

Individual and Consolidated Financial Statements

BRK Ambiental Participações S.A. and subsidiaries

December 31, 2022
and Independent Auditor's Report



BRK

**20
22**

**MANAGEMENT
REPORT**

Contacts

riambiental@brkambiental.com.br

www.ri.brkambiental.com.br/en/

1. Management Report



Focus on Growth with Profitability

BRK maintained the consistent trajectory of results. For the fourth consecutive year, Adjusted EBITDA achieved a double-digit growth, reaching R\$1.3 billion and a margin of 47% in 2022, combined with a reduction in leverage throughout the year. This performance is supported by a structured and continuous operational efficiency plan, which covers cost optimization, implementation of energy efficiency programs, reduction of total water losses and delinquency rate.

Growing Investments and Strong Capital Structure

Continuing the plan for growth and expansion of operations, in 2022, Adjusted Investments grew 29% compared to 2021 and reached R\$1.6 billion. The expansion of networks was prioritized, which totaled 509 km and added 366,000 new economies.

From a financial point of view, the Company continued to strengthen its capital structure and ended 2022 with a consolidated cash balance of R\$ 1 billion. Fundraising totaled R\$5.5 billion, the highest amount ever recorded by BRK in a year. Highlights include (i) the issuance of R\$1.6 billion in corporate sustainable debentures, (ii) the issuance of R\$1.95 billion in blue debentures by the subsidiary RMM and (iii) the contracting of R\$800 million from the SPT line with BTG, for the RMM capex program. Consequently, the average debt maturity has lengthened to more than 10 years, while CDI exposure has decreased from 53% in 2021 to 41%.

In line with the *funding* strategy and aiming to raise our governance standards, the conversion of BRK's registration as a publicly-held company in CVM to category A was concluded, which enables it to apply for an IPO¹.

Engagement and Culture

The Company has been working on several fronts to promote an increasingly positive environment for its 6,000 employees. As a result of this effort, in 2022, BRK obtained the *Great Place to Work* (GPTW) certification, which, through extensive research on the organizational climate carried out with employees, certified BRK's excellence as an employer. The registered satisfaction rates demonstrate the Company's commitment to respect for people, one of its main values.

Also, with regard to investments in the team, we highlight the beginning of BRK's 1st *trainee* program, aiming to qualify professionals capable of sustaining our growth.

The search for innovation is integrated with our values and culture and is particularly expressed in the BRK Inova program, which, managed by the Innovation Governance department, fosters and accompanies disruptive initiatives implemented in our operations. BRK values innovation

¹ Initial Public Offering

and was publicly recognized in 2022 with its inclusion among the country's leading corporations in open innovation with *startups*, listed in the TOP Open Corps 2022.

ESG Corporate Sustainability (Environmental, Social and Governance)

Consolidating our ESG strategy, last year BRK became the first sanitation company in Brazil to be recognized as the best in the Americas and was classified as low risk by *Sustainalytics*, an international organization that measures corporate ESG exposure and risk management.

In search of factual advances in the country's environmental agenda, BRK that already committed to the goal of *net zero* greenhouse gas emissions by 2040, went beyond and last November became the first private sanitation company in the world to issue *blue bonds*, debentures linked to projects that aim at the preservation of water resources. The debentures, in the amount of R\$1.95 billion and a 20-year term, will benefit more than 1.5 million people living in the Metropolitan Region of Maceió (AL), also contemplating income generation and other local improvements. Held at the COP 27 in Egypt, the launch of the bonds signaled to the international community our commitment to tackling the damage of climate change.

Regarding the diversity and inclusion agenda, we reaffirm our commitment and pave the way to meet the goal of having, by 2024, 40% of leadership positions held by women and, by 2025, the same percentage occupied by black people. In respect of that, took place the 3rd class of the career acceleration program for black women, with the participation of professionals from all our units. As part of our training and income generation initiatives, we have already trained 100 new hydraulic plumbers.

Among the external actions related to our diversity and inclusion agenda, it is worth mentioning the sponsorship of the first basketball team for people with *Down* syndrome. The project already has 150 young people training in São Paulo.

Sanitation sector

It is worth noting the inducing effect of the expansion of sanitation on economic growth and social development. In addition to jobs and income generation, stimulating the supply chain of services, procurement and promoting tourism, there are countless and remarkable benefits for the areas of education, the environment and, above all, health, for which each Real invested represents an economy of R\$ 4².

With numerous deliveries to society and benefiting 366,000 new families with access to water and wastewater in all regions of Brazil in 2022, we have several reasons to be proud of everything we have done. We will continue to expand the number of families benefited in 2023, as well as our social projects for income generation and inclusion, exercising our purpose of taking sanitation far beyond the basic.

I thank our team, shareholders, suppliers and partners for their support and commitment, which are essential to our solid growth path.

Teresa Vernaglia
CEO of BRK

² Source: World Health Organization

2. About BRK

2.1 Corporate Profile

BRK is one of the largest private sanitation companies in Brazil. It operates in more than 100 municipalities, with a decisive impact on the development of these communities.

Its facilities manage water and wastewater services through partnerships with state and private companies, states and municipalities, complementing public investments for the universalization of sanitation in the country. At the end of 2022, the Company's operations employed more than 6,000 employees and benefited about 16 million users, working to continuously improve their quality of life.

The Company's diversified portfolio of assets, composed of 23 Special Purpose Entities (SPEs) for sanitation (water and/or wastewater) in 13 states, distributed throughout all regions of the country, mitigates revenue concentration and hydrological risks. There are 16 concessions, 6 PPPs (Public-Private Partnerships) and 1 asset lease, with long-term contracts in different stages: development, investment or maturity.

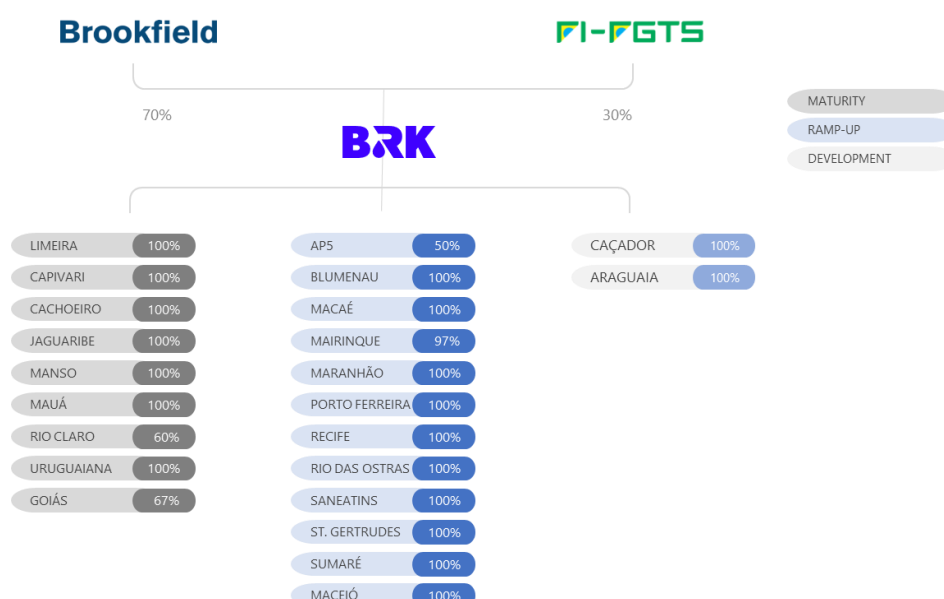
It should be noted that, with a 50% interest, BRK shares control of F.AB Zona Oeste S.A. (operating at AP5, in the West Zone of the city of Rio de Janeiro), as reflected in the item "Equity Equivalence" of the Financial Statements.

2.2 Ownership Composition and Corporate Structure

In April 2017, the Brookfield group took indirect control of BRK by acquiring 70% of its capital through the BR Environmental Equity Investment Fund - Fundo de Investimento em Participações BR Ambiental ("BR FIP"), while FI-FGTS, Latin America's largest Infrastructure Investment Fund, holds the remaining 30%.

With significant growth and proven *track record* in business, Brookfield Group manages a global portfolio of approximately US\$800 billion, consisting of five business platforms in the infrastructure sector, BRK being its platform for the sanitation sector in Brazil.

The table below shows the organizational structure of the parent company BRK and its subsidiaries. The information reflects the shareholding composition on the base date of this Report.



2.3 ESG: Environmental, social and Governance practices

Aiming to build a resilient business model, centered on social, environmental and governance impacts, we have consolidated our ESG strategy. Below are described the main progresses in our goals, as well as the main highlights within each theme.

Environmental

Goals:

- **Energy efficiency:**

Back in 2019, we set the goal of supplying 50% of our consumption with renewable energy by 2021. With the implementation of photovoltaic self-generation plants and the purchase of energy encouraged in the Free Market, in 2022 we went further and ensured that 56% of the electricity consumed was renewable. We have therefore set a new goal: by 2030, 70% of our consumption must come from renewable sources.

- **Net-Zero Strategy:**

We are committed to achieving zero net greenhouse gas (GHG) emissions by 2040 and have set intermediate control targets: 10% reduction by 2025 and 30% by 2030. To achieve them, we identified 22 GHG emission mitigation projects in the last year, which together, by 2040, will prevent the release of approximately 5 million tons of CO2 equivalent.

- **Water Security and Losses:**

Our water security and loss-reduction program allowed us to avoid the wasting of 25 billion liters of water between 2017 and 2022. The model, based on programs for identifying and repairing leaks and renewing/replacing networks, has been reducing water losses annually. We went from the 41% registered in 2018 to 35% in 2022, and, to ensure the effectiveness of this journey, we are committed to the goal of 25% by 2030.

Highlights:

- **Exame Magazine's Best ESG Award:** BRK, 1st place among sanitation companies.
- **Publication of GHG inventory in the GHG Protocol:** Silver Seal.
- **Issuance of R\$1.95 billion in blue bonds:** Latin America's first blue bond launched by a private company.
- **COP 27 in Egypt:** in November 2022, launching of the blue bond and presentation of BRK's decarbonization initiatives.
- **Renewable electricity:** 100% of the electricity purchased on the free market is certified.

Social

Goal:

- **Diversity and inclusion:**

To achieve the corporate goals of reaching 40% of women and 40% of self-declared black or brown people in leadership positions by 2024 and 2025, respectively, the Company structured an action plan with 21 initiatives, ranging from mentoring to career acceleration programs for black employees. The DiversifiK Program, focused on promoting diversity and inclusion, has a

collegiate committee composed by our leaders and four working groups dedicated to the following fronts: Empowerment of Women, Race, LGBTQIA+ and PSNs.

Highlights:

- **Evaluation of externalities with support from IDB Invest:** assessment of KPIs of impact, which measure the positive externalities of sanitation.
- **Black Women's Career Acceleration Program:** aimed at middle leadership positions, currently in its third edition.
- **Project "Reinventar":** in partnership with UN Women and UNHCR, it trains Venezuelan refugees as hydraulic plumbers in our operations in Pernambuco and Alagoas.

Governance

- We have six strategic **committees** that reinforce our governance for sustainability, with special emphasis on the sustainability, ethics and diversity and inclusion committee.
- We are **signatories of the UN Global Compact** and board members of the Brazilian Global Compact Network since 2018. We adhere to the UN Women's women empowerment principles (WEPs) and use their guidelines to guide our gender equity program.
- Since 2017, we have implemented a program to **train** all employees in the various topics involved in our Compliance Program. Throughout 2022, 16,000 hours of training were given.
- We are **ISO 37001-certified**, which confirms our adequacy to the Anti-Bribery Management System. We are a **Pro-Ética** company, an initiative of the Controladoria Geral da União and the Ethos Institute that distinguishes companies committed to preventing, combating corruption and other types of fraud and attests their efforts in this regard.

Highlights:

- **Leading sanitation company in Brazil and the Americas in ESG:** classified as "low risk" in the *ESG Risk Rating of Sustainalytics*, one of the leaders in the development of research and analysis on ESG management.
- **2021 Sustainability Report:** according to GRI and SASB standards.

ESG Indicators

To measure the performance of these initiatives, we defined a set of material indicators for our business, established according to the methodology of GRI³ and SASB⁴. In the table below we present the main indicators that, since 2018, measure our performance in environmental, social and governance issues and how we are progressing on this agenda. Such information will be available in greater detail in our ESG Report.

Environment	2021	2022	Target
Losses index (%)	35.2	35.3	25 (2030)
Volume of Treated Water (thousand m ³)	222,062	234,331	-
Volume of Treated Wastewater (thousand m ³)	281,548	321,865	-
GHG Emissions - Scope 1 (COe)	253,712	(*)	-
GHG Emissions - Scope 2 (COe)	18,238	(*)	-
Electricity consumption by renewable source (%)	54	56	70 (2030)
Social	2021	2022	Target
Employees (#)	6,055	6,350	-
Women (%)	22.5	23.6	-
Women in leadership positions ⁵ (%)	30.5	32.6	40 (2024)
Black ⁶ (%)	53.0	56.8	-
Black people in leadership positions (%)	36.0	40.1	40 (2025)
Governance	2021	2022	
Statutory Board of Executive Officers	5	5	
Percentage of women in the Statutory Board (%)	40	40	
Board Members	7	7	
Percentage of women in the Board of Directors (%)	14	14	
Number of Committees	2	2	
Compliance Policy ⁷	✓	✓	
Material Act or Fact Disclosure Policy	✓	✓	
ESG Policy	✓	✓	
ESG Risk Rating <i>Sustainalytics</i>	Low Risk	Low Risk ⁸	

(*) Will be disclosed in May 2023

³ Global Reporting Initiative

²¹ Sustainability Accounting Standards Board

⁵ Supervisors and above

⁶ Self-declared black and brown

⁷ Available on the Company's IR website

⁸ Score according to 5 risk scales: Negligible (0-10), Low (10-20), Medium (20-30), High (30-40) and Severe (40+). Updated in February/23

3. Consolidated Economic and Financial Performance

	2022	2021	Δ (%)
Gross Revenue	4,877	3,734	31%
Water	1,307	986	33%
Wastewater	1,627	1,305	25%
Sales	4	7	-41%
Construction	1,732	1,326	31%
Financial Assets	193	102	89%
Other Services	13	8	72%
Taxes and contributions	(330)	(251)	31%
Discounts and cancellations	(69)	(42)	62%
Net Revenue	4,479	3,441	30%
Net Operating Revenue	2,789	2,143	30%
Net Construction Revenue	1,689	1,297	30%
Costs and Expenses	(3,586)	(2,807)	28%
Costs of Services	(957)	(740)	29%
General and Administrative expenses	(522)	(475)	10%
Construction Costs	(1,655)	(1,271)	30%
Depreciation and amortization	(451)	(322)	40%
Financial Result	(739)	(474)	56%
Equity Accounted investment	(9)	(3)	235%
Income tax (current and deferred)	(115)	(63)	84%
Net Income - Continuing Operations	30	93	-68%
Net Loss - Discontinued Operations	(42)	-	n.a.
Net Income / (Loss)	(13)	93	n.a.
Adjusted Net Operating Revenue	2,859	2,289	25%
EBITDA	1,293	953	36%
EBITDA Margin ⁹	46%	44%	2 p.p
Adjusted EBITDA	1,340	1,027	30%
Adjusted EBITDA Margin	47%	45%	2 p.p

3.1 Net Revenue and Adjusted Net Operating Revenue (R\$ mm)

	2022	2021	Δ (%)
Net Revenue	4,479	3,441	30%
(-) Net Construction Revenue	(1,689)	(1,297)	30%
(=) Net Operating Revenue ("NOR")	2,789	2,143	30%
(+) Exclusion of the effects of ICPC 01 / IFRIC 12	23	105	-78%
(+) Jointly controlled subsidiaries	145	123	18%
(-) Non-controlling interest	(99)	(83)	19%
Adjusted Net Operating Revenue ("Adjusted NOR")	2,859	2,289	25%

⁹ EBITDA Margin = EBITDA/Net Operating Revenue (revenue excluding construction revenue, calculated by applying the estimated profit margin on construction costs, in accordance with IFRIC12 / ICPC01)

Net Revenue is composed of ~60% Operating Revenue and ~40% Construction Revenue, which is related to investments in expansion and/or improvements of existing infrastructure. Net Revenue reached R\$4,479 million in 2022, an increase of 30% compared to 2021.

Net Construction Revenue reached R\$1,689 million, representing an increase of 30% in 2022, in line with the execution of the Investment Plan.

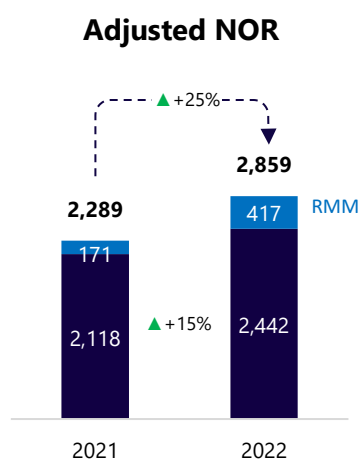
Net Operating Revenue ("NOR") totaled R\$2,789 million, an increase of 30% compared to 2021.

Adjusted Net Operating Revenue ("Adjusted NOR") is composed of the NOR and considers:

(i) Exclusion of the accounting effects of ICPC 01 (R1) / IFRIC12 - Concession Agreements, replacing the revenue from financial assets by the respective net collection.

(ii) Addition of the NOR of the jointly-owned subsidiary F.AB Zona Oeste S.A. ("AP5"), considering the 50% interest, to capture only BRK's interest attributable to the interest in this subsidiary.

(iii) Exclusion of the NOR attributed to the interest of minority shareholders in BRK's subsidiaries (BRK Ambiental - Goiás S.A., BRK Ambiental - Rio Claro S.A. and Saneaqua Mairinque S.A.) to capture only the interest of BRK attributable to the interest in these subsidiaries.



Adjusted NOR totaled R\$2,859 million in 2022, up 25% compared to 2021. For comparability purposes, disregarding RMM, growth would be 15% in 2022.

The following shows the evolution of the main drivers for the composition of the Adjusted NOR:

(i) Active Economies¹⁰: with the advance in service coverage, as a result of the efficient execution of investments, 366,000 new active economies were added in 2022, an increase of 14% compared to 2021, highlighting the 274,000 economies in RMM (+120%);

(ii) Billed volume: with a higher concentration in residential customers, totaled 421 million m³ in 2022, an increase of 10% compared to 2021;

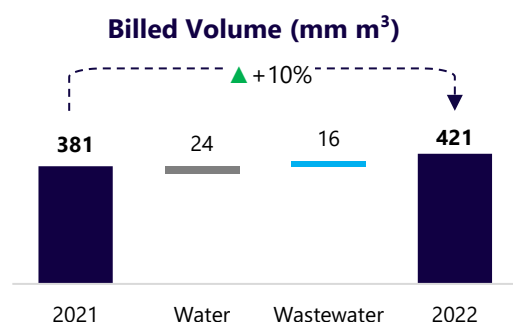
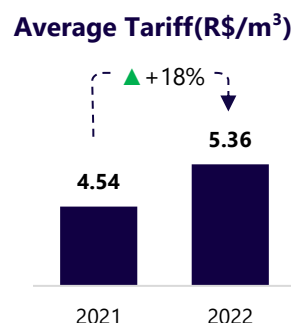
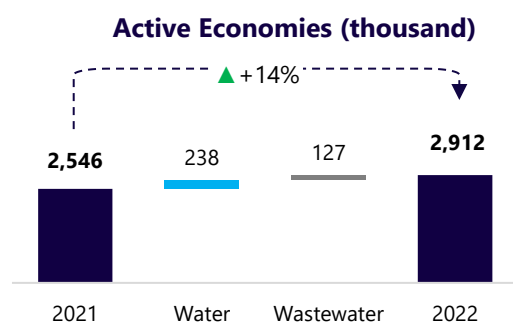
(iii) Average tariff: increase of 18% in 2022, from R\$4.54 to R\$5.36, due to inflation adjustments, rebalances and commercial actions;

(iv) Net collection from financial assets: totaling R\$193 million in 2022 (+89%);

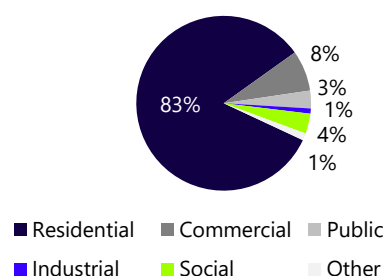
(v) Deductions and cancellations: totaling -R\$69 million in 2022, according to revenue from concession contracts in the period;

¹⁰ Active Economies = 0.9 Billed Economies and considers average data for the period. The difference between active and billed economies is due unoccupied property and properties where the water supply has been cut.

(vi) Sales revenue¹¹: totaling R\$4 million in 2022 (-41%).



Billed Volume by Category (2022)



3.2 Costs and Expenses and Adjusted Costs and Expenses (R\$ mm)

	2022	2021	Δ (%)
Personnel	(636)	(525)	21%
Materials	(321)	(190)	69%
Services	(528)	(472)	12%
Electricity	(164)	(145)	12%
Third parties	(266)	(235)	13%
Maintenance	(40)	(37)	6%
Other Services	(58)	(54)	8%
Others	4	(28)	n.a.
PMSO¹²	(1,480)	(1,215)	22%
Depreciation and Amortization	(451)	(322)	40%
Construction Cost	(1,655)	(1,271)	30%
Costs and Expenses	(3,586)	(2,807)	28%
(+) Jointly controlled subsidiaries	(79)	(76)	4%
(-) Non-controlling interest	40	34	17%
Adjusted PMSO	(1,519)	(1,257)	21%
Adjusted Construction Cost	(1,622)	(1,256)	29%

PMSO reached R\$1,480 million in 2022, an increase of 22% compared to 2021.

¹¹ Sales revenue includes the revenue from the sale of surplus electricity generated by the Small Hydroelectric Power Plant installed in the SPE of Cachoeiro de Itapemirim

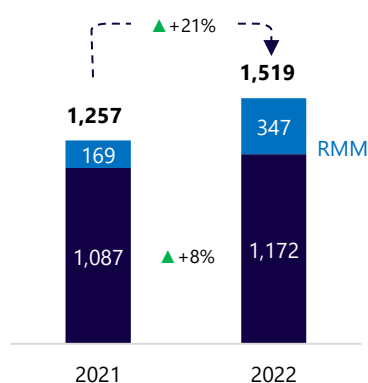
¹² PMSO (Personnel, Materials, Services and Others) = Costs and Expenses, excluding construction costs and depreciation and amortization expenses

The main variations occurred on:

- Personnel (+21% vs 2021): impacted by the application of collective agreements in 2022.
- Materials (+69% vs. 2021): impacted by the stabilization of RMM operations¹³, achieved as of September 2021 in the 13 municipalities, and whose main cost is the purchase of water, which occurred throughout the operation in 2022.
- Services (+12% vs 2021): impacted by the recognition of one-off expenses related to IPO efforts.
- Others: positively impacted by the reversal of the ISS provision in Rio das Ostras, in the amount of R\$26 million.

Considering Depreciation and Amortization and Construction Cost, **Costs and Expenses** totaled R\$3,586 million in 2022, an increase of 28% compared to 2021.

Adjusted PMSO



Adjusted PMSO is composed of the PMSO and considers:

- addition of the AP5 PMSO as 50% interest;
- exclusion of the PMSO attributed to the interest of minority shareholders in BRK's subsidiaries (BRK Ambiental - Goiás S.A., BRK Ambiental - Rio Claro S.A. and Saneaqua Mairinque S.A.).

Adjusted PMSO totaled R\$1,519 million, an increase of 21% compared to 2021 and, disregarding the RMM effect, showed an increase of 8%, slightly above the inflation of the period (IPCA of 5.79% in 2022).

3.3 Delinquency Rate (%)^{14, 15}

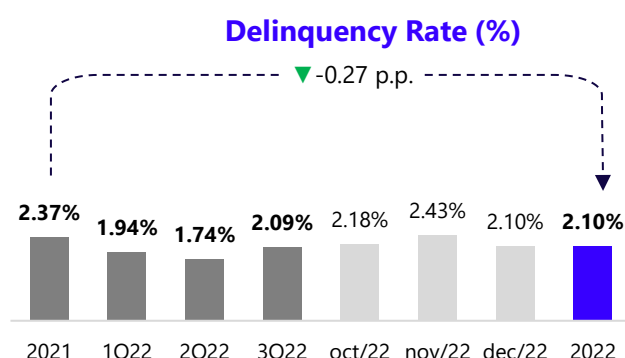
In 2022, BRK recorded a 2.10% delinquency rate, reflecting a decrease of 0.27 p.p. compared to 2021, caused by commercial initiatives. Excluding RMM, which is in the beginning of operations, BRK's delinquency rate would be 1.88%.

¹³ The start of RMM operations was on July 1st, 2021 for 9 municipalities and on September 1st, 2021 for the other 4 municipalities. Until then, the SPE was in assisted operations phase.

¹⁴ Allowance for expected losses from doubtful accounts) / Billing excluded cancellations. Accumulated values of the last 12 months (LTM) and calculated based on the analysis of future losses, according to the history of the delinquency rate segregating private and public customers, and according to the management's evaluation

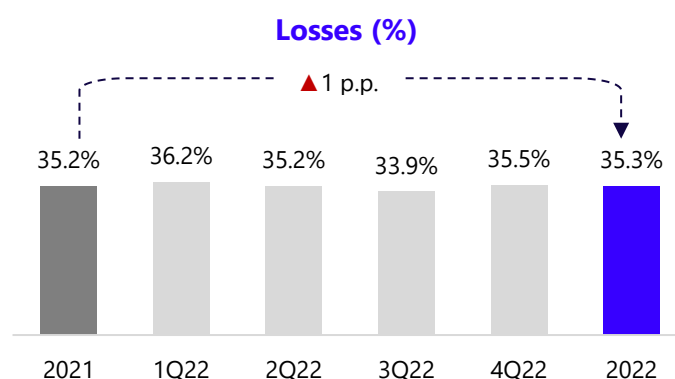
¹⁵ Considers BRK share (%) in the subsidiaries

In addition to the measures already adopted throughout the year, in 4Q22 client debt negotiations were carried out with lawsuits and intensification of commercial negatives in all SPEs.



3.4 Losses (%)¹⁶

BRK's consolidated index of losses reached 35.3% in 2022, stable when compared to 2021.



3.5 EBITDA and Adjusted EBITDA (R\$ mm)

	2022	2021	Δ (%)
Net Income / (Loss)	(13)	93	n.a.
(+) Financial Result	739	474	56%
(+) Income tax (current + deferred)	115	63	84%
(+) Depreciation and amortization	451	322	40%
EBITDA	1,293	953	36%
<i>EBITDA Margin</i>	46%	44%	2 p.p
(+/-) Net Income / (Loss) Discontinued Ops.	42	-	n.a.
(+) Exclusion of the effects of ICPC 01 / IFRIC 12	(11)	79	n.a.
(+) Jointly controlled subsidiaries	76	47	64%
(-) Non-controlling interest	(61)	(51)	20%
Adjusted EBITDA	1,340	1,027	30%
<i>Adjusted EBITDA Margin</i>	47%	45%	2 p.p

¹⁶ Loss Ratio follows the IWA (International Water Association) Water Balance methodology; disregards the newly initiated RMM operation

EBITDA totaled R\$1,293 million in 2022, an increase of 36% over 2021.

