	-	-	-	-	-	-	297,518	297,518	-	297,518
Remeasurement to fair value of equity instruments	20.b	-	-	-	-	-	-	-	-	27,300	27,300	-	27,300
Deferred income and social contribution taxes	6.d	-	-	-	-	-	-	-	-	(9,282)	(9,282)	-	(9,282)
Partial disposal of equity interests of subsidiaries		-	-	-	28,313	-	-	-	-	-	28,313	11,669	39,982
Loss for the year		-	-	-	-	-	-	-	(149,006)	-	(149,006)	5,542	(143,464)
Balances on December 31, 2022 (Restated)	20	844,323	(31,146)	-	140,590	3,023	156,664	10,359	(888,858)	315,536	550,491	30,976	581,467

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

Orizon Valorização de Resíduos S.A.

Statements of cash flows Year ended December 31, 2022 and 2021 (Amounts in thousands of Brazilian Reais)

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<u>Cash flows from operating activities</u>	<u>(Restated)</u>		<u>(Restated)</u>	
Loss for the year	(149,006)	(62,028)	(143,464)	(55,509)
Equity valuation adjustment	58,572	(75,624)	(7,720)	(724)
Provision for impairment of trade accounts receivable	-	-	5,174	4,121
Provision for contingencies	-	-	(11,298)	2,257
Adjustment to present value	(42,488)	53,722	(14,405)	4,469
Foreign exchange variation	-	-	6,599	(1,074)
Amortization of funding expenses	918	-	918	20,057
Deferred income and social contribution taxes	3,582	(18,266)	7,191	(1,520)
Deferred Pis and Cofins taxes	(4,966)	-	(4,966)	-
Depreciation and amortization	-	-	135,718	53,395
Interest accrued on loans and financing	107,508	51,606	96,995	42,890
Interest accrued on balance payable for equity purchase	-	-	43,184	-
Goodwill gain	-	-	(5,496)	-
Gain on disposal of subsidiary	-	-	--	-
Mark-to-market of share-based payment	11,827	41,788	11,827	41,788
(Increase) Decrease in operating assets				
Trade accounts receivable	-	-	(54,749)	(59,196)
Taxes recoverable	(841)	(968)	(6,742)	2,622
Court deposits and bonds	11	-	(583)	(3,970)
Advances	1,228	1,925	16,752	(14,410)
Increase (decrease) in operating liabilities				
Suppliers	186	(10,409)	(2,898)	(26,307)
Grants payable	-	-	(965)	5,229
Salaries and payroll charges	104	1,008	4,052	2,921
Taxes and contributions payable	4,219	41	33,389	(112)
Advances from customers	-	-	(20,615)	(2,582)
Accounts payable	(4,206)	(4,364)	(31,711)	(3,905)
Taxes payable in installments	678	-	29,821	13,984
Other	(58)	155	25,676	(10,864)
Cash (used in) operating activities	(12,732)	(21,414)	111,684	13,560
Income and social contribution taxes paid	-	-	(21,214)	(8,271)
Interest paid	-	-	(77,802)	(98,462)
Net cash (used in) operating activities	(12,732)	(21,414)	12,668	(93,173)
Cash flows from investing activities				
Purchases of equity interest, net of cash purchased	-	-	460,000	515,000
Advance for future capital increase	-	-	(21,500)	(236,936)
Purchases of property and equipment and intangible assets	-	-	(25,680)	(12,132)
Securities	(7,153)	(96,607)	(1,211)	(6,349)
Net cash (used in) investing activities	(8,079)	(13,281)	(8,079)	(13,281)
Cash flows from financing activities				
New loans and financing	-	359,977	-	359,977
Loans and financing paid	(15,232)	250,089	443,530	606,279
Leases paid	-	-	40,000	-
Related parties	295	1	2,917	6,044
Share-based payment settled in cash	138,827	295	168,875	2,917
Capital increase on the issue of shares	-	-	-	-
Disposal of subsidiary	138,532	294	165,958	(3,127)
Net cash (used in) financing activities	-	-	(21,500)	(236,936)
Increase (decrease) in cash and cash equivalents	(7,153)	(96,607)	(1,211)	(6,349)
Cash and cash equivalents at the beginning of the period	(8,079)	(13,281)	(8,079)	(13,281)
Cash and cash equivalents at the end of the period	-	359,977	-	359,977
Increase (reduction) in cash and cash equivalents	(15,232)	250,089	443,530	606,279

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

Orizon Valorização de Resíduos S.A.

Statements of value added
Year ended December 31, 2022 and 2021
(Amounts in thousands of Brazilian *Reais*)

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues	(1,064)	-	710,046	487,583
Services provided	-	-	704,910	491,704
Other revenues	(1,064)	-	10,310	-
Provision for impairment of trade accounts receivable	-	-	(5,174)	(4,121)
Inputs acquired from third parties	(5,052)	(3,452)	(267,626)	(160,313)
Cost of services provided	-	-	(226,956)	(145,169)
Materials, electricity, outsourced services and others	(5,052)	(3,452)	(40,670)	(15,144)
Gross value added	(6,116)	(3,452)	442,420	327,270
Withholdings	-	-	(140,517)	(53,395)
Depreciation and amortization	-	-	(140,517)	(53,395)
Net value added generated	(6,116)	(3,452)	301,903	273,875
Value added received in transfer	22,534	80,996	94,834	34,364
Equity valuation adjustment	(58,572)	75,624	7,720	724
Financial income	81,106	5,372	87,114	33,640
Total value added to be distributed	16,418	77,544	396,737	308,239
Distribution of value added	16,418	77,544	396,737	308,239
Personnel	22,291	51,450	153,925	125,613
Direct compensation	19,706	49,656	103,385	97,549
Benefits	-	14	8,252	3,723
Unemployment Fund (FGTS)	-	-	7,422	4,096
Other	2,585	1,780	34,866	20,245
Taxes, fees and contributions	7,544	(17,801)	135,189	99,322
Federal	7,544	(17,801)	102,021	78,690
State	-	-	3,048	2,956
Municipal	-	-	30,120	17,676
Interest on third-party capital	135,589	105,923	251,087	138,813
Rents	-	-	19,507	13,116
Financial expenses	135,589	105,923	231,580	125,697
Interest on equity	(149,006)	(62,028)	(143,464)	(55,509)
Retained earnings (accumulated loss) for the year	(149,006)	(62,028)	(149,006)	(62,028)
Non-controlling interests	-	-	5,542	6,519

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1 Operations

Orizon Valorização de Resíduos S.A. (“Orizon” or the “Company”), is a publicly held company (ORVR3) incorporated in December 2009, with headquarters at Avenida Nações Unidas, nº 12.901, Torre Oeste, 8º andar, Brooklin, City and State of São Paulo.

The corporate purpose of the Company is to hold interests in other business companies or civil associations as a partner or shareholder, and other related activities. As of December 31, 2022, the Company’s main asset is the direct investment in Orizon Meio Ambiente S.A. (“Orizon Meio Ambiente”).

Additionally, the Company holds 100% of the shares in Foxx Holding SA (“Foxx Holding”), an entity that holds, through Foxx Inova, (i) 67% of the João Pessoa (PB) ecopark and (ii) 80% of the Energy Recovery Unit (“URE”) of Barueri, the first project for generation of electricity from burning of waste (waste-to-energy) in Latin America, which is currently in a pre-operating phase, having SABESP as shareholder with a 20% stake in the capital of Foxx URE-BA.

In the first quarter, the Company purchased, through its indirect subsidiary, the total stock in the companies “Centro de Gerenciamento de Resíduos Ltda.” and “CGR Ambiental Tratamento de Resíduos Ltda.,” both located in Cuiabá, State of Mato Grosso. The main activity of the companies purchased is the disposal of solid waste in a private sanitary landfill located in the city of Cuiabá, State of Mato Grosso.

On April 19, 2022, through its subsidiary Orizon Meio Ambiente S.A. and the funds managed by Jive Asset Gestão de Recursos Ltda., the Company completed the purchase of 7 assets in the context of UPI Aterros, of which 6 are sanitary landfills and 1 is a waste processing and reverse logistics plant. The purchase was carried out in the scope of the Judicial Reorganization Process of Estre Group. On December 16, 2022, the Company completed the purchase of SPE Maceio, a sanitary landfill located in the State of Alagoas, becoming the holder of 08 assets that used to belong to Estre Group.

In general, on December 31, 2022, the Company held 13 sanitary landfills for final disposal of non-hazardous waste (distributed in 8 states), 02 transshipments, 03 processing and disposal of hazardous waste units, 06 biogas exploration plants, 05 registered carbon credit projects, 01 biomethane plant, 05 waste processing plants, 01 waste-to-energy plant and 01 biomethane thermal power plant.

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations -- Continued

The operations of the direct subsidiaries are as follows:

Direct subsidiaries

a) *Orizon Meio Ambiente*

Orizon Meio Ambiente was organized in 1999 and its objective 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 twelve (12) landfills for non-hazardous waste.

The assets are located in the state of Pernambuco, Sergipe, Rio de Janeiro, São Paulo, Goiás, Alagoas and Mato Grosso, and receive approximately 23,000 tons of waste daily.

Biogas Energy, Supply of Biogas and Carbon Credits – Parent Company and Subsidiaries

The subsidiaries of Orizon Meio Ambiente explore biogas from its sanitary landfills for production of energy. Currently, the company captures approximately 36,000 Nm³ per hour of biogas in 6 of its 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 take-or-pay agreements on the availability and supply of biogas to private customers that 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 Jaboatão dos Guararapes landfill, Orizon Meio Ambiente takes part in a joint venture (in a consortium format) that develops a project for generation of electricity from biogas.

In Paulínia, the landfill, which has just been purchased in the context of UPI Aterros, supplies biogas to the biomethane plant, which, in turn, provides fuel to UTE Paulínia.

Finally, regarding the exploration of carbon credits, the subsidiaries of Orizon Meio Ambiente and Foxx URE-JP generate approximately 2.0 million tons of carbon annually, either by burning biogas or

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

generating clean energy, and 3.4 million carbon credits are expected per year by the end of 2023.¹

Waste Processing

In the waste processing activity, on December 31, 2022, Orizon Meio Ambiente had four (4) operating units, as follows: (i) one branch in Magé (with blending for co-processing), (ii) a joint venture with Vamtec Rio Insumos Siderurgicos Ltda. for processing of industrial waste in a plant installed at Companhia Siderurgica Nacional, in the city of Volta Redonda, State of Rio de Janeiro, (iii) 01 blending for co-processing and reverse logistics unit in Sorocaba, State of São Paulo, (iv) 01 mechanized sorting unit in Jabotão dos Guararapes, (v) 01 mechanized sorting unit in Paulínia, and (vi) 01 blending for co-processing and reverse logistics unit in Sorocaba.

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, (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, and (iii) it is the parent company, through Orizon Pantanal Holding Ltda. (formerly, "Orizon Locação Ltda."), of Orizon Pantanal (formerly, "CGR Cuiabá") and CGR Ambiental, a private landfill in the city of Cuiabá, State of Mato Grosso.

The operations of the indirect subsidiaries are as follows:

Indirect subsidiaries

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,

¹ Information not audited by the Company's independent auditors.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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.

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, São João de Meriti and Mesquita. In addition, CTRNI makes available between 10,000 and 12,000 Nm³ per hour of biogas to the electric energy generation plant, which currently has about 23MW installed, and also generates carbon credits 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 dump in Itaóca, implementation and operation of the new waste treatment and final disposal unit, as 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, Itaboraí, Cachoeira de Macacu, Tanguá, Niterói, Guapimirim and Maricá.

Currently, CTRA has an agreement with São Gonçalo Energia e Gás Renovável Ltda. (“SGEGAR”) for availability and supply of biogas, and currently SGEGAR is deploying a thermal plant to generate energy from the sanitary landfill biogas.

The CTRA concession ends in August 2030, and it can be extended for another 10 years.

Instrument of settlement and adjustment of understandings

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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 would 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 would occur until December 31, 2020. On the same date, the outstanding balance was R\$14,660. Any outstanding balance exceeding the amount to be settled until the 2020 deadline, as verified by the expert, would 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 exceeding the amount to be settled until the deadline of December 31, 2020. The outstanding balance as of December 31, 2022 and 2021 is R\$14,660, according to the receipts shown in Note 5.

On February 10, 2023, CTRA and PMSG signed an amendment to the Instrument of settlement and adjustment of understandings, agreeing between the parties that the estimated amount of R\$22,427 will be settled in a deferred manner, in monthly installments of R\$300, from the validation of the amendment until the full settlement of the amount. The difference between the balance outstanding on December 31, 2022 and the amount of the new agreement signed, of R\$7,767, refers to the adjustment of values that have not been settled in the previous agreement. The Company will only record any amount in addition to that that was initially recorded (R\$14,660) upon receipt.

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.

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:

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

In favor or CTRA (Concessionaire)	Balance
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
Total	91,525
Disallowance applied	(14,724)
Net adjusted balance	76,801

(*) The amounts initially agreed upon are included in this line and refer to CTRA's initial claim. The additional amounts claimed will only be recorded after completion of the process and definition of the adjusted amounts involved.

On September 1, 2020, a favorable judgment was issued regarding a collection lawsuit against the Municipality of São Gonçalo, based on a request made by CTR Alcântara, according to which this municipality was sentenced to pay eighteen million, eight hundred sixty-eight thousand *Reais* (R\$18,868) – amount consolidated on June 20, 2018 -, and the establishment of the base value admitted a disallowance of 8%. The amount originally requested was R\$20,509, plus the adjustment of R\$667, as explained above.

On September 21, 2020, the Municipality filed an appeal against said decision, against which an appellate brief was filed by CTRA. Upon expiration of the term for the appellate briefs, the proceedings will be submitted to the Court of Justice, who will judge the appeal. The Company will record the amount in its Individual Financial Statements after the issue of the final and unappealable decision. In view of the foregoing, the Municipality is awaiting the decision of the court as to the terms to proceed with certain pending provisions under such Instrument, in relation to the scope of this lawsuit.

The balances shown in the table above are part of the discussions in progress by the Company's Management and PMSG. Of the amount of R\$76,801, shown in the table above, R\$14,660 comprises accounts receivable as of December 31, 2022 and 2021, as recorded in the Individual 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 will prevail in its claims.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

Simultaneously to the development of the proceedings, on February 10, 2023, CTRA and PMSG signed an amendment to the Instrument of settlement and adjustment of understandings in order to update the outstanding balance from R\$14,660 to R\$22,427, as well as the payment conditions.

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 and may be renewed until 2036. The concession agreement includes the environmental recovery of the “dumping ground,” which 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.

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.

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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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.

Merger

On May 31, 2022, Ecopesa was absorbed by its direct holding, Orizon Meio Ambiente. The net remaining assets merged amounted to R\$65,182, and they were recorded in the line of investments in Orizon Meio Ambiente, with the purpose of offsetting the investment accounted for until the date of the merger.

See below a summary of Ecopesa's financial statements on the date of the merger, that is, May 31, 2022:

Assets		Liabilities	
Current		Current	
Cash and cash equivalents	628	Leases	867
Trade accounts receivable	20,529	Suppliers	3,332
Taxes recoverable	4,995	Salaries and social charges	1,874
Advances	279	Tax and contributions payable	1,448
Total current assets	<u>26,431</u>	Tax installments	2,057
		Advances from customers	14
Non-current		Other liabilities	144
Related parties	45,827	Total current liabilities	<u>9,736</u>
Property and equipment	25,161		
Intangible assets	132	Non-current	
Use rights	2,843	Leases	2,198
Total non-current assets	<u>73,963</u>	Related parties	3,299
		Tax installments	8,915
		Provision for contingencies	11,064
		Total non-current liabilities	<u>25,476</u>
		Shareholders' Equity	
		Capital stock	19,272
		Profit reserves	<u>45,910</u>

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

		Total shareholders' equity	<u>65,182</u>
Total assets	<u>100,394</u>	Total liabilities and shareholders' equity	<u>100,394</u>

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

f) *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.

g) *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.

In 2021 and 2022, Foxx URE-BA participated in and won two energy generation auctions organized by the federal government.

Beginning January 1, 2026, URE-BA will trade 105,000 MWh per year, the equivalent to 75% of its capacity, at an adjusted price of R\$613.64/MWh, adding up to approximately R\$1,3 billion for the period of 20 years, annually adjusted by the IPCA. URE-BA will have installed power of 20 MWe, with processing capacity of approximately 300 thousand tons of urban solid waste per year².

Disposal of equity interest

On December 22, 2022, the company sold twenty percent (20%) of the capital stock of Foxx URE-BA Ambiental S.A. ("URE-BA"), an indirect subsidiary of OrizonVR, to the Companhia de Saneamento Básico do Estado de São Paulo – Sabesp for forty million *reais* (R\$40,000,000.00).

The net gain, in the amount of R\$28,700, arising from this transaction is the result of the write off of 20% of the net remaining assets of Foxx URE-BA, in the amount of R\$11,300 and recognition of the sale in the amount of R\$40,000, whose balance was fully received on the closing date of the transaction. As the Group has retained control of Foxx URE-BA, the result of this transaction was recorded in shareholders' equity.

h) *Orizon Locação Ltda. ("Orizon Pantanal")*

² Information not audited by the Company's independent auditors.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

Orizon Locação Ltda. has its principal place of business in São Paulo (State of São Paulo), and its business purpose is to hold equity interest in other companies. Currently, Orizon Pantanal holds one hundred percent (100%) stock in CGR Ambiental Tratamento de Resíduos Ltda., and one hundred percent (100%) stock in Centro de Gerenciamento de Residuais Cuiabá Limitada, whose purpose is the processing and final disposal of waste in a landfill located in the Metropolitan Region of Cuiabá.

On September 12, 2022, Foxx Inova Ambiental S.A. (“Foxx Inova”) and Foxx Holding S.A. (“Foxx Holding”), respectively, disposed of their direct and indirect equity interest in Orizon Pantanal to Orizon Meio Ambiente. Accordingly, the shares were fully assigned on the same date, when Orizon Pantanal became a wholly-owned subsidiary of Orizon Meio Ambiente. This transaction has not impacted the Company’s result or shareholders’ equity.

i) *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 approximately 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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations -- Continued

Indirect subsidiaries – Continued

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

On December 10, 2020, ORIZON signed (i) an Instrument of Adhesion to the Regulations of the exclusive fund Orizon Fundo de Investimento em Direitos Creditórios Não Padronizados (“FIDC Orizon”), corporate taxpayers’ number CNPJ No. 37.737.564/0001-11, administered by Modal Distribuidora de Títulos e Valores Mobiliários Ltda. and managed by Modal Asset Management Ltda. and (ii) a Bulletin for Subscription of Shares in the 1st Issue of Shares of FIDC ORIZON, with payment of funds on December 11, 2020, in the amount of R\$8,000. The Fund is intended for exclusive investment by one single shareholder (Orizon VR), which qualifies as a Professional Investment, according to the regulations applicable and is the holder of debentures issued by Este Ambiental S.A. As detailed in note 29, certain FIDC Orizon credits were assigned as part of the payment for purchase of the 07 SPEs, as disclosed in the Material Fact of April 19, 2022, being calculated in this transaction, in the amount of R\$8,483.

k) UTM Jaboaão dos Guararapes LTDA. (“UTM Jaboaão”)

Mechanized sorting unit in Pernambuco

On May 6, 2021, the Company entered into an agreement for implementation of a mechanized sorting unit (“UTM”) installed in Jaboaão dos Guararapes ecopark, in the State of Pernambuco. The project started to operate in the third quarter of 2022, impacting the net revenues for the quarter in R\$5,855.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

- l) *Centro de Gerenciamento de Resíduos Ltda. (“CGR Cuiabá”) and CGR Ambiental Tratamento de Resíduos Ltda. (“CGR Ambiental”)*

Business combination

On February 9, 2022, the Company purchased, through its indirect subsidiary Orizon Pantanal (former Orizon Locações), the total stock in the companies CGR Ambiental Tratamento de Resíduos Ltda. and Centro de Gerenciamento de Residuais Cuiabá Limitada, both located in Cuiabá, State of Mato Grosso. The main activity of the purchased companies is the disposal of solid waste in a private sanitary landfill located in the municipality of Cuiabá, State of Mato Grosso. The purchase took place as follows:

- Acquisition price: R\$66,000 with the following payment schedule:

- (1) R\$46,000 settled on the closing date;
- (2) R\$10,000 settled 30 days after the closing date;
- (3) R\$5,000 settled 60 days after the closing date;
- (4) R\$5,000 maturing in 5 years, to be adjusted as from the closing date, by the corresponding variation of 105% of DI rate.

On December 31, 2022, the Company recognized R\$5,596 in accounts payable. The Company intends to perform the management of this landfill together with another player of the sector, and it is discussing the contractual conditions for closing this negotiation. Early in 2023, the Company started to settle with the buyers part of the amounts previously retained.

Period of Measurement of Purchase Price Allocation (PPA)

The Company calculated the amounts from business combination according to CPC 15 (R1) - *Combinação de Negócios* and IFRS 3 (R) - Business Combination, which provide for the initial recognition of the business combination in the financial statements after the end of the reporting period in which the combination takes place.

The fair values described and the calculation of goodwill regarding the purchase of Orizon Pantanal and CGR Ambiental are preliminary, as provided for in CPC15/IFRS3 – Business Combination, which allows for the Company to complete the analysis of the assets purchased and liabilities assumed within 12 months as from the acquisition date.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

Indirect subsidiaries - Continued

- l) *Centro de Gerenciamento de Resíduos Ltda. (“CGR Cuiabá) and CGR Ambiental Tratamento de Resíduos Ltda. (“CGR Ambiental”)* - Continued

Period of Measurement of Purchase Price Allocation (PPA) - Continued

During the measurement period, the Company may retrospectively adjust the temporary amounts recorded as of the acquisition date in order to reflect new information obtained about any facts and circumstances existing as of the acquisition date, and that, if known on that occasion, would have affected the measurement of the amounts recognized. During the measurement period, the Company may also recognize assets or liabilities, if new information is received about any facts and circumstances existing as of the acquisition date, and that, if known on that occasion, would have resulted in the recognition of these assets and liabilities. In March 2023, the Company finalized the measurement of acquisition balances through the signature of the final reports, and it has not identified the need for any adjustments in the initial acquisition balances.

The information about the balances as of the acquisition date is detailed below:

	CGR Cuiabá	CGR Ambiental	Total
Shareholders' equity of companies purchased	2,492	1,136	3,628
Surplus value – Property and equipment	3,262	-	3,262
Surplus value – Licenses	56,134	5,020	61,154
Provision for Closure of Landfill	(1,888)	(156)	(2,044)
Total surplus value	60,000	6,000	66,000
Identifiable net assets at fair value	60,000	6,000	66,000
Acquisition price - Consideration	60,000	6,000	66,000

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

Indirect subsidiaries - Continued

- l) *Centro de Gerenciamento de Resíduos Ltda. (“CGR Cuiabá) and CGR Ambiental Tratamento de Resíduos Ltda. (“CGR Ambiental”) - Continued*

Period of Measurement of Purchase Price Allocation (PPA) - Continued

The purchased companies accounted for gross revenues of R\$9,789 and net income of R\$766 from the acquisition date until December 31, 2022, in the consolidated statement of income.

Management intends to merge with CGR Cuiabá and Ambiental, aiming at generating administrative and operational efficiencies; thus, it has considered the tax bases of assets and liabilities equal to the accounting bases. For this reason, it has not recognized deferred tax liabilities on the fair values allocated to assets.

- m) *SPEs UPIs Estre (“UPIs Estre”)*

On May 13, 2021, the Board of Directors of Orizon Group approved the presentation, together with a credit rights investment fund managed by Jive Asset Gestão de Recursos Ltda. (“Jive Fund”), of a binding proposal for participation, as long as it has the position of first bidder (stalking horse), in the bidding process aimed at the acquisition of the entire equity interest representing an Separated Productive Unit (“UPI Aterros”) formed by 08 assets, including 07 landfills and 01 blending plant for liquids, solids and reverse logistics.

On May 14, 2021, the judicial reorganization plan of Estre Group was approved at the general meeting of creditors, providing for the Company’s participation, through Orizon Meio Ambiente S.A., together with Jive Fund, as the “Prime Offerors” (“stalking horse”), upon submission of a binding proposal for the acquisition of UPI Aterros, in a sealed envelope.

On April 19, 2022, through its subsidiary Orizon Meio Ambiente, the Company completed the acquisition of full stock in seven (07) assets of UPI Aterros da Estre Ambiental S.A. – *Em Recuperação Judicial* (“Assets”), to wit: SPE Paulínia Ambiental S.A., SPE Tremembé Ambiental S.A., SPE Itapevi Ambiental S.A., SPE Itaboraí Ambiental S.A., Rosário do Catete Ambiental S.A., SPE CTR Metropolitana Participações S.A. and SPE Sorocaba Ambiental S.A. Such acquisition was made within the scope of the Judicial Reorganization Process of Estre Group and, forthwith, before the funds managed by Jive Asset Gestão de Recursos Ltda.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations -- Continued

Indirect subsidiaries - Continued

m) *SPEs UPIs Estre (“UPIs Estre”)*--Continued

In consideration for the acquisition of total investments, the subsidiary Orizon Meio Ambiente undertook to pay the total amount of R\$516 million, with R\$403 million basically in cash, being one portion on the spot and another portion on term, and the remaining balance with 3,545,459 common shares of the Company (estimated at R\$113 million at the closing of the purchase). The balance of the installment to be paid in shares was recorded, on December 31, 2022, in the Company's shareholders equity. The consideration consists of the assets of Orizon Valorização de Resíduos, due to a loan agreement signed in favor of the Company with Orizon Meio Ambiente, as a result of the operation's payment conditions. Orizon Meio Ambiente, in turn, recorded the amount in related parties, against accounts payable for the acquisition of business. The details of the acquisition's financial flow are described in note 19.

As provided for in the agreement, the new shares were to be transferred to Jive Funds within 60 days after the transaction's closing on April 19, 2022.

In order to complete the purchase of UPI Aterros on August 26, 2022, Estre Ambiental obtained the approval of the Municipality of Maceió to sell SPE Maceió, authorizing its transfer [...] acquisition by Orizon Meio Ambiente S.A.

On December 16, 2022, the Company completed the acquisition of SPE Maceió. In consideration for this last step to purchase total assets in UPI Aterros, the Company assumed to pay Jive a financial value or a value in shares equivalent to 4,636 thousand shares in the Company, worth R\$184,063, taking into account the price per share of R\$39.70 (price per share of the private capital increase completed in February 2023). The Company considered the base date of December 31, 2022 for registration and preparation of the acquisition PPA. According to CPC 15, the surplus paid upon acquisition was temporarily allocated as “license surplus value,” since SPE Maceió had a concession license.

Considering the total transaction, the Company delivered to Jive, in the scope of the private capital increase announced on December 26, 2023 [*sic*], 8,181 shares at the price per unit of R\$39.70, making up the total of R\$324,818.

Payment conditions are detailed in note 19.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

Indirect subsidiaries - Continued

m) *SPEs UPIs Estre (“UPIs Estre”)*-- Continued

Period of Measurement of Purchase Price Allocation (PPA)

The Company calculated the amounts from business combination according to CPC 15 (R1) - *Combinação de Negócios* and IFRS 3 (R) - Business Combination, which provide for the initial recognition of the business combination in the financial statements after the end of the reporting period in which the combination takes place.

During the measurement period, the Company may retrospectively adjust the temporary amounts recorded as of the acquisition date in order to reflect new information obtained about any facts and circumstances existing as of the acquisition date, and that, if known on that occasion, would have affected the measurement of the amounts recognized. During the measurement period, the Company may also recognize assets or liabilities, if new information is received about any facts and circumstances existing as of the acquisition date, and that, if known on that occasion, would have resulted in the recognition of these assets and liabilities. The measurement period ends when the offeror gets the information searched about the facts and circumstances existing as of the acquisition date, or when the offeror concludes that no other information can be obtained. However, the measurement period should not exceed one year as from the acquisition date.

The fair values described and the calculation of goodwill regarding the purchase of the SPEs are preliminary, as provided for in CPC15/IFRS3 – Business Combination, which allows for the Company to complete the analysis of the assets purchased and liabilities assumed within 12 months as from the acquisition date.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

Indirect subsidiaries - Continued

m) *SPEs UPIs Estre (“UPIs Estre”)*-- Continued

Period of Measurement of Purchase Price Allocation (PPA) - Continued

The information about the balances as of the acquisition date is detailed below:

	SPE Paulinia	SPE Itapevi	SPE Tremembé	SPE Itaborai	Rosário do Catete	SPE Sorocaba	SPE Metropolitana	SPE Maceió	Total
Shareholders' equity of companies purchased	95,598	16,963	18,090	38,267	49,313	18,473	10,345	40,830	287,879
Surplus value – Property and equipment	26,023	4,154	3,762	1,176	2,544	11	-	-	37,670
Surplus value – Licenses	165,065	-	18,570	-	56,079	-	-	143,233	382,947
Surplus value – Customer Portfolio	-	-	1,000	-	-	1,799	-	-	2,799
Total surplus value	191,088	4,154	23,332	1,176	58,623	1,810	10,345	143,233	423,416
Identifiable net assets	286,686	21,117	41,422	39,443	107,936	20,283	10,345	184,063	711,295
Provision in the allocation price	-	-	-	-	-	-	-	-	(4,799)
Identifiable net assets adjusted by the provision	-	-	-	-	-	-	-	-	706,496
Acquisition price - Consideration	-	-	-	-	-	-	-	-	701,000
Gain on the acquisition of companies	-	-	-	-	-	-	-	-	5,496

The Company assessed the acquisition of UPI Aterros as a single investment block, considering that the conditions presented will only be realized upon assessment of the assets as a whole, and the fair value of the assets purchased was calculated at R\$711,295 and the acquisition price, at R\$701,000. Accordingly, regarding the business combination carried out in accordance with CPC 15 (R1) – *Combinação de Negócios* and IFRS 3 (R) - Business Combination, the result of R\$10,295 was calculated and recognized in other operating revenues in the statement of income for the year.

Although this amount is not significant (less than 2% of the transaction), it can be considered that the goodwill was due to the environment of judicial reorganization in which the seller of the assets was involved, as well as to the favorable position of buyers, who were the main creditors of the transferor.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

SPEs UPIs Estre (“UPIs Estre”)-- Continued

Period of Measurement of Purchase Price Allocation (PPA) - Continued

The SPEs accounted for revenues of R\$190,397 and a loss of R\$7,124 from the acquisition date until December 31, 2022, in the consolidated statement of income.

	SPE Paulínia	SPE Itapevi	SPE Tremembé	SPE Itaborai	Rosario do Catete	SPE Sorocaba	SPE Metropolitana	Total
Net operating revenues	100,208	7,748	23,022	5,194	39,851	14,374	-	190,397
Net income (loss)	6,913	(2,562)	(2,434)	(8,943)	4,820	(6,686)	(557)	(9,449)

Aiming at improving its operational and administrative efficiency, the Company intends to merge the assets purchased. Thus it will use the deductibility of the repayment of surplus value of the assets identified and, for this reason, it has not set up deferred tax assets on the fair values allocated.

n) *Orizon Energia e Gás Renovável Ltda. (“Orizon Energia”)*

Orizon Energia e Gás Renovável Ltda. (“Orizon Energia”) was incorporated on April 5, 2022 with the corporate purpose of holding equity interest in other business as a partner or shareholder. Orizon Energia is the parent company of Orizon Biometano.

On May 30, 2022, Orizon Biometano Paulínia Ltda. (“Orizon Biometano”) was incorporated with the purpose of producing and trading biomethane to support UTE Paulínia.

Joint ventures

a) *UTE Paulínia Verde Participações S.A. (“UTE Paulínia”)*

On December 16, 2021, a Private Instrument of Loan with Confession of Debt and Other Covenants was signed. According to this document, Orizon Meio Ambiente granted a credit to Gera Energia do Brasil S.A. (“Gera”) and Mercúrio Holding S.A. (“Mercúrio”), in order to support the initial investments of the project in the scope of the incorporation of UTE Paulínia, and this loan agreement was settled in 2022.

UTE Paulínia was created together with the above-mentioned companies, aiming at exploring the open cycle thermal power plant of renewable natural gas generated in the landfill located in the municipality of Paulínia, State of São Paulo. The incorporation of UTE Paulínia has not affected the results or goodwill.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations - Continued

Joint ventures - Continued

a) *UTE Paulínia Verde Participações S.A. (“UTE Paulínia”)*--Continued

In the end of April 2022, UTE Paulínia became the holder of the agreement entered into by Mercurio with the Electricity Trading Chamber (“CCEE”) for the sale of Average 15.7 MW. The UTE is expected to start supplying electricity on May 1, 2022. This date can be extended until July 31, 2022, depending on previously established contractual conditions.

On June 29, 2022, through Order 1735/2022, the National Electricity Agency (“ANEEL”) released the 9th generating unit of UTE Paulínia, which enabled the full supply of the Average 15.7 MW agreed in the auction, as from June 30, 2022, with supply of the full volume of electricity agreed in the scope of the Simplified Competitive Procedure, held on October 25, 2021.

From May to June 2022, UTE Paulínia incurred in a contractual penalty with CCEE in the amount of R\$18,369, reflecting the gap between the original date of the beginning of operations provided for in the agreement, and the effective date, and such amount is reflected in the individual and consolidated equity pick-up results of the Company proportionally to its stake in the business.

In the year ended December 31, 2022, UTE Paulínia recorded net revenues of R\$129,104, reflecting the total operations of the thermal power plant with supply of the volume agreed with CCEE. The amounts mentioned in this note generate effects through equity pick-up for the Company at the rate of 33.33%, according to the equity interest held in the capital stock of the investee.

b) *SES Haztec Serviços de Resposta a Emergência Ltda. (“SES Haztec”)*

SES Haztec was incorporated 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, the Company’s management is in a closing phase.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

1. Operations -- Continued

Joint ventures – Continued

c) *Vamtec Orizon Soluções Ambientais Ltda. (“Vamtec Orizon”)*

Vamtec Orizon was incorporated 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 productive process. Vamtec Orizon start-up was in December 2019.

The only customer of Vamtec Orizon is Companhia Siderurgica Nacional, and it already operates with its total available capacity.

Impact of Covid-19

The Company continues observing the scenario of the novel coronavirus pandemic (“COVID 19”) and the evolution of vaccination. In 2022, there were no restrictions on operations, or important impacts on operations and accounting estimates due to the Covid-19.

Analysis of impairment of non-financial assets

As of December 31, 2022, we did not recognize impairment losses on non-financial assets, given the absence of indicators that would prompt us to verify and measure any such amounts.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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

2.1. Declaration of Conformity

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporate 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 April 19, 2023.

According to Technical Guidance OCPC 07, Management states that all material information specific to the financial statements is being evidenced and corresponds to that used by Management in its management.

The significant accounting policies applied in the preparation of these financial statements are defined in this note. These policies have been applied consistently in the years shown.

2.2. Basis of preparation

The individual and consolidated financial statements were prepared based on the historical cost, except for those measured at fair value, when indicated. The financial statements were prepared based on the historical cost, unless 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, 2022 and 2021. Control is obtained when the Group is exposed or is entitled to variable returns based on its involvement with the investee and has the ability to affect those returns through the power exercised in relation to the investee.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

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

Company	Category	Equity interest (%)	
		12/31/2022	12/31/2021
Orizon Meio Ambiente	Subsidiary	100	100
Foxx Holding	Subsidiary	100	100
FIDC Orizon	Subsidiary	100	100
Orizon Energia	Subsidiary	100	-
Direct subsidiaries of Orizon Energia:			
Orizon Biometano	Indirect subsidiary	100	-
GD1 Itapevi	Indirect subsidiary	100	-
GD2 Itapevi	Indirect subsidiary	100	-
GD3 Itapevi	Indirect subsidiary	100	-
GD4 Itapevi	Indirect subsidiary	100	-
GD5 Itapevi	Indirect subsidiary	100	-
Direct subsidiaries of Orizon Meio Ambiente:			
CTRNI	Indirect subsidiary	100	100
CTRA	Indirect subsidiary	100	100
CTRBM	Indirect subsidiary	100	100
SES Haztec	Joint venture	50	50
ETR Gramacho	Indirect subsidiary	100	100
Ecopesa ³	Indirect subsidiary	-	100
UTM Jaboaão	Indirect subsidiary	100	-
Vamtec Orizon	Joint venture	50	50
UTE Paulínia	Joint venture	33.33	33.33
SPE Itaboraí ⁴	Indirect subsidiary	100	-
SPE Itapevi ⁴	Indirect subsidiary	100	-
SPE Paulínia ⁴	Indirect subsidiary	100	-
SPE Rosário do Catete ⁴	Indirect subsidiary	100	-
SPE Sorocaba ⁴	Indirect subsidiary	100	-
SPE Tremembé ⁴	Indirect subsidiary	100	-
SPE Metropolitana	Indirect subsidiary	100	-
Metropolitana Serviços Ambientais	Indirect subsidiary	50	-
SPE Maceio	Indirect subsidiary	100	-
Orizon Pantanal ³	Indirect subsidiary	100	100
Direct subsidiaries of Foxx Holding:			
Foxx Inova	Indirect subsidiary	100	100
Foxx URE-BA	Indirect subsidiary	80	100
Foxx URE-JP	Indirect subsidiary	67	67

¹ FIDC Orizon is not operating.