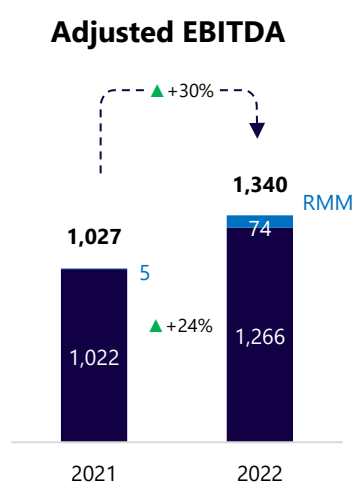
The **EBITDA margin** reached 46% in 2022, 2 p.p. higher than 2021.

Adjusted EBITDA¹⁷ considers the exclusion of Net Income from Discontinued Operations, in addition to the adjustments:

(i) exclusion of the accounting effects of ICPC 01 (R1) / IFRIC12 (exclusion of revenue from financial assets and replacement by the respective net collection);

(ii) addition of AP5 EBITDA as 50% interest;

(iii) exclusion of EBITDA attributed to the interest of minority shareholders in BRK's subsidiaries (BRK Ambiental - Goiás S.A., BRK Ambiental - Rio Claro S.A. and Saneaqua Mairinque S.A.).



Adjusted EBITDA totaled R\$1,340 million in 2022, an increase of 30% over 2021, driven by the increase in NOR.

The **Adjusted EBITDA margin** reached 47% in 2022, 2 p.p. higher than 2021. Disregarding RMM operations, the Adjusted EBITDA margin reached 52% in 2022.

3.6 Financial Result (R\$ mm)

	2022	2021	Δ (%)
Financial Revenues	345	100	244%
Financial Expenses	(1,084)	(575)	89%
Financial Result	(739)	(474)	56%

In 2022, Financial Result totaled -R\$739 million, an increase of 56% when compared to 2021. 4Q22 was impacted by (i) contracting of new debt; and (ii) growth in financial revenues and expenses related notably to the increase in CDI¹⁸ on the period, which went from 4.4% p.a. in 2021 to 12.4% p.a. in 2022.

3.7 Net Income / (Loss) IFRS (R\$mm)

Net Loss was R\$13 million in 2022, impacted by (i) higher financial expenses; and (ii) the sale of Araguaia, which represents a non-cash effect.

Net Income from Continuing Operations reached R\$30 million in 2022.

¹⁷ Adjusted EBITDA was impacted by the recognition of one-off expenses related to IPO efforts (R\$13 million) and non-cash provisions related to the Company's administrative reorganization (R\$11 million)

¹⁸ From 2021 to 2022: Average CDI (4.4% vs. 12.4% p.a.)

4. Liquidity and Debt

	2022	2021	Δ (%)
Gross Debt	10,186	8,316	22%
Cash and cash equivalents + derivative financial instruments	1,075	1,179	-9%
Net Debt	9,111	7,137	28%
LTM EBITDA	1,293	953	36%
<i>Leverage</i>	<i>7.0x</i>	<i>7.5x</i>	<i>-0.5x</i>
(+) Jointly controlled subsidiaries	490	408	20%
(-) Non-controlling interest	(244)	(235)	4%
Adjusted Net Debt	9,357	7,310	28%
LTM Adjusted EBITDA	1,340	1,027	30%

/1 Disregarding the net debt and EBITDA of RMM, the Leverage would be 6.0x.

4.1 Gross Debt (R\$ mm)

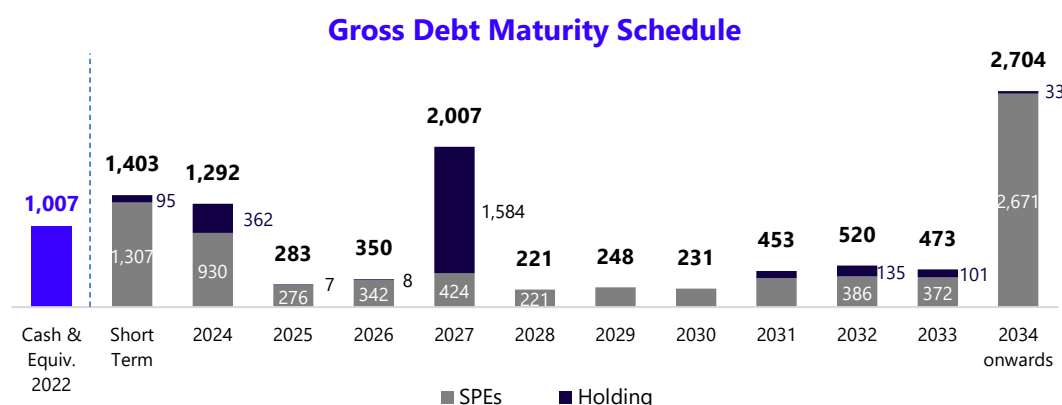
BRK's consolidated Gross Debt totaled R\$10.2 billion in December 2022, with 24% concentrated at the holding level and 76% in the SPEs. Gross debt increased 22% when compared to 2021, in line with the execution of R\$1.6 billion in investments in 2022.

In order to finance these investments, the Company disbursed debts already contracted. Additionally, to increase liquidity, in October: (i) BRK contracted a bridge-loan in October along with Bradesco in the amount of R\$250 million and a term of 2 years; and (ii) the direct subsidiary BRK NE carried out the 1st issuance of book-entry commercial notes, CVM 476, in the amount of R\$250 million and a term of 2 years.

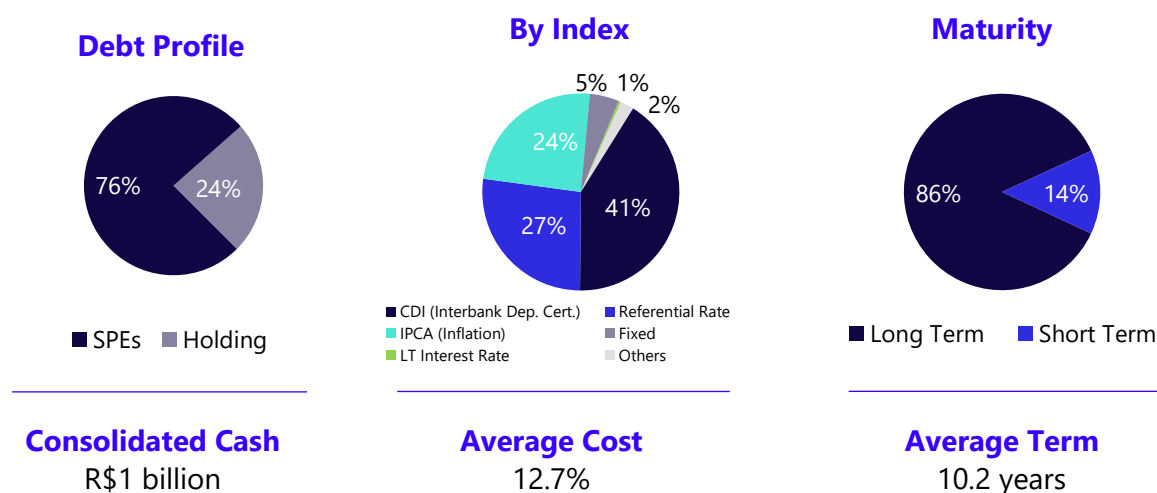
In the year, the following stood out: (i) issuance of R\$1.6 billion in corporate sustainable debentures; and (ii) issuance of R\$1.95 billion in *blue bonds* by the subsidiary RMM, to prepay the bridge-loan of the RMM grant that would mature in 2023, lengthening the average term of debt and reducing exposure to CDI.

In SPEs, gross debt totaled R\$7.8 billion at the end of 2022. The debt service schedule, which considers the outstanding balance (principal and interest) on December 31, 2022, is shown in the chart below, and is supported by cash generation from operations.

The short-term debt, which totals R\$1.4 billion (10% of which is due in the first quarter), is spread across the assets, and negotiations for refinancing and contracting of long-term debt are in progress, including the recent indenture to formalize its 11th issuance of debentures in the amount of R\$710 million.



The average consolidated cost of debt reached 12.7% p.a.. The average term of BRK's financing is 10.2 years, thus representing a long debt profile, which mitigates the Net Debt/ EBITDA ratio of 7x.



4.2 Cash and cash equivalents (R\$ mm)

In 2022, the Company continues to demonstrate solidity, ending the period with a consolidated cash balance of R\$1,007 million, of which R\$222 million (22%) are at the holding level and R\$785 million (78%) in SPEs¹⁹. Compared to 2021, there was a slight reduction of 15% in Cash, given the intensification of investments in the year.

4.3 Net Debt and Adjusted Net Debt (R\$ mm)

Net Debt totaled R\$9.1 billion in 2022, representing an increase of R\$2 billion, or 28% compared to 2021, mainly as a result of the acceleration of investments throughout the year.

Adjusted Net Debt is composed of Net Debt and considers:

- (i) Addition of the Net Debt of the jointly controlled company AP5, considering BRK's 50% interest.
- (ii) Exclusion of Net Debt attributed to the interest of minority shareholders in BRK's subsidiaries.

Adjusted Net Debt grew 28% in 2022, reaching R\$9.4 billion.

4.4 Leverage (x)

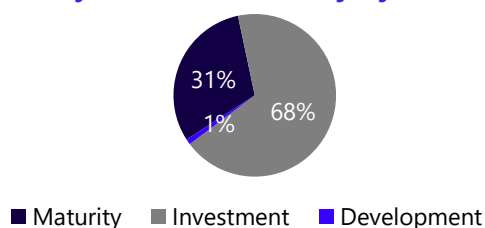
BRK's leverage decreased from 7.5x to 7.0x and reflects the maturity level of the Company's portfolio, which has 69% of its Adjusted Net Operating Revenue in projects in the intensive investment phase (ramp-up), to meet the contractual obligation to universalize services, expanding coverage and connecting new customers. In December 2022, 9 assets were in the Maturity phase, representing 31% of the Adjusted NOR of 2022. Disregarding the net debt and EBITDA of RMM, Leverage in 2022 would be 6.0x.

A sanitation concession involves 3 phases: Development, Investment and Maturity. The first phase represents the achievement of the project and the start of operations, and, alongside with the second phase, there are intensive investments. As the EBITDA is in a growth curve

¹⁹ R\$143 million are in BRK-NE, non-operational subholding

given the expansion of service coverage, in function of the investments being made, the projects have a higher leverage at this point. The intensive investments in these phases will allow universalization to be achieved and, in the last phase, the project presents at least two of these 3 conditions: (i) EBITDA margin greater than 45%, (ii) distributes dividends to shareholders consistently and (iii) has a lower volume of investments to be made, reducing its execution risk. At this moment, a natural deleveraging process begins.

Adjusted NOR 2022 by Cycles



The Company's investments are financed in the *project finance* modality, mainly through the Sanitation for All credit line²⁰, which has a 4-year principal grace period, costs ranging from Referential Rate (TR)+8 to 9% p.a. and total terms of up to 24 years.

4.5 Ratings

Company	Rating	Agency	National Scale	Perspective	Date
BRK	Corporativo	Moody's	AA-.br	Negative	June 29th, 2021
BRK	8th Issuance	Moody's	A+.br	Negative	June 29th, 2021
BRK	10th Issuance	Moody's	A+.br	–	April 04th, 2022
Manso	3rd Issuance	Fitch	AA+(bra)	Stable	February 24th, 2023
RMM	2nd Issuance	Moody's	AA-.br	Negative	September 09th, 2022
Uruguaiana	1st Issuance	Moody's	AA.br	Stable	December 06th, 2022

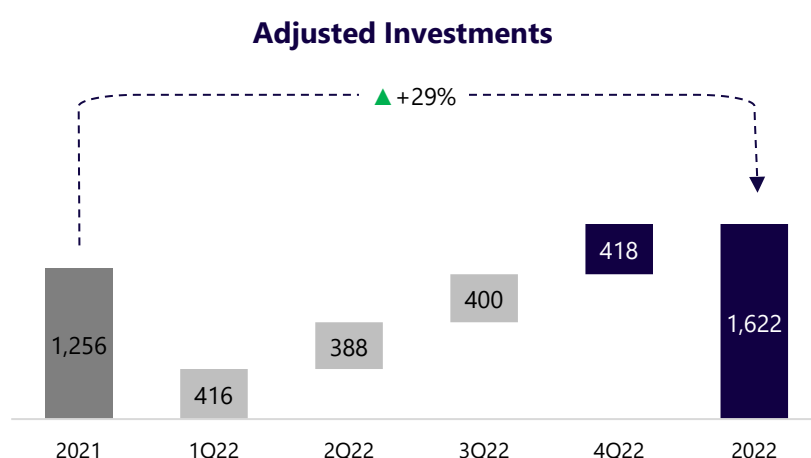
²⁰ The "Sanitation for All Program" aims to finance projects to promote the improvement of the quality of life of the population through investments in sanitation. The financing relies on the use of resources from the Guarantee Fund for Length of Service ("FGTS") and is passed on to the Companies via commercial banks or by Caixa

5. Investments²¹ and Adjusted Investments (R\$ mm)

	2022	2021	Δ (%)
Investments	1,655	1,271	30%
(+) Jointly controlled subsidiaries	93	90	3%
(-) Non-controlling interest	(125)	(105)	19%
Adjusted Investments	1,622	1,256	29%

In 2022, **Investments** totaled R\$1,655 million in 2022, an increase of 30% vs. 2021.

Adjusted Investments reached R\$1,622 million, an increase of 29%, in line with the Investment Plan and the beginning of the expansion and recovery of RMM's infrastructure.



6. Operational Indicators²²

	2022	2021	Δ (%)
Active Economies (Thousand)	2,912	2,546	14%
Water	1,406	1,168	20%
Wastewater	1,506	1,379	9%
Billed Volume (million m³)	421	381	10%
Water	196	173	14%
Wastewater	225	209	8%
Delinquency Rate (%)	2.1%	2.4%	-0.3 p.p.
Losses (%)	35.3%	35.2%	-
Employees (#)²³	6,350	6,055	5%

²¹ Measured by Construction Cost

²² Includes the number of average active economies and average billed volume for each period, considering BRK's participation (%) in the assets and does not include RMR and Araguaia data (discontinued operation)

²³ Considers 100% of all BRK SPEs

7. Disclaimer

This document contains forward-looking statements and information. Such forward-looking statements and information are only predictions and not guarantees of future performance. We advise all stakeholders that said forward-looking statements and information are and will be, as the case may be, subject to risks, uncertainties and factors relating to the operations and business environments of BRK and its subsidiaries, by virtue of which the actual results of such companies may differ materially from future results expressed or implied in the forward-looking statements and information.

8. Accounting criteria adopted

The information is presented in consolidated form, in Reais, and in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee ("CPC") and the international financial reporting standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), based on audited financial statements.

The consolidated operating information considers the subsidiaries consolidated by BRK Ambiental Participações S.A. in the CPC/IFRS view.

9. Non-accounting measures

Consistent with market practices, the Company discloses non-accounting measures (non-GAAP) that are not recognized under IFRS or other accounting standards. BRK's Management believes that the disclosure of these non-accounting measures provides useful information to its investors, market analysts and the general public to compare its operating performance with that of other companies. However, these non-accounting measures have no standardized meanings and methodologies and may not be directly comparable with metrics of the same or similar name published by other companies.

10. Services Provided by the Independent Auditor

The Company and controlled-companies hired Ernst & Young Auditores Independentes, its external auditor, for additional services to the independent audit: (i) provision of services within the scope of a possible initial public offering of shares issued by the Company; and (ii) emission of comfort letter related to the ICVM no. 400 debentures issuance by RMM.

11. Management Composition

Board of Directors (December 31st, 2022)

Luiz Ildefonso Simões Lopes

Henrique Carsalade Martins

Alexandre Honore Marie Thiollier Neto

Jorge Luiz Teixeira Tauile

Ana Lucia Poças Zambelli

Geanluca Lorenzon (Substitute)

Domingos Alves da Cunha Filho (Substitute)

Board of Executive Officers (December 31st, 2022)

Teresa Cristina Querino Vernaglia – CEO

José Gerardo Copello - VP Operations

Felipe Cardoso de Gusmão Cunha - VP Finance and Investor Relations

Alain Charles Arcalji – VP Shared Services

Daniela Mattos Sandoval Coli - VP Corporate Matters and Regulatory

Ramon Sanches Silva - VP Business Development

Accountant

Adelmo da Silva de Oliveira

BRK Ambiental Participações S.A. and its Subsidiaries

Parent company and consolidated financial statements

December 31, 2022

Table of Contents

Independent auditor's report on the parent company and consolidated financial statements	1
--	---

Audited financial statements

Statements of financial position.....	7
Statements of profit or loss	9
Statements of comprehensive income	10
Statements of changes in equity	11
Statements of cash flows	13
Statement of value added.....	15
Notes to the financial statements	16

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

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
BRK Ambiental Participações S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of BRK Ambiental Participações S.A. (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 of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2022, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

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. In addition to the matter described in the Basis for opinion section, we determined that the matter described below is a key audit matter to be informed in our report. For the matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

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

Concession infrastructure

As of December 31, 2022, the Company's subsidiaries recorded balances of rights to be invoiced, contractual assets and intangible assets related to concession which are disclosed in in Notes 8, 12 and 14 and the amounts are R\$3,137,104 thousand, R\$1,815,680 thousand and R\$3,660,895 thousand, respectively, which, together, represent the concession infrastructure, recognized based on investments made in the infrastructure construction or improvement. The rights to be invoiced refer substantially to the financial assets of the concession arising from construction revenues of the public concession contracts, and will be received from the granting authorities according to billing schedules established in the concession contract. Contractual assets refer to intangible concession assets still under construction that are transferred to the intangible asset account when they become operational. Intangible concession assets are received by charging users of services provided via tariff. Measurement of the concession infrastructure includes the cost-plus-margin method, in compliance with the Accounting Interpretation ICPC 01 (R1)/IFRIC 12 – Concession Contracts, and is affected by subjective elements due to the diverse natures of expenses capitalized as part of the concession infrastructure. Furthermore, the measurement of the financial concession assets considers updates calculated based on the specific discount rate of each contract.

Monitoring of this matter was considered significant for our audit, given the specificities of the process of capitalization of infrastructure expenses and the measurement of the concession infrastructure, as well as the materiality of the amounts involved.

How our audit addressed the matter

Our audit procedures included the following, among others:

- Understanding of the process, risks and controls implemented by Company's directors related to capitalization of infrastructure expenses and measurement of assets related to the concession infrastructure;
- Internal control tests related to capitalization of infrastructure expenses and measurement of assets related to the concession infrastructure, including calculation of the cost increased by margin;
- Internal control tests related to the general information technology control environment, including controls over access management and changes to systems and their data;
- Sample test of expenses incurred and capitalized during 2022, evaluating the occurrence, the nature of expenses and the correct classification between capitalizable cost or maintenance expenses;
- Recalculation of amortizations, construction margin and updating of the financial assets of the concession, recognized in 2022, and comparison of the results of these recalculations with the balances recorded in accounting.

Based on the result of the audit procedures conducted, which is consistent with directors's assessment, we considered that the criteria determined by the directors of the Company and its subsidiaries for definition and measurement of expenses eligible for capitalization as concession infrastructure cost, and for definition of the assumptions used in the determination and evaluation of the concession's financial assets, as well as the respective disclosures in Notes 8, 12 and 14, 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 responsibility of the Company directors, and presented as supplementary information for IFRS purposes, were subjected to audit procedures conducted jointly with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

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

The directors are responsible for such other information, which comprise the Management Report.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this respect, unless the item mentioned as described in the "Basis for opinion" section referred to above.

Responsibility of directors and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, the directors are 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 directors 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 the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identified and assessed 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 Company's directors.
- Concluded on the appropriateness of directors's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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 represented the underlying transactions and events in a manner that achieves fair presentation.




We communicated 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 identified during our audit.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We described 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.

São Paulo, March 10, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC- SP-034519/O



Emerson Pompeu Bassetti
Accountant CRC-1SP251558/O-0

BRK Ambiental Participações S.A. and subsidiaries

Statements of financial position as at December 31

(In thousands of reais and U.S. dollars)

Assets	Note	Parent		Consolidated	
		2022	2021	2022	2021
		US\$	R\$	US\$	R\$
Current assets					
Cash and cash equivalents	6	42,548	222,001	411,818	175,071
Trade receivables, net	8			355	172,233
Related parties	23	9,360	48,839	82,683	969
Advances to suppliers		71	373	497	2,031
Taxes recoverable		6,032	31,474	12,074	18,807
Dividends and interest on capital receivable	10 (e)	38,278	199,725	179,663	1,124
Inventories				8,018	41,837
Other assets		4,962	25,889	29,615	3,206
		101,251	528,301	716,705	381,459
				1,990,339	1,899,486
Assets from discontinued operations	9		1	6,205	32,377
Non-current assets					
Trade receivables, net	8			694,036	3,621,272
Restricted funds	7			17,986	93,846
Derivate financial instruments	17	7,895	41,193	12,910	67,358
Taxes recoverable		15	80	25,579	133,462
Advances for future capital increase	10 (f)	62,687	327,082	3,430	
Related parties	23	333,252	1,738,810	1,266,984	5,930
Deferred income tax and social contribution	22 (a)			41,906	218,654
Dividends and interest on capital receivable	10 (e)	26,002	135,671	119,153	
Judicial deposits		185	963	423	8,666
Other assets		6,441	33,606	31,556	8,993
		436,477	2,277,405	1,421,546	816,006
				4,257,675	3,717,297
Investments in subsidiaries and joint ventures	10 (b)	455,803	2,378,243	2,134,325	13,667
Investment properties				9,792	51,091
Property and equipment	11	1,779	9,283	11,778	15,414
Contract assets	12			347,985	1,815,680
Right-of-use assets	13	5,574	29,083	28,013	40,575
Intangible assets	14	169,654	885,203	717,943	1,388,841
		1,069,287	5,579,217	4,313,605	2,632,280
				13,734,438	11,728,384
Total assets		1,170,538	6,107,519	5,030,310	3,019,944
				15,757,154	13,627,870

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of financial position as at December 31

(In thousands of reais and U.S. dollars)

Liabilities and equity	Note	Parent		Consolidated	
		2022	2021	2022	2021
		US\$	R\$	US\$	R\$
Current liabilities					
Trade payables	15	6,224	32,476	44,514	232,259
Loans and borrowings	16.1	235	1,225	47,954	250,208
Lease liabilities	16.2	1,333	6,955	12,295	64,153
Debentures	16.3	10,611	55,363	198,463	1,035,520
Derivate financial instruments	17	6,104	31,848	10,150	52,962
Salaries and payroll charges	18	15,400	80,355	35,667	186,102
Taxes payable		446	2,328	15,106	78,818
Deferred PIS and COFINS				5,757	30,039
Concession rights payable	19			3,653	19,060
Related parties	23			4,197	21,899
Dividends and interest on capital payable	20		21,648	358	1,867
Other liabilities		23	116	1,757	9,164
		40,376	210,666	379,871	1,982,051
Liabilities from discontinued operations	9			5,514	28,762
Non-current liabilities					
Trade payables	15	6,638	34,637	6,638	34,637
Loans and borrowings	16.1	68,071	355,173	797,329	4,160,225
Lease liabilities	16.2	4,791	25,000	31,805	165,949
Debentures	16.3	371,494	1,938,344	854,188	4,456,899
Related parties	23	1,848	9,640	34,881	182,000
Deferred PIS and COFINS				63,415	330,879
Deferred income tax and social contribution	22 (a)	24,037	125,419	129,424	675,295
Provisions for contingencies	21	3	18	4,063	21,199
Concession rights payable	19			40,933	213,578
Provision for losses on investments	10 (c)	6,244	32,581		
Dividends and interest on capital payable	20			2,754	14,368
Employee benefits	24	768	4,007	5,697	29,724
Other liabilities				6,235	32,530
		483,894	2,524,819	1,486,471	10,317,283
Equity	25				
Capital		768,309	4,008,806	768,309	4,008,806
Capital reserve		8,103	42,277	8,103	42,277
Revenue reserve		109,497	571,325	109,497	571,325
Carrying value adjustment		(239,641)	(1,250,374)	(239,641)	(1,250,374)
Non-controlling interests				10,929	57,024
		646,268	3,372,034	657,197	3,429,058
Total liabilities and equity		1,170,538	6,107,519	3,019,944	13,627,870

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of profit or loss Years ended December 31, 2022 and 2021 (In thousands of reais and U.S. dollars)

Note	Parent				Consolidated	
	2022		2021		2022	
	US\$	R\$	US\$	R\$	US\$	R\$
		(Note 29)		(Note 29)		(Note 29)
Continuing operations						
Net service and sales revenue	26 (a)		99	858,344	4,478,584	3,440,570
Costs of services and sales	26 (c)			(566,574)	(2,956,214)	(2,254,688)
Gross profit			99	291,770	1,522,370	1,185,882
Operating income (expenses)						
General and administrative expenses	26 (c)	(22,433)	(117,055)	(79,576)	(120,932)	(630,994)
Allowance for expected credit losses	26 (c)			(9,835)	(51,316)	(37,316)
Other income	26 (c)	1,057	5,517	1,453	10,122	52,813
Share of profit (loss) of subsidiaries and joint ventures	10 (c)	45,663	238,256	149,343	(1,691)	(8,822)
Profit before finance income and costs		24,287	126,718	71,319	169,434	884,051
Finance result	26 (d)					
Finance income		68,273	356,227	152,516	66,084	344,808
Finance costs		(86,441)	(451,024)	(142,033)	(207,753)	(1,083,994)
Finance result, net		(18,168)	(94,797)	10,483	(141,669)	(739,186)
Profit before income tax and social contribution		6,119	31,921	81,802	27,765	144,865
Current income tax and social contribution	22 (b)			(11,162)	(58,240)	(55,945)
Deferred income tax and social contribution	22 (b)	(339)	(1,770)	9,351	(10,939)	(57,074)
Profit for the year from continuing operations		5,780	30,151	91,153	5,664	29,551
Loss for the year from discontinued operations	9	(8,121)	(42,372)	(6)	(8,121)	(42,372)
Profit (loss) for the year		(2,341)	(12,221)	91,147	(2,457)	(12,821)
Attributable to						
Equity holders of the parent				(2,341)	(12,221)	91,147
Non-controlling interests				(116)	(600)	2,190
				(2,457)	(12,821)	93,337
Basic earnings per share attributable to equity holders of the parent during the year (expressed in R\$ per share) from continuing operations	25 (e) e (f)	0.0114	0.0114	0.0344	0.0114	0.0114
Diluted earnings per share attributable to equity holders of the parent during the year (expressed in R\$ per share) from continuing operations	25 (e) e (f)	0.0113	0.0113	0.0343	0.0113	0.0113
Loss per share attributable to equity holders of the parent during the year (expressed in R\$ per share) from discontinued operations	25 (e) e (f)	(0.0159)	(0.0159)	(0.0000)	(0.0159)	(0.0000)