² Merged into Orizon Meio Ambiente on May 31, 2022.

³ On September 12, 2022, Orizon Pantanal started to be controlled by Orizon Meio Ambiente after its former parent companies, Foxx Holding and Foxx Inova, have assigned their shares without encumbrance for the new parent company.

⁴ Itapevi GDs basically refer to the companies incorporated for future energy generation in Itapevi ecopark.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

2.4. Investment in subsidiaries, affiliates and joint ventures

The Company's investments are recorded using the equity method, being initially recorded at acquisition cost. All changes in the investees' shareholders' equity are reflected in the Company's investment.

2.5. Current versus non-current classification

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

- It is expected to be realized or is intended to be sold or consumed in the normal operating cycle;
- It is held primarily for trading;
- It is expected to be realized within 12 months following the reporting year;
- Cash or cash equivalents, unless there are restrictions regarding their exchanged, that is, 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:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is expected to be realized within 12 months following the reporting year;
- There is no unconditional right to defer settlement of the liability for at least 12 months following the reporting year;

The Company classifies all other liabilities as non-current.

2.6. Fair value measurement

The Company values its financial instruments at their fair values, taking into account the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability will occur in accordance with the assumptions of the standard, as follows:

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

2. Basis of preparation and presentation of 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 significant information for measuring fair value is directly or indirectly observable;

The Company periodically values its financial instruments in order to determine whether transfers have occurred between levels of the hierarchy, reassessing the classification (based on the lowest level and significant information for the measurement of fair value as a whole).

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

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 it can be measured reliably, regardless of when payment is received.

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

2.7.1. Revenue from environmental engineering

Revenue is recognized on an accrual basis as the services are provided, based on the progress of the execution of the contracted services. The managers of each contract periodically send service execution status versus contractual conditions, measuring from this base the revenues and costs that must be recognized in the accounts.

2.7.2. Revenue from waste treatment and disposal

Revenue is recognized on an accrual basis as the services are provided, based on measurements issued for each customer. The measurements are taken from the scales report, which periodically controls 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 accounts.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of Brazilian Reais)

2.7.3. Revenue from biogas

Revenue from biogas is recognized on an accrual basis, based on measurements, through the control of the flow of biochemical gas obtained by equipment installed in sanitary landfills. From this information, the technician in charge and manager of each contract obtains the revenue for the period by multiplying the volume of gas by the unit value contracted. Based on this information, revenue is recognized in the accounts.

Orizon Valorização de Resíduos S.A.

Notas explicativas às Demonstrações financeiras individuais e consolidadas
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2. Basis of preparation and presentation of 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 credits is recognized on an accrual basis based on measurements, through the control of reduction of emission of polluting gases in the atmosphere, determined by equipment installed in sanitary landfills, and provided that there is a selling price for the carbon credits defined in the contract. From this information, the technician in charge and manager of the operation obtains the revenue for the period by the ratio of the volume and reduction in the emission of greenhouse gases to the contracted unit value. Based on this information, revenue is recognized in the accounts.

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 the consortium member ASJA. Based on this data, the indirect subsidiaries participating in these consortia receive a variable payment interest in accordance with the contractual conditions established.

2.7.6. Revenue from energy trading

Revenue from energy revenue is recognized on an accrual basis, based on the contracted amount of energy (MWh) established in the contract and delivered by the Company. This operation is currently carried out by the wholly owned indirect subsidiary Foxx URE-BA.

2.7.7. Financial income

Financial revenue is recognized using the effective interest rate method.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2. Basis of preparation and presentation of 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 amounts recoverable or payable to the tax authorities. The tax rates and tax laws used to calculate the amounts are those in effect or substantially in effect at the balance sheet date.

Deferred taxes

The Company values and measures its deferred tax assets and liabilities considering the effects of temporary differences determined in 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 it is probable that taxable income will be available so that deductible temporary differences can be realized, and unused tax credits and losses can be utilized.

Periodically, the Company reviews the book value of deferred tax assets and recognizes a write-off to income for the year, in accordance with studies and projections for the realization of these credits.

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

2.9. Property and equipment

Property and equipment items are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. This cost includes the amount incurred in the acquisition and/or construction of the asset. Other repair and maintenance costs are recognized in income when incurred.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

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

2.9. Property and equipment--Continued

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, also considering the tax rates for assets with a finite useful life. Ecoparks (landfill operations) are amortized on a variable basis, considering the total capacity to receive waste in the valleys, based on studies carried out by the Company's engineers and/or contracted specialists, the volume of waste received and the cost of forming the valleys.

Assets are tested for impairment whenever there is an indication of loss of economic value of the asset.

An item of property and equipment is derecognized due to sale or obsolescence (when no future economic benefit is expected from its use or sale). Any gain or loss resulting from derecognition of the asset (calculated as the difference between the net selling amount and the book value of the asset) is included in the income statement in the year in which the asset is derecognized.

The residual value and useful lives of assets and the depreciation and amortization methods are periodically reviewed and adjusted prospectively, when material changes occur in the estimates of the asset's useful life.

2.10. Intangible assets

Intangible asset classes are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The useful life of an intangible asset is assessed as defined or indefinite.

Intangible assets with a defined useful life are amortized over the economic useful life and tested for impairment whenever there is an indication of loss of economic value of the asset. The amortization method for an intangible asset with a defined life is periodically reviewed and also takes into account tax rates.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

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

2.10. Intangible assets--Continued

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment, individually or at the cash-generating unit level. The indefinite useful life assessment is reviewed annually to determine whether this assessment is still justified. Otherwise, the change in useful life from indefinite to defined is made prospectively.

Gains and losses resulting from the derecognition of an intangible asset are measured as the difference between the net amount obtained from the sale and the book value of the asset, being recognized in the statements of income at the time of derecognition of the asset.

2.11. Financial instruments

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

Financial assets

The Company recognizes its financial instruments at amortized cost or at fair value through profit or loss plus transaction costs. The classification of this instrument is assessed by the Company according to the characteristics of each instrument.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

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

2.11. Financial instruments--Continued

Financial assets--Continued

Initial Recognition and Measurement

A financial asset is no longer recognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which, essentially, all the risks and rewards of ownership of the financial asset are transferred.

The Company measures financial assets at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to receive contractual cash flows, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that consist exclusively of payments of principal and interest on the principal amount outstanding.

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 is impaired.

As of December 31, 2022, financial assets basically corresponded to cash and cash equivalents, financial investments, securities and accounts receivable from customers and related parties.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

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

2.11. Financial instruments--Continued

Financial liabilities

The Company values its financial liabilities at amortized cost using the effective interest method. As of December 31, 2022, they basically comprise loans and financing, leases, suppliers and other accounts payable. Financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are measured initially at their fair value, plus or minus, in the case of a financial liability other than at fair value through profit or loss, transaction costs that are directly attributable to the issuance 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 liabilities are written off, as well as through the amortization process at the effective interest rate.

Offsetting of financial instruments:

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

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2. Basis of preparation and presentation of 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 commitments. The Company considers cash equivalents to be a financial investment that is readily convertible into a known amount of cash and is subject to an insignificant risk of change in value, in addition to having a short-term maturity for realization.

2.13. Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Company expects the amount of a provision to be reimbursed, in whole or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when reimbursement is virtually certain. The expense relating to any provision is shown in the statement of income, net of any reimbursement.

Provisions for tax, civil and labor risks

The Company is a party to several legal and administrative proceedings. Provisions are set up for all contingencies relating to legal proceedings for which it is probable that an outflow of funds will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the probability of loss includes the assessment of available evidence, the hierarchy of laws, available case law, the most recent decisions in the courts and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are periodically reviewed by the Company and adjusted when 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 adopt assumptions that affect the presented amounts of revenues, expenses, assets and liabilities, and the respective 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 at the balance sheet date, involving a

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

significant risk of causing a significant 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 a provision for civil and labor claims assessed by the legal department and consultants as a probable loss. The assessment of the probability of loss includes the assessment of available evidence, the hierarchy of laws, available case law, the most recent decisions in the courts and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2. Basis of preparation and presentation of 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 related to capitalized costs and the total capacity of sanitary landfill operations (ecopark) to receive solid waste.

Provision for doubtful debts

Over the course of each year, the Company assesses the realization of accounts receivable balances based on an estimate based on the weighting of the risks of loss of each group on the aging list, considering the different risks according to the collection operations and the future probability of default, at management's best expectation. The assessment of the need for a provision for doubtful debts is carried out based on the assumptions established in CPC 48 / IFRS 9 - Financial Instruments, considering a history of default by aging group.

2.15. New technical pronouncements, revisions and interpretations

In the year 2022, the Accounting Pronouncements Committee ("CPC") issued the review of the standards below, which were already in effect in the year 2022:

<u>Pronouncement</u>	<u>Change</u>
CPC 15/IFRS 3	Business Combination regarding the Conceptual Structure
CPC 27/IAS 16	Property and equipment: Revenues before the intended use
CPC 25/IAS 37	Provisions, Contingent Liabilities and Contingent Assets Onerous Contract – cost of fulfillment of agreement
Annual improvements in the 2018-2020 cycle	Several changes in IFRS 1, IFRS9, IFRS 16 and IAS 41

Pronouncement Change CPC 15/IFRS 3 – Business Combination regarding the Conceptual Structure
CPC 27/IAS 16 - Property and equipment – Revenues before the intended use
CPC 25/IAS 37 – Provisions, Contingent Liabilities and Contingent Assets Onerous Contract – cost of fulfillment of agreement
Annual improvements in the 2018-2020 cycle – Several changes in IFRS 1, IFRS 9, IFRS 16 and IFRS 41.

The changes did not have significant effects on the Company's financial statements. Additionally, the International Accounting Standards Board (IASB) will issue new pronouncements and reviews of the existing pronouncements, which will become effective in the coming years with the convergence of the pronouncements issued by CPC:

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

Pronouncement	Description	Effective for years beginning on or after
Changes in CPC 23/IAS 8	Definition of accounting estimates	01/01/2023
Implementation CPC 50/IFRS 17	Insurance agreements	01/01/2023
Changes in CPC 32/IAS 12	Changes in deferred tax on leases and decommissioning obligations	01/01/2023
Changes in CPC 26(R1)/IAS1	Classification of Liabilities as Current or Non-current, Classification of Debts with Covenants and Disclosure of Material Accounting Policies	01/01/2024
Changes in CPC 06/IFRS 16	Clarifications on how a seller/lessee analyzes sale and relocation transactions subsequently	01/01/2024
Changes in CPC 36(R3)/ IFRS 10 and CPC 18(R2)/ IAS 28	Sale or Setup of Assets between an Investor and its Affiliate or Joint Venture*	Postponed indefinitely

The Company's management is evaluating the practical impacts that these pronouncements may have on the financial statements when these norms are regulated.

Orizon Valorização de Resíduos S.A.

Notas explicativas às demonstrações financeiras individuais e consolidadas--Continuação
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2.16. Restatement of the financial statements

The Company is restating its financial statements as a result of the correction of an error found, in the amount of R\$28,313, in connection with the gain on the sale of equity interest in one of its subsidiaries, which was originally recognized in income for the year ended December 31, 2022. However, as there was no loss of corporate control of the investee, such gain should have been recorded in a capital transaction account between shareholders in shareholders' equity, as determined by pronouncement CPC 36 (R3) – Consolidated Statements.

As another consequence of the foregoing, the Company reclassified in cash flow the consideration received for the sale of 20% of its equity interest in such subsidiary as a financing activity, given that control was retained, as determined by pronouncement CPC 03 (R2) – Statement of Cash Flows.

Based on the guidelines set forth in “CPC 23 – Accounting Policies, Change of Estimates, and Rectification of Errors,” the Company restated the financial statements as of December 31, 2022, with the adjustments shown below:

Income statements for the year – Parent company – Consolidated

	Parent company			Consolidated		
	12/31/2022 Original	12/31/2022 Adjustments	12/31/2022 Restatement	12/31/2022 Original	12/31/2022 Adjustments	12/31/2022 Restatement
Gross profit	-	-	-	187,895	-	187,895
Operating revenues (expenses)						
General and administrative expenses	(27,343)		(27,343)	(148,420)		(148,420)
Other revenues (expenses), net	27,249	(28,313)	(1,064)	38,623	(28,313)	10,310
Loss before financial result and equity accounting	(94)	(28,313)	(28,407)	78,098	(28,313)	49,785
Equity accounting income	(58,572)	-	(58,572)	7,720		7,720
Financial result						
Financial income	77,144	-	77,144	77,221	-	77,221
Financial expenses	(135,589)	-	(135,589)	(231,580)	-	(231,580)
Income (loss) before income and social contribution taxes	(117,111)	(28,313)	(145,424)	(68,541)	(28,313)	(96,854)
Income and social contribution taxes						
Current	-	-	-	(38,691)		(38,691)
Deferred	(3,582)	-	(3,582)	(7,919)		(7,919)
Net income (loss) for the year	(120,693)	(28,313)	(149,006)	(115,151)	(28,313)	(143,464)
Attributable to shareholders:						
Non-controlling shareholders	-	-	-	5,542	-	5,542
Controlling shareholders	-	-	-	120,693	-	149,006

Orizon Valorização de Resíduos S.A.

Notas explicativas às Demonstrações financeiras individuais e consolidadas
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2.16. Restatement of the financial statements – Continued

Statements of changes in shareholders' equity – Parent company – Consolidated

Original	Capital stock	Capital reserve	Capital reserves – goodwill on the issue of new shares	Equity valuation adjustment – Attributed cost	Cost on the issue of shares	Accumulated losses	Other comprehensive income	Total	Non-controlling interest	Total Shareholders' equity
Balances on January 1, 2022	844,323	268,941	3,023	10,359	(31,146)	(739,852)	-	355,648	13,765	369,413
Equity instruments	-	-	-	-	-	-	297,518	297,518	-	297,518
Remeasurement to fair value of equity instruments	-	-	-	-	-	-	27,300	27,300	-	27,300
Deferred income and social contribution taxes	-	-	-	-	-	-	(9,282)	(9,282)	-	(9,282)
Partial disposal of equity interest of subsidiary	-	-	-	-	-	-	-	-	11,669	11,669
Net income (loss) for the period	-	-	-	-	-	(120,693)	-	(120,693)	5,542	(115,151)
Balances on December 31, 2022	844,323	268,941	3,023	10,359	(31,146)	(860,545)	315,536	550,491	30,976	581,467

	Note	Capital Reserves					Warrants	Equity valuation adjustment – Attributed cost	Accumulated losses	Other comprehensive income	Total	Non-controlling interest	Total Shareholders' equity
		Capital stock	Cost on the issue of shares	Equity instruments – convertible debentures	Other	– goodwill on the issue of new shares							
Equity instruments	20.b	-	-	-	-	-	-	-	297,518	297,518	-	297,518	
Remeasurement to fair value of equity instruments	20.b	-	-	-	-	-	-	-	27,300	27,300	-	27,300	
Deferred income and social contribution taxes	6.d	-	-	-	-	-	-	-	(9,282)	(9,282)	-	(9,282)	
Partial disposal of equity interest of subsidiary		-	-	-	28,313	-	-	-	-	28,313	11,669	39,982	
Loss for the year		-	-	-	-	-	-	(149,006)	-	(149,006)	5,542	(143,464)	
Balances on December 31, 2022 (Restated)	20	844,323	(31,146)	-	140,590	3,023	156,664	10,359	(888,858)	315,536	550,491	30,976	581,467

Orizon Valorização de Resíduos S.A.