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of comprehensive income Years ended December 31, 2022 and 2021 (In thousands of reais and U.S. dollars)

Note	Parent		
	2022		2021
	US\$		R\$
			(Note 29)
Profit (loss) for the year	(2,341)	(12,221)	91,147
Items that may be subsequently reclassified to profit or loss	25 (g)		
Post-employment benefit obligations - Company	24.1	132	688
Post-employment benefit obligations - subsidiaries from continuing operations		1,026	5,353
Tax effects of continuing operations		(349)	(1,820)
Post-employment benefit obligations - subsidiaries from discontinued operations		4	21
Tax effects of discontinued operations		(1)	(7)
Profit or loss on cash flow hedge accounting - Company		(2,381)	(12,423)
Tax effects on cash flow hedge accounting - Company		810	4,224
Profit or loss on cash flow hedge accounting - Subsidiaries		(1,557)	(8,124)
Tax effects on cash flow hedge accounting - Subsidiaries		529	2,762
		(1,787)	(9,326)
			8,501
Total comprehensive income for the year		(4,128)	(21,547)
			99,648
Consolidated			
2022		2021	
	US\$		R\$
			(Note 29)
Profit (loss) for the year	(2,457)	(12,821)	93,337
Items that may be subsequently reclassified to profit or loss	25 (g)		
Post-employment benefit obligations - Company	24.1	132	688
Post-employment benefit obligations - subsidiaries from continuing operations		1,026	5,353
Tax effects of continuing operations		(349)	(1,820)
Post-employment benefit obligations - subsidiaries from discontinued operations		4	21
Tax effects of discontinued operations		(1)	(7)
Post-employment benefit obligations - non-controlling interests		14	72
Tax effects - Non-controlling interests		(5)	(25)
Profit or loss on cash flow hedge accounting - Company		(2,381)	(12,423)
Tax effects on cash flow hedge accounting - Company		810	4,224
Profit or loss on cash flow hedge accounting - Subsidiaries		(1,557)	(8,124)
Tax effects on cash flow hedge accounting - Subsidiaries		529	2,762
		(1,778)	(9,279)
			8,614
Total comprehensive income for the year	(4,235)	(22,100)	101,951
Attributable to			
Equity holders of the parent		(4,128)	(21,547)
Non-controlling interests		(107)	(553)
		(4,235)	(22,100)
			101,951

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of changes in equity Years ended December 31, 2022 and 2021 (In thousands of reais)

Note	Attributable to the equity holders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Legal reserve	Retention of profits	Revenue reserve	Retained earnings (accumulated losses)	Carrying value adjustment		
At January 1, 2021	4,008,806	40,570	28,320	454,664			(1,249,549)	58,067	3,340,878
Profit (loss) for the year:									
Profit for the year from continuing operations						91,153		2,190	93,343
Profit for the year from discontinued operations						(6)		(6)	(6)
Other comprehensive income:									
Post-employment benefit obligations	25 (g)						8,501	113	8,614
Total comprehensive income for the year						91,147	8,501	2,303	101,951
Capital transaction with equity holders:									
Transfer to reserve	25 (b) e (c)		4,557	64,942		(69,499)			9,415
Reversal of mandatory minimum dividends	20 (b)			9,415			9,415		(22,917)
Distribution of dividends	25 (d)					(21,648)	(21,648)	(1,269)	1,666
Other transactions with non-controlling interests								1,666	
At December 31, 2021	4,008,806	40,570	32,877	529,021			(1,241,048)	60,767	3,430,993
Profit (loss) for the year:									
Profit (loss) for the year from continuing operations						30,151		(600)	29,551
Loss for the year from discontinued operations						(42,372)			(42,372)
Other comprehensive income:									
Post-employment benefit obligations from continuing operations	25 (g)						4,221	47	4,268
Post-employment benefit obligations from discontinued operations							14		14
Profit or loss on cash flow hedge accounting							(13,561)		(13,561)
Total comprehensive income for the year						(12,221)	(9,326)	(553)	(22,100)
Capital transaction with equity holders:									
Absorption of loss for the year	25 (d)			(12,221)		12,221			
Investment program - Stock option	25 (h)	1,707					1,707		1,707
Reversal of mandatory minimum dividends	20 (b)			21,648			21,648		21,648
Other transactions with non-controlling interests								(3,190)	(3,190)
At December 31, 2022	4,008,806	42,277	32,877	538,448			(1,250,374)	57,024	3,429,058

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of changes in equity Years ended December 31, 2022 and 2021 (In thousands of U.S. dollars)

Note	Attributable to the equity holders of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Legal reserve	Retention of profits	Revenue reserve	Retained earnings (accumulated losses)	Carrying value adjustment		
At January 1, 2021	768,309	7,775	5,428	87,139			(239,483)	629,168	640,297
Profit (loss) for the year:									
Profit for the year from continuing operations						17,470		17,470	17,890
Profit for the year from discontinued operations						(1)		(1)	(1)
Other comprehensive income:									
Post-employment benefit obligations	25 (g)						1,629	22	1,651
Total comprehensive income for the year						17,469	1,629	442	19,540
Capital transaction with equity holders:									
Transfer to reserve	25 (b) e (c)		873	12,446		(13,320)		(1)	(1)
Reversal of mandatory minimum dividends	20 (b)			1,804				1,804	1,804
Distribution of dividends	25 (d)					(4,149)		(4,149)	(4,392)
Other transactions with non-controlling interests								319	319
At December 31, 2021	768,309	7,775	6,301	101,389			(237,854)	645,920	657,567
Profit (loss) for the year:									
Profit (loss) for the year from continuing operations						5,780		5,780	5,664
Loss for the year from discontinued operations						(8,121)		(8,121)	(8,121)
Other comprehensive income:	25 (g)								
Post-employment benefit obligations from continuing operations							809	9	818
Post-employment benefit obligations from discontinued operations							3	3	3
Profit or loss on cash flow hedge accounting							(2,599)		(2,599)
Total comprehensive income for the year						(2,341)	(1,787)	(107)	(4,235)
Capital transaction with equity holders:									
Absorption of loss for the year	25 (d)			(2,341)		2,341			
Investment program - Stock option	25 (h)		328					328	328
Reversal of mandatory minimum dividends	20 (b)			4,148				4,148	4,148
Other transactions with non-controlling interests								(611)	(611)
At December 31, 2022	768,309	8,103	6,301	103,196			(239,641)	646,268	657,197

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of Cash Flows Years ended December 31, 2022 and 2021 (In thousands of reais and U.S. dollars)

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
		(Note 29)		(Note 29)
Cash flows from operating activities				
Profit before income tax and social contribution	6,119	31,921	81,802	27,765
Loss before income tax and social contribution from discontinued operations	(8,121)	(42,372)	(6)	(8,722)
Adjustments				
Depreciation and amortization	10,452	54,534	31,582	73,628
Amortization of right-of-use asset	1,599	8,345	6,489	12,865
Residual value of property and equipment and intangible asset disposed of	2	8	851	129
Residual value of right-of-use assets disposed of			(1,640)	(530)
Share of profit (loss) from continuing operations	(45,663)	(238,256)	(149,343)	1,691
Share of profit (loss) from discontinued operations	1,198	6,249	6,622	
Profit (loss) from discontinued operations				2,075
Write-off of provision for loss on investments of discontinued operation	7,500	39,134	(4,092)	
Allowance for expected credit losses			9,835	51,316
Provision for contingencies	(81)	(425)	2,150	11,217
Gains on derivative financial instruments	(836)	(4,374)	(1,294)	(6,750)
Income from restricted funds			(3,658)	(19,086)
Construction profit margin			(6,638)	(34,637)
Employee benefits	246	1,281	819	4,271
Adjustment to present value	668	3,487	6,842	35,699
Interest and monetary and foreign exchange variations, net	31,100	162,271	145,159	757,395
Other adjustments			(888)	(4,634)
	4,181	21,803	32,582	259,153
				1,352,162
				978,194
Adjustments for reconciling profit for the year from available-for-sale assets			8,507	44,388
				4,596
Changes in assets and liabilities				
Trade receivables	68	355	(355)	(110,732)
Advances to suppliers	24	124	(54)	2,728
Taxes recoverable	(3,593)	(18,748)	(6,377)	(13,034)
Inventories			(160)	(837)
Dividends and interest on capital received	67,029	349,738	73,691	
Judicial deposits	(103)	(540)	(44)	(2,377)
Other assets	4,807	25,082	9,859	1,787
Trade payables	12,415	64,779	(1,182)	11,442
Salaries and payroll charges	4,031	21,034	2,608	7,294
Taxes payable	929	4,845	5,645	(10,959)
Deferred PIS and COFINS			12,652	66,014
Concession rights payable			(2,864)	(14,942)
Provisions for contingencies	(113)	(589)	(1,966)	(10,260)
Related parties	(41,654)	(217,339)	(9,039)	(47,161)
Other liabilities	(1,130)	(5,881)	5,879	116
				627
Cash from continuing operations	46,891	244,663	56,801	152,548
				795,946
				626,407
Income tax and social contribution paid			(12,957)	(67,606)
				(64,733)
Net cash from continuing operations	46,891	244,663	56,801	139,591
				728,340
				561,674
Total net cash flows from (used in) discontinued operating activities			(113)	(589)
				2,267
Total net cash flows from operating activities	46,891	244,663	56,801	139,478
				727,751
				563,941

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of Cash Flows Years ended December 31, 2022 and 2021 (In thousands of reais and U.S. dollars)

	(continuation)			
	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Cash flows from investing activities				
Advance for future capital increase	(80,894)	(422,083)	(52,390)	
Capital increase in subsidiaries	(57,402)	(299,506)	(398,306)	
Restricted funds			929	4,845
Purchase of property and equipment	(373)	(1,948)	(5)	(1,991)
Additions to contract assets and intangible assets	(49,941)	(260,575)	(130,685)	(276,878)
			(1,444,664)	(2,348,598)
Net cash used in continuing investing activities	(188,610)	(984,112)	(581,386)	(277,940)
Net cash used in discontinued investing activities	(2,798)	(14,600)	(5,451)	(2,182)
Total net cash used in investing activities	(191,408)	(998,712)	(586,837)	(280,122)
			(1,461,593)	(1,184,041)
Cash flows from financing activities				
Dividends and interest on capital paid			(241)	(1,259)
Proceeds from loans and borrowings	63,246	330,000	228,475	1,192,114
Transaction cost on proceeds from loans and borrowings			(301)	(1,572)
Repayment of loans and borrowings			(38,068)	(198,626)
Interest paid on loans and borrowings	(1,394)	(7,271)	(58,592)	(305,717)
Interest paid on derivative financial instruments	(3,334)	(17,394)	(5,403)	(28,193)
Proceeds from debentures	306,649	1,600,000	200,000	756,782
Transaction cost on proceeds from debentures	(3,309)	(17,266)	(1,931)	(31,305)
Amortization of debentures	(190,697)	(995,000)	(610,039)	(3,183,002)
Interest paid on debentures	(41,564)	(216,870)	(67,066)	(132,517)
Amortization of lease liabilities	(2,081)	(10,857)	(8,406)	(16,921)
Related parties	(19,378)	(101,110)	34,820	13,398
			69,905	43,170
Total net cash flows from continuing financing activities	108,138	564,232	157,417	105,268
Net cash from (used in) discontinued financing activities			(240)	(1,250)
Total net cash flows from investing activities	108,138	564,232	157,417	105,028
Effect of cash and cash equivalents from discontinued operations			(112)	(582)
Net decrease in cash and cash equivalents	(36,379)	(189,817)	(372,619)	(35,728)
Cash and cash equivalents at the beginning of the year	78,927	411,818	784,437	210,799
Cash and cash equivalents at the end of the year	42,548	222,001	411,818	175,071
			913,467	1,099,887

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

BRK Ambiental Participações S.A. and subsidiaries

Statements of value added Years ended December 31, 2022 and 2021 (In thousands of reais and U.S. dollars)

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$ (Note 29)	US\$	R\$ (Note 29)
Revenues				
Gross revenue from services and sales		109	934,650	4,876,727
Other revenues	1,057	5,517	1,453	10,122
(-) Rebates and cancellations				(13,129)
(-) Allowance for expected credit losses				(9,835)
	1,057	5,517	1,562	921,808
				4,809,719
				3,673,416
Inputs acquired from third parties				
Construction cost			(317,099)	(1,654,529)
Materials, electric energy, outsourced services and others	(23,279)	(121,474)	(118,616)	(160,883)
	(23,279)	(121,474)	(118,616)	(477,982)
				(2,493,968)
				(1,931,209)
Gross value added	(22,222)	(115,957)	(117,054)	443,826
				2,315,751
				1,742,207
Depreciation and amortization	(12,051)	(62,879)	(38,071)	(86,492)
				(451,291)
				(322,150)
Net value added generated by the entity	(34,273)	(178,836)	(155,125)	357,334
				1,864,460
				1,420,057
Value added received in transfer				
Share of profit (loss) from continuing operations	45,663	238,256	149,343	(1,691)
Profit (loss) from discontinued operations	(8,121)	(42,372)	(2,530)	(8,722)
Transfer of expenses	54,759	285,718	244,761	2,702
Finance income	68,273	356,227	153,055	66,084
				344,808
				100,252
Total undistributed value added	126,301	658,993	389,504	415,707
				2,169,027
				1,530,392
Distribution of value added				
Personnel	35,662	186,076	139,209	105,307
Direct compensation	29,598	154,436	116,353	77,142
Benefits	4,078	21,277	14,990	22,524
Government Severance Pay Fund (FGTS)	1,986	10,363	7,866	5,641
				29,432
				25,091
Taxes, fees and contributions	5,921	30,892	13,973	98,172
Federal	5,880	30,678	13,878	95,197
State				1,121
Municipal	41	214	95	1,854
				9,673
				6,783
Remuneration of third-party capital	87,059	454,246	145,175	214,685
Finance costs	86,441	451,024	142,033	207,753
Rentals	618	3,222	3,142	6,932
				36,168
				32,420
Equity remuneration	(2,341)	(12,221)	91,147	(2,457)
Retained earnings (loss) for the year	(2,341)	(12,221)	91,147	(2,341)
Non-controlling interests				(116)
				(600)
Value added distributed	126,301	658,993	389,504	415,707
				2,169,027
				1,530,392

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

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

1 Corporate information

BRK Ambiental Participações S.A. ("Company") was incorporated on January 29, 2016 and on April 25, 2017 it was acquired by BR Ambiental Fundo de Investimento em Participações Multiestratégia ("BR FIP") as controlling shareholder, an investment fund managed by Brookfield Brasil Asset Management Investimentos Ltda. ("Brookfield") and controlled by Brookfield Asset Management, Inc. and has noncontrolling interests of the Severance Pay Fund ("FI-FGTS"). The Company is engaged in investing in and operate environmental projects and provide services focused on the Water and Wastewater segment through its direct and indirect subsidiaries and joint ventures (collectively the "Group") by means of public concession contracts, public-private partnerships and provision of services, among others.

On October 22, 2019, the Company obtained registration as a listed company from the Securities and Exchange Commission of Brazil ("CVM") in the category "B" and on November 7, 2022, CVM granted the conversion of the Company's registration as a listed company to category "A".

The Company's registered office is located at Avenida das Nações Unidas, 14.261 - 13º andar – Ala B – São Paulo, State of São Paulo.

These individual and consolidated financial statements were approved by the Company's Board of Directors on March 10, 2023.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(a) Public Water and Wastewater concessions

Company	Subject matter of the agreement	Starting - ending year	Concession grantor (customer)	Concession	Base index for annual price adjustment
BRK Ambiental - Limeira S.A.	Water supply and wastewater services.	1995-2039	Municipality of Limeira - SP	No	Parametric formula
BRK Ambiental - Cachoeiro do Itapemirim S.A.	Water supply and wastewater services.	1998-2048	Municipality of Cachoeiro do Itapemirim - ES	Variable	IPCA
Companhia de Saneamento do Tocantins - Saneatins	Water supply and wastewater services, except for the concession agreements with the municipalities of Almas and Araguaia, which include only water supply services.	1999 - 2049, depending on the contract	46 municipalities in the State of Tocantins and 5 in the State of Pará	Fixed or variable, depending on the contract	IPCA
BRK Ambiental - Mauá S.A.	Wastewater services.	2003-2043	Municipality of Mauá - SP	Variable	Parametric formula
BRK Ambiental - Capivari S.A.	Construction and lease of the Effluent Treatment Station of Campinas - State of São Paulo	2007-2029	Sociedade de Abastecimento de Água e Saneamento S.A. - SANASA	No	Parametric formula
BRK Ambiental - Rio Claro S.A.	Wastewater services.	2007-2037	Municipality of Rio Claro - SP	No	IPCA
BRK Ambiental - Rio das Ostras S.A.	Wastewater services.	2007-2024	Municipality of Rio das Ostras - RJ	No	IPCA
BRK Ambiental - Jaguaribe S.A.	Construction and operation of the ocean disposal system of the Jaguaribe River in Salvador - State of Bahia	2006-2026	Empresa Baiana de Águas e Saneamento S.A. - EMBASA	No	IPCA
BRK Ambiental - Blumenau S.A.	Wastewater services.	2010-2055	Serviço Autônomo Municipal de Água e Esgoto - SAMAE	Fixed	IPCA
BRK Ambiental - Santa Gertrudes S.A.	Water supply and wastewater services.	2010-2040	Municipality of Santa Gertrudes - SP	Fixed	IPCA
Saneaqua Mairinque S.A.	Water supply and wastewater services.	2010-2050	Municipality of Mairinque - SP	No	IGPM
BRK Ambiental - Uruguaiana S.A.	Water supply and wastewater services.	2011-2043	Municipality of Uruguaiana - RS	Fixed	IGPM
BRK Ambiental - Porto Ferreira S.A.	Water supply and wastewater services.	2011-2041	Municipality of Porto Ferreira - SP	Fixed	IGPM
F. AB. Zona Oeste S.A.	Wastewater services.	2012-2042	Municipality of Rio de Janeiro - RJ	Fixed and variable	IPCA-E
BRK Ambiental - Araguaia Saneamento S.A. (i)	Water supply and wastewater services.	2007 - 2042, depending on the contract.	4 Municipalities of the State of Pará - PA	Variable	IPCA or parametric formula, depending on the contract
BRK Ambiental - Macaé S.A.	Wastewater services.	2012-2047	Municipality of Macaé - RJ	No	IGPM
BRK Ambiental - Região Metropolitana do Recife/Goiânia SPE S.A.	Wastewater services.	2013-2048	Companhia Pernambucana de Saneamento - COMPESA	No	IPCA
BRK Ambiental - Goiás S.A.	Wastewater services.	2013-2041	Saneamento de Goiás S.A. - SANEAGO	Fixed	Parametric formula
BRK Ambiental - Manso S.A.	Services of expansion and maintenance of the Manso river water collection system.	2013-2028	Companhia de Saneamento de Minas Gerais - COPASA	No	IPCA
BRK Ambiental - Maranhão S.A.	Water supply and wastewater services.	2014-2050	Consórcio Intermunicipal de Saneamento Básico - CISAB	No	IPCA
BRK Ambiental - Sumaré S.A.	Water supply and wastewater services.	2014-2045	Municipality of Sumaré - SP	Fixed	IPCA
BRK Ambiental - Caçador S.A.	Water supply and wastewater services.	2018-2048	Municipality of Caçador - SC	Variable	Parametric formula
BRK Ambiental - Região Metropolitana de Macaé S.A.	Water supply and wastewater services.	2020-2056	State of Alagoas	Fixed	Parametric formula

(i) Classified as a discontinued operation (Note 1.1 (a) (ii)).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In all concessions, the concessionaires are entitled to use all concession assets during the concession period in accordance with the use conditions agreed upon and must make investments in improvements and expansions of the systems. These investments are remunerated by the Concession Grantor through monthly considerations or through the tariff paid directly by the users.

The concessionaires are required to perform regular maintenance work on networks and preventive and corrective maintenance work on the assets. This maintenance work is also remunerated through monthly considerations or through the tariff paid directly by the users.

1.1 Other information

(a) Discontinued operations

(i) UVR Grajaú S.A. (“UVR Grajaú”)

On December 1, 2019, subsidiary UVR Grajaú was considered a discontinued operation due to the wound up of its activities of receipt, screening, processing and final disposal of inert waste and waste from civil construction, as well as the recycling and sale of recycled aggregate, located in the Municipality of São Paulo, State of São Paulo. The profit or loss for 2019 of UVR Grajaú was adjusted for the effects of impairment and classified as a discontinued operation in a single amount in the statement of profit or loss.

On October 8, 2020, the Company signed the contract for the sale of subsidiary UVR Grajaú to Vendome Participações S.A. for R\$ 1. On March 19, 2021, the Company completed the sale of the subsidiary UVR Grajaú to Vendome Participações S.A.

This transaction is part of the strategy of concentrating the Company’s investments in the water and wastewater segment.

Since its classification as a discontinued operation, the assets and liabilities of the subsidiary UVR Grajaú had been presented separately as discontinued operations in a single amount in current assets, in current liabilities, in the statement of profit or loss and in the net cash flows attributable to the operating, investing and financing activities of the discontinued operations they were also presented separately.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

As a result of the sale, on March 19, 2021, the Company wrote off the assets and liabilities of the discontinued operation and recorded a write-off of the provision for loss on investments in the amount of R\$ 4,092 – US\$ 784, as follows:

Assets	March 19, 2021
Current	3,425
Non-current	216
Total assets	3,641
Liabilities	March 19, 2021
Current	1,862
Non-current	5,871
Net liabilities from discontinued operations	4,092

In addition, the loss from discontinued operations in the period from January 1, 2021 to the date of the sale was R\$ 2,075 – US\$ 398, as shown in the table below:

	From January 1 to March 19, 2021
Costs of services and sales	(600)
Gross loss	(600)
Operating expenses	
General and administrative expenses	(1,345)
Operating loss	(1,945)
Finance result	
Finance costs	(129)
Finance result, net	(129)
Loss before income tax and social contribution	(2,074)
Deferred income tax and social contribution	(1)
Loss for the period	(2,075)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(ii) BRK Ambiental - Araguaia Saneamento S.A. ("Araguaia")

On December 02, 2022, Management submitted the plan to sell the direct subsidiary Araguaia to the Finance and Investments Committee. Due to the requirement of affirmative votes of the shareholders, established in the Shareholders' Agreement, the operation with Norte Saneamento S.A. ("Norte"), at the amount of R\$ 1, was submitted to and approved by the Board of Directors, without reservations, on December 15, 2022. On December 20, 2022, the Share Purchase and Sale Agreement was signed, with a term for closing within 180 days after the compliance with conditions precedent.

As detailed in note 9, the assets and liabilities of the direct subsidiary Araguaia were presented separately as held for sale in the statement of financial position and the profit or loss account was classified as discontinued operations in a single amount in the statement of profit or loss. Net cash flows attributable to operating, investing and financing activities from discontinued operations are presented separately.

(b) BRK Ambiental – Região Metropolitana de Maceió S.A. ("RMM")

Payment of grant

On July 1, 2021, the Company concluded the assisted operation period and officially started the operations in 9 of the 13 municipalities included in the RMM concession, operating in the water distribution and wastewater collection and treatment for the next 35 years. On July 2, 2021 the Company made the payment of the 2nd installment of the grant, in the amount of R\$ 1,241,598 – US\$ 237,959. On September 1, 2021, it made the payment of the remaining balance of R\$ 153,456 – US\$ 29,411 related to the 2nd installment of the grant and on the same date it started the operations in the 4 remaining municipalities.

Application for registration as a listed company

On July 22, 2022, the direct subsidiary RMM filed with the CVM the (i) request for registration as a listed company under category "B" and (ii) request for the issuance of incentivized debentures, in conformity with CVM Instruction No. 400, of December 29, 2003, as amended by CVM Resolution No. 80, of March 29, 2022, in the amount of R\$ 1,950,000 – US\$ 373,728. The registration and offering applications were due to the subsidiary's intention to access the Brazilian capital market. On November 7, CVM granted the registration in the category "B" for the subsidiary and on November 9, the definitive issuance of incentivized debentures in the aforementioned amount was concluded, at a cost of IPCA+7.6% (floor) and 20-year term with a 30-month grace period for prepayment (principal and interest) of the bridge loan related to the RMM grant, extending the average term of the debt.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) COVID-19

With the development of COVID-19 on a global scale, governments and authorities around the world have implemented measures to fight the virus. In Brazil, where the Company and its subsidiaries operate, these measures were introduced mostly as from the second half of March 2020.

Assessments of the accounting estimates were made, taking into account the effects caused by the pandemic and the Company and its subsidiaries did not identify significant financial and economic effects arising from COVID-19 on the individual and consolidated financial statements for the year ended December 31, 2022.

The Company continues to monitor the developments of COVID-19 so that the possible impacts can be duly reflected in its individual and consolidated financial statements, in compliance with CVM/SNC/SEP Circular Letters 02/2020 and 03/2020 and CVM Resolution 859/2020.

(d) SOX program

In 2022, the Company's SOX Program was maintained, with the continuous execution of this program and its incorporation into the work routine and no significant deficiencies or material weaknesses were identified, in conformity with the guidelines of Section 404 of U.S. Sarbanes-Oxley ("SOX") Act, which is intended to prevent, detect and address any potential non-conformity, with a material effect, related to the financial information of the companies that are part of the BRK Group, ensuring more reliability to its individual and consolidated financial statements.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(e) Compliance Program

The Company and its subsidiaries are committed to carrying out all of their activities with integrity and with the highest standards of ethics and transparency, based on full compliance with all applicable laws and regulations, both locally and globally, and on the application of a posture of zero tolerance to acts of corruption, discrimination and anti-ethical behavior.

Accordingly, the Company and its subsidiaries established in their corporate governance the adoption of this Compliance Program, which is directly reported to the Company's CEO and determines the guidelines for the internal and external relationships of all employees, management members, officers, directors and shareholders. This Program is aimed at consolidating all initiatives for the promotion and strengthening of the culture of ethics and integrity and for the mitigation of risks by means of mechanisms to prevent, detect and respond to illicit and undesired acts, including in subsidiaries.

The Company is a signatory to the Corporate Pact for Integrity and Against Corruption, which brings companies together for the purpose of promoting a fairer and more ethical market and eradicating bribery and corruption. The Company is also a signatory to the UN Global Compact, an initiative of the United Nations (UN) that seeks to mobilize the international corporate community in favor of a closer relationship with the fields of human rights, labor relations, environment and fight against corruption.

The Company have of the pro-ethics seal, an initiative of the Office of the Federal Controller General and the Ethos Institute with the objective of publicly acknowledging the efforts of companies that are truly committed to preventing and fighting against corruption and other types of fraud.

Also in 2022, the Company and its subsidiaries received ISO 37001 certification, which deals with the anti-bribery management system, once again reinforcing the effectiveness of the Compliance Program and the anti-bribery and anti-corruption practices adopted.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(f) ESG: Environmental, social and governance practice impacts

In the first quarter of 2022 the Company submitted its sustainability program to the ESG Ranking Rating of Sustainalytics. The rating evaluates the degree of robustness of the company's ESG practices. More than 15,000 companies worldwide have gone through this process.