Notas explicativas às Demonstrações financeiras individuais e consolidadas
31 de dezembro de 2022 e 2021
(Em milhares de reais)

2.16. Restatement of the financial statements – Continued

Statements of cash flows – Parent company – Consolidated

	Parent company			Consolidated		
	12/31/2022 Original	Adjustments	12/31/2022 Restatement	12/31/2022 Original	Adjustments	12/31/2022 Restatement
Cash flows from operating activities						
Loss for the year	(120,693)	(28,313)	(149,006)	(115,151)	(28,313)	(143,464)
Gain on disposal of subsidiary	-	-	-	(28,331)	28,331	-
Other	(58)	-	(58)	25,694	(18)	25,676
Other lines without restatement impact	136,332	-	136,332	130,456	-	130,456
Net cash (used in) operating activities	15,581	(28,313)	(12,732)	12,668	-	12,668
Cash flows from investing activities						
Disposal of subsidiary	-	-	-	40,000	(40,000)	-
Other lines without restatement impact	166,496	-	166,496	(290,240)	-	(290,240)
Net cash (used in) investing activities	166,496	-	166,496	(250,240)	-	(290,240)
Cash flows from financing activities						
Related parties	(35,466)	28,313	(7,153)	(1,211)	-	(1,211)
Disposal of subsidiary	-	-	-	-	40,000	40,000
Other lines without restatement impact	(8,079)	-	(8,079)	404,741	-	404,741
Net cash (used in) financing activities	(43,545)	28,313	(15,232)	403,530	40,000	443,530
Increase in cash and cash equivalents	138,532	-	138,532	165,958	-	165,958
				-		-
Cash and cash equivalents at the beginning of the year	295		295	2,917		2,917
Cash and cash equivalents at the end of the year	138,827		138,827	168,875		168,875

2.16. Restatement of the financial statements – Continued

Statements of value added – Parent company – Consolidated

Parent company

Consolidated

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

	12/31/2022 Original	Adjustments	12/31/2022 Restatement	12/31/2022 Original	Adjustments	12/31/2022 Restatement
Revenues	27,249		(1,064)	738,359		710,046
Services provided	-		-	704,910		704,910
Other revenues	27,249	(28,313)	(1,064)	38,623	(28,313)	10,310
Provision for impairment of trade accounts receivable	-		-	(5,174)		(5,174)
Inputs acquired from third parties	(5,052)		(5,052)	(267,626)		(267,626)
Cost of services provided	-		-	(226,956)		(226,956)
Materials, electricity, outsourced services and others	(5,052)		(5,052)	(40,670)		(40,670)
Gross value added	22,197		(6,116)	470,733		442,420
Withholdings	-		-	(140,517)		(140,517)
Depreciation and amortization	-		-	(140,517)		(140,517)
Net value added generated	22,197		(6,116)	330,216		301,903
Value added received in transfer	22,534		22,534	94,834		94,834
Equity valuation adjustment	(58,572)		(58,572)	7,720		7,720
Financial income	81,106		81,106	87,114		87,114
Total value added to be distributed	44,731		16,418	425,050		396,737
Distribution of value added	44,731		16,418	425,050		396,737
Personnel	22,291		22,291	153,925		153,925
Direct compensation	19,706		19,706	103,385		103,385
Benefits	-		-	8,252		8,252
Unemployment Fund (FGTS)	-		-	7,422		7,422
Other	2,585		2,585	34,866		34,866
Taxes, fees and contributions	7,544		7,544	135,189		135,189
Federal	7,544		7,544	102,021		102,021
State	-		-	3,048		3,048
Municipal	-		-	30,120		30,120
Interest on third-party capital	135,589		135,589	251,087		251,087
Rents	-		-	19,507		19,507
Financial expenses	135,589		135,589	231,580		231,580
Interest on equity	(120,693)		(149,006)	(115,151)		(143,464)
Retained earnings (accumulated loss) for the year	(120,693)	(28,313)	(149,006)	(120,693)	(28,313)	(149,006)
Non-controlling interests	-		-	5,542		5,542

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

3. Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash	1	1	59	52
Banks	785	294	30,775	2,865
Bank Deposit Certificates (CBD)	138,041	-	138,041	-
Total	138,827	295	168,875	2,917

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. Bank Deposit Certificates have a remuneration of approximately 100% of CDI (100% of CDI in 2021).

4. Securities

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Bank Deposit Certificates (CDBs)	70,000	227,513	71,922	396,043
Savings bonds	-	-	-	2,473
FIDC Orizon	-	8,983	-	8,983
Total	70,000	236,496	71,922	407,499
Current	70,000	227,328	71,922	398,458
Non-current	-	9,168	-	9,041

The balance of financial investments includes funds with profitability through investments in CDB, without significant risk of variation in principal and earnings upon redemption, and they are remunerated with earnings close to 100% of the variation in the Interbank Deposit Certificates ("CDIs").

Savings bonds refer to Banco Bradesco savings bonds, 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.

Fundo de Investimentos em Direitos Creditórios Não-Padronizados ("FIDC Orizon")

As detailed in note 1, at the end of 2020, Orizon signed an Instrument of Adhesion to the Regulations of the exclusive fund Orizon Fundo de Investimento em Direitos Creditórios Não Padronizados ("FIDC ORIZON"), administered by Modal Distribuidora de Títulos e Valores Mobiliários Ltda. and managed by Modal Asset Management Ltda.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

FIDC ORIZON has repo transactions backed by debentures, fully invested with premium institutions, earnings interest at a rate of 100% of the CDI and maturing on December 20, 2025. As detailed in note 1, some credits of FIDC Orizon were assigned in the transaction of acquisition of UPIs Estre.

5. Trade accounts receivable (consolidated)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Billed	194,499	110,437
To be billed ⁽⁺⁾	120,644	103,997
	315,143	214,434
Provision for doubtful debts	(41,586)	(36,412)
	273,557	178,022
Total	273,557	178,022
Current	258,897	163,362
Non-current	14,660	14,660

(1) The balance of accounts receivable to be billed refers to (i) carbon credits traded in accordance with the contractual conditions, which will be timely written off from accounts receivable in accordance with the verification and delivery process; and (ii) 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.

As of September 30, 2021, the subsidiaries CTRNI and CTRSG signed with NIEGAR and SGEGAR, respectively, an Amendment to the Biochemical Gas Purchase and Sale Agreement, settling the total outstanding invoiced balance until the date of signature, through the payment of invoices and offset against arbitration balances and advances. Offsets are detailed in notes 18 and 19, respectively.

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
To mature	54,875	18,208
Up to 30 days overdue	18,235	4,663
Between 31 and 60 days overdue	4,172	3,862
Between 61 and 90 days overdue	5,721	4,899
Between 91 and 180 days overdue	7,707	6,313
Between 181 and 360 days overdue	27,532	8,074
More than 360 days overdue	76,257	64,418
Total	194,499	110,437

The increase in the amount of this item is mainly due to the inclusion of balances from the newly purchased companies, after completion of the business combination transaction on April 19,

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

2022.

The balances receivable from the indirect subsidiary CTRA in connection with PMSG, in the amount of R\$33,563, are fully classified as overdue for more than 360 days overdue (this amount includes the balance discussed in court of R\$14,660). As detailed in note 1, there is a case in progress the claimed amounts of which exceed the receivables of this customer, currently accounted for; however, they should only be recognized after the case is closed. On February 10, 2023, CTRA and PMSG signed an amendment to the instrument of settlement and adjustment of understandings, and receipts were resumed.

The change in the provision for doubtful debts on December 31, 2022 and 2021 is as follows:

	Consolidated	
	12/31/2022	12/31/2021
Balance as at January 1	(36,412)	(32,291)
Reversal (Setup) of provision for doubtful debts	(5,174)	(4,121)
Balance in the end of the year	(41,586)	(36,412)

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.

The Company does not expect to incur losses that exceed the provision for doubtful debts that was set up on December 31, 2022.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

As detailed in Note 1.d, there is an agreement signed by the indirect subsidiary CTRA with the Principal through the Public Prosecutor of the State of Rio de Janeiro, on the receipt of amounts, the changes in which are shown below:

Changes in the agreement	
Balance as at January 1, 2021	20,358
Tranches received in 2021	<u>(5,698)</u>
Balance as at December 31, 2021	14,660
Tranches received in 2022	<u>-</u>
Balance as at December 31, 2022	<u>14,660</u>

Currently, the client is not paying the installments of the agreement; however, as already discussed in note 1, the indirect subsidiary CTRA obtained a favorable court decision so that the negotiation for the receipt of outstanding balances and other claims be immediately resumed by the creditor, under risk of punishment due to non-compliance.

As described in note 1, an amendment was signed with PMSG on the new payment flow. On March 24, 2023, PMSG paid the first tranche of the new agreement, in the amount of R\$300.

Trading of carbon credits (Consolidated)

The information on the outstanding balances of traded carbon credits that are waiting for the conclusion of the certification process for delivery is detailed below:

Company	Credit generation period	Quantity of Carbon Credits (tCO ₂ eq)	Balance in R\$ thousands
CTRNI	01-01-21 to 31-12-21	563	12,929
CTRA	01-01-19 to 04-10-19	228	2,424
	05-10-19 to 31-12-20	402	4,275
	01-01-18 to 31-12-18	320	1,335
	01-01-21 to 31-12-21	422	9,697
Orizon Meio Ambiente (Balance absorbed by Ecopesa)	01-01-21 to 31-12-21	491	11,268
FOXX URE-JP	01-01-21 to 31-12-21	114	2,617
			44,545

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

5. Trade accounts receivable (consolidated)-- Continued

Credits generated in agreements before 2021 were fully delivered and partially received in early 2023. The Company [...] receipt of the amount of R\$5,307.

These amounts were impacted by foreign exchange effects updated until December 31, 2022. The total balance presented was allocated to services to be billed in the accounts receivable item.

On December 30, 2021, the Company sold the carbon credits generated in 2021 in the amount of R\$39,275 through the subsidiaries CTRNI, CTRA, Ecopesa and Foxx URE-JP. The updated amount on December 31, 2022, considering foreign exchange variation effects, was R\$36,511. Said agreements cover the total volume of carbon credits generated in 2021, without stipulating a minimum or maximum volume and delivery period. Initially, the agreement has a base price for projects within the scope of the Clean Development Mechanism ("CDM"), with additional price in the case of voluntary market entity. The process of becoming a voluntary market entity comprises the following phases and is being developed by the Company:

1. Project development;
2. Consultation with project stakeholders (inspection bodies, local communities, NGOs etc.);
3. Sending the project to the new entity;
4. Project review by the new entity;
5. Project certification.

Through its indirect subsidiaries, the Company is currently requesting the registration of its projects with voluntary market entities, such as Verified Carbon Standard (Verra) or Gold Standard.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

6. Taxes and contributions

a) Taxes and contributions recoverable

Taxes recoverable	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Withholding Income Tax (IRRF) (1)	1,802	974	5,161	2,396
Social Contribution Tax on Net Profit (CSLL) (1)	-	-	1,451	1,013
National Social Security Institute (INSS)	-	-	1,519	966
Social Integration Program (PIS) (1)	-	-	50	194
Contribution to Social Security Financing (COFINS) (1)	-	-	3,419	165
Tax on Industrialized Products (IPI)	-	-	-	188
Other taxes recoverable	13	-	268	364
Subtotal – Federal taxes	1,815	974	11,866	5,286
Tax on Circulation of Goods and Services (ICMS)	-	-	774	78
Subtotal – State taxes	-	-	774	78
Services Tax (ISS)	-	-	1,267	1,772
Subtotal – Municipal taxes	-	-	1,267	1,772
Total	1,815	974	13,907	7,136

(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.

b) Taxes and contributions payable

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
National Social Security Institute (INSS)	-	-	1,365	1,050
Contribution to Social Security Financing (COFINS)	3,038	16	12,062	5,215
Social Integration Program (PIS)	494	3	5,349	1,067
Social Contribution Tax on Net Profit (CSLL)	-	-	3,215	4,735
Income Tax for Legal Entities (IRPJ)	-	-	7,131	11,983
Services Tax of any type (ISS)	-	-	9,144	1,787
Tax on Financial Transactions (IOF)	-	-	1,440	-
Tax on Circulation of Goods and Services (ICMS)	766	-	-	1,621
Other taxes (*)	22	82	13,986	3,855
Total	4,320	101	48,673	31,313

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

6. Taxes and contributions – Continued

c) Reconciliation of income and social contribution tax expenses in income for the period

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, 2022 and 2021 is as follows:

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
	(Restated)		(Restated)	
Loss before income and social contribution taxes	(145,424)	(80,293)	(96,854)	(19,495)
Combined nominal rate	34%	34%	34%	34%
IRPJ/CSLL tax expense at the tax rate in force	49,444	27,300	32,930	6,628
Adjustments for calculation at the effective rate				
Equity pick-up	(19,914)	15,509	2,625	117
Tax credits (not set-up) and reduction in deferred tax assets	(33,112)	(24,544)	(82,165)	(42,759)
Total income and social contribution taxes	(3,582)	18,265	(46,610)	(36,014)
Effective rate (*)	2%	-23%	48%	185%
Income and social contribution taxes	(3,582)	18,265	(46,610)	(36,014)

(*) The calculation of the effective rate is directly affected by the effects of the indirect subsidiaries that are taxed under the estimated profit regime and by the credits not set up on tax loss of the Company.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

6. Taxes and contributions – Continued

d) Deferred income and social contribution tax assets and liabilities

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

	Consolidated	
	12/31/2022	12/31/2021
Assets		
Tax loss and negative social contribution tax base		
Temporary differences	141,940	141,940
Provision for doubtful debts		
Provision for contingencies	14,139	12,380
Adjustment to present value	6,963	13,414
	-	3,582
Tax credits not recognized for reaching the recoverability limit	(33,224)	(40,995)
	131,381	130,321
Liabilities		
Temporary differences		
Use of goodwill generated on acquisitions incurred between 2006 and 2009	(32,525)	(32,525)
Adjustment to present value/fair value	(45,766)	(28,233)
	(78,291)	(60,758)
Deferred income tax and social contribution assets (liabilities)	53,090	69,563

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 already performed or estimated for Orizon Meio Ambiente, realization of the fair value of the debentures operation carried out between Orizon Valorização de Resíduos and its subsidiary Orizon Meio Ambiente, with realization of fair value calculated in the origin of the transaction, in addition to improvement in operating performance, and, thus, increase in the taxable base.

Aiming at improving its operating and administrative efficiency, the Company intends to merge the newly purchased companies with Orizon Meio Ambiente. For this reason, the Company has not set up deferred tax liabilities on the allocated fair values. On February 28, 2023, Orizon Meio Ambiente constituted its subsidiary SPE Paulínia, aiming at merging it with SPE Sorocaba within a short term. Additionally, it continues to analyze mergers still in 2023, particularly regarding the latest assets purchased.

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

6. Taxes and contributions – Continued

d) Deferred income and social contribution tax assets and liabilities - Continued

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:

2023	9,318
2024	11,099
2025	17,895
2026	19,749
2027	18,357
2028	20,460
2029	25,643
2030	8,860
TOTAL	131,381

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					
	12/31/2022		Net. effect	12/31/2021		
Deferred assets	Deferred liabilities	Deferred assets		Deferred liabilities	Net. effect	
Orizon Meio Ambiente (*)	131,381	(78,291)	53,090	126,739	(60,758)	65,981
Orizon	30,260	(30,260)	-	59,665	(56,083)	3,582

(*) On December 31, 2020, the subsidiary Orizon Meio Ambiente recorded deferred tax liabilities in the amount of R\$9,587 on the total adjustment to present value of the transaction of assumption of debt with Bradesco (Note 12). Deferred tax assets included the total adjustment to present value recorded on the balance of debentures issued by the parent company, which had already recorded a deferred tax liability on the same amount recorded. These deferred values are null for consolidation purposes, since they are included in assets and liabilities.

In December 2022, the Company has deferred tax assets that were set up on the adjustment to fair value of the 5th issue of debentures for the parent company, and set up on adjustments to present value of the loan taken with Banco Bradesco and

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

debt for the purchase of Estre, in the consolidated statements. For the parent company, the amount recorded in liabilities is R\$9,882 (34% levied on the measurement of fair value of shares recorded in the shareholders' equity – note 19).

e) Deferred PIS and COFINS taxes

On December 31, 2022 and 2021, the Company recorded deferred PIS (0.65%) and COFINS (4%) taxes on the effect recognized in income arising from the FIDC NP transaction, as explained in Note 12.

Description	Parent Company and Consolidated	
	12/31/2022	12/31/2021
Financial instrument measured at fair value	89,001	195,813
Deferred PIS and COFINS liabilities (0.65% and 4%)	4,139	9,105

The reduction in the balances of deferred PIS and COFINS taxes is due to the settlement of the 4th issue of debentures by the Company to its subsidiary Orizon Meio Ambiente. On the date of payment, the adjusted debt, less the fair value of the transaction, was R\$305,965. Upon realization of the adjustment at fair value (“AVJ”), current taxes were levied.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

7. Transactions with related parties

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

Related Parties – Assets	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Orizon Meio Ambiente (1)	184,064	9,823	-	-
Foxx Holding (1)	4,147	15,147	-	-
CTR Nova Iguaçu (1)	1,828	2,057	-	-
LS Participações (2)	-	-	7,713	2,472
Gera Energia Brasil (3)	-	-	153	2,421
Mercúrio (3)	-	-	-	2,122
Total	190,039	27,027	7,866	7,015

- (1) In Foxx Holding and CTR Nova Iguaçu, the balances refer to checking account transactions for maintenance of working capital. In Orizon Meio Ambiente, the balance was originated from the purchase of SPE Maceió, considering that, in the scope of this transaction and completion of the purchase of UPI Aterros, the Parent Company will deliver 4,636,353 shares to Jive, making up the amount of R\$184,064, which generated a balance receivable from its parent company Orizon Meio Ambiente.
- (2) The balances refer to the advance of dividends that will be formalized by LS Participações at the closing of the year.
- (3) As mentioned in note 1, at the end of 2021, the subsidiary Orizon Meio Ambiente entered into an association with the companies Gera and Mercúrio to take part in the capital of UTE Paulínia. For this purpose, initially, Orizon Meio Ambiente disbursed the initial amounts for the launch of the plant, financing other partners through a loan agreement, with remuneration fixed at the positive variation of the IPCA + 1% p.m, with maturity on 01/14 /2022. The amounts were substantially received in the beginning of 2022.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Related Parties – Liabilities	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
ORIZON MEIO AMBIENTE (4)	108,261	-	-	-
CTRBM (1)	18,113	18,113	-	-
CTR Alcântara (1)	8,632	8,632	-	-
FOXX URE-BA (1)	5,217	5,217	-	-
FOXX INOVA (1)	11,678	-	-	-
UTE PAULÍNIA VERDE (3)	-	-	3,619	-
Share-based payment	32,255	28,507	32,255	28,507
Management bonus (2)	-	239	-	239
Total	184,148	60,708	35,874	28,746
Current	32,255	16,829	32,255	16,829
Non-Current	151,893	43,879	3,619	11,917

(1) Refers to checking account transactions on amounts transferred for payment of debentures issued by ORIZON.

(2) Refers to Management's compensation due to performance.

(3) Refers to the advance of dividends.

(4) Refers to the amount assumed on the purchase of SPE Maceió in favor of Orizon Meio Ambiente, since the payment will be made upon delivery of Company shares.

Share-based payment settled in cash

In the first quarter of 2021, the Company recorded in liabilities and in the result for the period, in personnel expenses, the amount of R\$38,248 regarding share-based payments, as result of the agreement entered into with members of the executive board in connection to a liquidity event, that is, the listing of its shares for trading on B3 in February 2021. Changes in the balances for the year are shown below:

Changes in the balance	
Balance recognized in February 2021	38,248
Payments	(13,281)
Restatements (1)	3,540
Balance as at December 31, 2021	28,507
Payments	(8,079)
Restatements (1)	11,827
Balance as at December 31, 2022	32,255

(1) The residual balance payable was restated by R\$11,827 in the year ended December 31, 2022 (R\$3,540 in the year ended December 31, 2021) according to the change in the value of shares in the period, as provided for in the agreement.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

The compensation in question was submitted to the relevant corporate approvals by the Board of Directors.

Checking Account Transactions

The balances with related parties refer substantially to non-interest bearing, indefinite-maturity checking accounts with no guarantees. The settlement of balances affects the balances of banks and equity accounts of related parties, with no impact on results.

In order to avoid the unpredictability of inbound resources against obligations, the economic group started to perform “checking account” transactions so that the Company and its subsidiaries could achieve their corporate purpose, preserve their interests, fulfill their contracted financial obligations and, thus, avoid default and/or non-compliance of legal and contractual obligations that could have adverse financial effects for the Company’s economic group and, consequently, its shareholders.

The Company does not classify “checking account” transactions as a specific loan agreement on a given amount received, according to which the borrower undertakes the obligation to pay back the same quantity, quality and type. According to the Company, this transaction takes place in a checking account, where the establishment of a financial flow without previously defined conditions is assumed, and it is carried out according to working capital needs. Moreover, the funds and cash flows of the Company’s economic group companies currently follow the same financial policy and management, and the managers are responsible for deciding the best allocation of resources according to the aforementioned needs.

These operations do not involve the recognition of loss and/or loss expectations, or any formalization of guarantees, due to the fact that the companies of the Group are under the same economic and financial management.

Additionally, the Company holds debentures payable to the subsidiary Orizon Meio Ambiente, with details of their respective effects on income for the period in Note 12. Intercompany service provision transactions are eliminated from the consolidated results, and do not affect the amounts presented.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

7. Transactions with Related Parties -- Continued

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, 2022 and 2021, the compensation of key management personnel can be summarized as follows:

	<u>Consolidated</u>	
	<u>12/31/2022</u>	<u>12/31/2021</u>
Compensation of key management personnel (*)	20,247	49,704

(*) The year ended December 31, 2021 includes the recognition in full of the share-based payment to management, in the amount of R\$41,788.

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, we have no other share-based compensation program or other long-term benefits for our employees and/or management, except for that mentioned in the share-base payment item.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

8. Other assets and liabilities

a) Other assets

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Advance of awards (1)	-	-	5,850	5,850
Advances to employees (2)	-	-	1,056	1,570
Advances to suppliers (3)	976	2,204	16,023	16,445
Advances for acquisition of new business (4)	-	-	25,051	8,327
Assets held for sale (5)	-	-	16,798	
Others	-	-	14,760	5,278
Total	976	2,204	79,574	37,470
Current	976	2,204	66,610	31,276
Non-Current	-	-	12,964	6,194

- (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 claimed and receivable, 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 advances to service providers, property insurance and healthcare.
- (4) Refers to advances for acquisition of new landfills, in line with the Company's business expansion plan, including the amounts advanced in the scope of the purchase of the landfill in Porto Velho, State of Rondônia.
- (5) In 2022, the Company decided to close the activities of the incineration unit of Orizon Meio Ambiente. Accordingly, the Company is keeping in this line the balances of property and equipment that are no longer part of assets according to CPC 31, aiming at selling these assets.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

8. Other assets and liabilities -- Continued

b) Other Liabilities

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Acquisitions payable (1)	-	-	5,411	-
Other bills payable (2)	160	218	26,381	4,190
Provision for closure of landfill (3)	-	-	21,191	-
Total	160	218	52,983	4,190
Current	160	218	31,792	4,190
Non-current	-	-	21,191	-

- (1) Refers to outstanding balances on the acquisition of CGR Cuiabá and CGR Ambiental, as detailed in note 1. Most of this balance refers to the SPEs recently purchased that have amounts payable to Estre (former parent company), in detriment of operation costs of certain agreements temporarily maintained by the former partner after the completion of the transaction carried out on April 19, 2022, particularly due to the fact that some agreements still have not been transferred to the SPEs due to absence of approvals.
- (2) Additionally, the Company used to record in this item the obligations with the client Bayer, since the incineration unit was located within the Bayer industrial complex. The operation was closed due to the interruption in waste incineration operations.
- (3) Refers to amounts provisioned for closure of landfills that were originated from the recent acquisitions: SPE Paulínia, SPE Itapevi, SPE Tremembé and SPE Rosário do Catete. The provision is recorded because these landfills are private, and the Company is responsible for excluding them from its fixed assets.

9. Investments

The variation in investments as of December 31, 2022 and December 31, 2021, is as follows:

	Parent Company - 12/31/2022			
	12/31/2021	Capital increase	Income from equity method	12/31/2022
Orizon Meio Ambiente	792,181	-	(82,610)	709,571
Foxx Holding	27,366	11,000	6,884	45,250
Orizon Energia	-	-	17,154	17,154
Total	819,547	11,000	(58,572)	771,975

	Parent Company - 12/31/2021		
	12/31/2020	Income from equity method	12/31/2021
Orizon Meio Ambiente	733,044	59,137	792,181
Foxx Holding	10,879	16,487	27,366
Total	743,923	75,624	819,547

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

9. Investments -- Continued

	Consolidated - 12/31/2022			12/31/2022
	12/31/2021	Capital increase/ AFAC/Acquisitions	Equity accounting result	
SES Haztec (i)	(158)	-	-	(158)
Vamtec Orizon	2,002	-	315	2,317
UTE Paulínia	2,420	20,558	7,962	30,940
SPE Metropolitana (i)	-	11,384	(557)	10,827
Total	4,264	31,942	7,720	43,926

(i) Refers to the corporate investment of SPE Metropolitana in the joint venture Metropolitana Serviços Ambientais (50%).

	Consolidated - 12/31/2021			12/31/2021
	12/31/2020	Capital increase/ AFAC	Equity accounting result	
Ses Haztec (i)	(158)	-	-	(158)
Vamtec Orizon (i)	(845)	2,123	724	2,002
UTE Paulínia (i)	-	2,420	-	2,420
Total	(1,003)	4,543	724	4,264

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued

December 31, 2022 and 2021

(In thousands of Brazilian *Reais*)

Composition of the balance

Financial information of direct and indirect subsidiaries, indirect joint ventures, and indirect affiliate:

Investment	Orizon Meio Ambiente	Foxx	Vamtec Orizon (i)	SES Haztec (i)	UTE Paulínia (ii)	SPE Metropolitan o	Orizon Energia
<u>Shareholders' equity on:</u>							
12/31/2022	709,571	45,250	4,634	(316)	92,820	21,654	16,472
12/31/2021	792,181	27,366	4,004	(316)	37,621	-	-
<u>Income for the year ended:</u>							
12/31/2022	(82,610)	6,884	630	-	23,886	(1,114)	16,472
12/31/2021	59,137	16,487	1,448	-	-	-	-

(i) Ses Haztec has no income for the periods 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.

(ii) The subsidiary Orizon Meio Ambiente holds a 33.33% stake in UTE Paulínia.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

9. Investments -- Continued

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Investments	771,975	819,547	44,084	4,422
Provision for losses on investments (*)	-	-	(158)	(158)
Total, net	771,975	819,547	43,926	4,264

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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued

December 31, 2022

(In thousands of Brazilian *Reais*)

10. Property and equipment (consolidated)

	Consolidated								Total
	Land	Vehicles	Improvements to third-party properties (1)	Buildings	Furniture and Fixtures	Machines and equipment	Facilities (2)	Business combination (3)	
Property and equipment, net Cost									
Balance on January 1, 2021	24,000	4,146	8,746	1,018	3,974	53,841	548,001	9,942	653,668
Additions	-	-	1,037	-	550	3,519	122,276	-	127,382
Reclassification	(3,566)	-	(23)	3,565	5	(5,761)	5,780	-	-
Balance on December 31, 2021	20,434	4,146	9,760	4,583	4,529	51,599	676,057	9,942	781,050
Balance from the acquisition of companies	16,145	5,881	354	-	1,854	42,464	563,925	-	630,623
Additions	-	-	7	-	1,218	3,911	192,031	40,933	238,100
Assets held for sale	(7)	-	-	(109)	(361)	-	(16,321)	-	(16,798)
Balance on December 31, 2022	36,572	10,027	10,121	4,474	7,240	97,974	1,415,692	50,875	1,632,975
Accumulated depreciation									
Balance on January 1, 2021	-	(3,574)	(8,442)	(455)	(3,141)	(42,443)	(309,381)	(2,037)	(369,473)
Additions	-	(133)	(39)	(13)	(177)	(2,527)	(32,240)	(659)	(35,788)
Reclassifications	-	3	23	(3)	(8)	5,380	(5,395)	-	-
Balance on December 31, 2021	-	(3,704)	(8,458)	(471)	(3,326)	(39,590)	(347,016)	(2,696)	(405,261)
Balance from the acquisition of companies	-	(4,909)	(57)	-	(1,309)	(25,396)	(319,349)	-	(351,020)
Additions	-	(1,186)	(122)	(12)	(497)	(5,097)	(78,285)	(6,416)	(91,615)
Balance on December 31, 2022	-	(9,799)	(8,637)	(483)	(5,132)	(70,083)	(744,650)	(9,112)	(847,896)
Property and equipment, net									
Balance on December 31, 2021	20,434	442	1,302	4,112	1,203	12,009	329,041	7,246	375,789
Balance on December 31, 2022	36,572	228	1,484	3,991	2,108	27,891	671,042	41,763	785,079
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. The amount of R\$57,736 and R\$51,424 related to the projects for construction of the WTE unit (Note 1) of indirect subsidiaries Foxx URE-BA and UTM Jabotão, respectively.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

(3) Refers to additions arising from property and equipment originated from business combinations that occurred in the first half of 2022. These assets have useful lives between 1 and 42 years, and most assets are allocated in the average range of 23 years.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

10. Property and equipment (Consolidated)--Continued

OCPC Guidance 05 - Concession Agreements (Consolidated)

	<u>Installation permit (LI) (*)</u>	<u>Operating permit (LO)</u>
Cost		
Balances on January 1, 2021	650	2,224
(+) Additions	-	-
Balances on December 31, 2021	<u>650</u>	<u>2,224</u>
(+) Additions	-	-
Balance on December 31, 2022	<u>650</u>	<u>2,224</u>
Amortization		
Balances on January 1, 2021	(410)	(1,106)
(+) Additions	(29)	(110)
Balances on December 31, 2021	<u>(439)</u>	<u>(1,216)</u>
(+) Additions	<u>(8)</u>	<u>(100)</u>
Balance on December 31, 2022	<u>(447)</u>	<u>(1,312)</u>
Balance on December 31, 2021	211	1,008
Balance on December 31, 2022	<u>203</u>	<u>908</u>

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

To comply with the instructions in 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, 2022, no material facts that could affect the registration of these permits were identified.

Following initial recognition, 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.

Notes to the individual and consolidated financial statements -- Continued

December 31, 2022 and 2021

(In thousands of Brazilian *Reais*)

11. Intangible assets (Consolidated)

Intangible assets, net	Consolidated	
	12/31/2022	12/31/2021
Acquisitions:		
Novagerar Eco-Energia Ltda. ⁽ⁱ⁾	3,533	3,533
Ecopesa Ambiental S.A. ⁽ⁱ⁾	35,235	35,235
Customer portfolio	347	654
Non-competition agreement	-	193
Workforce	-	11
Plastimassa Tecnologia em Tratamento de Resíduos Ltda. ⁽ⁱ⁾	8,065	8,065
El Capitan Participações e Investimentos S.A. ⁽ⁱⁱ⁾	10,107	10,107
Gaia – Gestão Ambiental da Indústria Ltda. ⁽ⁱ⁾	14,933	14,933
E-Ambiental Ltda. ⁽ⁱ⁾	3,990	3,990
Haztec Sul Tecnologia e Planejamento Ambiental Ltda. ⁽ⁱ⁾	107	107
ETR Gramacho ⁽ⁱ⁾	2,731	2,731
Customer portfolio	-	190
Non-competition agreement	-	49
SPEs UPI Estre		
Licenses	381,644	-
Customer portfolio	2,620	-
Provision for realization of allocation of acquisition price	(4,799)	-
CGR Cuiabá/CGR Ambiental		
Licenses	58,903	-
Provision for closure of landfill	(2,045)	-
Subtotal – goodwill and surplus value referring to acquisition of investments	515,371	79,798
CTRNI concession – allocation of purchase price	7,456	8,069
CTRA concession – allocation of purchase price	1,197	1,492
Subtotal – concessions	8,653	9,561
Determining factors for operating permits (LOs)	908	1,008
Software	590	474
Total	525,522	90,841

(i) Goodwill arising from acquisitions of investments between 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 for impairment on a yearly basis.

(ii) Goodwill arising from reverse merger in 2007.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

11. Intangible assets (Consolidated)--Continued

The variation in intangible assets is as follows:

	<u>Consolidated</u>
Balance on January 1, 2021	96,374
Addition of other intangible assets	269
Amortization – goodwill	(3,539)
Amortization of the intangible assets of the concession	(1,016)
Amortization of other intangible assets in the year	(1,247)
Balance on December 31, 2021	90,841
Allocation of acquisition price	452,336
Addition of intangible assets	181
Amortization – goodwill	(11,964)
Provision for realization of allocation of acquisition price	(4,799)
Amortization of the intangible assets of the concession	(1,008)
Amortization of other intangible assets	(65)
Balance on December 31, 2022	<u>525,522</u>

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 (“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, 2022, the Company undertook an analysis of the indicators of impairment of assets. The Company did not identify any indication of impairment of these assets.

The Company believes that all its estimates are reasonable, consistent with the in-house reports, our businesses and reflect management’s best estimates. The impairment testing prepared each year 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;

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

11. Intangible assets (Consolidated)--Continued

Impairment losses--Continued

- 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.

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 12/31/2022	Methodology used
Remediation and Advisory	3.75%	15%	68,062	Value in use
Plastimassa	5.25%	15%	8,065	Value in use
Ecopesa	5.25%	15%	70,341	Value in use
ETR Jardim Gramacho	5.25%	15%	17,605	Value in use

12. Loans, financing and leases

Creditor	Subject	Maturity	Financial charges	Parent Company	
				12/31/2022	12/31/2021
Orizon Meio Ambiente (i)	Debentures	12/26/2032	CDI + 2.5% p.a.	440,326	714,730
Costs with issue of Debentures	Debentures			(1,056)	(1,974)
Adjustments to fair/present value	Debentures			(20,358)	(53,818)
Total				418,912	658,938
Current				-	-
Non-Current				418,912	658,938

(i) Amount arising from Orizon's debentures acquired by FIDC NP and paid in the debentures issued by Orizon Meio Ambiente. On December 30, 2022, the 4th issue of debentures was settled, and the 5th issue was renegotiated, extending the terms with new payment flows, as detailed in this note.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases--Continued

Creditor	Subject	Maturity	Financial charges	Consolidated	
				12/31/2022	12/31/2021
			CDI + 0.31% p.m.		
Banco ABC do Brasil	Working capital	06/30/2023	CDI + 2.9183% p.a.	6,264	18,269
Banco ABC do Brasil	Working capital	10/11/2024	CDI + 0.2141% p.m.	28,522	12,825
			CDI + 3.8% p.a.		
			IPCA + 6.76% p.a.		
Debentures	Debentures	11/15/2031	CDI + 2.4% p.a.	925,529	502,225
Funding costs		11/15/2035		(32,622)	(17,228)
Costs with issuance of Debentures		11/30/2028		(1,056)	(1,974)
Banco Safra	Working capital	06/03/2024	CDI + 2.30% p.a.	15,171	-
Banco Votorantim	Working capital	07/22/2024	CDI + 2.60% p.a.	21,410	-
	Working capital	04/30/2029	CDI + 0.08% p.m.	75,387	66,414
Adjustment to present value				(23,451)	(24,255)
Total				1,015,154	
				4	556,276
Current				37,616	16,844
Non-Current				977,538	539,432

The variation in loans and financing on December 31, 2022 and 2021 is as follows:

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Balance on January 1	658,938	553,610	556,276	325,658
Financial charges	107,508	51,606	93,119	41,046
Adjustment to present value	(42,488)	53,722	804	4,469
Funding	-	-	460,000	515,000
Funding costs	-	-	(15,394)	(17,228)
Amortization of funding expenses	918	-	918	20,057
Payment of principal	(256,000)	-	(21,500)	(236,936)
Payment of interest	(49,964)	-	(59,069)	(95,790)
Balances on December 31, 2022 and 2021	418,912	658,938	1,015,154	556,276

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases--Continued

Payment schedule

On December 31, 2022, the balances of loans and financing classified in non-current liabilities are distributed by year of maturity, as follows:

	<u>Consolidated</u>
2024	33,547
2025	35,092
2026	39,341
2027	33,079
2028 onwards	836,479
Total	<u>977,538</u>

Orizon Meio Ambiente – *Banco ABC Brasil (Consolidated)*

On February 18, 2020, the subsidiary Orion Meio Ambiente signed loan agreements with Banco ABC Brasil with the purpose of supporting the settlement of the 1st Issue of Simple Debentures Not Convertible into Shares, with Variable Guarantee and Additional Guarantees for Public Distribution with Restricted Placement Efforts of Orizon Meio Ambiente.

The funding transaction with Banco ABC Brasil was performed through the issue of two bank credit notes (“CCBs”) in the total amount of R\$40 million, and the notes have the following characteristics:

- Note - R\$7,000 (“CCB 1”):
 - Monthly installments: R\$1,000, plus 100% of CDI variation + 0.3113% p.m.
 - Maturity: 1st installment on March 30, 2020, and last installment on September 25, 2020. This note was already settled.
- Note - R\$33,000 (“CCB 2”):
 - Monthly installments: R\$1,000, plus 100% of CDI variation + 0.3113% p.m.
 - Maturity: 1st installment on October 26, 2020, and last installment on June 12, 2023.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

CCBs were raised on February 28, 2020, and the early maturity clauses of these instruments to relate to the achievement of non-financial indices, such as: (1) Declaration of bankruptcy; (2) Significant deterioration of the economic and financial structure, which consequently reduces the capacity to pay debts; (3) Protest of securities in its amounts higher than R\$5.000; among other less material items.

The table below describes the flow of payments of principal amounts of CCBs:

Issues	2020	2021	2022	2023
CCB1	7,000	-	-	-
CCB2	3,000	12,000	12,000	6,000
Total	10,000	12,000	12,000	6,000

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases -- Continued

Payment schedule

-- Continued

CTRNI - Banco ABC Brasil (Consolidated)

On June 11, 2021, the indirect subsidiary CTRNI raised the amount of R\$15,000 from Banco ABC Brasil, through the issuance of a single certificate. Such amount is remunerated at 100% of the CDI + 0.2141% p.m. The debt shall be repaid in 40 installments of R\$375, the first one maturing on 07/12/2021 and the last on 10/11/2024.