The Company obtained the best score in the Americas and the fourth best in the world among 60 sanitation companies, in the ESG Risk Rating of Sustainalytics, an international organization that measures the exposure and management of ESG risks of companies.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies were consistently applied by the Group in the year presented, unless otherwise stated.

2.1 Basis of preparation

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), approved by the Securities and Exchange Commission of Brazil ("CVM") and with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and they provide all (and only) the relevant information specific to the financial statements, which is consistent with that used by management in its activities.

These individual and consolidated financial statements have been prepared in Brazilian reais, which is the Company's functional currency, and are presented in thousands of reais, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the individual and consolidated financial statements are disclosed in Note 3.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The presentation of the statement of value added is required by Brazilian Corporate Law and by the accounting practices adopted in Brazil applicable to listed companies and it is presented as additional information for purposes of IAS 34. The statement of value added was prepared based on information obtained from the accounting records that serve as the basis for the preparation of the financial statements.

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the users and has been translated from the mounts in the December 31, 2022 local currency financial statements, using the Exchange rate prevailing on that date of R\$ 5,2177 to US\$ 1.00, extracted from the Banco Central do Brasil ("BCB").

2.2 Consolidation

(a) Consolidated companies

The consolidated financial statements include the financial statements of the Company and its subsidiaries at December 31, 2022 in which the following direct and indirect interests are held:

	Place of incorporation and operation	Business	2022	2021	2022	2021
			Number of shares/ units of interest held		Equity interest (%)	
Subsidiaries:						
Direct:						
BRK Ambiental - Blumenau S.A. ("Blumenau")	Brazil (SC)	Wastewater concession	2,435,474,551	2,435,474,551	100.00	100.00
BRK Ambiental - Centro Norte Participações S.A. ("Centro Norte Participações")	Brazil (SP)	Holding company	607,901,737	184,897,959	100.00	100.00
BRK Ambiental - Mauá S.A. ("Mauá")	Brazil (SP)	Wastewater concession	10,477,116	10,477,116	100.00	100.00
BRK Ambiental - Rio Claro S.A. ("Rio Claro")	Brazil (SP)	Wastewater concession	7,643,739	7,643,739	60.00	60.00
BRK Ambiental - Rio das Ostras Participações S.A. ("RDOP")	Brazil (RJ)	Holding company	135,378,414	134,988,595	100.00	100.00
BRK Ambiental - Santa Gertrudes S.A. ("Santa Gertrudes")	Brazil (SP)	Water and wastewater concession	3,350,661	3,350,661	100.00	100.00
BRK Ambiental - Uruguaiana S.A. ("Uruguaiana")	Brazil (RS)	Water and wastewater concession	47,516,236	47,516,236	100.00	100.00
BRK Ambiental - Porto Ferreira S.A. ("Porto Ferreira")	Brazil (SP)	Water and wastewater concession	12,240,334	12,240,334	100.00	100.00
Araguaia (iii)	Brazil (PA)	Water and wastewater concession		41,782,022	100.00	100.00
BRK Ambiental - Digital S.A. ("Digital")	Brazil (SP)	Holding company	14,027,100	14,027,100	100.00	100.00
Saneaqua Mainrique S.A. ("Mainrique")	Brazil (SP)	Water and wastewater concession	26,470,391	23,254,247	96.56	96.11
BRK Ambiental - Maranhão S.A. ("Maranhão")	Brazil (MA)	Water and wastewater concession	66,474,065	66,474,065	100.00	100.00
BRK Ambiental - Sumaré S.A. ("Sumaré")	Brazil (SP)	Water and wastewater concession	186,545,465	186,545,465	100.00	100.00
Ecoagua Soluções S.A. ("Ecoagua")	Brazil (RJ)	Holding company	198,019,305	198,019,305	100.00	100.00
Mauá Água S.A. ("Mauá Água")	Brazil (SP)	Water concession	15,667,402	15,667,402	100.00	100.00
BRK Ambiental - Projetos Ambientais S.A. ("BRK Projetos Ambientais")	Brazil (SP)	Holding company	55,559,874	55,559,874	100.00	100.00
BRK Ambiental - Participações em Negócios Industriais S.A. ("BRK Negócios Industriais")	Brazil (SP)	Holding company	841,068,150	829,539,316	100.00	100.00
Santo André Água S.A. ("Santo André")	Brazil (SP)	Water and wastewater concession	500	500	100.00	100.00
BRK Ambiental - Capadór S.A. ("Capadór")	Brazil (SC)	Water and wastewater concession	5,195	231,167,025	100.00	100.00
BRK - NE/NCO S.A. ("BRK NE")	Brazil (SP)	Holding company	1,000	1,000	100.00	100.00
BRK - N S.A. ("BRK N")	Brazil (SP)	Holding company	1,000	1,000	100.00	100.00
RMM	Brazil (SP)	Water and wastewater concession	840,926,897	683,598,688	100.00	100.00
BRK Ambiental - Alivos Maduros S.A. ("BRK Alivos Maduros")	Brazil (SP)	Holding company	52,548	52,548	100.00	100.00
BRK Ambiental - Novos Projetos S.A. ("BRK Novos Projetos") (ii)	Brazil (SP)	Holding company	1,000	1,000	100.00	50.00
Indirect:						
BRK Ambiental - Rio das Ostras S.A. ("Rio das Ostras")	Brazil (RJ)	Wastewater concession	130,717,027	130,717,027	100.00	100.00
BRK Ambiental - Macaé S.A. ("Macaé")	Brazil (RJ)	Wastewater concession	116,447,933	116,447,933	100.00	100.00
BRK Ambiental - Região Metropolitana do Recife/Goiânia SPE S.A. ("RMR")	Brazil (PE)	Wastewater concession	40,272,904	40,272,904	100.00	100.00
BRK Ambiental - Goiás S.A. ("Goiás")	Brazil (GO)	Wastewater concession	7,827,480	7,827,480	65.65	65.65
BRK Ambiental - Manso S.A. ("Manso")	Brazil (MG)	Water concession	100,000,000	100,000,000	100.00	100.00
BRK Ambiental - Cachoeiro de Itapemirim S.A. ("Cachoeiro")	Brazil (ES)	Water and wastewater concession	3,403,223	3,403,223	100.00	100.00
BRK Ambiental - Capivari S.A. ("Capivari")	Brazil (SP)	Wastewater concession	9,258,384	9,258,384	100.00	100.00
BRK Ambiental - Jaguaribe S.A. ("Jaguaribe")	Brazil (BA)	Wastewater concession	30,000,000	30,000,000	100.00	100.00
BRK Ambiental - Limeira S.A. ("Limeira")	Brazil (SP)	Water and wastewater concession	43,360	43,360	100.00	100.00
Companhia de Saneamento de Tocantins ("Saneatins")	Brazil (TO)	Water and wastewater concession	2,513,957	2,513,957	100.00	100.00
BRK Ambiental - Sul Pará Saneamento S.A. ("Sul Pará")	Brazil (PA)	Water and wastewater concession	1,000	1,000	100.00	100.00
Special Purpose Entity ("SPE"):						
Fundo de Investimento em Direito Creditório-Caixa Dublin ("FIDC")	Brazil (SP)	Investment fund	256,312	256,312	100.00	100.00
Joint ventures:						
Direct:						
F. AB. Zona Oeste S.A. ("F. AB. Zona Oeste")	Brazil (RJ)	Wastewater concession	72,118,371	72,118,371	50.00	50.00
Indirect:						
Rio de Janeiro Mais Operações Saneamento S.A. ("Rio Mais") (i)	Brazil (RJ)	Holding company		3,000		75.00

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

- (i) On July 26, 2022, direct subsidiary BRK NI received a transfer of 500 registered common shares from the former BRK SAAB Águas S.A. ("BRK SAAB") in exchange for the 750 shares of Rio Mais. After this transaction, the Company became the holder of all registered common shares of BRK SAAB and ceased to hold interest in Rio Mais, created in 2021 with the objective of participating in the Cedae auction, being dismantled in 2022, since it was not successful in the bidding.
- (ii) At the Extraordinary General Meeting held on September 1, 2022, the change in the name of indirect subsidiary BRK SAAB to BRK Ambiental - Novos Projetos S.A. ("BRK Novos Projetos") was approved. On September 2, 2022, direct subsidiary BRK NI transfers to the Company 1,000 registered common shares of BRK Novos Projetos through onerous assignment.
- (iii) Classified as discontinued operation (Note 1.1 (a) (ii)).

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values on the date of acquisition. The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. The measurement of the non-controlling interest is determined upon each acquisition made. Acquisition-related costs are accounted for in profit or loss for the year as they are incurred.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Parent's individual financial statements, the results of subsidiaries are recognized under the equity method of accounting.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Transactions with non-controlling interests

The Group elected to measure non-controlling interests initially at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

In purchases from non-controlling interests, the difference between any consideration paid and the share acquired of the carrying amount of the subsidiary's net assets is recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in the "Carrying value adjustment" account.

(d) Loss of control in subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(e) Joint ventures and associates

Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint arrangements are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in associates and joint ventures are accounted for on the equity method and are initially recognized at cost.

The Company's share of the profit or loss of its associates and joint ventures is recognized in the statement of profit or loss and its share of changes in reserves is recognized in the Company's reserves. When the Company's share of losses in an associate or joint venture equals or exceeds the carrying amount of the investment, including any other receivables, the Company does not recognize further losses, unless it has assumed obligations or made payments on behalf of the associate or joint venture.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

If the ownership interest in the associate is reduced, but significant influence is maintained, only a proportional part of the amounts previously recognized in other comprehensive income will be reclassified to profit or loss where appropriate.

Dilution gains and losses arising from investments in associates are recognized in the statement of profit or loss.

2.3 Segment reporting

The information per operating segment is presented consistently with the internal report provided to the chief operating decision maker, which is the Executive Board, together with the Board of Directors. The Group operates in the segment of Water and Wastewater through public concessions contracts, public-private partnerships, provision of services, among others.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value, and the balance is presented net of balances of bank overdrafts in the statement of cash flows. In the statement of financial position, bank overdrafts are shown within Loans and borrowings in current liabilities.

2.5 Restricted funds

The restricted funds represent bank deposits and their use is tied to compliance with obligations in financing agreements and they are retained until the termination of each agreement. Most of the amounts are remunerated at the Interbank Deposit Certificate ("CDI") rate.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.6 Trade receivables and expected credit losses

Trade receivables are amounts receivable for services performed and products sold in the ordinary course of the Group's business. If the collection period is one year or less, receivables are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at fair value, less the expected credit losses, calculated based on the credit analysis and recorded at an amount that is considered sufficient by management to cover losses on trade receivables, note 3 (k).

Trade receivables are classified as follows:

(a) Concession agreements (Financial assets)

These are represented by the unbilled rights arising from revenue from construction on public concession contracts classified as financial assets, which are recognized when there is an unconditional right to receive cash or other financial asset from the concession authority for the construction services.

Indirect subsidiaries Capivari, Manso, RMR, Rio das Ostras and Jaguaribe have this right and, therefore, as they carry out constructions and improvements, they recognize a financial asset.

(b) Concession agreements (Intangible assets)

The Group recognizes the revenue that is unbilled but incurred, for which the service has been provided but has not yet been billed by the end of each period. This revenue is accounted for on the date the service is provided as unbilled trade receivables based on the specifications of each sale or service provision so that the revenue can match the costs incurred in the same period.

2.7 Inventories

Inventories include the materials to be used in the operation and maintenance of systems and are stated at the lower of average acquisition cost and realizable value and classified in current assets.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.8 Discontinued operations

The Group qualifies as discontinued operations any component of the entity that was written off or is classified as held for sale and that, in accordance with CPC 31:

- (i) Represents an important separate business line or geographical area of operations; and
- (ii) Is an integral part of a single plan coordinated for the sale of an important separated business line or geographical area of operations.

The discontinued operations are excluded from the results of continuing operations and they are presented as a single amount in profit or loss after taxes from discontinued operations in the statement of profit or loss.

Additional disclosures are presented in Note 1.1 (a). All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

2.9 Financial and non-financial assets

2.9.1 Classification

The Group classifies its financial assets upon initial recognition, measured in the categories of at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Currently, the Group presents all its financial assets measured at amortized cost and at fair value through profit or loss note 5.4.

Financial assets are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period.

2.9.2 Recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss. Purchases and sales of financial assets are usually recognized on the trade date. Loans and receivables are carried at amortized cost using the effective interest method and the available-for-sale assets are carried at fair value.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.9.3 Impairment of financial and non-financial assets

(a) Financial assets measured at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss. If a debt is subject to a variable interest rate, the discount rate to measure an impairment loss is the current effective interest rate determined in accordance with the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an upgrade of the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. The goodwill is reviewed for impairment on an annual basis or more frequently if events or changes in the circumstances indicate any impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)). Non-financial assets, other than goodwill, that have been adjusted for impairment are subsequently reviewed for possible reversal of the impairment at the end of the reporting period.

The Group did not identify objective evidence that could require the recording of impairment losses for either financial or non-financial assets for the year ended December 31, 2022. The parent company recognized a loss arising from the operation with the asset available for sale note 9 due to the difference between the book value and the fair value of the transaction, considering the conditions agreed upon by the parties.

2.10 Contract assets

Contract assets are initially recognized at fair value and include debt costs that are capitalized over the period in which the assets are in the phase of construction.

2.11 Intangible assets

(a) Water and wastewater system

The Group recognizes as an intangible asset the right to charge users for the water supply and wastewater services set out in the concession agreements.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The intangible asset is determined as the value of the revenue from construction accrued for the construction or acquisition of the infrastructure by the Group, recognized in accordance with Note 2.23 (b), and the amount of financial assets related to the unconditional right to receive cash until the end of the concession period, recognized in accordance with Note 2.23 (c). The amortization of the intangible asset begins when it is available for use in the location and condition necessary for it to operate in the manner intended by the Company (Note 3 (j)).

The amortization of the intangible asset ceases when the asset has been fully consumed or written down and is no longer part of the calculation basis of the concession service provision rate, whichever is the earliest.

(b) Concession right and customer list

The concession right refers to the right recorded in intangible assets (Note 13), the respective liabilities related to future payments (payables) are recorded in current and non-current liabilities (Note 17).

The amortization of the intangible assets reflects the pattern in which the future economic benefits are expected to be used by the Group or the end of the concession period, whichever is earlier.

Customer list refers to contractual customer relationships acquired in a business combination and is recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization and reduced for impairment when necessary.

(c) Software and use rights

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software.

The use right refers to the private or public agreement signed between the subsidiaries and the concession grantor or customer.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(d) Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) the fair value on the date of acquisition of any prior equity investment in the acquiree in relation to the fair value of the identifiable net assets acquired. If the total consideration transferred, the recognized non-controlling interests, when applicable, and the prior equity investments measured at fair value are lower than the fair value of the net assets of the acquiree, in the case of a bargain purchase, the difference is directly recognized in the statement of profit or loss.

(e) Capitalization of interest and financial charges

General and specific borrowing costs that are directly attributable to acquisition or construction of a qualifying intangible asset, which is an asset that necessarily demands a significant period of time to become ready for the intended use, are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits for the entity and that these costs can be reliably measured.

Regarding the grant, when the Company raises debt to pay for it, interest is capitalized according to the percentage of the grant related to the infrastructure to be built. If the payment to the Concession Grantor is long term, adjustment to present value is calculated. The portion of the adjustment to present value referring to investments not yet made are capitalized as part of the cost of the intangible asset under construction, and the portion referring to the infrastructure in operation is allocated to finance costs in the statement of profit or loss for each period.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.12 Property and equipment

Property and equipment is stated at historical cost net of accumulated depreciation and provision for impairment, when applicable. Cost includes: (i) the acquisition price and the financial charges incurred in financing during the phase of construction and all other costs (freights, unrecoverable taxes, etc.) necessary for making the asset usable; and (ii) fair value, for the assets acquired through business combinations.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be reliably measured. The carrying amount of the replaced items or parts is derecognized. All other repair and maintenance costs are charged to the statement of profit or loss as incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period on a prospective basis.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives.

IT equipment - 5 to 10 years;
Machinery and equipment - 5 to 20 years;
Furniture and fixtures - 5 to 10 years;
Vehicles - 5 years;
Buildings - 2 to 40 years.

The assets recorded in property and equipment are not related to the public concession services.

An asset's carrying amount is written down immediately to the recoverable amount when the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the sales price with the carrying amount, net of depreciation, and are recognized within "Other income (expenses), net" in the statement of profit or loss.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.13 Investment properties

Investment properties are real estate properties held to obtain income from rentals and/or capital appreciation (including constructions in progress for such purpose) and not: (i) to be used in the production or supply of services; (ii) for administrative purposes; or (iii) to be sold in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. Gains and losses resulting from changes in the fair value of an investment property are recognized in profit or loss for the period of the subsidiaries in which such changes occurred. However, a real estate property that was previously occupied by the Group companies and becomes an investment property is recorded at fair value and the corresponding gain or loss is recorded in equity.

An investment property is derecognized upon disposal or when it is permanently removed from use and there are no future economic benefits to be derived from the disposal. Any gain or loss resulting from the disposal is recognized in profit or loss for the period in which the property is derecognized.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business, recognized at fair value, and are classified as current liabilities. The Company has no forfeiting operations.

2.15 Loans, borrowings, commercial notes and debentures

These are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total settlement amount is recognized in the statement of profit or loss over the period of the debts using the effective interest method.

Fees paid upon the establishment of loans, borrowings, commercial notes and debentures are recognized as transaction costs of the respective transactions to the extent that it is probable that some or all of the credit facility will be drawn down.

Loans, borrowings, commercial notes and debentures are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The costs of loans, borrowings, commercial notes and debentures that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily requires a significant period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits for the Group and that these costs can be reliably measured. Other costs are recognized as an expense in the period they are incurred.

2.16 Derivative financial instruments

Derivative financial instruments contracted by the Company have the objective of hedging its operations against the risks of fluctuation in exchange and interest rates and are not used for speculative purposes.

Transactions with derivative financial instruments are designated as cash flow hedge accounting and the unrealized gains and losses arising from the variations in the fair value of these instruments are recognized in equity as carrying value adjustments against the line item derivative financial instruments, in the statement of financial position. When realized, losses and gains on derivative transactions are reclassified from equity to profit or loss.

Derivatives are initially measured at fair value, any directly attributable transaction costs are recorded in profit or loss when incurred.

The Company designates all its derivative financial instruments as cash flow hedge.

2.17 Cash flow hedge accounting

Cash flow hedge accounting is applied to hedge the Group against the cash flow volatility attributable to an exchange variation risk associated to the exposure of the debt in US dollars that will affect profit or loss for the year.

The Company designates as hedge the intrinsic value of hedge instruments contracted. The effective portion of changes in the fair value of instruments designated and qualified as cash flow hedge accounting is recorded in equity as carrying value adjustments in line item cash flow hedge. The gain or loss associated to the ineffective portion is recorded, when applicable, in profit or loss for the year as finance costs, net.

The amounts accumulated in equity are transferred to profit or loss for the year in the periods and line items in which the hedged item affects profit or loss for the year.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

When a cash flow hedge instrument is settled, or when it no longer meets the hedge accounting criteria, any accumulated gain or loss in carrying value adjustments recorded in equity is realized against profit or loss (in the same line item used by the hedged item) as the hedged item is also realized against profit or loss. When it is no longer expected that the hedged transaction occurs, the variation recorded in equity is immediately transferred to profit or loss for the year in finance costs, net.

The Company applies cash flow hedge accounting for certain derivative financial instruments contracted to hedge against the exchange rate risk in debt transactions to be effectively disbursed.

At the initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and the hedged items, including the Company's risk management objectives and its strategy for undertaking the transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship.

Currently, the borrowings related to Law 4,131/1962 have hedge transactions, as swaps (derivative financial instruments) that aim either to the exchange of fixed to floating rates in CDI or to the exchange of the U.S. dollars to reais; and they were classified as cash flow hedges. These swaps were contracted with the financial institution together with the borrowing (foreign currency debt + swap to reais at % of CDI). The terms and conditions of the borrowing and derivative constitute a matched transaction, resulting in a debt subject to a % rate of the CDI and in reais in the Company's statement of financial position. The Group established the hedge ratio at 1:1 and performs on a quarterly basis a qualitative and prospective assessment of the hedge effectiveness.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 15. The changes in the hedge amounts recorded in equity as carrying value adjustments are shown in note 23 (d).

Additionally, the Company classifies interest paid on loans, borrowings, commercial notes and debentures as financing activity in the statement of cash flows.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.18 Leases

The Group assesses, at the inception of the contract, whether this contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Lessee

The Group applies a single approach for the recognition and measurement for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(ii) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., on the date the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and they are adjusted by any new remeasurement of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are amortized using the straight-line method for the shortest period of the lease term and the estimated useful lives of the assets, from 1 to 28 years.

(iii) Lease liabilities

At the inception of the lease, the Group recognizes the lease liabilities measured at the present value of the lease payments to be realized over the period of the lease term. The lease payments include fixed payments (including mainly fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or rate, and expected amounts to be paid as guarantees for the residual value.

2.19 Concession rights payable

The Group recognizes payables to the concession grantor, for the right to explore the concession, when the amount is known or measurable and provided for in a contract. If the payment term is equivalent to one year or less, they are classified in current liabilities. If not, they are presented as non-current liabilities. When their amounts are significant, they are recorded at present value and allocated to profit or loss based on the contract term.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.20 Current and deferred income tax and social contribution

Deferred taxes are recognized on income tax and social contribution loss carryforwards and temporary additions or exclusions. The rates of these taxes currently established for determining these deferred taxes are 25.00% for income tax and 9.00% for social contribution.

The income tax and social contribution expense for the period comprises current and deferred taxes.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the income tax and social contribution loss carryforwards can be utilized, based on projections of future results prepared using internal assumptions and future economic scenarios that may, therefore, change (Note 3 (a)).

The indirect subsidiaries RMR and Jaguaribe are entitled to the benefit of reduction of income tax and additional non-refundable taxes of 75% granted by the Superintendency for the Development of the Northeastern Region – SUDENE for the periods from 2015 to 2024 and 2014 to 2023, respectively.

In 2022, the indirect subsidiary SNT is entitled to the benefit of reduction of income tax and additional non-refundable taxes of 75% granted by the Superintendency for the Development of the Northeastern Region – SUDAM for the period from 2022 to 2031.

Current taxes are presented net, by taxpaying entity, in liabilities when there are amounts payable, or in assets, when the amounts prepaid exceed the total amount due on the reporting date.

2.21 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Group's shareholders is recognized as a liability in the financial statements at the end of the year based on the Company's Bylaws. Any amount that exceeds the mandatory minimum dividend is only recognized in a provision on the date it is approved by shareholders at the General Meeting.

Additionally, the Company classifies dividends and interest on capital received as investing activity in the statement of cash flows.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.22 Advance for future capital increase

Advances for future capital increase are exclusively intended for the increase of capital by the Group's shareholders. The number of shares to be issued as a result of the capitalization of the advance for future capital increase will be determined at the time of approval of the capital increase by the shareholders, not being, therefore, set at the time of grant.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of taxes, rebates and discounts and after eliminating the services provided within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entities and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from water and wastewater services

Revenue from the provision of water supply and wastewater services is recognized upon the consumption of water and wastewater or upon the provision of other services. Revenue, including the unbilled portion, is recognized at the fair value of the consideration received or receivable.

(b) Revenue from construction

Revenue from construction was estimated taking into consideration the expenditures incurred by the Group in the establishment of the infrastructure for each contract and the related profit margin determined based on the related costs of the involvement of the Group in the formation of its intangible or financial assets arising from the public concession agreements (IFRIC 12/ICPC 01 (R1) and OCPC 05), and finance lease contracts (IFRS 16/CPC 06 (R2)), since the Group outsources construction services with construction risks assured in the service agreements and by specific construction insurance policies.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Revenue from construction is determined and recognized by means of the addition of the profit margin to the related costs incurred on the accrual basis. The profit margin used in 2022 and 2021 is 2.00% for public concession agreements (intangible and financial assets).

This revenue is recognized together with the related deferred taxes and construction costs in the statement of profit or loss on the accrual basis and it is directly related to the formation of the respective assets (intangible assets and trade receivables for unbilled rights).

(c) Revenue from financial assets

This revenue arises from the monetary adjustment of unbilled rights obtained from the revenue from construction of financial assets related to public concession agreements and finance lease contracts and, given its nature, it is presented as revenue from the operations of the Group. This adjustment is calculated based on the specific discount rate of each agreement, which was determined based on the respective risks and assumptions of the services provided.

(d) Interest income

For all financial instruments that are stated at amortized cost and interest-bearing financial assets, finance income and costs are accounted for by using the effective interest rate, which discounts exactly future estimated cash payments or receipts over the estimated life of the financial instrument or in a shorter period of time, when applicable, at the net carrying amount of the financial asset or liability. Interest income is included in finance income account, in the statement of profit or loss.

2.24 Business combinations

Business combinations are accounted for using the acquisition method. Acquisition-related costs are measured as the sum of the consideration transferred, stated at fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree.

When it acquires a business, the Group evaluates the assets acquired and liabilities assumed for the purpose of classifying and allocating them in accordance with the contractual terms, the economic circumstances and the relevant conditions at the acquisition date.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration considered as an asset or a liability are recognized in the statement of profit or loss or in other comprehensive income, when applicable.

Goodwill is recorded as the excess of the consideration transferred in relation to the net assets acquired (identifiable net assets acquired and liabilities assumed). When the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, the goodwill in a business combination is, from the acquisition date, allocated to each Cash Generating Unit ("CGU") of the Group that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are attributable to these units.

2.25 Provisions

Provisions for legal claims (labor, civil and tax) are recognized when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the disbursements expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.26 Issued capital

Common and preferred shares are classified as equity of each company of the Group.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

2.27 Employee benefits

(a) Pension obligations

The Group offers a private pension plan through a closed-end non-profit private pension entity organized as a civil legal entity approved by the Ministry of Social Security (in accordance with Ordinance No. 1,719 of December 23, 1994).

The plan is a defined contribution plan in which the amount of the benefit will always result from the amount accumulated in the participant's account. The participant's account is individual and established by the contributions of the employees, by the considerations of the sponsor and by the profit or loss from investments.

(b) Other post-employment benefits

The Group grants some post-employment health care benefits (health insurance plans) to eligible employees. The right to this benefit is subject to the employee remaining until a minimum length of service time and/or age of retirement, be a participant in a regulated health insurance plan and have contributed to the maintenance of the plan. The cost of the post-employment health plan is borne by the employee by means of the issuance of an individual insurance policy.

The Group recognizes the actuarial liability corresponding to the present value of the long-term actuarial obligations originated by the subsidy that is granted by the company to the inactive participants, that is, corresponding to the difference between the cost of the beneficiary and their contribution over time.

The obligations with post-employment benefits are measured based on individual registration files of the participants (current employees or retired employees), including their dependents, the costs of the health plan and the actuarial assumptions that project future benefits.

The Group periodically follows the changes in these scenarios through the assessment carried out by independent actuaries and the remeasurements comprising actuarial gains and losses are immediately recognized in the statement of financial position as a contra-entry to other comprehensive income for the period they were incurred.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Profit sharing

The Group recognizes a profit sharing liability and an expense in profit or loss in addition to a provision when it is legally bound or when there is a prior practice that generated a constructive obligation. Profit sharing is based on the results achieved by the Group and on the assessment of the individual performance of the employee in relation to their contribution to the achievement of this result, in both quantitative and qualitative aspects.

2.28 New and revised standards in 2022

The Group revised certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022 (unless otherwise stated). The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to CPC 37 (R1), CPC 48, CPC 29, CPC 27, CPC 25 and CPC 15 (R1).

The amendments to the above pronouncements are due to the annual changes related to the cycle of improvements between 2018 and 2020, such as:

- Onerous Contracts – costs of fulfilling a contract;
- Property, Plant and Equipment – proceeds before intended use; and
- Reference to the Conceptual Framework.

These amendments had no impact on the Group's individual and consolidated financial statements.

The effective date of these amendments must be established by the regulatory bodies that approve them and, for full compliance with IFRS, the entity must apply them in the annual periods beginning on or after January 1, 2022.

2.29 Standards issued but not yet effective

The new and amended standards and interpretations that have been issued, but are not effective up to the date of issuance of the Group's financial statements, are described below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (CPC 50 - Insurance Contracts which superseded CPC 11 - Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. When it became effective, IFRS 17 (CPC 50) replaced IFRS 4 (CPC 11) - Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Some scope exceptions apply. The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies effective in prior periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is the general model, complemented by:

- A specific adaptation for contracts with characteristics of direct participation (floating rate approach).
- A simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 and CPC 50 are effective for periods beginning on or after January 1, 2023, requiring the presentation of comparative figures. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Group.

Amendments to IAS 1: Classification of liabilities as current or non-current (equivalent to revision 20 of the Brazilian Accounting Pronouncements Committee)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, equivalent to CPC 26, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively, if applicable.

Amendments to IAS 8: Definition of accounting estimates (equivalent to revision 20 of the Brazilian Accounting Pronouncements Committee)

In February 2021, the IASB issued amendments to IAS 8 (corresponding to CPC 23), in which it introduces the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for periods beginning on or after January 1, 2023 and apply to changes in accounting policies and estimates that occur on or after the beginning of that period. Early adoption is permitted if disclosed.

The changes will not have a significant impact on the Group's financial statements.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting estimates (equivalent to revision 20 of the Brazilian Accounting Pronouncements Committee)

In February 2021, the IASB issued amendments to IAS 1 (corresponding to CPC 26 (R1)) and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guides and examples to help entities apply materiality judgment to accounting policy disclosures. The amendments are to assist entities in disclosing accounting policies that are more useful by replacing the requirement for disclosure of significant accounting policies with material accounting policies and adding guidance on how entities must apply the concept of materiality in making decisions about disclosure of accounting policies.

Amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The group is currently assessing the impacts of these changes.

Amendments to IAS 12: Deferred Taxes related to Assets and Liabilities arising from Simple Transaction (equivalent to revision 20 of the Brazilian Accounting Pronouncements Committee)

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments must be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability must also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The group is currently assessing the impacts of these changes.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Income tax, social contribution and other taxes

The Group recognizes provisions based on situations in which it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group keeps a permanent record of deferred income tax and social contribution on the following bases: (i) income tax and social contribution loss carryforwards; (ii) temporarily non-taxable and non-deductible income and expenses, respectively; (iii) tax revenue and expenses that will be reflected in the books in subsequent periods; and (iv) asset and liability amounts arising from business combinations that will be treated as income or expense in the future and that will not affect the calculation of income tax and social contribution.

The recognition and the amount of deferred tax assets depend on the future generation of taxable profit, which requires the use of estimates related to the future performance of the Group companies. These estimates are included in the Business Plan, which is annually approved by the Group's Management. The Group annually reviews the projection of taxable profit. If these projections show that the taxable profit will not be sufficient to absorb the deferred taxes, then the corresponding portion of the asset that will not be recovered is written off. Income tax and social contribution loss carryforwards do not expire under the Brazilian tax law.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Fair value of assets and liabilities arising from business combinations

The Group's management exercises significant judgment in the measurement of tangible assets, in the identification and measurement of intangible assets, in the identification and measurement of risks and contingencies, in the measurement of other assets acquired and liabilities assumed and in the determination of their remaining useful lives.

The use of the assumptions to measure and assess risks may result in estimated amounts that are different from those of the assets acquired and liabilities assumed. The Group contracts specialized companies to support it in these activities. If the future results are not consistent with the estimates and assumptions used, the Group may be exposed to losses that may be material.

(c) Impairment of goodwill based on future profitability and intangible assets with indefinite useful lives

Whether or not there are indications that the amount of an asset may not be recovered, the balances of goodwill based on future profitability arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year at the end of the reporting date. For the purpose of testing goodwill for impairment, the Group allocates the existing goodwill to the Cash Generating Units (CGUs) that refer to the concessions, contracts or group of contracts entered into by each company of the Group. The recoverable amounts of the CGUs are determined based on calculations of the estimated value in use.

(d) Derivate financial instruments

Derivative financial instruments contracted by the Company have the objective of hedging its operations against the risks of fluctuation in exchange and interest rates and are not used for speculative purposes (Note 2.16).

Derivatives are initially measured at fair value, any directly attributable transaction costs are recorded in profit or loss when incurred.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(e) Provision and contingent liabilities

The contingent liabilities and the provisions of the Group relate mainly to disputes at the judicial and administrative levels arising, mostly, from labor, social security, civil and tax claims.

The Group's management, supported by the opinion of its external legal advisors, classifies these claims in terms of likelihood of loss as follows:

- Probable loss: these are claims for which the likelihood of a loss is higher than the probability of success or, in other words, the likelihood of a loss is higher than 50%. For these claims, the Group maintains a provision that is determined as follows: (i) labor claims – the amount of the provision corresponds to the amount of the disbursement estimated by its legal advisors; (ii) tax claims – the amount of the provision corresponds to the value of the matter in dispute, plus charges corresponding to the variation of the Selic rate; and (iii) other claims – the amount of the provision corresponds to the value of the matter in dispute.
- Possible loss: these are claims for which the likelihood of a loss is more than remote. The loss may occur, however, the elements available are not sufficient or clear enough to allow for a conclusion that the tendency is for a gain or a loss. For these claims, the Group does not recognize a provision and highlight in a note to the financial statements the most significant claims, when applicable.
- Remote loss: these are claims for which the risk of loss is assessed as small. For these claims, the Group does not recognize a provision nor do they disclose it in a note to the financial statements, regardless of the amount involved.

The Group's management believes that the estimates related to the completion of the proceedings and the possibility of future disbursement may change in view of the following: (i) higher courts of the judicial system may make a decision in a similar case involving another company, adopting a final interpretation about the dispute and, consequently, early terminating the dispute involving the Group without any disbursement or implying the need for the financial settlement of the claim; and (ii) incentive programs for the payment of debts, implemented in Brazil at the federal and state levels, in favorable conditions, that may lead to a disbursement that is lower than that in the provision or the value of the matter in dispute.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(f) Joint arrangements

In the Group's joint arrangements, the Group has the joint control because, in accordance with the contractual clauses, a unanimous consensus among all parties to the agreement is required for all significant activities.

The joint arrangements are structured in the form of a separate legal entity and, in accordance with the contractual arrangements, they confer upon the Group and the parties to the agreements rights to the net assets of the legal entities. For this reason, the agreements are classified as joint ventures.

(g) Recognition of revenue from construction

The Group uses the cost plus margin method to recognize the revenue arising from the provision of infrastructure construction services provided for in the concession agreements and this method requires the use of certain estimates, as described in note 2.23 (b)

(h) Unbilled revenue

The Group recognizes the revenue that is unbilled but incurred, for which the service has been provided but has not yet been billed by the end of each period. The definition of the unbilled revenue amounts requires the use of certain estimates, as described in note 2.6 (b).

(i) Useful life of Intangible assets

The intangible assets of public service concessions are amortized using the straight-line method and reflect the period in which the future economic benefits from the asset are expected to be used by the Group, which can be the final date of the concession or the useful life of the asset, whichever is earlier.

The amortization of the intangible asset begins when it is available for use, in the location and condition necessary for it to operate in the manner intended by the Group.

(j) Investment properties

The Company's management adopted estimates to determine the fair value of an investment property on a prospective basis in accordance with the criteria described below.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The fair values of the properties were based on market technical appraisal reports prepared by an independent company contracted to perform the work of individual appraisal of each of the properties using the data comparison appraisal method for the properties in which similar samples were found, with the same context and location; for the other properties, the developer's method was used. This method assesses the constructive potential or the possibility of subdivision in the same way as existing samples in the same location, following the same standards.

The fair values of the properties were considered level three in the fair value hierarchy (information on assets and liabilities that are not based on observable market data, that is, unobservable assumptions).

(k) Allowance for expected credit losses

The Group records the allowance for expected credit losses at an amount that is considered sufficient by management to cover probable losses (Note 8) based on the analysis of trade receivables and in accordance with the accounting policy established in Note 2.6.

The methodology to determine such losses requires significant estimates, taking into consideration a variety of factors, including the assessment of the history of receipt, commercial actions, any contractual guarantees, current economic trends, estimates of expected write-offs and maturity of the trade receivables portfolio.

4 Investment program

On January 24, 2020, the Company's Extraordinary General Meeting approved its Investment Program ("Program"), which consists of the onerous offer of purchase options or subscription of the Company's shares to some key executives of the senior management ("Eligible Investors"). The main conditions of the Program are described in Note 25 (h). The Program assigns to the Company's Board of Directors, by means of investment plans, the definition of the Eligible Investors, number of options to be offered to each of them, as well as their acquisition and exercise price ("Plan"), always based on the criteria defined in the Program.

The Company's first Plan was approved by the Board of Directors on March 19, 2020. The contra-entry of the amount paid by the Eligible Investors that chose to join the Plan was recorded in a capital reserve in the Company's equity, under the line item of stock options recognized, with the possibility of subscription of shares only for the cases in which these options are exercised. No option has been exercised to date.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

5 Financial risk management

5.1 Financial risk factors

General considerations

The Group participates in transactions involving financial instruments, including cash and cash equivalents, restricted funds, trade receivables, trade payables, loans, borrowings, commercial notes, debentures, derivative financial instruments, related parties and concession rights payable. Moreover, the Group contracts derivative financial instruments aiming at exchanging exposures deriving from debts in U.S. dollars subject to fixed rates to a debt exposure in reais indexed to the CDI.

For the purposes of managing the cash resources of its operations, the risks involved are managed through financial market mechanisms that minimize the exposure of the assets and liabilities of the companies, protecting the profitability of contracts and equity of the Group. Additionally, the Group did not participate in transactions involving speculative derivative financial instruments.

(a) Market risk

(i) Cash flow interest rate risk

The Group's risk of cash flows associated with interest rate arises from the following financial instruments: (i) financial investments and restricted funds whose yield is mainly tied to the Interbank Deposit Certificate ("CDI") rate; and (ii) loans, borrowings, commercial notes, lease liabilities, debentures and derivative financial instruments that are subject to different indexes.

We present below the estimated impacts on financial instruments that would be generated by changes in the variables of relevant risks of interest rate variations to which the Group is exposed at the end of the period.

The probable scenario was calculated considering a projected rate for the twelve-month period and based on the forecasts available in the market and on the average spread, and the CDI used for financial investments and restricted funds was the weighted average of the accumulated yield from January 2022 to December 2022 obtained by the BRK Group in the remuneration of its cash balances, detailed in the table below, to measure the impacts of the change in these variables on the balances for December 31, 2022 for the next twelve months.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The other risk factors were considered immaterial to the result of financial instruments.

	In thousand of reais	
	Accounting balances	
	2022	
	Assets	Liabilities
Cash and cash equivalents: Financial investments		
In CDI	864,197	
Restricted funds		
In CDI	93,846	
Loans and borrowings		
In IPCA		(191,522)
In CDI		(628,950)
In USD		(577,046)
In TR		(2,513,675)
In TJLP		(34,638)
		(3,945,831)
Lease liabilities		
In IGPM		(186,763)
In IPCA		(43,339)
		(230,102)
Debentures		
In IPCA		(2,446,493)
In CDI		(2,974,467)
In TR		(247,118)
		(5,668,078)
Derivatives		
Swap - Asset position		577,046
Swap - Liability position		(542,103)
		34,943

	Risk	Probable	+25%	+50%	-25%	-50%
Cash and cash equivalents: Financial investments						
In CDI	CDI decrease	122,053	152,566	183,080	91,540	61,027
Restricted funds						
In CDI	CDI decrease	12,440	15,550	18,660	9,330	6,220
Loans and borrowings						
In IPCA	IPCA increase	(13,030)	(15,568)	(18,106)	(10,492)	(7,955)
In CDI	CDI increase	(97,723)	(118,624)	(139,926)	(76,622)	(55,521)
In USD	Foreign exchange variation	(22,965)	(28,706)	(34,448)	(17,224)	(11,483)
In TR	TR increase	(268,797)	(281,994)	(295,191)	(255,600)	(242,404)
In TJLP	TJLP increase	(3,315)	(3,853)	(4,592)	(2,677)	(2,039)
		(405,830)	(449,045)	(492,263)	(362,615)	(319,402)
Lease liabilities						
In IGPM	IGPM increase	(8,498)	(10,623)	(12,747)	(6,374)	(4,249)
In IPCA	IPCA increase	(2,297)	(2,871)	(3,446)	(1,723)	(1,149)
		(10,795)	(13,494)	(16,193)	(8,097)	(5,398)
Debentures						
In IPCA	IPCA increase	(307,975)	(340,391)	(372,807)	(275,559)	(243,143)
In TR	TR increase	(28,912)	(30,209)	(31,507)	(27,615)	(26,318)
In CDI	CDI increase	(468,313)	(568,106)	(667,900)	(368,520)	(268,727)
		(805,200)	(938,706)	(1,072,214)	(671,694)	(538,188)
		(1,087,332)	(1,233,129)	(1,378,930)	(941,536)	(795,741)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

		In thousands of U.S. dollars	
		Accounting balances	
		2022	
		Assets	Liabilities
Cash and cash equivalents: Financial investments			
In CDI		165,628	
Restricted funds			
In CDI		17,985	
Loans and borrowings			
In IPCA			(36,706)
In CDI			(120,542)
In USD			(110,594)
In TR			(481,759)
In TJLP			(6,639)
			(756,240)
Lease liabilities			
In IGPM			(35,794)
In IPCA			(8,306)
			(44,100)
Debentures			
In IPCA			(468,883)
In CDI			(570,072)
In TR			(47,361)
			(1,086,316)
Derivatives			
Swap - Asset position			110,594
Swap - Liability position			(103,897)
			6,697

		Risk	Probable	+25%	+50%	-25%	-50%
Cash and cash equivalents: Financial investments							
In CDI	CDI decrease		23,392	29,240	35,088	17,544	11,696
Restricted funds							
In CDI	CDI decrease		2,384	2,980	3,576	1,788	1,192
Loans and borrowings							
In IPCA	IPCA increase		(2,497)	(2,984)	(3,470)	(2,011)	(1,525)
In CDI	CDI increase		(18,729)	(22,773)	(26,818)	(14,685)	(10,641)
In USD	Foreign exchange variation		(4,401)	(5,502)	(6,602)	(3,301)	(2,201)
In TR	TR increase		(51,516)	(54,046)	(56,575)	(48,987)	(46,458)
In TJLP	TJLP increase		(635)	(758)	(880)	(513)	(391)
			(77,778)	(86,063)	(94,345)	(69,497)	(61,216)
Lease liabilities							
In IGPM	IGPM increase		(1,629)	(2,036)	(2,443)	(1,222)	(814)
In IPCA	IPCA increase		(440)	(550)	(660)	(330)	(220)
			(2,069)	(2,586)	(3,103)	(1,552)	(1,034)
Debentures							
In IPCA	IPCA increase		(59,025)	(65,238)	(71,450)	(52,812)	(46,600)
In TR	TR increase		(5,541)	(5,790)	(6,038)	(5,293)	(5,044)
In CDI	CDI increase		(89,755)	(108,881)	(128,007)	(70,629)	(51,503)
			(154,321)	(179,909)	(205,495)	(128,734)	(103,147)
			(208,392)	(236,338)	(264,279)	(180,451)	(152,509)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Macroeconomics indicators	Source	Projections	Extraction	Base date	Note	2022
104.91% of CDI	Weighted average Free Investments	12 months	January 10, 2023	December 29, 2022		14.12%
98.85% of CDI	Weighted average Restricted Fund	12 months	January 10, 2023	December 29, 2022		13.26%
TR	B3	12 months	January 10, 2023	December 29, 2022		2.10%
CDI	B3	12 months	January 10, 2023	December 29, 2022		13.42%
TJLP	BNDES	12 months	January 10, 2023	December 29, 2022	Rate disclosed quarterly	7.37%
IPCA	BACEN	12 months	January 10, 2023	December 30, 2022		5.30%
IGPM	BACEN	12 months	January 10, 2023	December 30, 2022		4.55%

The Company and its direct subsidiary BRK NE use swap transactions to exchange an exposure in US Dollar at a fixed rate to an exposure in reais at the CDI rate. The swap is designated as hedge instrument to a borrowing obtained in foreign currency (Notes 16.1 and 17).

In thousand of reais					
Risk	Probable	+25%	+50%	-25%	-50%
Borrowings in foreign currency					
Swap asset position – Fixed					
Swap liability position - CDI					
variation	22,965	28,706	34,447	17,224	11,482
CDI increase	(82,883)	(101,071)	(119,258)	(64,696)	(46,508)
	(59,918)	(72,365)	(84,811)	(47,472)	(35,026)

Risk	Probable	+25%	+50%	-25%	-50%
Borrowings in foreign currency					
Swap asset position – Fixed					
Swap liability position - CDI					
Foreign exchange variation	4,401	5,502	6,602	3,301	2,201
CDI increase	(15,885)	(19,371)	(22,856)	(12,399)	(8,913)
	(11,484)	(13,869)	(16,254)	(9,098)	(6,712)

Macroeconomics indicators	Source	Projections	Extraction	Base date	2022
CDI	B3	12 months	January 10, 2023	December 29, 2022	13.42%
USD/BRL - Future	B3	12 months	January 10, 2023	December 29, 2022	5.6409
Ptax USD/BRL	BACEN		January 10, 2023	December 30, 2022	5.2177

The scenarios of 25.00% and 50.00% are extrapolations of the rates projected for a probable scenario with no effect on the average spread.

(b) Credit risk

The policy of the Group takes into consideration the level of credit risk that the Group is willing to accept in the ordinary course of its business. The diversification of its receivables is inherent to the Group's business model and minimizes possible default problems in trade receivables.

The Group has cash and cash equivalents and restricted funds mainly with banks whose rating is AAA as assessed by S&P and Fitch.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The maximum exposure to credit risk is the carrying amount of receivables classified as cash and cash equivalents, bank deposits and financial institutions, restricted funds and trade receivables at the end of the reporting period (Notes 6, 7 and 8).

(c) Liquidity risk

To manage the liquidity of cash in local currency, assumptions related to future disbursements and receipts are determined and monitored daily by the companies' treasury department.

The table below analyzes the Group's financial liabilities by aging group for the period between the end of the reporting period and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

In thousand of reais						
	Less than one year	Between one and two years	Between two and five years	Over five years	Total by maturity	Total in the statement of financial position
At December 31, 2022						
Trade payables	266,896				266,896	266,896
Loans, borrowings and derivative financial instruments	598,508	1,547,627	1,258,040	3,582,970	6,987,145	4,396,037
Lease liabilities	91,588	60,316	80,293	190,608	422,805	230,102
Debentures	1,682,708	809,124	3,461,238	5,095,285	11,048,355	5,492,419
	2,639,700	2,417,067	4,799,571	8,868,863	18,725,201	10,385,454
In thousand of U.S. dollars						
	Less than one year	Between one and two years	Between two and five years	Over five years	Total by maturity	Total in the statement of financial position
At December 31, 2022						
Trade payables	51,152				51,152	51,152
Loans, borrowings and derivative financial instruments	114,707	296,611	241,110	686,695	1,339,123	842,523
Lease liabilities	17,553	11,560	15,389	36,531	81,033	44,100
Debentures	322,500	155,073	663,365	976,539	2,117,477	1,052,651
	505,912	463,244	919,864	1,699,765	3,588,785	1,990,426
In thousand of reais						
	Less than one year	Between one and two years	Between two and five years	Over five years	Total by maturity	Total in the statement of financial position
At December 31, 2021						
Trade payables	274,797				274,797	274,797
Loans and borrowings	493,360	414,177	1,129,211	3,289,574	5,326,322	3,345,877
Lease liabilities	59,618	49,219	64,720	39,293	212,850	157,299
Debentures	819,611	3,277,145	1,911,856	886,474	6,895,086	4,813,275
	1,647,386	3,740,541	3,105,787	4,215,341	12,709,055	8,591,248

- (i) Since the amounts included in the table are the contractual undiscounted cash flows, these amounts are reconciled with the amounts disclosed in the consolidated statement of financial position in the "amounts to be incurred" column.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For its capital management, the Group may review the policy for the payment of dividends, return capital to shareholders or even issue new shares or sell assets to optimize its capital structure.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio corresponds to the net debt as a percentage of total capital.

Net debt is calculated as total loans, borrowings, commercial notes, lease liabilities, debentures and derivative financial instruments (including current and non-current amounts), as shown in the consolidated statement of financial position, less cash and cash equivalents and restricted funds.

Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio, which is net debt divided by total capital, at December 31, 2022 and 2021 was as follows:

	Consolidated		
	2022		2021
	US\$		R\$
Loans and borrowings (Note 16.1)	845,283	4,410,433	3,345,877
Lease liabilities (Note 16.2)	44,100	230,102	157,299
Debentures (Note 16.3)	1,052,651	5,492,419	4,813,275
Liability derivate financial instruments (Note 17)	10,150	52,962	
(-) Cash and cash equivalents (Note 6)	(175,071)	(913,467)	(1,099,887)
(-) Restricted funds (Note 7)	(17,986)	(93,846)	(79,605)
(-) Asset derivate financial instruments (Note 17)	(12,910)	(67,358)	
Net debt	1,746,217	9,111,245	7,136,959
Total equity and non-controlling interests	657,197	3,429,058	3,430,993
Total capital	2,403,414	12,540,303	10,567,952
Gearing ratio - %	73%	73%	68%

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

5.3 Fair value estimate

Cash and cash equivalents and restricted funds are mainly composed of bank deposit certificates, investment funds and repurchase agreements, with yield based on the curve of the CDI rate for the final date of the period, as determined on the date they are contracted. The carrying amounts less provision for impairment and adjustment to present value of trade receivables, trade payables and payables to the concession grantor are assumed to approximate their fair values.

The balance maintained with related parties, both receivable and payable, is determined in accordance with the conditions negotiated between the parties. The conditions and additional information related to these financial instruments are disclosed in Note 23.

The structured financing contracted with the Banco Nacional de Desenvolvimento Econômico e Social ("BNDES"), Caixa Econômica Federal ("CEF") and BTG Pactual have their own characteristics and there is no credit offer to entities in general in the market that compare to the conditions determined in the aforementioned contracts and, for this reason, they are considered at their nominal value adjusted through the end of the reporting period.

The debentures were projected for until the final maturity date in accordance with the contractual rates, discounted at present value at the future market interest rates obtained from the B3 .

The Company and its direct subsidiary BRK NE use derivative transactions (Swap) to hedge itself against the variations of macroeconomic indexes and grant hedge to the variation of foreign currencies. These transactions are not performed for speculative purposes.

Management concluded that, for all of the Group's financial instruments, in assets and liabilities, taking into consideration the terms to maturity, their nature and by comparing the contractual interest rates with market interest rates in similar transactions, the carrying amounts approximate their fair values.

Loans, borrowings, commercial notes, debentures and derivative financial instruments are classified as Level 2 in the fair value hierarchy.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

5.4 Financial instruments by category

The Group's financial instruments are classified as follows:

Note	Parent						Consolidated					
	2022			2021			2022			2021		
	Carrying amount		Fair value	Carrying amount		Fair value	Carrying amount		Fair value	Carrying amount		Fair value
	US\$	R\$	US\$	US\$	R\$	US\$	US\$	R\$	US\$	US\$	R\$	US\$
Financial assets at amortized cost												
Cash and cash equivalents	6	42,548	222,001	42,548	222,001	411,818	41,818	175,071	913,467	1,099,887	1,099,887	1,099,887
Restricted funds	7							17,986	93,846	79,605	79,605	79,605
Trade receivables, net	8					355	355	866,269	4,519,932	3,866,505	3,866,505	3,866,505
Related parties	23	342,612	1,787,649	342,612	1,787,649	1,349,687	1,349,687	6,899	39,595	18,385	18,385	18,385
		385,160	2,009,650	385,160	2,009,650	1,761,840	1,761,840	1,066,225	5,563,243	5,064,285	5,064,285	5,064,285
Financial assets at fair value												
Derivative financial instruments	17	7,895	41,193	7,895	41,193		12,910	67,358	12,910	67,358		
		393,055	2,050,843	393,055	2,050,843	1,761,840	1,761,840	1,079,135	5,630,601	5,064,285	5,064,285	5,064,285
Financial liabilities at amortized cost												
Trade payables	15	(12,862)	(67,113)	(12,862)	(67,113)	(45,633)	(45,633)	(51,152)	(266,896)	(274,797)	(274,797)	(274,797)
Loans and borrowings	16.1	(68,306)	(356,398)	(67,462)	(351,996)	(845,263)	(845,263)	(4,410,433)	(843,677)	(4,402,052)	(3,345,877)	(3,345,877)
Lease liabilities	16.2	(6,124)	(31,955)	(6,124)	(31,955)	(29,828)	(29,828)	(44,100)	(230,102)	(167,299)	(167,299)	(167,299)
Debt securities	16.3	(362,155)	(1,993,707)	(376,020)	(1,961,960)	(1,346,378)	(1,346,378)	(5,492,418)	(1,035,652)	(6,400,721)	(4,814,166)	(4,814,166)
Concession rights payable	19					(44,586)	(44,586)	(232,638)	(44,586)	(222,290)	(222,290)	(222,290)
Related parties	23	(1,848)	(9,645)	(1,848)	(9,645)	(9,096)	(9,096)	(39,078)	(203,899)	(104,002)	(104,002)	(104,002)
Financial liabilities at fair value												
Derivative financial instruments	17	(6,104)	(31,848)	(6,104)	(31,848)		(10,150)	(52,962)	(10,150)	(52,962)		
		(477,349)	(2,490,681)	(470,420)	(2,454,812)	(1,437,083)	(1,430,930)	(2,087,000)	(10,889,349)	(2,068,360)	(10,792,270)	(8,917,549)

5.5 Credit quality of financial assets

The Group has cash and cash equivalents and restricted funds mainly with banks whose rating is AAA.