The loan has no guarantees and the early maturity clauses of such instruments are related to compliance with the same non-financial ratios already described in the section addressing the funds raised by Orizon Meio Ambiente with ABC.

CTRNI - Banco Safra (Consolidated)

On May 30, 2022, the indirect subsidiary CTRNI took a loan of R\$20,000 from Banco Safra through the issue of a single note. The amount will be repaid at 100% of CDI+0.19% p.m. The debt will be settled in 4 half-yearly installments of R\$5,000. The first installment was due on 12/05/2022, and the last will be due on 06/03/2024.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases -- Continued

Payment schedule – Continued

CTRNI - Banco Safra (Consolidated) – Continued

The debt has some financial and non-financial covenants mainly related to default situations with other financial institutions and corporate restructurings, as long as there is not a previous approval by the creditor. Moreover, the following items with early maturities must also be mentioned:

- The debt may mature in advance in the following cases: (1) Declaration of bankruptcy; (2) Significant deterioration of the economic and financial structure, consequently reducing the capacity to pay debts; (3) Protest of securities and/or declared maturity of debts with amounts higher than R\$15,000; among other less important items.
- The Company undertook to maintain certain economic and financial indices calculated at the closing of each quarter, such as:
 - Net Debt x EBITDA ratio – 4.5x to 4x escalated to maturity;
 - EBITDA x Financial Expenses ratio – Below 2.0x;
 - Debt Service Coverage Index – Higher than or equal to 1.25x

On December 31, 2022, the Company was not in default with any obligations.

CTRNI - Banco Votorantim

On July 22, 2022, the indirect subsidiary CTRNI signed with Banco Votorantim an Instrument of Issue of Registered Trade Notes in a Single Series, in the amount of R\$20,000, represented by 20,000 trade notes. The debt will be settled in 4 half-yearly installments of R\$5,000. The first matures on 01/22/2023, and the last, on 07/22/2024, remunerated at 100% of CDI variation + 2.6% p.a. The Instrument includes an early maturity clause conditioned to the maintenance of certain conditions provided for in the document.

The debt has some financial and non-financial covenants mainly related to default situations with other financial institutions and corporate restructurings, as long as there is not a previous approval by the creditor. Moreover, the following items with early maturities must also be mentioned:

- The debt may mature in advance in the following cases: (1) declaration of bankruptcy; (2) significant deterioration of the economic and financial structure, consequently reducing the capacity to pay debts; (3) protest of securities and/or declared maturity of debts with amounts higher than R\$15,000; among other less important items.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

- The Company undertook to maintain certain economic and financial indices calculated at the closing of each quarter, such as:
 - Net Debt x EBITDA ratio – 4.5x to 4x escalated to maturity;
 - EBITDA x Financial Expenses ratio – Below 2.0x;
 - Debt Service Coverage Index – Higher than or equal to 1.25x

On December 31, 2022, the Company was not in default with any obligations.

CTRNI - Banco ABC do Brasil

On December 8 2022, the indirect subsidiary CTRNI signed with Banco ABC do Brasil a Bank Credit Note (“CBD”) of R\$20,000.

The debt will be settled in 8 half-yearly installments of R\$5,000. The first matures on 01/09/2023, and the last, on 01/12/2026, remunerated at 100% of CDI variation + 2.9183% p.a. Interest will be paid monthly as from the payment of the first installment of principal. The Instrument includes an early maturity clause conditioned to the maintenance of certain conditions provided for in the document.

The debt has some non-financial covenants mainly related to default situations with other financial institutions and corporate restructurings, as long as there is not a previous approval by the creditor. Moreover, the following items with early maturities must also be mentioned:

The debt may mature in advance in the following cases: (1) declaration of bankruptcy; (2) significant deterioration of the economic and financial structure, consequently reducing the capacity to pay debts; (3) protest of securities; among other less important items.

On December 31, 2022, the Company was in good standing with its obligations.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Orizon Meio Ambiente - Debt assumption – Banco Bradesco (Consolidated)

On June 23, 2020, the debt of Synthesis with Bradesco bank was assigned to Orizon Meio Ambiente in the adjusted amount of R\$61,954, and the Company became a debtor of its direct subsidiary, paying the debt that was outstanding with Synthesis. As a result of this transaction, the Company has recognized the amount of R\$23,451 (R\$24,255 on December 31, 2021) as adjustment to present value, so as to reflect the flow of amounts receivable from the subsidiary Orizon Valorização de Resíduos. The effect of the adjustment to present value decreased the debt recorded in a reducing account in liabilities, which will be realized until the maturity thereof.

Accordingly, 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, 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 was 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 started to 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, granted each other mutual and reciprocal release, having nothing else to claim from each other, at any time and for any reason, regarding the balance existing between the parties.

Orizon Meio Ambiente - Issuance of new debentures – 4th Issue (Consolidated)

On November 16, 2021, the 4th issue of simple, non-convertible debentures, with collateral, with additional personal security, in 2 series, of Orizon Meio Ambiente, for public distribution with restricted efforts, was approved pursuant to CVM Instruction No. 476, of January 16, 2009, as amended, of 500,000 Debentures, of which: (i) 250,000 Debentures of the first series; and (ii) 250,000 Debentures of the second series, totaling R\$500,000 on the issuance date. The funds raised in the Issuance of the First Series Debentures will be used solely for the costs related to the Issuance, and for the achievement, adequacy and expansion of the waste treatment centers located in Barra Mansa, Nova Iguaçu and Alcântara, whereas the funds raised in the Issuance of the Second Series Debentures will be used to refinance the existing debts and for general use by the Company, in compliance with its corporate purpose. The series were issued by the subsidiary Orizon Meio Ambiente.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

The debentures have a grace period for the principal, and as of November 2023, the principal and interest amounts will begin to be paid in semiannual installments until the respective maturities of the first and second series, on November 15, 2035 and November 15 of 2031, respectively. The series will be restated at CDI + 3.8% p.a. and IPCA + 6.76% p.a., respectively.

Said Private Deed has some financial and non-financial covenants mainly related to situations of default with other financial institutions and corporate restructuring where there is no prior approval from the bookkeeping financial institutions, whose valuation is effective as from the base date of June 30, 2022. Among these, the following are noteworthy:

- Listing of the subsidiary Orizon Meio Ambiente at CVM - Type B until the end of the current year to be ended on December 31, 2022. In the last quarter of 2022, Orizon Meio Ambiente registered with CVM (Brazilian Securities Commission) in category “Type B” for performance of capital transactions.
- Presentation of the financial statements of Orizon and its subsidiary Orizon Meio Ambiente, together with the independent auditor’s report, within 90 days for the fiscal year (complete annual audit) and 45 days for the quarterly information (limited reviews);
- Maintenance of certain economic and financial ratios verified at the end of each quarter, such as:
 - Net Debt x EBTIDA ratio – 4.5x to 3.5x escalated to maturity;
 - EBTIDA x Financial Expenses – Lower than 2.0x;
 - Debt Service Coverage Index - Higher than or equal to 1.25x
- Not to be in default with the debenture holders, maintaining payments on a regular basis, according to the Deed payment schedule;
- Not to assign or transfer its payment obligations from the Deed to third parties or any Group company;
- No declaration of bankruptcy of the debtor or any guarantor;
- Not to terminate in advance any of the concession agreements of the indirect subsidiaries involved as guarantors of the Deed, among others.

On December 31, 2022, all restrictive clauses provided for in the debentures agreements were fulfilled.

Orizon Meio Ambiente – Issue of new debentures – 5th Issue (Consolidated)

On November 11, 2022 (“RCA”), the 5th issue of simple, non-convertible debentures, with security interest and personal guarantees in one (1) single series, of Orizon Meio Ambiente S.A. (“OMA”) (“Debentures”), a subsidiary of the Company, was approved regarding the public distribution with restricted efforts, as per CVM Instruction No. 476, of four hundred thousand (400,000)

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

debentures, making up a total of four hundred million *reais* (R\$400,000,000) on the issue date (“Issue”). The funds raised in the Issue of Debentures will be used for (i) refinancing OMA’s existing debts, and (ii) financing the expansion plan of the Company and its investees.

The debentures have a main grace period until December 2025, and the principal amounts will start to be settled in 36 monthly installments until November 2028. Interest will be paid on a monthly basis as from December 2022. The remuneration of this issue will correspond to 100% of CDI + 2.4% p.a.

Said Private Deed has some financial and non-financial covenants mainly related to situations of default with other financial institutions and corporate restructurings where there is no prior approval from the bookkeeping financial institutions, whose analysis is valid as from the base date of June 30, 2022. They include:

- Presentation of the financial statements of Orizon and its subsidiary Orizon Meio Ambiente, together with the independent auditor’s report, within 90 days for annual periods (complete annual audit) and 45 days for quarterly information (restricted reviews).
- Maintenance of certain economic and financial indices calculated at the closing of each quarter, such as:
- Net Debt x EBITDA ratio – 4.5x to 3.5x escalated to maturity;
- EBITDA x Financial Expenses ratio – Below 2.0x;
- Not to be in default with the debenture holders, maintaining payments on a regular basis, according to the Deed payment schedule;
- Not to assign or transfer the payment obligations provided for in the Deed to third parties or any Group company;
- No declaration of bankruptcy of the debtor or any guarantor;
- Not to terminate in advance any of the concession agreements of the indirect subsidiaries involved as guarantors in the Deed, among others.

On December 31, 2022, all restrictive clauses established in the debentures agreements were fulfilled.

Orizon Valorização de Resíduos - Issues of debentures

4th Issue of new simple 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

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Debt/EBITDA ratio.

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

The Private Deed originally contained 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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases --Continued

Payment schedule – Continued

Orizon Valorização de Resíduos - Issues of debentures--Continued

4th Issue of new simple non-convertible debentures--Continued

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

Orizon Meio Ambiente is currently the debenture holder of the 4th 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 simple 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 that was originally scheduled for January 2022. As detailed in this note, the operation is currently supported by a waiver obtained in 2021, effective until November 2023, with the effect of suspending the maturity of this debt.

The 5th 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 4th Issue to the same creditor banks.

Orizon Meio Ambiente is currently the debenture holder of the 5th Issue of Simple Debentures of Orizon.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases--Continued

Payment schedule--Continued

Orizon Valorização de Resíduos – Issue of Debentures--Continued

Renegotiation of the 5th issue and Settlement of the 4th issue of Simple Debentures

On December 26, 2022, an Instrument (“Term Sheet”) was signed between Orizon Meio Ambiente (“Creditor”) and Orizon Valorização de Resíduos (“Debtor”), aiming at renegotiating the 5th Issue of Simple Debentures. This renegotiation proposed a change in the flow of payments, in which the first installment should be paid on December 26, 2024 and the last installment, on December 26, 2032, while the same remuneration conditions and restrictive clauses are maintained as agreed in the Original Deed of the debentures.

On December 29, 2022, the parent company Orizon Meio Ambiente (“Creditor”) and the parent company Orizon Valorização de Resíduos (“Debtor”) signed an instrument on the full settlement of the 4th Issue of Simple Debentures, in the amount of R\$305,964. As of the settlement date, the debt was adjusted to a face value of R\$381,912, with the effect of deduction of AVJ in the amount of R\$75,948. Upon settlement, the taxes on the realization of AVJ were calculated and the AVJ was treated in the origin with temporality deferral effects. The AVP balance and its relevant deferred taxes were reversed in the amount of R\$59,060, being offset in the consolidated figures by the inclusion of the subsidiary.

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.
- Retrospective use of observable information to determine lease periods, taking into account options for extension or termination.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases--Continued

Leases (Consolidated)--Continued

Orizon Meio Ambiente - Banco Safra (Consolidated)

On October 18, 2022, the subsidiary Orizon Meio Ambiente signed 2 Financial Lease Agreements with Banco Safra, in the total amount of R\$9,667. The subject matter of these agreements is the leasing of processing units of leachate, which is produced in the landfill (ecopark) as a result of reverse osmosis.

The debt will be settled in 48 monthly payments from November 2022 to October 2026, with remuneration of 2.86% p.a. The Instrument includes an early maturity clause conditioned to the maintenance of certain conditions provided for in the document, such as: non-payment of the installments of the agreement, IPVA (tax on automotive vehicles) obligations, traffic fines and others.

The following changes took place in leases as of December 31, 2022 and 2021:

	<u>Consolidated</u>	
Balance on January 1, 2021		11,719
New agreements added during the year		22,198
Payment of principal		(12,132)
Payment of interest		(2,672)
Interest appropriated during the year		1,844
Balance as of December 31, 2021		<u>20,957</u>
New agreements added during the year - Lease		9,667
New agreements added during the year – IFRS 16		50,040
Payment of principal		(25,680)
Payment of interest		(2,849)
Interest appropriated during the year		3,876
Balance as of December 31, 2022		<u>56,011</u>
	<u>12/31/2022</u>	<u>12/31/2021</u>
Current	15,211	9,526
Non-current	40,800	11,431

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

12. Loans, financing and leases--Continued

Payment schedule (consolidated)

As of December 31, 2022, the balances of leases classified as non-current liabilities were divided into years of maturity as follows:

	<u>Consolidated</u>
2023	35,157
2024	2,711
2025	1,234
2026	1,037
2027 onwards	661
Total	<u>40,800</u>

Right-of-use assets (Consolidated)

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

The following changes took place in the balance of right-of-use assets as of December 31, 2022:

	<u>Consolidated</u>
Balance as of January 1, 2021	11,201
Additions during the year	19,414
Amortization of right of use during the year	<u>(11,805)</u>
Balance as of December 31, 2021	18,810
Addition of new agreements	<u>50,040</u>
Amortization of right of use in the year	<u>(26,192)</u>
Balance as of December 31, 2022	<u>42,658</u>

Right to PIS and COFINS recoverable (Consolidated)

The Company has the right to recover PIS and COFINS taxes in the consideration for leases. Tax credits were not shown in the measurement of lease cash flows, and the potential effects of PIS and COFINS on gross contractual flows as of December 31, 2022 amount to R\$2,375 (R\$1,483 as of December 31, 2021).

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

13. 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 of December 31, 2022 and 2021 are given below:

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Suppliers	312	126	65,821	43,810

14. Grants payable (Consolidated)

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

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.

Grants arising from the subsidiary CTRNI as from July 2013 began to be settled through offsetting against accounts receivable from the Granting Authorities (Note 5). 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	12/31/2022	12/31/2021
Orizon Meio Ambiente (1)	10%	101	101
CTRNI (2)	10%	3,278	5,856
CTRAL	2%	3,350	4,153
CTRBM	6%	4,686	2,150
URE-JP	10%	261	381
Total		11,676	12,641

(1) Grants calculated on 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 Biogas and sale of carbon credits.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

15. Salaries and social charges

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Salaries and fees payable	458	482	4,759	2,323
Social Security payable (INSS) payable	140	165	4,849	2,419
Unemployment Insurance (FGTS) payable	-	-	748	446
Provision and charges on vacation pay	-	-	10,820	6,448
Provision and charges on 13 th salary	-	-	980	-
Withholding income tax (IRRF) on salaries	514	361	1,519	975
Others	-	-	1,174	99
Total	1,112	1,008	24,849	12,710

16. Tax paid in installments (consolidated)

	12/31/2022	12/31/2021
INSS ⁽³⁾	9,027	1,805
ISS ⁽¹⁾	130	120
ICMS ⁽²⁾	433	1,744
COFINS ⁽³⁾	25,586	19,381
IRPJ ⁽³⁾	17,072	10,899
CSLL ⁽³⁾	7,097	4,622
PIS ⁽³⁾	5,074	3,994
PERT ⁽³⁾	9,891	1,786
Total	74,310	44,351
Current	17,904	7,561
Non-current	56,406	36,790

Information referring to consolidated taxes paid in installments is shown below:

	Original amount	No. of installments	Installments to mature	Adjustment indices
INSS	4,332	13 to 57	4 to 58	SELIC
ISS	3,283	21 to 81	19	Arrears interest + IPCA
ICMS	3,167	57	8 to 20	Arrears interest + UFIR
IRPJ	15,134	57	18 to 55	SELIC
CSLL	6,482	57	18 to 55	SELIC
PIS	5,693	57	15 to 55	SELIC
COFINS	27,386	57	15 to 55	SELIC

(1) The balance outstanding on December 31, 2022 refers to the approval of ISS tax installments of the indirect subsidiaries CRTBM and CTRA.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

16. Tax paid in installments (consolidated)--Continued

- (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 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 4th quarter of 2020, the payment of federal taxes in the amount of R\$14,222 of the direct subsidiary Orizon Meio Ambiente and indirect subsidiaries CTRNI, CTRBM, CTRA, ETR e URE-JP was approved with maturity within up to 60 installments. Over 2021, those same companies adhered to new installment plans in the approximate amount of R\$14 million, under the same terms as the installment plans signed in 2020. In 2022, there was an adherence to new installment plans due to tax planning and the need for working capital, and INSS was included in the value of payments.

Payment schedule

As of December 31, 2022, the balances of taxes due in installments classified as non-current liabilities were divided into years of maturity as follows:

2024	<u>5,878</u>
2025	<u>2,884</u>
2026	<u>2,884</u>
2027 onwards	<u>44,760</u>
Total	<u>56,406</u>

17. 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, provisions were recorded 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:

	<u>Consolidated</u>	
	<u>12/31/2022</u>	<u>12/31/2021</u>
Labor	<u>14,930</u>	20,963
Civil	<u>5,549</u>	12,009
Tax	<u>4,596</u>	188
Total	<u>25,075</u>	<u>33,160</u>

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

17. Provision for contingencies -- Continued

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

The following is a summary of changes in the contingencies:

	Consolidated			
	Labor	Tax	Civil	Total
Balance as of January 1, 2021	23,182	488	11,092	34,762
Additions (Reversals)	(2,121)	(300)	6,708	4,287
Payments	(98)	-	(5,791)	(5,889)
Balance as of December 31, 2021	20,963	188	12,009	33,160
Additions (Reversals)	(4,618)	4,408	(6,363)	(6,573)
Payments	(1,415)	-	(97)	(1,512)
Balance as of December 31, 2022	14,930	4,596	5,549	25,075

Labor claims are mainly related to the payment of overtime, transfer bonuses etc., frequently connected to disputes on severance pay.

The civil proceedings provided for are mainly related to the indirect subsidiary Foxx URE-BA, regarding disputes with suppliers in the implementation of a project for the waste-to-energy plant, which balances are substantially supported by court deposits.