Due to the characteristics of the Group's accounts receivable, which include (i) portfolio of receivables with no complexity, and (ii) low credit risk, the Company adopted the simplified expected credit loss approach, which consists of recognizing the expected credit loss over the total estimated useful life of the asset. The provision for expected credit losses is measured based on a provision matrix taking into consideration the history of losses.

Trade receivables are initially recognized at fair value less the provision for expected credit losses, calculated based on the analysis of future losses, in accordance with the history of default, separating private and public customers, and in accordance with the assessment of management.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

6 Cash and cash equivalents

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Fixed fund			1	1
Current account	101	529	9,443	49,269
Financial investments (i)	42,447	221,472	165,628	864,197
	42,548	222,001	175,071	913,467
		411,818		1,099,887

- (i) The balance of financial investments is mainly represented by highly-liquid Bank Deposit Certificates ("CDBs"), investment funds and repurchase agreements mainly with banks whose rating is AAA, and a remuneration subject to a weighted annual variation of 104.9% of the Interbank Deposit Certificate ("CDI") rate in the period from January to December 2022 (2021 – 106.2% of the CDI).

7 Restricted funds

	Consolidated	
	2022	2021
	US\$	R\$
Rio Claro	624	3,258
Santa Gertrudes	5	27
Uruguaiana	191	995
Porto Ferreira	2,039	10,641
Sumaré	217	1,130
Ativos Maduros	740	3,859
Projetos Ambientais	13,045	68,065
Centro Norte Participações	1,125	5,871
	17,986	93,846
		79,605

The balances refer mainly to investment funds with a remuneration of 98.9% of the CDI rate (2021 – 99.3% of the CDI rate) and their use is tied to compliance with the contractual obligations from loan, borrowing and debenture operations. The amounts are retained until the maturity of the related debts.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

8 Trade receivables, net

	Consolidated		
	2022		2021
	US\$		R\$
Trade receivables			
Public concessions	315,553	1,646,461	1,430,127
Allowance for expected credit losses	(50,527)	(263,633)	(256,262)
	265,026	1,382,828	1,173,865
Billing rights			
Public concessions	601,243	3,137,104	2,692,640
	866,269	4,519,932	3,866,505
(-) Current	(172,233)	(898,660)	(617,451)
Non-current	694,036	3,621,272	3,249,054

All trade accounts receivable and billing rights of the Group are denominated in Brazilian reais and are presented net of the allowance for expected credit losses.

The aging analysis of these trade receivables is as follows:

	Consolidated		
	2022		2021
	US\$		R\$
Not yet due	42,208	220,227	195,612
Past due			
Up to 30 days	25,502	133,064	87,463
From 31 to 60 days	8,709	45,441	42,119
From 61 to 90 days	6,518	34,010	29,224
From 91 to 180 days	15,876	82,836	71,655
Over 180 days	142,344	742,709	615,949
Unbilled amounts	22,350	116,614	130,176
Trade receivables	263,507	1,374,901	1,172,198
Billing agents	1,519	7,927	1,667
Billing rights	601,243	3,137,104	2,692,640
Total	866,269	4,519,932	3,866,505

At December 31, 2022, the Group has R\$ 2,105,867 – US\$ 403,601 (2021 – R\$ 1,956,148) related to trade receivables and credit rights that were assigned as guarantee for loans, borrowings and debentures.

The movement in the allowance for expected credit losses of the Group is as follows:

	At the beginning of the year	(-) Transfer to discontinued operation	Additions	Allowance for expected credit losses due to receipt or renegotiation	Credit losses as uncollectible	At the end of the year
At December 31, 2022	(256,262)	3,914	(85,724)	34,408	40,031	(263,633)
At December 31, 2022 (US\$)	(49,114)	750	(16,429)	6,594	7,672	(50,527)
At December 31, 2021	(220,366)		(91,699)	54,027	1,776	(256,262)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

9 Assets and liabilities held for sale

On December 02, 2022, Management submitted the plan to sell the direct subsidiary Araguaia to the Finance and Investments Committee. Due to the requirement of affirmative votes of the shareholders, established in the Shareholders' Agreement, the operation was submitted and approved on December 15, 2022, by the Board of Directors without reservations for Norte Saneamento S.A. ("Norte") for the amount of R\$ 1, represented by the subsidiary's total assets and liabilities, including debt in the amount of R\$ 22,539 – US\$ 4,320 (Note 9). On December 20, 2022, the purchase and sale agreement of Shares with deadline for closing scheduled for the first half of 2023 after fulfillment of conditions precedent.

(i) Statement of financial position balance at December 31, 2022

	2022	
	US\$	R\$
Assets		
Cash and cash equivalents	112	582
Trade receivables, net	397	2,071
Taxes recoverable	303	1,580
Inventories	98	511
Deferred income tax and social contribution	3,055	15,942
Property and equipment	28	147
Contract assets	1,373	7,162
Right-of-use assets	139	724
Intangible assets	8,013	41,809
Other assets	188	983
Assets classified as held for sale	13,706	71,511
Liabilities		
Trade payables	156	815
Loans and borrowings	4,320	22,539
Lease liabilities	158	826
Salaries and payroll charges	126	659
Taxes payable	147	766
Deferred income tax and social contribution	494	2,580
Provisions for contingencies	3	17
Employee benefits	9	47
Other liabilities	98	513
Obligations directly associated with assets classified as held for sale	5,511	28,762
Liquid assets from Araguaia, classified as held for sale	8,195	42,749
Provision for losses on investments classified as held for sale, in the parent company	(7,500)	(39,134)
Liquid assets directly associated with the held for sale group	695	3,615

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(ii) Statement of profit or loss for the year ended December 31, 2022:

	2022	
	US\$	R\$
Net service and sales revenue	3,710	19,355
Costs of services and sales	(3,919)	(20,446)
Gross loss	(209)	(1,091)
Operating expenses		
General and administrative expenses	(298)	(1,557)
Allowance for expected credit losses	(62)	(323)
Loss before finance income and costs	(569)	(2,971)
Finance result		
Finance income	75	390
Finance costs	(728)	(3,801)
Finance result, net	(653)	(3,411)
Loss before income tax and social contribution	(1,222)	(6,382)
Deferred income tax and social contribution	603	3,144
Loss for the year associated with assets classified as held for sale	(619)	(3,238)
Provision for losses on investments classified as held for sale, in the parent company	(7,500)	(39,134)
Loss for the year directly associated with the held for sale group	(8,119)	(42,372)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(iii) Statement of cash flows for the year ended December 31, 2022:

	2022	
	US\$	R\$
Cash flows from operating activities		
Loss before income tax and social contribution	(1,223)	(6,382)
Adjustments		
Depreciation and amortization	389	2,030
Amortization of right-of-use asset	109	570
Residual value of property and equipment and intangible asset disposed of	3	14
Residual value of right-of-use assets disposed of	5	25
Allowance for expected credit losses	62	323
Provision for contingencies	(9)	(48)
Construction profit margin	(40)	(208)
Employee benefits	3	17
Adjustment to present value	36	187
Interest and monetary and foreign exchange variations, net	449	2,344
	(216)	(1,128)
Changes in assets and liabilities		
Trade receivables	(36)	(186)
Taxes recoverable	(84)	(438)
Inventories	40	211
Other assets	(45)	(240)
Trade payables	(134)	(700)
Salaries and payroll charges	(2)	(13)
Taxes payable	54	283
Provisions for contingencies	(4)	(19)
Related parties	78	408
Other liabilities	21	105
Net cash used in operating activities	(328)	(1,717)
Cash flows from investing activities		
Purchase of property and equipment		(2)
Additions to contract assets and intangible assets	(2,182)	(11,383)
Net cash used in investing activities	(2,182)	(11,385)
Cash flows from financing activities		
Interest paid on loans and borrowings	(418)	(2,179)
Amortization of lease liabilities	(131)	(681)
Related parties	309	1,610
Total net cash used in financing activities	(240)	(1,250)
Net decrease in cash and cash equivalents	(2,750)	(14,352)
Effect of cash and cash equivalents of companies excluded from the consolidation	2,862	14,934
Net cash used	112	582

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

10 Investments

(a) Summary of the financial information of subsidiaries and joint ventures

The tables below present summaries of the financial information of subsidiaries and joint ventures. The financial information of subsidiaries refers to direct and indirect subsidiaries of the first and second levels:

In thousands of reais												
												2021
	Equity interest %	Current assets	Current liabilities	Net current assets (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets (liabilities)	Equity	Investment	Net service and sales revenue	Gross profit	Profit (loss) for the year
												(Note 29)
Subsidiaries												
Direct												
Rio Claro	60.00	23,582	18,442	5,140	149,102	73,214	75,888	81,028	48,616	72,744	31,583	13,253
RDOF Consolidated	100.00	36,821	88,484	(51,663)	844,468	488,266	356,202	302,327	302,327	72,909	58,372	22,493
Mauá	100.00	25,595	24,988	607	224,622	175,821	48,801	49,408	49,408	75,436	41,971	8,618
Blumenau	100.00	50,018	18,576	31,442	296,063	254,461	41,602	73,044	73,044	81,087	29,833	4,752
Santa Gertrudes	100.00	3,781	1,932	1,849	15,769	15,848	(79)	1,770	1,770	12,363	3,291	228
Mairinque	96.11	5,730	22,540	(16,810)	62,099	12,667	49,432	32,622	31,350	26,213	9,061	1,071
Uruguaiana	100.00	36,709	26,639	10,070	253,333	215,184	38,149	48,219	48,219	104,801	35,907	12,523
Porto Ferreira	100.00	12,575	4,840	7,735	58,094	59,818	(1,724)	6,011	6,011	30,145	7,540	(699)
Centro Norte Participações Consolidated	100.00	270,618	262,602	8,016	1,650,281	1,530,582	119,699	127,715	127,715	703,479	264,745	(3,422)
Araguaia (I)	100.00	4,085	27,515	(23,430)	57,057	17,454	39,603	16,173	16,173			
BRK Negócios Industriais	100.00	36	4,003	(3,967)	43,523	15,138	28,385	24,418	24,418			(187)
Maranhão	100.00	64,489	18,426	46,063	237,745	279,615	(41,870)	4,193	4,193	129,027	54,337	(4,990)
BRK Projetos Ambientais Consolidated	100.00	507,067	331,586	175,481	4,144,340	3,843,202	301,138	411,960	411,960	1,257,917	413,560	85,409
Sumaré	100.00	64,184	23,479	40,705	259,373	211,385	47,988	88,693	88,693	134,888	26,307	(3,073)
Mauá Água	100.00	718	4	714	758	190	568	1,282	1,282			(126)
Santo André	100.00				3,400	3,731	(331)					(85)
Rio das Ostras	0.58	36,019	101,935	(65,916)	844,468	395,306	449,162	383,246	2,210	72,909	58,372	24,363
RMR	9.39	125,105	160,216	(35,111)	2,024,530	1,583,285	441,245	406,134	38,116	570,340	220,916	99,724
Goiás	1.00	92,098	133,142	(41,044)	1,377,446	1,259,144	118,302	77,258	773	480,468	103,724	(9,318)
Caçador	100.00	19,105	5,165	13,940	35,141	47,537	(12,396)	1,544	1,544	31,970	4,272	(1,367)
RMM	100.00	97,018	73,387	23,631	2,228,641	1,836,215	392,426	416,057	416,057	317,873	16,247	(60,935)
BRK Ativos Maduros Consolidated	100.00	235,736	245,168	(9,432)	729,807	370,785	359,022	349,590	349,590	389,731	188,936	75,307
BRK NE	99.90	69,431	2,200	67,231	251,444	319,738	(68,294)	(1,063)				(1,064)
BRK NI	99.90	1	1			11	(11)	(11)				(12)
Private entities												
Digital	100.00	1,585	1	1,584		22	(22)	1,562	1,562			(10)
Ecoaquia	100.00	399	14	385	8,891	32	8,859	9,244	9,244			235
Investments in subsidiaries at December 31, 2021									2,054,275			
Joint ventures												
BRK Novos Projetos	50.00											
F. AB. Zona Oeste	50.00	253,329	121,832	131,497	982,976	954,373	28,603	160,100	80,050	430,559	157,797	3,680
Investments in joint ventures at December 31, 2021									80,050			
Investment balance at December 31, 2021									2,134,325			

(i) Transfer to discontinued operation (Note 1.1 (a) (ii)).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In thousands of reais												
2022												
	Equity interest %	Current assets	Current liabilities	Net current assets (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets (liabilities)	Equity	Investment	Net service and sales revenue	Gross profit	Profit (loss) for the year
Subsidiaries												
Direct												
Rio Claro	60.00	29,776	20,458	9,318	153,532	71,058	82,474	91,792	55,075	79,520	35,320	18,703
RDOP Consolidated	100.00	23,568	18,475	5,093	435,340	85,633	349,707	354,800	354,800	121,699	106,432	60,615
Mauá	100.00	21,716	29,841	(8,125)	218,769	152,358	66,411	58,286	58,286	84,670	48,909	12,487
Blumenau	100.00	40,956	83,334	(42,378)	350,426	231,170	119,256	76,878	76,878	113,327	34,820	3,814
Santa Gertrudes	100.00	5,198	2,339	2,859	20,442	21,935	(1,493)	1,366	1,366	15,985	3,811	(405)
Mairinque	96.56	9,922	22,725	(12,803)	64,262	14,092	50,170	37,367	36,082	26,218	8,598	507
Uruguaiana	100.00	72,984	25,159	47,825	300,251	291,148	9,103	56,928	56,928	122,136	41,656	7,481
Porto Ferreira	100.00	13,507	7,183	6,324	74,305	76,329	(2,024)	4,300	4,300	39,363	7,724	(1,730)
Centro Norte Participações Consolidated	100.00	5,140	194	4,946	473,679	69,758	403,921	408,867	408,867	852,502	306,534	5,025
BRK Negócios Industriais	100.00	117	4,012	(3,895)	43,523	15,064	28,459	24,564	24,564			(184)
Maranhão	100.00	56,430	19,262	37,168	339,735	392,095	(52,360)	(15,192)		156,519	55,856	(19,475)
BRK Projetos Ambientais Consolidated	100.00	62,453	25,724	36,729	660,046	291,613	368,433	405,162	405,162	1,581,059	521,087	107,015
Sumaré	100.00	35,362	175,137	(139,775)	305,364	84,826	220,538	80,763	80,763	154,504	31,569	(7,984)
Mauá Água	100.00	718	3	715	758	267	491	1,206	1,206			(97)
Santo André	100.00				3,400	3,806	(406)	(406)				(75)
Rio das Ostras	0.58	47,477	198,019	(150,542)	914,588	326,179	588,409	437,867	2,525	121,699	106,432	64,029
RMR	9.39	322,115	210,394	111,721	2,377,814	2,004,681	373,133	484,854	45,504	764,224	268,823	101,749
Goias	1.00	101,350	285,143	(183,793)	1,754,194	1,517,179	237,015	53,222	532	580,854	121,035	(24,145)
Caçador	100.00	5,929	49,689	(43,760)	55,455	7,747	47,708	3,948	3,948	40,337	7,630	84
RMM	100.00	218,974	73,579	145,395	2,779,083	2,420,335	358,748	504,143	504,143	637,899	81,109	(31,670)
BRK Ativos Maduros Consolidated	100.00	25,057	148,168	(123,111)	297,563	34	297,529	174,418	174,418	452,846	231,384	100,553
BRK NE	100.00	146,270	369,225	(222,955)	879,356	673,367	205,989	(16,966)				(10,541)
BRK NI	99.90	1	1			8	(8)					3
BRK Novos Projetos	100.00	2	3	(1)		8	(8)	(9)				
Private entities												
Digital	100.00	1,589	1	1,588		12	(12)	1,576	1,576			14
Ecoaquas	100.00	449	27	422	9,640	50	9,590	10,012	10,012			768
Investments in subsidiaries at December 31, 2022									2,306,935			
Joint ventures												
F. AB. Zona Oeste	50.00	160,926	199,086	(38,160)	1,160,929	980,154	180,775	142,615	71,308	480,198	178,495	(17,643)
Investments in joint ventures at December 31, 2022									71,308			
Investment balance at December 31, 2022									2,378,243			

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In thousands of U.S. dollars												
	Equity interest %	Current assets	Current liabilities	Net current assets (liabilities)	Non-current assets	Non-current liabilities	Net non-current assets (liabilities)	Equity	Investment	Net service and sales revenue	Gross profit	Profit (loss) for the year
Subsidiaries												
Direct												
Rio Claro	80.00	5,707	3,921	1,786	29,425	13,619	15,806	17,592	10,554	15,240	6,769	3,585
RDOF Consolidated	100.00	4,517	3,541	976	83,435	16,412	67,023	67,999	67,999	23,324	20,398	11,617
Mauá	100.00	4,162	5,719	(1,557)	41,928	29,200	12,728	11,171	11,171	16,227	9,374	2,393
Blumenau	100.00	7,849	15,971	(8,122)	67,161	44,305	22,856	14,734	14,734	21,720	6,673	731
Santa Gertrudes	100.00	996	448	548	3,918	4,204	(286)	262	262	3,064	730	(78)
Mairinque	96.56	1,902	4,355	(2,453)	12,316	2,701	9,615	7,162	6,915	5,025	1,648	97
Uruguaiana	100.00	13,988	4,822	9,166	57,545	55,800	1,745	10,911	10,911	23,408	7,984	1,434
Porto Ferreira	100.00	2,589	1,377	1,212	14,241	14,629	(388)	824	824	7,544	1,480	(332)
Centro Norte Participações Consolidated	100.00	985	37	948	90,783	13,369	77,414	78,362	78,362	163,387	58,749	963
	100.00											
BRK Negócios Industriais	100.00	22	769	(747)	8,341	2,886	5,455	4,708	4,708			(35)
Maranhão	100.00	10,815	3,692	7,123	65,112	75,147	(10,035)	(2,912)		29,998	10,705	(3,732)
BRK Projetos Ambientais Consolidated	100.00	11,969	4,930	7,039	126,501	55,889	70,612	77,651	77,651	303,018	99,869	20,510
Sumaré	100.00	6,777	33,566	(26,789)	58,525	16,257	42,268	15,479	15,479	29,612	6,060	(1,530)
Mauá Água	100.00	138	1	137	145	51	94	231	231			(19)
Santo André	100.00				652	729	(77)	(77)				(14)
Rio das Ostras	0.58	9,099	37,951	(28,852)	175,286	62,514	112,772	83,920	484	23,324	20,398	12,271
RMR	9.39	61,735	40,323	21,412	455,721	384,208	71,513	92,925	8,721	146,468	51,521	19,501
Goiás	1.00	19,424	54,649	(35,225)	336,201	290,776	45,425	10,200	102	111,324	23,197	(4,628)
Caçador	100.00	1,136	9,523	(8,387)	10,628	1,484	9,144	757	757	7,731	1,462	16
RMM	100.00	41,968	14,102	27,866	532,626	463,870	68,756	96,622	96,622	122,257	15,545	(6,070)
BRK Ativos Maduros Consolidated	100.00	4,802	28,397	(23,595)	57,030	7	57,023	33,428	33,428	86,790	44,346	19,272
BRK NE	99.90	28,033	70,764	(42,731)	168,533	129,054	39,479	(3,252)				(2,020)
BRK NI	99.90							(1)				1
BRK Novos Projetos	100.00		1	(1)		1	(1)	(1)	(2)			
Private entities												
Digital	100.00	305		305		3	(3)	302	302			3
Ecoaquas	100.00	86	5	81	1,848	10	1,838	1,919	1,919			147
Investments in subsidiaries at December 31, 2022									442,136			
Joint ventures												
F. AB. Zona Oeste	50.00	30,842	38,156	(7,314)	222,498	187,851	34,647	27,333	13,667	92,033	34,210	(3,381)
Investments in joint ventures at December 31, 2022									13,667			
Investment balance at December 31, 2022									455,803			

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Breakdown of investments

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Subsidiaries	442,136	2,306,935	2,054,275	
Joint ventures	13,667	71,308	80,050	80,050
Total investments, net	455,803	2,378,243	2,134,325	80,050

(c) Changes in investments - parent

The changes in investments are presented below:

In thousands of reais										
	Opening balance	Additions	Disposals	Dividends and interest on capital	Share of profit (loss) of continuing operations	Share of profit (loss) of discontinued operations	Discontinued operation	Other comprehensive income	Other transfers	Closing balance
Direct subsidiaries										
Rio Claro	48,616			(4,778)	11,222			15		55,075
Mauá	49,408			(3,687)	12,487			78		58,286
RDOP Consolidated	302,327	900		(9,054)	60,615			12		354,800
Blumenau	73,044				3,814			20		76,878
Mairinque (ii)	31,350	4,336		(116)	491			21		36,062
Santa Gertrudes	1,770				(405)			1		1,366
Ecoaquia	9,244				768					10,012
Uruguaiana	48,219			1,197	7,481			31		56,928
Porto Ferreira	6,011				(1,730)			19		4,300
Centro Norte Participações Consolidated (ii)	127,715	273,650			5,025			2,477		408,867
Araguaia (iv)	16,173						(16,187)	14		
Mauá Água	1,282	21			(97)					1,206
BRK Projetos Ambientais Consolidated	411,960			(114,205)	107,015			392		405,162
BRK Negócios Industriais	24,418	330			(184)					24,564
RMR	36,116			(2,191)	9,549			30		45,504
Rio das Ostras	2,210			(54)	369					2,525
Goiás	773				(242)			1		532
Maranhão	4,193				(4,193)					
Capadoc	1,544	2,300			84			20		3,948
RMM (i)	416,057	119,700			(31,670)			56		504,143
Sumaré	88,693				(7,984)			54		80,763
Digital	1,562				14					1,576
BRK Alivos Maduros Consolidated	349,590			(275,861)	100,553			136		174,418
Joint ventures										
F. AB. Zona Oeste	80,050				(8,822)			80		71,308
At December 31, 2022	2,134,325	401,237		(408,749)	264,160		(16,187)	3,457		2,378,243
At December 31, 2021	1,720,632	516,184		(254,430)	150,435			5,983	(4,479)	2,134,325
Provision for loss on investments										
Santo André	(331)				(75)					(406)
BRK NI	(11)				3					(8)
BRK NE	(1,063)				(10,541)			(5,362)		(16,966)
BRK Novos Projetos					(9)				(9)	(9)
Maranhão					(15,282)			90		(15,192)
At December 31, 2022	(1,405)				(25,895)			(5,272)	(9)	(32,581)
At December 31, 2021	(246)		(1)		(1,160)	(2,075)	4,092		(2,015)	(1,405)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In thousands of U.S. dollars										
	Opening balance	Additions	Disposals	Dividends and interest on capital	Share of profit (loss) of continuing operations	Share of profit (loss) of discontinued operations	Discontinued operation	Other comprehensive income	Other transfers	Closing balance
Direct subsidiaries										
Rio Claro	9,317			(916)	2,150			3		10,554
Mauá	9,470			(707)	2,393			15		11,171
RDOP Consolidated	57,943	172		(1,735)	11,617			2		67,999
Blumenau	13,999				731			4		14,734
Mairinque (ii)	6,009	831		(22)	93			4		6,915
Santa Gertrudes	340				(76)					262
Ecoaquia	1,772				147					1,919
Uruguaiana	9,242			229	1,434			6		10,911
Porto Ferreira	1,152				(332)			4		824
Centro Norte Participações Consolidated (ii)	24,478	52,446			963			475		78,362
Araguaia (iv)	3,100						(3,103)	3		
Mauá Água	246	4			(19)					231
BRK Projetos Ambientais Consolidated	78,954			(21,888)	20,510			75		77,651
BRK Negócios Industriais	4,680	63			(35)					4,708
RMR	7,305			(420)	1,830			6		8,721
Rio das Ostras	424			(10)	70					484
Goiás	148				(46)					102
Maranhão	803				(803)					
Capador	296	441			16			4		757
RMM (i)	79,740	22,941			(6,070)			11		96,622
Sumaré	16,999				(1,530)			10		15,479
Digital	299				3					302
BRK Ativos Maduros Consolidated	67,001			(52,870)	19,272			25		33,428
Joint ventures										
F. AB, Zona Oeste	15,342				(1,691)			16		13,667
At December 31, 2022	409,659	76,898		(78,339)	50,625		(3,103)	663		455,803
At December 31, 2021	329,768	98,929		(48,763)	28,832			1,147	(858)	409,055
Provision for loss on investments										
Santo André	(63)				(14)					(77)
BRK NI	(2)				1					(1)
BRK NE	(204)				(2,020)			(1,028)		(3,252)
BRK Novos Projetos									(2)	(2)
Maranhão					(2,929)			17		(2,912)
At December 31, 2022	(269)				(4,962)			(1,011)	(2)	(6,244)
At December 31, 2021	(47)				(222)	(398)	784		(386)	(269)

- (i) On January 10, 2022, the Company completed the payment of the remaining balance of subscribed capital of direct subsidiary RMM amounting to R\$ 21,499 – US\$ 4,120. On April 25, 2022, in accordance with the Extraordinary General Meeting, the Company increased the capital of direct subsidiary RMM with the capitalization of advance for future capital increase in the amount of R\$ 98,201 – US\$ 18,821, through the issuance of 157,328,209 new registered common shares with no par value.
- (ii) On March 11, 2022, in accordance with the Extraordinary General Meeting, the Company increased the capital of direct subsidiary Mairinque with a contribution in cash of R\$ 4,336 – US\$ 831, through the issuance of 3,216,144 new registered common shares with no par value. The non-controlling shareholder waived the right to follow such capital increase. As a result, its interest in the capital of Mairinque was reduced from 3.895% to 3.438%.
- (iii) On May 25, 2022, according to the Extraordinary General Meeting, the Company increased the issued capital of direct subsidiary Centro Norte Participações in the amount of R\$ 273,650 – US\$ 52,446 through the issuance of 423,003,778 new registered common shares with no par value.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

- (iv) On December 15, 2022, direct subsidiary Araguaia was transferred to discontinued operation (Note 1.1 (a) (ii)). On December 29, 2022, in accordance with the Extraordinary General Meeting, the Company increased the capital of the subsidiary in the amount of R\$ 29,198 – US\$ 5,596, through the issuance of 116,384,315 new registered common shares with no par value referring to the capitalization of the balance of related parties for the purpose of meeting the precedent conditions provided for in the purchase and sale agreement.