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 of December 31, 2022 and 2021, cases where losses were considered possible by management and its external counsel, not provisioned in the Individual Financial Statements, were as follows:

Nature of the Cases	Consolidated	
	12/31/2022	12/31/2021
Civil	90,313	99,762
Labor	8,879	6,319
Tax	238,396	189,325
Total	337,587	295,271

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

17. Provision for contingencies -- Continued

b) Contingent liabilities where a loss is possible-- Continued

See below a summary of the most important cases and their respective classification:

Tax	Consolidated 12/31/2022	Consolidated 12/31/2021
Notice of violation drawn up to charge amounts corresponding to IRPJ, IRRF, PIS/PASEP, COFINS, CSLL, Isolated Fine, "Cide" Remittances arising from the alleged deduction of undue expenses in the period analyzed. (15540,720123/2019-49)	43,059	38,697
Notice of violation drawn up as a result of the inspection carried out in the company on the charging of amounts regarding IRPJ, CSLL, PIS e COFINS, due to alleged incorrect use of the percentages considered in calculating these taxes. (15540,720116/2019,47)	31,851	29,266
Notices of violation regarding IRPJ/CSLL, calculated based on presumed profit for the years 2016 and 2017. According to the inspection, the company would have violated tax laws by using the assumed percentages of 8% for calculation of IRPJ and 12% for calculation of the CSLL on gross revenues, instead of the percentage of 32%. (15540-720,015/2020-18)	25,772	23,143
Notice of violation drawn up as a result of the inspection carried out in the company on the charging of amounts regarding IRPJ, CSLL, PIS e COFINS, due to alleged incorrect use of the percentages assumed for the calculation of these taxes. (15540,720112/2019-69)	16,324	14,637
Notices of violation regarding IRPJ/CSLL, calculated based on presumed profit for the year 2015. According to the inspection, the company would have violated tax laws by using the assumed percentages of 8% for calculation of IRPJ and 12% for calculation of the CSLL on gross revenues, instead of the percentage of 32%. (10480,729084/2018-01)	13,108	11,885
Notices of violation regarding IRPJ/CSLL, calculated based on presumed profit for the year 2012. According to the inspection, the company would have violated tax laws by using the assumed percentages of 8% for calculation of IRPJ and 12% for calculation of the CSLL on gross revenues, instead of the percentage of 32%. (10480,721482/2017-90)	11,398	10,476
Notices of violation regarding IRPJ/CSLL, calculated based on presumed profit for the years 2016 and 2017. According to the inspection, the company would have violated tax laws by using the assumed percentages of 8% for calculation of IRPJ and 12% for calculation of the CSLL on gross revenues, instead of the percentage of 32%. (15540-720,013/2020-11)	10,590	9,506
Request for offsetting a negative IRJP balance in the end of 2013. (15251,720028/2020-34)	6,614	-
Notices of violation regarding IRPJ/CSLL, calculated based on presumed profit for the years 2016 and 2017. According to the inspection, the company would have violated tax laws by using the assumed percentages of 8% for calculation of IRPJ and 12% for calculation of the CSLL on gross revenues, instead of the percentage of 32%. (15540-720,014/2020-65)	5,347	4,794
Notice of violation on the collection of social security contributions – employer's portion. (15540,720117/2019-91)	4,756	4,272
Urgent provisional relief filed to ensure, in an antecedent character, that alleged ISSQN debts do not become a barrier for the issue of the tax regularity certificate in the name of the company. (0003475-24,2021,8.19,0001)	4,487	-
Notice of violation on the collection of social security contributions – employer's portion. (5540,720115/2019-01)	4,223	3,793
Other tax proceedings	60,869 (47 cases)	38,857 (40 cases)

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

17. Provision for contingencies -- Continued

b) Contingent liabilities where a loss is possible-- Continued

Labor	Consolidated 12/31/2022	Consolidated 12/31/2021
Labor claim on the payment of termination allowances filed by former employees. (0010298-61,2013,5.14,0008)	3,000	3,000
Labor claim on the payment of termination allowances filed by former employees. (0000843-90,2022,5.13,0006)	758	-
Labor claim on the payment of termination allowances filed by former employees. (0100837-74,2022,5.01,0055)	636	-
Other labor proceedings	4,074 (61 cases)	3,319 (63 cases)

Civil	Consolidated 12/31/2022	Consolidated 12/31/2021
Incident of disregard of the corporate entity with the purpose of including the Company as defendant in the lawsuit. (0025435-94,2005,8.26,0100)	24,935	18,693
Execution of credit, arising from a Trade Representation Agreement. (0164804-21,2016,8.19,0001)	13,351	9,797
Citizens suit filed against the Company for alleged irregularities in a bidding process. (0017008-81,2011,8.19,0007)	8,933	33,447
Action for damages with the purpose of condemning the defendants to pay an indemnity regarding the alleged non-compliance with the Purchase and Sale Agreement and Other Covenants. (0096028-61,2019,8.19,0001)	7,329	7,329
Notice of violation drawn up for alleged discharge of effluents in water body. (1868/2021)	4,000	-
Declaratory judgment action aimed at suspending the annotations made in credit restrictions lists, and perception of possible indemnity for moral and property damages. (0251386-19,2019,8.19,0001)	3,157	104
Charging of fine on alleged non-compliance with environmental license conditions, resulting in the interdiction of operating sectors of the company. (0005162-20,2019,8.19,0029 (EE 0003968-77,2022,8.19,0029)	2,316	1,904
Notice of violation drawn up for alleged discharge of effluents in water body. (E-07/002,7174/2016)	1,287	-
Execution for collection of rents allegedly due. (0393482-04,2012,8.19,0001 / 0072742-64,2013,8.19,0001)	679	181
Other civil proceedings	24,325 (76 cases)	7,955 (46 cases)

In addition to the aforementioned cases, the Company is a party to several other different legal and administrative proceedings (civil, labor, tax, competition, etc.), whose chances of loss according to analysis of the company and its external lawyers are remote.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

17. Provision for contingencies -- Continued

c) Court deposits

Court deposits are mainly related to labor claims, in addition to court-ordered freezing of bank balances in civil proceedings and are held as non-current assets. As of December 31, 2022 and 2021, balances were as follows:

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Court deposits	-	11	7,162	6,579

In 2019 an Action for Execution of Extrajudicial Instrument was filed against 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. Accordingly, the amount of R\$5,774 was subject to court-ordered freezing until conclusion of the case.

18. 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 engage in electricity generation from landfill biogas. 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 Nm³ (base date October 2014), free of tax, depending on the quantities supplied. Minimum requirements 1,369 Nm³/h for CTRA and 2,933 Nm³/h for CTRNI (flow unit: Normal Cubic Meter per hour), adjusted annually by the IPCA/IBGE⁴.

⁴ Broad National Consumer Price Index (IPCA), published by the Brazilian Institute of Geography and Statistics (IBGE).

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

18. Advances from customers (consolidated) – Continued

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

In the first quarter of 2016, the Company started supplying biogas to its customer Gás Verde, and then NIEGAR and SGEGAR took over the Gás Verde agreements with CTRNI and CTRA.

In 2017 Gás Verde settled the outstanding balance owed by CTRA to Paraná Banco, as a type of contractual advance for starting biogas 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 biogas 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 biogas, amounting to R\$9,308, R\$7,308 of it in cash and R\$2,000 by settling a debt of 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 trading of biogas began they have been offset against biogas revenue invoices issued to Gás Verde/NIEGAR.

In 2018, CTRNI and CTRA started billing and receiving amounts based on current measurements. As indicated in Note 12, the receivables for the sale of biogas were given as security of the transaction with Credit Suisse in June 2020. Before that, receivables were given as security of the transaction with, FIDC NP, also settled in June 2020. The debt to Credit Suisse was settled at the end of 2021.

As disclosed in note 5, the parties signed an Amendment to the Memorandum of Understanding, settling amounts that were outstanding until September 30, 2021.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

18. Advances from customers (consolidated) -- Continued

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

Balance as of January 01, 2021	22,777
Advances received	17,492
Offsets	(20,074)
Balance as of December 31, 2021	20,195
Balance arising from acquisitions	2,260
Advances received	30,309
Offsets	(28,624)
Balance as of December 31, 2022	24,140

19. 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 biogas from the landfills.

It was agreed that the sums now due 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 (sic) 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 biogas sales agreement, against the arbitration balances provisioned.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

19. Accounts payable--Continued

Arbitration – Continued

As of December 31, 2022, the balances were as follows:

	CTRNI	CTRA	Total
Balance as of January 1, 2021	5,945	8,350	14,295
Offsets against future Biogas invoices	-	(272)	(272)
Monetary adjustments	151	580	731
Balance as of December 31, 2021	6,096	8,658	14,754
Offsets	(6,935)	(3,404)	(10,339)
Monetary adjustments	864	314	1,178
Balance as of December 31, 2022	25	5,568	5,593

Assignment of debts

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

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

The amounts are shown in the table below:

Balance as of January 1, 2021	8,648
Net payments	(4,940)
Monetary adjustments	576
Balance as of December 31, 2021	4,284
Net payments	(4,353)
Monetary adjustments	147
Balance as of December 31, 2022	78

Acquisition of companies

Acquisition of SPEs – UPI Estre

As detailed in note 1, on April 19 the subsidiary Orizon Meio Ambiente completed the process of acquisition of UPI Aterros. The value involved was negotiated as follows:

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

Changes in the balance are presented below:

	(1)	(2)	Payment flow – Acquisition of SPEs – UPI Estre			
			(3)	(4)	(5)	
Acquisition price - April 2022	125,000	8,482	195,000	75,000	113,455	516,937
Acquisition price - December 2022	-	-	-	-	184,063	184,063
Payments made between April and December 2022	(125,000)	(8,482)	(210,884)	(12,496)	-	(356,862)
Monetary adjustments	-	-	15,884	-	-	15,884
Mark-to-market of equity instrument	-	-	-	-	27,300	27,300
Adjustment to present value	-	-	-	(15,209)	-	(15,209)
Balance on December 31, 2022	-	-	-	47,295	324,818	372,113

- (1) The amount was settled through the transfer of funds on the acquisition date;
- (2) The amount was settled through the transfer of credits held by FIDC Orizon;
- (3) The amount was supposed to be settled within 21 months as from the acquisition date and adjusted by the variation of IPCA + 11% p.a. However, in December 2022, the Company decided to advance the full payment of this installment with funds received from the issue of debentures. The event has not generated pre-payment costs.
- (4) The amount will be settled in 48 fixed and non-adjustable installments in the amount of R\$1,562. On December 31, 2022, 43 installments were outstanding. Since these long-term installments are not subject to interest, the Company calculates the adjustment at present value.
- (5) This amount is recorded in the Equity Instruments line of Shareholders' Equity, being presented in this note to show the composition of the total debt for the acquisition of the SPEs UPI Estre. See note 20.

See below the schedule of payment of debts on the acquisition of SPEs recorded in non-current liabilities, except for the portion recorded in shareholders' equity.

2024	11,824
2025	11,824
2026	11,824
Total	35,472

Orizon Valorização de Resíduos S.A.

Notes to individual and consolidated financial statements--Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

20. Shareholders' equity

a) Capital stock

As of December 31, 2022 and 2021, the capital stock of the Company was R\$844,323, represented by 71,500 registered common shares of no par value, subscribed and fully paid up.

The following table sets forth the composition of capital stock as of December 31, 2022:

Shareholder	Number of shares (thousands)	Percentage interest (%)
Inovatec Participações S.A. ("Inovatec")	36,997	51.74%
TPE Gestora de Recursos Ltda. ("Tarpon")	3,708	5.19%
Equitas Administração de Fundos de Investimento Ltda. ("Equitas")	4,044	5.66%
Truxt Investimentos Ltda. ("Truxt")	3,593	5.03%
Free Float	23,158	32.39%
Total	71,500	100%

The following table sets forth the composition of capital stock as of December 31, 2021:

Shareholder	Number of shares (thousands)	Percentage interest (%)
Inovatec Participações S.A.	37,582	52.56%
Spectra Portinari Fundo de Investimentos em Participações Multiestratégia	7,019	9.82%
Távola Capital Gestora de Recursos Ltda.	4,862	6.8%
Free Float	22,037	30.82%
Total	71,500	100%

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

20. Shareholders' equity-- Continued

a) Capital stock-- Continued

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

- Conversion of 2nd and 3rd issue convertible debentures, upon issue of 213 new common shares. The capital increase was recorded against the warrants headline.
- Issue of 81 new shares, as a result of the arrival of Fundo de Liquidação Financeira Fundo de Investimento em Direitos Creditórios – Não Padronizado, represented by its administrator.
- Unanimous approval of the 10-for-1 stock split. Accordingly, the capital stock was divided into 54,163 shares.

These transactions had an impact of R\$2.00 on our Capital Stock, which is now R\$544,323 represented by 54,163 shares.

Going public – Public Offering of Shares

On February 11, 2021, the Company formalized a capital increase in the amount of R\$381,400 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 71,500, and the amount increased from R\$544,323 to R\$844,323. These new shares were the subject matter of the Public Offering for Primary and Secondary Distribution of Common Shares. The Public Offering of Shares was held on February 17, 2021 at the price of R\$22.00 per common share (ORVR3). The Company raised the gross amount of R\$381,340, and received the amount of R\$359,977 net of transaction costs.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

20. Shareholders' equity-- Continued

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

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 31, 2022:

<u>Shareholder</u>	<u>Value (R\$ thousands)</u>	<u>Shares</u>
2 nd Issue of debentures:	14,958	53,872
3 rd Issue of debentures:	15,919	159,159
Total	<u>30,877</u>	<u>213,031</u>

On July 26, 2019, by means of a document entered into between the parties, Fundo de Investimentos em Participações Multisetorial Plus transferred to Inovatec Participações S.A the debentures not yet converted. Such transaction was carried out upon acquisition of the shares of Fundo de Investimentos em Participações Multisetorial Plus by Inovatec Participações S.A.

In the first quarter of 2021, before going public, the Company's debentures were converted into shares and allocated to Capital Reserve.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Issue of new shares

The instrument signed on April 19, 2022 upon acquisition of UPI Aterros by the subsidiary Orizon Meio Ambiente, states that Orizon Valorização de Resíduos will assign 3,545,459 shares valued by the weighted average of shares in the last 60 trading sessions in the stock exchange, until the closing date. On December 31, 2022, shares were valued at R\$34.00 (R\$131,473, net of deferred taxes). The amount is recorded in Orizon Valorização de Resíduos' shareholders' equity due to the future commitment to issue new shares for Jive, thus settling part of the debt of the subsidiary Orizon Meio Ambiente.

The variations are detailed below:

Quantity of shares	3,545,459
Market value on 04/19/2022	32
Balance updated on April 19, 2022	113,455
Mark-to-market for appreciation of shares on 12/31/2022 (R\$39.70 – value per share)	27,300
Deferred income and social contribution taxes	(9,282)
Balance updated on December 31, 2022	131,473

As provided for in the agreement, the new shares were to be transferred to Jive Funds within 60 days after the transaction's closing on April 19, 2022. Immediate non-delivery would result in a 10% fine on the original amount of the debt (R\$113,455).

The act regarding the capital increase carried out in early 2023 in order to formalize such capital increase (as detailed in note 29), defined and agreed in a document signed by the parties, the final price per share of R\$39.70, making up the total amount to be delivered in shares to the creditor.

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 of 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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

20. Shareholders' equity-- Continued

(d) Subscription Warrants

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

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 Individual 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

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) Stock split

On January 25, 2021, the Special Shareholders' Meeting approved the split of common 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 par value.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

20. Shareholders' equity-- Continued

g) Stock split-- Continued

The split has only and exclusively changed the number of shares issued by the Company, as provided for in Article 12 of Law 6.404/76, not resulting in any change in total capital stock, or in the rights granted by the issued shares. The split will not change the shareholders' proportional equity interest in the capital stock, and it will not affect the rights and benefits, whether relating to equity or policies, of the shares.

The composition of the capital stock by class of shares (without par value) and main shareholders, after the effect of the stock split on the date of the public offering 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
SH 1000 Participações S.A.	479	0.88%	4,812
SGRP Empreendimentos e Participações S.A.	404	0.75%	4,056
Pro-Ambiente Gerenciamento e Projetos Ltda.	140	0.26%	1,411
FIDC NP	812	1.50%	8,165
Other minority interests (*)	490	0.91%	4,932
Total	54,162	100.00%	544,323

(*) Shares held by individuals.

h) Basic and diluted loss per share

In the years ended December 31, 2022 and 2021, earnings per share were as follows:

	Parent Company		Consolidated	
	12/31/2022 (Restated)	12/31/2021	12/31/2022 (Restated)	12/31/2021
Loss for the year	(149,006)	(62,028)	(143,464)	(55,509)
Number of common shares	71,500	71,500	71,500	71,500
Basic and diluted loss per share	(2.08)	(0.87)	(2.01)	(0.78)
Quantity of potentially diluting shares in future periods with profit ⁽¹⁾	80,271	-	80,271	-

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

⁽¹⁾ Total potentially diluting shares include 8,771 million shares issued on February 13, 2023 in order to settle the variable portion of the debt of subsidiary Orizon Meio Ambiente regarding the acquisition of SPEs, as well as to settle the balance of share-based payments.