(d) Changes in investments - Consolidated

The changes in investments are presented below:

In thousands of reais					
	Opening balance	Dividends	Share of profit (loss) of subsidiaries and joint ventures	Other transfers	Other comprehensive income
<u>Joint ventures</u>					
F. AB. Zona Oeste	80,050		(8,822)		80
At December 31, 2022	80,050		(8,822)		80
At December 31, 2021	82,403	106	1,840	(4,485)	186

In thousands of U.S. dollars					
	Opening balance	Dividends	Share of profit (loss) of subsidiaries and joint ventures	Other transfers	Other comprehensive income
<u>Joint ventures</u>					
F. AB. Zona Oeste	15,342		(1,691)		16
At December 31, 2022	15,342		(1,691)		16

(e) Dividends and interest on capital receivable

(i) Breakdown

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Mairinque	169	883	767	
Mauá	5,543	28,923	28,514	
RDOP	15,922	83,074	74,020	
Rio Claro	4,599	23,996	21,424	
Rio das Ostras	61	318	265	
Porto Ferreira	149	777	777	
Uruguaiana	1,661	8,668	5,549	
F. AB. Zona Oeste	1,124	5,867	5,867	1,124
RMR	1,219	6,358	4,167	5,867
Santa Gertrudes	7	38	38	
BRK Negócios Industriais	767	4,000	4,000	
BRK Projetos Ambientais Consolidated	4,677	24,405		
BRK Ativos Maduros	28,382	148,089	153,428	
	64,280	335,396	298,816	1,124
(-) Current	(38,278)	(199,725)	(179,663)	(1,124)
Non-current	26,002	135,671	119,153	(5,867)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(ii) Changes

	Parent					
	Opening balance	Income tax Additions, withheld at source	Proceeds	Assignment	Retentions (a)	Closing balance
	R\$	US\$	R\$			R\$
Interest on capital						
Mauá	4,239	2,768	(415)			1,263
Rio Claro	5,779	2,113	(317)			1,452
Rio das Ostras	14					3
Ponto Ferreira	182					35
Santa Gertrudes	38					7
	10,252	4,881	(732)			2,760
						14,401
Dividends receivable						
Mairinque	767	116				169
Mauá	24,275	2,966	(2,863)		(2,047)	4,280
RDOP	74,020	14,396			(5,342)	15,922
Rio Claro	15,645	2,665	(1,889)			3,147
Ponto Ferreira	595					114
Rio das Ostras	251	87	(1)		(33)	58
Uruguaiana	5,549	1,777		4,316	(2,974)	1,661
FAB Zona Oeste	5,867					1,124
RMR	4,167	2,191				1,219
BRK Negócios Industriais	4,000					767
BRK Projetos Ambientais Consolidated		114,205	(63,785)	(26,015)		4,677
BRK Ativos Maduros		275,861	(281,200)			28,382
	153,428					24,405
	288,564	414,264	(349,738)	(21,699)	(10,396)	61,520
						320,995
At December 31, 2022	298,816	419,145	(732)	(349,738)	(21,699)	64,280
						335,396
At December 31, 2021	152,178	255,024	(73,691)	(34,101)	(594)	57,270
						298,816

- (a) In April 2022, an Ordinary and Extraordinary General Meeting the retention of mandatory minimum dividends in the amount of R\$10,396 – US\$ 1,992, calculated in 2021, from the retention of profits reserve account, was approved.

	Consolidated		
	Opening balance	Additions	Others
	R\$	US\$	R\$
Dividends receivable			
FAB Zona Oeste	5,867	1,124	5,867
At December 31, 2022	5,867	1,124	5,867
At December 31, 2021	5,973	438	(544)
		1,124	5,867

(In thousands of reais and U.S. dollars, unless otherwise stated)

(i) Breakdown

	Parent		
	2022		2021
	US\$		R\$
Araguaia	632	3,300	
RDOP Consolidated	19	100	900
BRK Projetos Ambientais Consolidated	6,190	32,300	
Caçador			2,300
BRK Negócios Industriais	19	100	230
RMM	55,827	291,282	
	62,687	327,082	3,430

			Parent	
At the beginning of the year	Additions	Contribution	Discontinued operation	At the end of the year
			R\$	US\$
	14,600	(11,300)		632
900	100	(900)		19
	32,300			6,190
2,300		(2,300)		
230	200	(330)		19
	389,483	(98,201)		55,827
3,430	436,683	(113,031)		62,687
38,209	57,841	(87,169)	(5,451)	657

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

11 Property and equipment

	Parent					
	IT equipment	Machinery and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Construction in progress
						Total
Acquisition cost						
At January 1, 2021	6,836	3,225	15,919	1,952	16,647	3,258
Additions						5
Disposals		(22)		(26)	(519)	(567)
Other transfers	(450)	24	(4)	(7)		(437)
At December 31, 2021	6,386	3,227	15,915	1,919	16,128	3,263
Accumulated depreciation						
At January 1, 2021	(4,799)	(3,047)	(8,413)	(1,229)	(16,572)	(34,060)
Depreciation	(399)	(103)	(569)	(193)	(44)	(1,308)
Disposals		22		20	519	561
Other transfers	(256)	(17)	2	18		(253)
At December 31, 2021	(5,454)	(3,145)	(8,980)	(1,384)	(16,097)	(35,060)
Net book value	932	82	6,935	535	31	3,263
Acquisition cost						
At January 1, 2022	6,386	3,227	15,915	1,919	16,128	3,263
Additions		1,755		173		20
Disposals		(1,358)		(87)	(11,100)	
Other transfers		20				(3,283)
At December 31, 2022	6,386	3,644	15,915	2,005	5,028	
Accumulated depreciation						
At January 1, 2022	(5,454)	(3,145)	(8,980)	(1,384)	(16,097)	(35,060)
Depreciation	(316)	(98)	(569)	(160)	(29)	(1,172)
Disposals		1,358		79	11,100	12,537
At December 31, 2022	(5,770)	(1,885)	(9,549)	(1,465)	(5,026)	(23,695)
Net book value	616	1,759	6,366	540	2	9,283
Net book value (US\$)	118	337	1,220	103		1,779
Useful life (years)	5 a 10	5 a 10	10	5 a 10	5	

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	Consolidated							
	Land	IT equipment	Machinery and equipment	Buildings	Furniture and fixtures	Vehicles	Construction in progress	Others Total
<u>Continuing and discontinued operations</u>								
Acquisition cost								
At January 1, 2021	35,167	27,639	32,717	24,886	15,489	20,814	12,050	169,471
Additions		1,391	3,429		876	10	5,312	11,018
Disposals		(22)	(22)	(1,956)	(141)	(724)		(2,843)
Other transfers	(1)	(822)	2,947	5,296	(303)	(162)	(6,629)	(383)
At December 31, 2021	35,166	28,208	39,071	28,226	15,921	19,938	10,733	177,263
Accumulated depreciation								
At January 1, 2021		(21,227)	(19,617)	(11,540)	(10,367)	(20,399)		(83,267)
Depreciation		(2,270)	(3,042)	(1,076)	(1,354)	(157)		(7,899)
Disposals			22	542	117	724		1,405
Other transfers		498	(3,423)	(168)	658	180		(2,138)
At December 31, 2021		(22,999)	(26,060)	(12,242)	(10,946)	(19,652)		(91,899)
Net book value	35,166	5,209	13,011	15,984	4,975	286	10,733	85,364
<u>Continuing and discontinued operations</u>								
Acquisition cost								
At January 1, 2022	35,166	28,208	39,071	28,226	15,921	19,938	10,733	177,263
(-) Discontinued operation		(164)	(180)	(12)	(52)	(10)	(51)	(469)
Additions		1,313	5,658	15	2,037	60	1,306	10,389
Disposals		(242)	(1,472)		(148)	(11,431)		(13,293)
Other transfers		395	(217)	(286)	100		(7,554)	(7,562)
At December 31, 2022	35,166	29,510	42,860	27,943	17,858	8,557	4,434	166,328
Accumulated depreciation								
At January 1, 2022		(22,999)	(26,060)	(12,242)	(10,946)	(19,652)		(91,899)
(-) Discontinued operation		132	102	3	29	8		274
Depreciation		(2,185)	(3,199)	(1,249)	(1,107)	(148)		(7,888)
Disposals		236	1,411		128	11,431		13,206
Other transfers			186	231	(14)			403
At December 31, 2022		(24,816)	(27,560)	(13,257)	(11,910)	(8,361)		(85,904)
Net book value	35,166	4,694	15,300	14,686	5,948	196	4,434	80,424
Net book value (US\$)	6,740	900	2,931	2,815	1,140	38	850	15,414
Useful life (years)		5 to 10	5 to 20	2 to 40	5 to 10	5		

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(a) Construction in progress

Construction in progress refers to the balances of the direct and indirect subsidiaries below:

Construction in progress	Consolidated		Expected completion
	2022	2021	
	US\$	R\$	
Company (i)		2	3,264
Santo André	652	3,400	3,400
Saneatins	2	11	438
Mairinque	1	6	489
RMR			51
Araguaia (ii)			408
Caçador	75	393	13
Cachoeiro	2	12	53
Manso			2,617
RMM	118	610	
	850	4,434	10,733

- (i) This refers to leasehold improvements.
- (ii) Transfer to discontinued operation (Note 1.1 (a) (ii)).

12 Contract assets

(a) Changes

	Consolidated	
	2022	2021
	US\$	R\$
Continuing and discontinued operations		
At the beginning of the year	237,102	1,237,126
(-) Discontinued operation	(2,050)	(10,694)
(+) Additions	240,900	1,256,942
(-) Transfers - intangible assets	(127,967)	(667,694)
(+) Other transfers		1,273
At the end of the year	347,985	1,815,680

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

This refers to the investments in infrastructure related to the companies listed below:

Contract assets	Consolidated			Expected completion
	2022		2021	
	US\$		R\$	
Rio Claro	3,392	17,698	8,901	Dec-37
Mauá	396	2,067	3,317	Mar-23
Blumenau	11,862	61,891	53,128	Mar-55
Santa Gertrudes	674	3,517	1,981	Dec-25
Mairinque	873	4,555	28,599	Dec-29
Uruguaiana	9,668	50,446	83,858	Mar-43
Porto Ferreira	2,831	14,773	5,479	Dec-28
Saneatins	65,768	343,156	300,942	Jan-29
Caçador	3,760	19,619	20,439	Nov-48
Araguaia (i)			10,694	Jun-23
Sumaré	9,240	48,210	52,905	Dec-27
Maranhão	9,446	49,286	23,368	Dec-23
Mauá Água	145	758	758	Dec-23
Macaé	13,719	71,582	92,346	Dec-27
Goiás	148,499	774,825	425,375	Dec-25
RMM	54,613	284,956	60,688	Dec-27
Limeira	12,217	63,744	48,832	Dec-25
Cachoeiro	882	4,597	15,516	Dec-23
	347,985	1,815,680	1,237,126	

(i) Transfer to discontinued operation (Note 1.1 (a) (ii)).

(b) Capitalization of interest and financial charges

In the year ended December 31, 2022, the Group capitalized interest and financial charges on the concession assets amounting to R\$ 136,270 – US\$ 26,117 (2021 - R\$ 75,739) in the period in which the assets were under construction.

The weighted average rate of financial charges used in determining the amount of borrowing costs, to be capitalized as an integral part of the assets under construction, was 10.93% p.a. in the year ended December 31, 2022 (2021 - 8.48% p.a.).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

13 Right-of-use assets

	Parent		
	Properties	IT equipment	Vehicles
Acquisition cost			
At January 1, 2021	33,686	1,888	131
Additions	7,153	1,385	120
Disposals		(275)	(1)
Other transfers	(4,261)		13
At December 31, 2021	36,578	2,998	263
Accumulated amortization			
At January 1, 2021	(7,803)	(1,297)	(125)
Amortization	(4,914)	(1,701)	(40)
Other transfers	4,054		
At December 31, 2021	(8,663)	(2,998)	(165)
Net book value	27,915		98
Acquisition cost			
At January 1, 2022	36,578	2,998	263
Additions	6,593	3,090	7
Disposals	(291)	(6)	(23)
At December 31, 2022	42,880	6,082	247
Accumulated amortization			
At January 1, 2022	(8,663)	(2,998)	(165)
Amortization	(6,043)	(2,342)	(42)
Disposals	99	5	23
At December 31, 2022	(14,607)	(5,335)	(184)
Net book value	28,273	747	63
Net book value (US\$)	5,419	143	12
Useful life (years)	4 a 10	2 a 6	3

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	Consolidated			
	Properties	IT equipment	Machinery and equipment	Vehicles
				Total
<u>Continuing and discontinued operations</u>				
Acquisition cost				
At January 1, 2021	101,458	5,536	59,478	35,317
Additions	13,332	3,420	31,282	37,933
Disposals	(5,405)	(613)	(22,895)	(13,857)
Other transfers	(4,472)	12	(618)	(2,649)
At December 31, 2021	104,913	8,355	67,247	56,744
Accumulated amortization				
At January 1, 2021	(19,040)	(3,560)	(12,009)	(18,272)
Amortization	(12,926)	(3,803)	(15,166)	(15,327)
Disposals		30	1,873	3,191
Other transfers	4,057			4,057
At December 31, 2021	(27,909)	(7,333)	(25,302)	(30,408)
Net book value	77,004	1,022	41,945	26,336
<u>Continuing and discontinued operations</u>				
Acquisition cost				
At January 1, 2022	104,913	8,355	67,247	56,744
(-) Discontinued operation	(335)		(583)	(1,203)
Additions	44,072	6,063	63,144	35,307
Disposals	(2,505)	(735)	(1,809)	(18,557)
At December 31, 2022	146,145	13,683	127,999	72,291
Accumulated amortization				
At January 1, 2022	(27,909)	(7,333)	(25,302)	(30,408)
(-) Discontinued operation	172		139	642
Amortization	(17,123)	(5,436)	(24,905)	(22,804)
Disposals	1,769	462	1,219	8,405
At December 31, 2022	(43,091)	(12,307)	(48,849)	(44,165)
Net book value	103,054	1,376	79,150	28,126
Net book value (US\$)	19,751	264	15,170	5,390
Useful life (years)	1 a 28	1 a 6	1 a 28	2 a 5

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

14 Intangible assets

	Parent				
	Concession right (goodwill)	Goodwill	Software	Intangible assets under formation (I)	Others
Acquisition cost					
At January 1, 2021	499,195	8,777	38,484	144,380	6
Additions				158,465	
Other transfers			195,031	(195,602)	(2)
At December 31, 2021	499,195	8,777	233,515	107,243	4
Accumulated amortization					
At January 1, 2021	(85,016)		(15,906)		
Amortization	(18,809)		(11,478)		
Other transfers			420		(2)
At December 31, 2021	(103,825)		(26,964)		(2)
Net book value	395,370	8,777	206,551	107,243	2
Acquisition cost					
At January 1, 2022	499,195	8,777	233,515	107,243	4
Additions				217,371	
Other transfers			197,908	(197,908)	3,263
At December 31, 2022	499,195	8,777	431,423	126,706	3,267
Accumulated amortization					
At January 1, 2022	(103,825)		(26,964)		(2)
Amortization	(18,809)		(34,238)		(327)
At December 31, 2022	(122,634)		(61,202)		(329)
Net book value	376,561	8,777	370,221	126,706	2,938
Net book value (US\$)	72,169	1,682	70,955	24,284	564
Useful life (years)	13 to 36		5		

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	Consolidated					
	Water and wastewater system	Goodwill	Concession right and customer list	Software	Intangible assets under formation (i)	Others
						Total
<u>Continuing and discontinued operations</u>						
Acquisition cost						
At January 1, 2021	3,627,608	8,777	3,240,735	52,391	144,380	7,077,051
Additions	19,120		85,074	52	158,465	262,711
Disposals	(109)					(109)
Transfers - contract assets	729,527		2,463			731,990
Other transfers	1,031			195,935	(195,602)	(1,785)
At December 31, 2021	4,377,177	8,777	3,328,272	248,378	107,243	8,069,858
Accumulated amortization						
At January 1, 2021	(1,023,709)		(334,066)	(23,645)		(1,384,502)
Amortization	(180,713)		(78,689)	(12,888)		(272,290)
Disposals	16					16
Other transfers	(500)		(234)	354		2,701
At December 31, 2021	(1,204,906)		(412,989)	(36,179)		(1,654,075)
Net book value	3,172,271	8,777	2,915,283	212,199	107,243	6,415,783
<u>Continuing and discontinued operations</u>						
Acquisition cost						
At January 1, 2022	4,377,177	8,777	3,328,272	248,378	107,243	8,069,858
(-) Discontinued operation	(32,019)		(10,673)	(89)		(42,781)
Additions	72,546		273,435	526	217,371	563,878
Disposals	(2,520)					(2,520)
Transfers - contract assets	667,694			197,908	(197,908)	667,694
Other transfers	1,187		2,006	1,107		7,562
At December 31, 2022	5,084,065	8,777	3,593,040	447,830	126,706	9,263,691
Accumulated amortization						
At January 1, 2022	(1,204,906)		(412,989)	(36,179)		(1,654,075)
(-) Discontinued operation	7,249		4,377	74		11,700
Amortization	(227,041)		(112,945)	(35,979)		(376,291)
Disposals	1,931			1		1,932
Other transfers	(403)					(403)
At December 31, 2022	(1,423,170)		(521,557)	(72,083)		(2,017,137)
Net book value	3,660,895	8,777	3,071,483	375,747	126,706	7,246,554
Net book value (US\$)	701,630	1,682	588,666	72,014	24,284	1,388,841
Useful life (years)	5 to 50		28 to 50	5		

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

- (i) This refers mainly to the development and improvements of SAP, commercial management software and the SAP RISE. On June 30, 2021, the SAP DI, SAP Concur and SAP Ariba systems were implemented. The Company expects capitalization of R\$ 51,926 – US\$ 9,952, with completion during the first quarter of 2023.

(a) Goodwill

The Company has recorded the amount of R\$ 8,777 – US\$ 1,682 related to goodwill from future profitability in subsidiary BRK Ativos Maduros.

15 Trade payables

The Company has contracts with several suppliers and contractors that provide services and supply materials for the operation of the provision of water treatment and distribution and wastewater services.

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Acquisition of infrastructure			16,518	86,187
Services and materials for operation	12,374	64,566	27,053	141,153
Contractual retentions		1	4,283	22,348
Measured services	488	2,546	3,298	17,208
	12,862	67,113	51,152	266,896
(-) Current	(6,224)	(32,476)	(44,514)	(274,797)
Non-current	6,638	34,637	6,638	34,637

16 Loans and borrowings, lease liabilities and debentures

Note	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Total loans and borrowings	16.1 68,306	356,398	845,283	4,410,433
Total lease liabilities	16.2 6,124	31,955	44,100	230,102
Total debentures	16.3 382,105	1,993,707	1,052,651	5,492,419
	456,535	2,382,060	1,942,034	10,132,954
(-) Current	(12,179)	(63,543)	(258,712)	(1,349,881)
Non-current	444,356	2,318,517	1,683,322	8,783,073

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

16.1 Loans and borrowings

(a) Breakdown

Type and annual financial charges	Average annual charges	Maturity	Transaction costs incurred	Unappropriated cost balances	Consolidated		
					2022		2021
					R\$	US\$	R\$
Borrowings in foreign currency (i)							
Parent							
Bridge loan	3.88%	may/2024			68,306	356,398	
Subsidiary							
Bridge loan	3.36%	mar/2024	3	(2)	42,288	220,648	
Borrowings in local currency							
Working capital	16.76%	Mar/2023 to Sept/2023			5,683	29,654	51,074
Structured (ii)	10.50%	Sept/2023 to May/2045	32,744	(26,945)	685,289	3,575,630	3,323,576
Commercial notes (iii)							
Working capital	15.92%	out/2024	1,384	(1,267)	49,124	256,317	
(-) Transaction costs					(5,407)	(28,214)	(28,773)
Total			34,131	(28,214)	845,283	4,410,433	3,345,877
Total current					48,471	252,908	244,264
(-) Transaction costs					(517)	(2,700)	(2,001)
Current					47,954	250,208	242,263
Total non-current					802,219	4,185,739	3,130,386
(-) Transaction costs					(4,890)	(25,514)	(26,772)
Non-current					797,329	4,160,225	3,103,614
					845,283	4,410,433	3,345,877

- (i) On March 25, 2022, direct subsidiary BRK NE signed with The Bank of Nova Scotia a borrowing agreement of the 4,131 type in US dollar, in the amount of US\$ 41,929, which translated into local currency amounts to R\$ 200,000 – US\$ 38,331 on the date the cash was received (March 30, 2022), falling due on March 28, 2024. On the same date, BRK NE contracted a swap derivative instrument for the main purpose of protection (hedge) in relation to exchange rate variations (Note 17).

On May 27, 2022, the Company signed a borrowing agreement of the 4,131 type in US dollar with Scotia bank in the amount of US\$ 68,071, translated into local currency in the amount of R\$ 330,000 – US\$ 63,246, falling due on May 28, 2024. On the same date, the Company contracted a swap derivative instrument for the main purpose of hedge against exchange rate fluctuations (Note 17).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

- (ii) Refers to all Project Finance contracted with BNDES, CEF, BTG Pactual, Inter-American Development Bank ("IDB"), Banco do Nordeste ("BNB") and Banco do Estado do Espírito Santo ("Banestes").
- (iii) On October 26, 2022, direct subsidiary BRK NE carried out the 1st issuance of commercial notes, book-entry in a single series, with additional personal guarantee, for public distribution, with restricted efforts, pursuant to CVM Instruction No. 476, of January 16, 2009, in the amount of R\$ 250,000 – US\$ 47,914, with remuneration of 100% of the CDI + spread and maturity on October 24, 2024. The net proceeds from this issuance will be used for investments in expansion, renovation, cash and working capital reinforcement, or improvement of the projects operated by the Group's subsidiaries.

(b) Changes

	Parent		Consolidated	
			2022	2021
	US\$	R\$	US\$	R\$
<i>Continuing operations</i>				
At the beginning of the year			641,255	3,345,877
(-) Discontinued operation			(4,136)	(21,582)
(+) Addition of principal	63,246	330,000	228,475	1,192,114
(+) Addition of interest	1,613	8,411	67,769	353,593
(+) Foreign exchange variation	4,841	25,258	8,474	44,215
(-) Repayment of principal			(38,068)	(198,626)
(-) Amortization of interest	(1,394)	(7,271)	(58,593)	(305,717)
(-) Addition of transaction costs			(301)	(1,572)
(+) Amortization of borrowing costs			408	2,131
At the end of the year	68,306	356,398	845,283	4,410,433

(c) Maturity

Non-current amounts mature as follows:

	Parent		Consolidated	
			2022	
	US\$	R\$	US\$	R\$
2024	68,071	355,173	195,168	1,018,326
2025			39,314	205,131
2026			37,035	193,239
2027			39,329	205,205
2028			41,051	214,192
2029			46,138	240,733
2030			42,875	223,708
2031			50,917	265,671
2032			53,086	276,988
2033			47,654	248,645
2034 onwards			204,762	1,068,387
	68,071	355,173	797,329	4,160,225

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(d) Collaterals

The Group's subsidiaries seek to structure the financing for making their investments under project finance for the proper mitigation and allocation of the risks of these projects and they have the necessary support of shareholders to complete these projects. Accordingly, the breakdown of the collaterals offered for the Group's financing is presented below:

Type of collateral	Parent		Consolidated	
			2022	2021
	US\$	R\$	US\$	R\$
Surety from shareholders			131,344	685,316
Project (i)			17,908	93,436
Project and support from shareholders			627,427	3,273,726
Total collateralized			776,679	4,052,478
No collaterals	68,306	356,398	73,768	384,900
(-) Transaction costs			(5,164)	(26,945)
Total loans and borrowings	68,306	356,398	845,283	4,410,433
				3,345,877

- (i) The collaterals for the projects comprise, in general, the assignment or pledge of credit rights, revenue and/or rights arising from the concessions, pledge of subsidiaries' shares, and mortgage or pledge of plants and equipment. The Company's management monitors the collaterals and did not identify the need to recognize a liability arising from the collaterals offered.

(e) Relevant information

We present below the loans and borrowings that were released in the year:

	Type	2022	
		US\$	R\$
Company	Bridge loan	63,246	330,000
Rio Claro	Structured	992	5,176
Blumenau	Structured	207	1,079
Santa Gertrudes	Structured	250	1,302
Uruguiana	Structured	2,994	15,624
Saneatins	Structured	26,620	138,897
Sumaré	Structured	9,575	49,959
BRK NE	Bridge loan	38,331	200,000
BRK NE	Working capital	47,914	250,000
Macaé	Structured	923	4,815
Goiás	Structured	10,038	52,374
RMR	Structured	24,720	128,980
Limeira	Structured	2,665	13,908
		228,475	1,192,114

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

16.2 Lease liabilities

(a) Breakdown

Unit	Maturity	Consolidated	
		2022	2021
		US\$	R\$
Parent			
Company	Mar/2023 to May/2027	2,236	11,665
Company	May/2027	3,888	20,290
		6,124	31,955
			29,828
Subsidiaries			
Rio Claro	Mar/2023 to Mar/2025	287	1,497
Rio das Ostras	Jan/2023 to Feb/2024	33	171
Mauá	Mar/2023 to Feb/2025	487	2,539
Blumenau	Mar/2023 to Apr/2027	237	1,238
Santa Gertrudes	Mar/2023 to Jan/2026	188	981
Mairinque	Mar/2023 to Apr/2025	190	993
Uruguaiana	Mar/2036 to Sept/2036	580	3,025
Porto Ferreira	Mar/2023 to Feb/2026	281	1,464
Saneatins	Jan/2023 to Dec/2041	15,564	81,209
Araguaia (I)			54,530
Maranhão			1,171
Sumaré	Mar/2023 to Aug/2049	7,513	39,203
Caçador	Mar/2023 to Jan/2026	717	3,742
RMM	May/2023 to Oct/2024	254	1,327
Macaé	Mar/2023 to Aug/2027	3,361	17,539
RMR	Feb/2023 to May/2024	75	391
Manso	Mar/2023 to Dec/2048	4,413	23,024
Goiás	Jan/2023 to May/2028	115	601
Limeira	May/2023 to Nov/2026	2,582	13,473
Jaguaribe	Mar/2023 to Mar/2026	879	4,584
Cachoeiro	Mar/2023 to Apr/2025	22	114
	Jan/2023 to Dec/2025	198	1,032
			2,021
Total		44,100	230,102
			157,299
Current		12,295	64,153
			41,167
Non-current		31,805	165,949
			116,132
		44,100	230,102
			157,299

(i) Transfer to discontinued operation (Note 1.1 (a) (ii)).

The main classes of assets in which the Company has leases are: IT equipment, vehicles, properties and machinery and equipment. The discount rate used in the leases is the incremental rate. This rate is set at the date of the contract and remains the same throughout the lease term, the rates used vary between 6.20% and 19.56%.

The lease liabilities balance presented above includes transactions with the related party Ouro Verde Locação e Serviços S.A. ("Ouro Verde") in the amount of R\$ 61,922 – US\$ 11,868 (2021 – R\$ 56,445).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Changes

	Parent		Consolidated	
	2022		2021	
	US\$	R\$	US\$	R\$
<i>Continuing operations</i>				
At the beginning of the year	5,717	29,828	30,147	157,299
(-) Discontinued operation			(224)	(1,171)
(+) Addition of principal	1,857	9,690	8,657	48,596
(-) Write-offs	(37)	(193)	(2,782)	(14,517)
(-) Remeasurement			(194)	(3,670)
(-) Repayment of principal	(2,081)	(10,857)	(16,921)	(88,287)
(+) Amortization of adjustment to present value	668	3,487	5,403	28,192
At the end of the year	6,124	31,955	44,101	230,102

(c) Maturity

Non-current amounts mature as follows:

	Parent		Consolidated	
	2022		2022	
	US\$	R\$	US\$	R\$
2024	1,266	6,603	7,944	41,450
2025	1,390	7,254	3,322	17,335
2026	1,508	7,866	2,741	14,304
2027	627	3,277	1,861	9,712
2028			1,309	6,830
2029			1,417	7,391
2030			1,473	7,687
2031			1,630	8,505
2032			311	1,624
2033			361	1,886
2034 onwards			9,436	49,225
	4,791	25,000	31,805	165,949

(d) Additional information

In accordance with the basis for conclusion 161 and 162 of IASB, references in IFRS 16/CPC 06 (R2) and CVM Circular Letter No. 02/19 ("Official Letter 02/19"), Management used the incremental rate as a criterion for the calculation of the assets and liabilities that are within the scope of IFRS 16/CPC 06 (R2) and this is how they are presented in the Company's statement of financial position.