21. Net operating revenues (consolidated)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Gross operating revenues	<u>710,185</u>	494,269
Deductions from Gross Revenues		
Social Integration Program - PIS	<u>(8,116)</u>	(6,559)
Contribution to Social Security Financing - COFINS	<u>(37,402)</u>	(28,997)
Services tax - ISS	<u>(30,120)</u>	(17,676)
Tax on Circulation of Goods and Services – ICMS	<u>(3,048)</u>	(2,956)
Other taxes	<u>(5,238)</u>	(970)
Total taxes accrued	<u>(83,924)</u>	(57,158)
Cancelled sales	<u>(37)</u>	(1,595)
Net operating revenue	<u>626,224</u>	435,516

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued

December 31, 2022 and 2021

(In thousands of Brazilian *Reais*)

22. General and administrative costs and expenses

Costs and expenses by nature	Parent Company					
	12/31/2022			12/31/2021		
	Cost of services provided	General and administrative expenses	Total	Cost of services provided	General and administrative expenses	Total
Personnel	-	(22,291)	(22,291)	-	(51,450)	(51,450)
Third party services	-	(4,286)	(4,286)	-	(1,989)	(1,989)
Others	-	(766)	(766)	-	(1,080)	(1,080)
Total	-	(27,343)	(27,343)	-	(54,519)	(54,519)

Costs and expenses by nature	Consolidated					
	12/31/2022			12/31/2021		
	Cost of services provided	General and administrative expenses	Total	Cost of services provided	General and administrative expenses	Total
Personnel (salaries and wages)	(92,347)	(61,578)	(153,925)	(53,138)	(72,475)	(125,613)
Production and consumption materials	(70,768)	-	(70,768)	(44,808)	-	(44,808)
Depreciation and amortization	(103,385)	(37,132)	(140,517)	(48,231)	(5,164)	(53,395)
Third party services	(62,967)	(22,632)	(85,599)	(29,753)	(9,983)	(39,736)
Rents	(15,641)	(3,866)	(19,507)	(10,061)	(3,055)	(13,116)
Grants	(10,568)	(2,094)	(12,662)	(11,099)	(1,036)	(12,135)
Energy (2)	(21,043)	(523)	(21,566)	(35,317)	(346)	(35,663)
Fuels	(37,828)	(186)	(38,014)	(13,060)	(115)	(13,175)
Freights	(2,427)	(207)	(2,634)	(1,402)	-	(1,402)
Contingencies	-	-	-	-	(2,457)	(2,457)
Others	(21,355)	(20,202)	(41,557)	(9,730)	(3,799)	(13,529)
Total	(438,329)	(148,420)	(586,749)	(256,599)	(98,430)	(355,029)

(1) The amount related to the share-based payment settled in cash was recognized in this heading in the restated amount of R\$41,788 in 2021.

(2) This heading includes the amount related to the acquisition of electricity by the indirect subsidiary Foxx URE-BA during the years ended December 31, 2022 and 2021.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

23. Financial income and expenses

	Parent Company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
<u>Financial income</u>				
Adjustment to present value	64,137	-	25,615	-
FIDC mark-to-market	3,345	758	35,871	22,380
Foreign exchange variation gains	75	-	5,376	2,234
Earnings on financial investments	8,874	4,614	11,960	5,727
Discounts obtained	2	-	180	3,275
Other financial income	4,673	-	8,112	24
Taxes levied	(3,962)	(464)	(9,893)	(7,120)
Total	77,144	4,908	77,221	26,520
<u>Financial expenses</u>				
FIDC mark-to-market	-	-	(37,512)	(4,469)
Adjustment to present value	(25,712)	(53,722)	(14,482)	(21,070)
Foreign exchange variation losses	-	-	(11,975)	(1,160)
Interest on loans and financing	(107,508)	(51,606)	(97,144)	(43,026)
Correction of balances payable for the acquisition of companies (1)	-	-	(43,184)	-
Fines and interest (2)	(263)	-	(22,331)	(15,169)
Discount granted	-	-	-	(341)
Write-off of balances for assignment of debts	-	-	-	(2,596)
Amortization of funding expenses	(918)	-	(918)	(20,057)
Cost of prepayment of debts	-	-	-	(11,560)
Other financial expenses	(1,188)	(595)	(4,034)	(6,249)
Total	(135,589)	(105,923)	(231,580)	(125,697)
Financial result, net	(58,445)	(101,015)	(154,359)	(99,177)

(1) Amount regarding the update of balances payable for the acquisition of SPEs and CGRs in 2022.

(2) Amount regarding the update of balances of arbitration and biogas advances of the indirect subsidiaries CTRNI and CTRA.

24. Segment reporting

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

	Consolidated				Total
	Treatment and final disposal	Energy, Biogas and carbon credits	Waste processing /WTE	Environmental engineering	
Net operating revenues	491,796	59,708	31,335	43,385	626,224
Cost of services provided	(238,023)	(9,293)	(42,544)	(45,084)	(334,944)
Gross profit before depreciation	253,773	50,415	(11,209)	(1,699)	291,280
Depreciation costs					(103,385)

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued

December 31, 2022 and 2021

(In thousands of Brazilian *Reais*)

Gross profit	<u>187,895</u>
Operating revenues (expenses)	
General and administrative expenses	(148,420)
Other revenues (expenses), net	<u>10,310</u>
Loss before financial result and equity accounting	<u>(138,110)</u>
Financial result	
Financial income	77,221
Financial expenses	<u>(231,580)</u>
Financial result, net	<u>(154,359)</u>
Equity accounting income	7,720
Loss before income and social contribution taxes	<u>(96,584)</u>
Income and social contribution taxes	
Current	(38,691)
Deferred	<u>(7,919)</u>
Loss for the year	<u>(143,464)</u>

	<u>Consolidated</u>				
	<u>12/31/2021</u>				
	<u>Treatment and final disposal</u>	<u>Energy, Biogas and carbon credits</u>	<u>Waste processing /Waste to Energy (WtE)</u>	<u>Environmental engineering</u>	<u>Total</u>
Net operating revenues	266,697	103,476	39,157	26,186	435,516
Cost of services provided	(133,570)	(8,899)	(34,378)	(26,357)	203,204
Gross profit before depreciation	<u>133,127</u>	<u>94,577</u>	<u>4,779</u>	<u>(171)</u>	<u>232,312</u>
Depreciation costs					(53,395)
Gross profit					<u>178,917</u>
Operating revenues (expenses)					
General and administrative expenses					(98,430)
Other revenues, net					<u>(1,529)</u>
Income (Loss) before financial result and equity accounting					<u>(99,959)</u>
Financial result					
Financial income					26,520
Financial expenses					<u>(125,697)</u>
Financial result, net					<u>(99,177)</u>
Equity accounting income					724
Income (Loss) before income and social contribution taxes					<u>(19,495)</u>

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Income and social contribution taxes	
Current	(37,534)
Deferred	1,520
Loss for the year	(55,509)

25. Commitments (consolidated)

URE-BA – Delivery of energy relating to an auction:

In 2021, Foxx URE-BA participate in and won the Generation Auction No. 8/2021-ANEEL. As from January 1, 2026, URE-BA will trade 105 MWh annually, equivalent to 75% of its capacity, at the price of R\$549.35/MWh, totaling R\$1,155,745, adjusted annually by the IPCA index. The agreement will be effective for 20 years. URE-BA will have an installed power of 20 MWe, with processing capacity of 300 thousand tons of urban solid waste per year.

Carbon credits – Certification and delivery of carbon credits

Through its indirect subsidiaries, the Company has committed to deliver carbon credits, as detailed in note 5.

Biogas Supply

Through its indirect subsidiaries, the Company has signed agreements, effective until 2034, on the supply of biogas extracted from operations in the ecoparks of Nova Iguaçu and São Gonçalo. These agreements establish prices of R\$0.12 to R\$0.14 per Nm³ (base date: October 2014), net of taxes, that will vary according to the quantities of biochemical gas supplied, adjusted annually by the IPCA/IBGE index.

26. Financial instruments

a) Risk management objectives and strategies

As its policy for financial asset management, the Company is always seeking to improve yield without undue 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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

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

		12/31/2022			
		Parent Company		Consolidated	
Category		Book value	Fair value	Book value	Fair value
Financial assets					
Cash and cash equivalents	Amortized cost	138,827	138,827	168,875	168,875
	Fair value through profit or loss	70,000	70,000	71,922	71,922
Securities					
Trade accounts receivable	Amortized cost	-	-	273,557	273,557
Receivables from related parties		190,039	190,039	7,866	7,866
Court deposits and surety	Amortized cost	-	-	7,162	7,162
Financial liabilities					
Suppliers	Amortized cost	312	312	65,821	65,821
Loans and financing		418,912	418,912	1,015,154	1,015,154
Leases	Amortized cost	-	-	56,011	56,011
Accounts payable to related parties		184,148	184,148	-	-
Grants payable	Amortized cost	-	-	11,676	11,676
Advances from customers	Amortized cost	-	-	24,140	24,140

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

a) Risk management objectives and strategies--Continued

Category	12/31/2021				
	Parent Company		Consolidated		
	Book value	Fair value	Book value	Fair value	
Financial assets					
Cash and cash equivalents	Amortized Cost	295	295	2,917	2,917
	Fair value through profit or loss	236,496	236,496	407,499	407,499
Securities	Fair value through other comprehensive income	-	-	178,022	178,022
Debentures	Amortized Cost	-	-	-	-
Trade accounts receivable	Amortized Cost	27,027	27,027	7,015	7,015
Receivables from related parties	Amortized Cost	11	11	6,579	6,579
Court deposits and surety					
Financial liabilities					
Suppliers	Amortized Cost	126	126	43,810	43,810
Loans and financing	Amortized Cost	658,938	658,938	556,276	556,276
Leases	Amortized Cost	-	-	20,957	20,957
Accounts payable to related parties	Amortized Cost	60,708	60,708	28,746	28,746
Grants payable	Amortized Cost	-	-	12,641	12,641
Advances from customers	Amortized Cost	-	-	20,195	20,195

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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

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 of December 31, 2022 and 2021, the Company was not holding any financial instruments classified as Level 1.

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 of December 31, 2022 and 2021 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.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments—Continued

b) Fair value hierarchy--Continued

As of December 31, 2022 and 2021, 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 of December 31, 2022 and 2021:

	Parent Company				
	Fair value hierarchy	Book value		Prices quoted for identical assets and liabilities (Level 2)	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Financial assets					
Cash and cash equivalents	Level 2	138,827	295	138,827	2,917
Securities	Level 2	70,000	236,496	70,000	236,496
Debentures	Level 2	-	-	-	-
Receivable from related parties		190,039	27,027	190,039	27,027
Court deposits and surety		-	11	-	11
Financial liabilities					
Suppliers		312	126	312	126
Loans and financing	Level 2	418,912	658,938	418,912	658,938
Accounts payable to related parties		184,148	60,708	184,148	28,746
	Consolidated				
	Fair value hierarchy	Book value		Prices quoted for identical assets and liabilities (Level 2)	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Financial assets					
Cash and cash equivalents	Level 2	168,875	2,917	168,875	2,917
Securities	Level 2	71,922	407,499	71,922	407,499
Trade accounts receivable		7,866	7,015	7,866	7,015
Receivable from related parties		7,162	6,579	7,162	6,579
Court deposits and surety					
Financial liabilities					
Suppliers		65,821	52,425	65,821	52,425
Loans and financing	Level 2	1,015,154	556,276	1,015,154	556,276
Leases		56,011	20,957	56,011	20,957
Accounts payable to related parties		35,874	24,764	35,874	24,764
Grants payable		11,676	12,641	11,676	12,641
Advances from customers		24,140	20,195	24,140	20,195

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

b) Fair value hierarchy--Continued

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.

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.

Management has been acting to revert the Company's accumulated losses and negative working capital. Among the goals it established in order to achieve better results, as well as the results already achieved, the following may be highlighted:

- Study of opportunities to reduce costs and expenses, which have already been implemented, and ongoing assessment of operational and administrative improvement

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

c) Management of financial risks--Continued

Liquidity risk--Continued

- Advance in negotiations with the São Gonçalo Municipal Government involving balances receivable of the indirect subsidiary CTRA, concerning settlement of past balances, offset of municipal taxes and outstanding grants, in addition to a claim for concession term extension.
- Implementation of new business which the Company expects to be profitable in the coming years. These include (i) trading of biogas from the decomposition of solid waste disposed of in the sanitary landfills in Nova Iguaçu and São Gonçalo, regarding which the indirect subsidiaries have agreements for supply of gas to third parties in force until 2029; (ii) biogas supply agreement executed between CTRBM and Biogera; and (iii) partnership agreement for sharing and use of biogas for electricity generation executed between Ecopesa and ASJA Brasil Serviços para o Meio Ambiente Ltda.
- Implementation of new waste reuse activities which will strength the Company's operating cash generation, with emphasis on recycling, briquetting and electricity generation.
- Beginning of electricity trading by the energy recovery unit located in Barueri, São Paulo, by means of a long term (15 years) agreement executed with Companhia Energética de Minas Gerais. Reprofiting of the Company's liabilities with a payment flow compatible with its cash generation and that of its subsidiaries.

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

Financial assets

	Parent Company					Total
	No maturity date	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	
Cash and cash equivalents	138,827	-	-	-	-	138,827
Securities	70,000	-	-	-	-	70,000
Related parties	-	-	-	-	190,039	190,039
Total	208,827	-	-	-	190,039	398,866

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
 December 31, 2022 and 2021
 (In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

c) Management of financial risks--Continued

Liquidity risk -- Continued

Financial assets

	Consolidated					Total
	No maturity date	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	
Cash and cash equivalents	168,875	-	-	-	-	168,875
Securities	71,922	-	-	-	-	71,922
Trade accounts receivable	-	170,122	16,770	72,005	14,660	273,557
Total	240,797	170,122	16,770	72,005	14,660	514,354

Financial liabilities

	Parent Company					Total
	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	
Financial liabilities						
Suppliers	312	-	-	-	-	312
Loans and financing	-	-	-	418,912	-	418,912
Related parties	-	-	-	184,148	-	184,148
Total	312	-	-	603,060	-	603,372

	Consolidated					Total
	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	
Financial liabilities						
Suppliers	60,805	4,533	483	-	-	65,821
Loans and financing	3,135	6,269	28,212	142,115	835,423	1,015,154
Leases	1,268	2,535	11,408	40,800	-	56,011
Grants payable	11,676	-	-	-	-	11,676
Advances from customers	24,140	-	-	-	-	24,140
Total	101,023	13,338	40,103	182,915	835,423	1,172,802

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. 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, 2022 and 2021, the consolidated balance of the provision for losses on accounts receivable was R\$41,586 and R\$36,412, respectively, to cover credit risk (Note 5).

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.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. Financial instruments--Continued

c) Management of financial risks--Continued

Interest rate risk--Continued

Sensitivity analysis on the variation in CDI rates

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 from the annual effective rate calculated on December 31, 2022, as follows:

Transaction	Balance on 12/31/2022	Assets (Consolidated)		
		Probable scenario	Scenario I Δ 25%	Scenario II Δ 50%
<i>CDI effective annual rate – year ended 12/31/2022</i>	12.39%			
Financial investments (Note 4) <i>Estimated annual rate – Year to end on 12/31/2023</i>	71,922	71,922 12.39%	74,150 15.49%	76,378 18.59%
Positive (negative) effect on income/shareholders' equity – year to end on 12/31/2023		-	2,228	4,456
Transaction	Balance on 12/31/2022	Liabilities (Consolidated)		
		Probable scenario	Scenario I Δ 25%	Scenario II Δ 50%
Effective annual CDI rate – year ended 12/31/2022 (*)	12.39%			
Loans and financing (Note 12) <i>Estimated annual rate – Year ended 12/31/2022</i>	1,015,154	1,015,154 12.39%	1,046,601 15.49%	1,078,048 18.59%
Positive (negative) effect on income/shareholders' equity – year ended 12/31/2022		-	31,447	62,894

(*) Source: B3 website (<https://www.calculadorarendafixa.com.br/#/navbar/calculadora>).

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.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

26. 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, 2022, 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.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

27. 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, 2022, the main insurance coverage 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.

28. Transactions not involving cash (Consolidated)

Balances payable for acquisition of equity interest that will not impact the Company's cash	324,818
Balance paid for the acquisition of equity interest through the cession of FIDC debentures	<u>(8,482)</u>

29. Subsequent events

Acquisition of ownership interest

On January 17, 2023, the Company purchased, through its subsidiary Orizon Meio Ambiente, a 51% equity interest in CTR Porto Velho S.A. ("CTR PV"), from Ecofort Engenharia ("Ecofort"), for R\$10,000.

The unit is located in the municipality of Porto Velho, State of Rondônia. This transaction ratifies the Company's growth strategy regarding the expansion of its activities with projects that add value for the Company itself, the environment and the population with the expectation to, throughout the live of CTR PV, implement the exploration of biogas, carbon credits, electricity, biomethane, recovery of recyclable materials, and other activities. After this important acquisition, the Company will hold, through its investees, 14 ecoparks, expanding its geographic presence to 9 Brazilian states.

Capital increase

On February 13, 2023, the Company validated the increase in capital stock, in the amount of R\$348,205, through the issue of 8,771 new common, book-entry shares with no par value ("New Shares") at the issue price of R\$39.70 per share. Price per share: (i) R\$17.75 was allocated to the capital stock, totaling the amount of R\$155,684; and (ii) the balance of R\$21.95 per share was allocated to the setup of the capital reserve, totaling the amount of R\$192,522.

Orizon Valorização de Resíduos S.A.

Notes to the individual and consolidated financial statements -- Continued
December 31, 2022 and 2021
(In thousands of Brazilian *Reais*)

Due to the capital increase, the Company's capital stock increased from R\$844,323, divided in 71,500 common shares, to R\$1,000,007, divided in 80,271 common shares. The New Shares issued were credited to their subscribers on the business day subsequent to the event.

Merger of SPE Paulínia

On February 28, 2023, SPE Paulínia was absorbed by its direct holding, Orizon Meio Ambiente. The net remaining assets merged amounted to R\$116,014, and they were recorded in the line of investments in Orizon Meio Ambiente, with the purpose of offsetting the investment accounted for until the date of the merger.

Acquisition of equity interest

On April 10, the Company entered into a binding contract through its subsidiary Orizon Meio Ambiente S.A. for the acquisition of equity interest in CTR Santa Luzia S.A. ("CTR SL"), located in the Municipality of Santa Luzia, State of Minas Gerais, for an amount of R\$25,000, part of which was obtained through capitalization of amounts previously transferred to CTR SL and the remainder through future capital increases.

With the closing of the Transaction and the performance of the obligations assumed by Suma Brasil Serviços Urbano e Meio Ambiente S.A. ("SUMA"), the capital stock of CTR SL will be distributed as follows: fifty percent (50%) to OMA and fifty percent (50%) to SUMA, a Brazilian company controlled by Portugal-based company Mota-Engil SGPS S.A. and by Spain-based company Urbaser S.A.

CTR SL owns a sanitary landfill located in the Metropolitan Region of Belo Horizonte which started operations in the 1st quarter of 2023, with an expected volume of received waste of up to 1,500 tons per day. The Transaction confirms the Company's growth strategy regarding the expansion of its activities and volume of waste under management, while also allowing the implementation of optionalities such as the exploitation of biogas, carbon credits, electricity, biomethane, recovery of recyclable materials, and other activities.