Management understands that the rate used represents the cash flows that are the closest to the actual flows and that they are in line with the characteristics of our contracts, as determined by item 27b of the official letter No. 02/19.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

In order to meet the guidance in the letter and the required transparency, we present below the impacts on the statement of financial position and a comparison between nominal interest rates and effective interest rates. For the calculation of the effective rate, we used the indexes applied in each specific contract, mostly the General Market Price Index (IGP-M). The rates are applied to payment flows to determine their impacts on lease contracts.

	Consolidated		
	2022		2021
	US\$		R\$
Nominal flow			
Lease liabilities	81,033	422,805	212,850
Embedded interest	(36,933)	(192,703)	(55,551)
	<u>44,100</u>	<u>230,102</u>	<u>157,299</u>
Actual effective inflated flow			
Lease liabilities	102,065	532,547	235,667
Embedded interest	(48,375)	(252,405)	(60,565)
	<u>53,690</u>	<u>280,142</u>	<u>175,102</u>

16.3 Debentures

(a) Breakdown

Type	Average annual charges	Maturity	Transaction costs incurred	Unappropriated cost balances	Consolidated		
					2022		2021
					R\$	US\$	R\$
Parent							
Working capital	15.33%	Apr/2027 to Sept/2034	33,442	(28,551)	387,577	2,022,258	1,378,729
(-) Transaction costs					(5,472)	(28,551)	(26,203)
					382,105	1,993,707	1,352,526
Subsidiaries							
Working capital	15.91%	May/2023 to Oct/2026	170,716	(3,432)	232,567	1,213,465	1,272,893
Concession	13.91%	jun/2042	139,148	(137,968)	380,701	1,986,385	1,817,590
Structured	13.38%	Dec/2027 to Jul/2037	6,002	(5,708)	85,472	445,970	397,917
(-) Transaction costs					(28,194)	(147,108)	(27,651)
Total consolidated			<u>349,308</u>	<u>(175,659)</u>	<u>1,052,651</u>	<u>5,492,419</u>	<u>4,813,275</u>
Total short-term debentures					199,892	1,042,976	219,465
(-) Transaction costs					(1,429)	(7,456)	(8,119)
Current					<u>198,463</u>	<u>1,035,520</u>	<u>211,346</u>
Total long-term debentures					886,425	4,625,102	4,647,664
(-) Transaction costs					(32,237)	(168,203)	(45,735)
Non-current					<u>854,188</u>	<u>4,456,899</u>	<u>4,601,929</u>
					<u>1,052,651</u>	<u>5,492,419</u>	<u>4,813,275</u>

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

On May 12, 2022, the Company completed the 10th issuance of simple, nonconvertible debentures. The indenture was signed on April 25, 2022, in the total amount of R\$ 1,600,000 – US\$ 306,649, with the principal falling due within 5 years. The issuance obtained the sustainable bond seal, certified by an independent appraiser. The transaction allowed the pre-payment of corporate borrowings amounting to R\$ 1,045,000 – US\$ 200,280 of principal. Accordingly, this issuance (a) extended to 2027 the remaining maturity term of these debts, which matured between 2024 and 2026, (b) extended the initial measurement of the corresponding financial covenant (Net debt/EBITDA ratio), which changed from December 31, 2023 to December 31, 2025, and (c) reduced the average cost of the prepaid debts, corresponding to an average cost of CDI + 3.5% p.a., to CDI + 2.4% p.a. The classification of this issuance as a sustainable debenture confirms the commitment of BRK Ambiental with its ESG strategy, present in its business decisions, with a long-term view and consolidating itself as a reference to investors in the generation of sustainable value.

On September 15, 2022, direct subsidiary BRK NE carried out the 2nd issuance of simple non-convertible debentures, in a single series, in the amount of R\$ 200,000 – US\$ 38,331, maturing on August 25, 2024.

On November 9, 2022, direct subsidiary RMM obtained registration with CVM as a listed company in the category “B” and the definitive issuance of incentivized debentures in the amount of R\$ 1,950,000 – US\$ 373,728, at a cost of IPCA+7.6% (floor) and a 20-year term with a 30-month grace period for prepayment of the bridge loan related to the RMM grant, extending the average term of the debt.

On December 15, 2022, indirect subsidiary Cachoeiro carried out the 1st issuance of simple non-convertible debentures, in a single series, in the amount of R\$ 110,000 – US\$ 21,082, maturing on December 15, 2029.

On December 19, 2022, direct subsidiary Uruguaiiana carried out the 1st issuance of simple non-convertible debentures, in a single series, in the amount of R\$ 90,780 – US\$ 17,398, maturing on July 15, 2037, with a discount of R\$ 2,119 – US\$ 406.

(b) Changes

	Parent		Consolidated			
	2022	2021	2022	2021		
	US\$	R\$	US\$	R\$		
At the beginning of the year	259,219	1,352,526	1,094,919	922,490	4,813,275	3,834,610
(+) New issues	306,649	1,600,000	200,000	756,782	3,948,661	1,189,000
(+) Financial charges	48,948	255,399	122,729	139,280	726,722	354,363
(-) Repayment of principal	(190,697)	(995,000)		(610,039)	(3,183,002)	(271,684)
(-) Amortization of interest	(41,564)	(216,870)	(67,066)	(132,517)	(691,432)	(298,442)
(-) Addition of transaction costs	(3,309)	(17,266)	(1,931)	(31,305)	(163,338)	(12,965)
(+) Amortization of borrowing costs	2,859	14,918	3,875	7,960	41,533	18,393
At the end of the year	382,105	1,993,707	1,352,526	1,052,651	5,492,419	4,813,275

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Maturity

Non-current amounts mature as follows:

	2022			
	Parent		Consolidated	
	US\$	R\$	US\$	R\$
2024			44,413	231,734
2025			11,624	60,651
2026			27,351	142,707
2027	302,891	1,580,395	343,520	1,792,385
2031	17,137	89,415	34,315	179,043
2032	25,816	134,701	46,317	241,666
2033	19,307	100,737	42,646	222,515
2034 onwards	6,343	33,096	304,002	1,586,198
	371,494	1,938,344	854,188	4,456,899

(d) Collaterals

The characteristics of the collaterals for the debentures are similar to those described for loans and borrowings (Note 16.1 (d)) and the breakdown of these collaterals is as follows:

Type of collateral	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Surety from shareholders			192,554	1,004,690
Project			47,362	247,119
Project and support from shareholders			441,822	2,305,295
Total collateralized			681,738	3,557,104
No collaterals	387,577	2,022,258	404,579	2,110,974
(-) Transaction costs	(5,472)	(28,551)	(33,666)	(175,659)
Total debentures	382,105	1,993,707	1,052,651	5,492,419

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

16.4 Schedule for the amortization of loan, borrowing and debenture transaction costs

The table below shows the schedule of the annual effects on finance costs arising from the amortization of the transaction costs:

	Parent						
	2023	2024	2025	2026	2027	2028	2029 onwards
Debentures	(4,610)	(4,610)	(4,610)	(4,610)	(2,307)	(1,156)	(6,648)
At December 31, 2022	(4,610)	(4,610)	(4,610)	(4,610)	(2,307)	(1,156)	(6,648)
At December 31, 2022 (US\$)	(884)	(884)	(884)	(884)	(442)	(222)	(1,272)
	Consolidated						
	2023	2024	2025	2026	2027	2028	2029 onwards
Loans and borrowings	(2,700)	(2,584)	(2,008)	(2,008)	(2,008)	(2,008)	(14,898)
Debentures	(7,456)	(13,093)	(12,704)	(12,690)	(10,319)	(9,133)	(110,264)
At December 31, 2022	(10,156)	(15,677)	(14,712)	(14,698)	(12,327)	(11,141)	(125,162)
At December 31, 2022 (US\$)	(1,946)	(3,005)	(2,820)	(2,817)	(2,363)	(2,135)	(23,987)

16.5 Covenants

The Group has in its loan and borrowing agreements and debenture indentures certain covenants that require the fulfillment of special guarantees, including covenants.

The penalty for non-compliance with these covenants is the possibility of the early payment of the debt.

The Company and its subsidiaries were in compliance with the covenants related to loans, borrowings and debentures.

17 Derivative financial instruments

Derivative financial instruments contracted by the Company and its direct subsidiary BRK NE have the objective of hedging their operations against the risks of fluctuation in exchange and interest rates and are not used for speculative purposes.

The fair value of derivative financial instruments is determined by the future flow, calculated by the application of contractual interest rates through maturity, and discounted to present value on the date of the financial statements at the market rates in effect. Below is the breakdown of the balance:

	Parent		Consolidated	
			2022	
	US\$	R\$	US\$	R\$
Breakdown - statement of financial position				
Asset derivative financial instruments	7,895	41,193	12,910	67,358
Liability derivative financial instruments	(6,104)	(31,848)	(10,150)	(52,962)
	1,791	9,345	2,760	14,396

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(a) Company

The Company contracted a borrowing of the 4,131 type in North-American dollars, with disbursement on May 27, 2022, with the Scotia Bank amounting to US\$ 68,071, translated into R\$ 330,000 – US\$ 63,246, and with maturity on May 28, 2024. On the same date, the Company contracted a swap that replaces, for this borrowing, the fixed rate with a floating rate in CDI plus spread and currency from US dollars to reais with the main purpose of hedging against exchange rate fluctuations of the debt, as mentioned in Note 16.1 (a) (i).

Instrument	Operation	Maturity	Position	Principal + interest	Currency	Rates	2022	
							US\$	R\$
Swap contract - Curve	Swap USD x CDI	May-24	Asset	68,305	USD	3.88%	68,306	356,398
Swap contract - Curve	Swap USD x CDI	May-24	Liability	334,630	BRL	CDI + 1.85%	(64,134)	(334,630)
Total net of curve swap							4,172	21,768
Swap contract - Fair value	Swap USD x CDI	May-24	Asset	67,462	USD		67,462	351,995
Swap contract - Fair value	Swap USD x CDI	May-24	Liability	342,650	BRL		(65,671)	(342,650)
Total net of swap fair value							1,791	9,345
Gain (loss) recognized in OCI							(2,381)	(12,423)
Gain (loss) recognized in profit or loss							4,172	21,768
Total net derivative financial instruments							1,791	9,345

From January to December 2022, the Company paid R\$ 17,394 – US\$ 3,334, related to curve swap already recognized with loss in the result.

(b) BRK NE

Direct subsidiary BRK NE contracted a borrowing of the 4,131 type in North-American dollars, with disbursement on March 30, 2022, with the Scotia Bank amounting to US\$ 41,929, translated into R\$ 200,000 – US\$ 38,331, and with maturity on March 28, 2024. On the same date, BRK NE contracted a swap that replaces, for this borrowing, the fixed rate with a floating rate in CDI plus spread and currency from US dollars to reais with the main purpose of hedging against exchange rate variations of debt, as mentioned in Note 16.1 (a) (i).

Instrument	Operation	Maturity	Position	Principal + interest	Currency	Rates	2022	
							US\$	R\$
Swap contract - Curve	Swap USD x CDI	Mar-24	Asset	42,289	USD	3.36%	42,288	220,648
Swap contract - Curve	Swap USD x CDI	Mar-24	Liability	207,473	BRL	CDI + 1.90%	(39,763)	(207,473)
Total net of curve swap							2,525	13,175
Swap contract - Fair value	Swap USD x CDI	May-24	Asset	41,586	USD		41,586	216,986
Swap contract - Fair value	Swap USD x CDI	May-24	Liability	211,935	BRL		(40,618)	(211,935)
Total net of Swap fair value							968	5,051
Gain (loss) recognized in OCI							(1,557)	(8,124)
Gain (loss) recognized in profit or loss							2,525	13,175
Total net derivative financial instruments							968	5,051

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

From January to December 2022, direct subsidiary BRK NE paid R\$ 10,799 – US\$ 2,070, related to curve swap already recognized with a loss in the result.

18 Salaries and payroll charges

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Salaries		215	730	3,812
Payroll charges	1,200	6,261	6,696	4,442
Provision for vacation	3,482	18,167	15,462	11,446
Benefits	204	1,063	87	490
Profit sharing (i)	10,514	54,864	18,559	96,833
	15,400	80,355	59,321	35,667
			186,102	148,715

- (i) This refers to the provision based on the regular measurement of compliance with the Group's targets and results, observing the accrual basis of accounting and the recognition of the present obligation arising from a past event, in the estimated amount of the outflow of resources in the future. The provision is recorded as cost of services provided or operating expenses in accordance with the activity of the employee.

19 Concession rights payable

	Consolidated	
	2022	2021
	US\$	R\$
Fixed concession (i)		
Santa Gertrudes	4	23
Saneatins	890	4,645
Goiás	41,713	217,645
	42,607	222,313
Variable concession	1,979	10,325
	44,586	232,638
(-) Current	(3,653)	(19,060)
Non-current	40,933	213,578
		204,044

- (i) This refers to the remaining balance of the right to explore the water and wastewater concession agreement that will be paid to the Concession Grantor.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

20 Dividends and interest on capital payable

(a) Breakdown

	Parent		Consolidated	
	2021	2022	2021	2022
	R\$	US\$	R\$	US\$
Dividends payable				
BR FIP	15,153		15,153	
FI-FGTS	6,495		6,495	
Latam Water Participações Ltda		2,098	10,947	
Companhia de Saneamento Básico do Estado de São Paulo - SABESP		45	237	
	21,648	2,143	11,184	32,310
Interest on capital payable				
Latam Water Participações Ltda		969	5,051	3,854
	21,648	3,112	16,235	36,164
(-) Current	(21,648)	(358)	(1,867)	(22,993)
Non-current		2,754	14,368	13,171

(b) Changes

	Parent			
	Opening balance	Provision	Reversal of mandatory minimum dividends	Closing balance
	US\$	US\$	US\$	US\$
Dividends payable				
BR FIP	15,154		(15,154)	
FI-FGTS	6,494		(6,494)	
At December 31, 2022	21,648		(21,648)	
At December 31, 2021	9,415	21,648	(9,415)	4,149
				21,648

	Consolidated			
	Opening balance	Provision	Payment	Reversal of mandatory minimum dividends
	R\$	US\$	US\$	US\$
Interest on capital				
Latam Water Participações Ltda	3,854	1,197		
		1,197		
Dividends payable				
BR FIP	15,153			(15,153)
FI-FGTS	6,495			(6,495)
Latam Water Participações Ltda	10,429	1,777	(1,259)	
Companhia de Saneamento Básico do Estado de São Paulo - SABESP	233	4		
	32,310	1,781	(1,259)	(21,648)
				2,144
At December 31, 2022	36,164	2,978	(1,259)	(21,648)
				3,112
At December 31, 2021	27,704	22,917	(3,373)	(11,084)
				6,932
				36,164

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

21 Provision for contingencies

The changes in the provision for legal proceedings were as follows:

	Consolidated				
	Civil claims	Labor and social security claims	Tax contingencies	Environmental	Total
Continuing operations					
At January 1, 2021	15,719	6,305	2	151	22,177
(+) Additional provisions recognized (including interest and monetary adjustment)	11,762	2,764	213	1,786	16,525
(-) Reductions from remeasurement and unused amounts, reversed	(2,268)	(2,419)			(4,687)
(-) Payments	(11,784)	(147)	(3)	(1,755)	(13,689)
At December 31, 2021	13,429	6,503	212	182	20,326
(-) Discontinued operation	(84)				(84)
(+) Additional provisions recognized (including interest and monetary adjustment)	9,045	5,893	1,618	882	17,438
(-) Reductions from remeasurement and unused amounts, reversed	(3,104)	(2,307)	(184)	(626)	(6,221)
(-) Payments	(5,673)	(4,107)	(198)	(282)	(10,260)
At December 31, 2022	13,613	5,982	1,448	156	21,199
At December 31, 2022 (US\$)	2,609	1,146	278	30	4,063

The provision for contingencies was calculated in accordance with the report on tax, civil, labor and environmental claims prepared based on the assessment of internal and external legal advisors and it takes into consideration the claims in which the Group companies are defendants and for which the loss is classified as more probable, that is, over a 50% probability of occurrence.

(a) Claims for which the chances of a loss are classified as possible

The Group's companies are parties to other proceedings that are in progress at the administrative and judicial levels before different courts for which the chances of a loss are considered possible and, for this reason, no provision for losses was recognized.

Civil claims - These refer to administrative and judicial proceedings indicated as civil claims that involve mainly claims arising from consumption relationship and civil liability, real estate matters and lawsuits that address compliance with regulatory, contractual and social security obligations amounting to R\$ 108,909 – US\$ 20,873 (2021 - R\$ 117,215), and comprise many different claims.

Labor claims - These refer to administrative and judicial labor proceedings. These proceedings address mainly payroll charges that are allegedly in default claimed by its own and outsourced employees filed with different courts, amounting to R\$ 34,775 – US\$ 6,665 (2021 – R\$ 28,416), and comprise many different claims.

Tax claims - These refer to administrative and judicial tax proceedings. These proceedings mainly relate to the payment of taxes, questioned due to the disagreement regarding the infraction notice or divergence of interpretation of the legislation by the Group, in the amount of R\$ 97,121 – US\$ 18,614 (2021 - R\$ 59,821), represented by sundry proceedings.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

The Federal Supreme Court (STF) issued a decision, on February 08, 2023, on the Extraordinary Appeals No. 955227 (Subject 885) and No. 949297 (Subject 881), and consolidated the understanding that a final and unappealable decision (res judicata) obtained by certain taxpayer regarding taxes paid on a continuous basis loses its effects if the Court issues a contrary decision on a subsequent date. In addition, the STF did not accept the request for the enforcement of the effects of the decision, accordingly, the tax authorities can collect taxes that were not paid based on such decisions. The Company assessed the effects of this decision and did not identify lawsuits that would be affected by this decision of the Supreme Court, since it was not issued judicial decisions that result in the suppression of its taxes for which the matter has subsequently been issued a contrary judgment by the Supreme Court, in a concentrated control of constitutionality action or under the general repercussion system. Moreover, the Company understands that the decision does not directly or indirectly applies to the Company and its subsidiaries for the base date December 31, 2022, and continues to monitor the evolution of the matter.

Environmental claims - These refer to administrative and judicial proceedings that involve mainly claims arising from affirmative and negative covenants that provide for fines for non-compliance in addition to the application of environmental penalties in the amount of R\$ 102,153 – US\$ 19,578 (2021 – R\$ 93,216), which are represented mainly by administrative assessments related to non-compliance with a commitment agreement.

In addition to the cases mentioned above, there is a follow-up of the request for nullity of the concession agreement of Maranhão, in which there was a lower court decision in a Public Civil Action of March 5, 2018, rendering the concession agreement of BRK Ambiental Maranhão S.A. null and void, and that on March 20, 2018, this lower court decision was suspended by the Court of Justice of the State of Maranhão until the ruling on the case. Also, in a Direct Action for the Declaration of Unconstitutionality (ADI) filed by the Prosecution Office (MP) challenging the law that authorized the concession (and which, in theory, could result in the annulment of the concession), the injunction requested was denied by the Court of Justice of Maranhão, which demonstrates that the majority of judges understood the constitutionality of the aforementioned law and the concession. The Prosecution Office challenged the denial of the preliminary injunction, and the Court of Justice of Maranhão confirmed the denial on June 30, 2021. Both proceedings will have their merits judged by the Court of Justice of Maranhão in the future, with no set date. If, in the future, a final decision determining the annulment of the concession agreement is handed down, the subsidiary would be entitled to claim indemnification, encompassing the unamortized investments, as well as the maintenance of the concession agreement until such indemnification is actually paid. Based on the opinion of its legal advisors, the Company assessed the two legal claims mentioned above (ACP and ADI) as low risk, supported also by a court decision for ACP issued in March 2018 by the judge-rapporteur of the appeals, therefore stabilized for five years, which prevents the effects of the decision from taking effect until the ruling on the case by the court. The suspensive decision is so consolidated that, in practice, its reversal before the ruling on the merit of the claims is unlikely, thus maintaining the concessionaire's operations.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Management believes that the procedures adopted by the defense are legally sound. We present below the breakdown of proceedings considered as possible loss:

	Consolidated				
	Civil claims	Labor claims	Tax	Environmental	Total
Company	100	2,679	40,334		43,113
Blumenau	4,037	322		111	4,470
Mauá	11,671	1,717	3,191		16,579
Porto Ferreira	110		211	41	362
Rio Claro	15	112	83		210
Santa Gertrudes	40	45	10	37	132
Sumaré	768	4,735	10	80	5,593
Uruguaiana	835	229			1,064
Maranhão	4,449	405		2,014	6,868
Digital		73	2		75
Mairinque	149	117	69	75	410
Caçador	18			15	33
RMM	18,432	684	1,276	1,374	21,766
BRK Negócios Industriais		102			102
Ecoaquia			168		168
Rio das Ostras	37	27	2,001	20,931	22,996
Saneatins	29,899	1,617	19,582	56,555	107,653
Macaé	3,256	2,995		44	6,295
RMR	18,261	13,880	12,088	5,714	49,943
Manso	2,382				2,382
Goiás	9,692	389	17,124	14,957	42,162
Cachoeiro	2,560	591	287	11	3,449
Jaguaribe		888			888
Capivari	1		77		78
Limeira	2,197	3,168	608	194	6,167
At December 31, 2022	108,909	34,775	97,121	102,153	342,958
At December 31, 2022 (US\$)	20,873	6,665	18,614	19,578	65,730

22 Current and deferred income tax and social contribution

(a) Breakdown of and changes in deferred income tax and social contribution

	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
Breakdown in the statement of financial position (non-current)				
Deferred tax assets			41,906	218,654
Deferred tax liabilities	(24,037)	(125,419)	(127,873)	(606,089)
	(24,037)	(125,419)	(87,518)	(394,529)

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilized, based on projections of future results prepared using internal assumptions and future economic scenarios that may, therefore, change. In accordance with projections prepared by the Company's Management, the expected future taxable profit permits the recovery of the existing deferred tax asset and settlement of the existing deferred tax liability in accordance with the estimate below:

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

Should there be relevant factors that change the projections, these projections will be reviewed in the respective years. The aforementioned credits can be offset against the future taxable profits of the Group and they do not expire.

		2022			
		Parent		Consolidated	
		US\$	R\$	US\$	R\$
Deferred tax assets					
Deferred tax assets to be recovered within 12 months					
Deferred tax assets to be recovered after 12 months		810	4,224	2,795	14,586
				128,126	668,520
		810	4,224	130,921	683,106
The expectation of realization of deferred tax assets per year is as follows:					
2023		810	4,224	2,795	14,586
2024				2,280	11,897
2025				3,405	17,764
2026				4,990	26,036
2027				5,593	29,182
2028				8,888	46,375
2029				9,711	50,669
2030				9,338	48,723
2031				11,200	58,440
2032				22,381	116,778
Other years				50,340	262,656
		810	4,224	130,921	683,106
		Parent		Consolidated	
		US\$	R\$	US\$	R\$
Deferred tax liabilities					
Deferred tax liabilities to be settled in up to 12 months					
Deferred tax liabilities to be settled after 12 months		(851)	(4,438)	(93,065)	(485,585)
		(23,996)	(125,205)	(125,374)	(654,162)
		(24,847)	(129,643)	(218,439)	(1,139,747)
The expectation of realization of deferred tax liabilities per year is as follows:					
2023		(851)	(4,438)	(93,065)	(485,585)
2024		(2,269)	(11,839)	(48,680)	(254,000)
2025		(851)	(4,438)	(4,841)	(25,260)
2026		(851)	(4,438)	(5,339)	(27,858)
2027		(851)	(4,438)	(8,175)	(42,653)
2028		(851)	(4,438)	(6,539)	(34,117)
2029		(851)	(4,438)	(11,535)	(60,187)
2030		(851)	(4,438)	(11,495)	(59,975)
2031		(851)	(4,438)	(6,350)	(33,135)
2032		(851)	(4,438)	(2,227)	(11,620)
Other years		(14,919)	(77,862)	(20,193)	(105,357)
		(24,847)	(129,643)	(218,439)	(1,139,747)
		(24,037)	(125,419)	(87,518)	(456,641)

**Notes to the individual and consolidated financial statements
at December 31, 2022**
(In thousands of reais and U.S. dollars, unless otherwise stated)

	Parent	
	2020	Recognized in the statement of profit or loss 2021
Deferred tax liabilities		
Business combinations surplus value (property and equipment and intangible assets)	(139,203)	6,341
Other temporary differences arising from Law No. 12,973	1,979	(132,862)
	(137,224)	3,010
		(127,873)

	Consolidated				
	2020	Recognized in the statement of profit or loss	Recognized directly in equity	Others	2021
Deferred tax assets					
Income tax and social contribution loss carryforwards	366,882	85,040			451,922
Provisions	34,333	(7,749)			26,584
Other temporary differences arising from Law No. 12,973	340	(104)			236
Goodwill (CVM Instruction No. 319/99)	481	(481)			
Law No. 9656 - Post-employment benefit obligations	10,077	1,353	(3,045)		8,385
IFRS 16	3,025	1,340			4,365
Total deferred tax assets	415,138	79,399	(3,045)		491,492
Offset under CPC 32 (IAS 12)	(234,023)			(45,909)	(279,932)
	181,115	79,399	(3,045)	(45,909)	211,560
Deferred tax liabilities					
Deferred income (governmental bodies)	(167,157)	(24,871)			(192,028)
Revenue from and costs of construction - concessions - intangible assets	(2,346)	(5,645)			(7,991)
Revenue from and costs of construction and finance income - concessions/financial asset contracts	(140,209)	(4,330)			(144,539)
Capitalization of interest and transaction costs	(237,654)	(64,527)			(302,381)
Difference in the amortization rate of intangible assets	(9,597)	364			(9,213)
Goodwill (CVM Instruction No. 319/99)	(4,889)	233			(4,656)
Business combinations surplus value (property and equipment and intangible assets)	(219,045)	10,881			(208,164)
Other temporary differences arising from Law No. 12,973	(20,825)	4,858			(15,967)
Other temporary differences arising from Law No. 12,973 - discontinued operations	245				245
IFRS 16	(426)	(901)			(1,327)
Total deferred tax liabilities	(802,103)	(83,918)			(886,021)
Offset under CPC 32 (IAS 12)	234,023			45,909	279,932
	(568,080)	(83,918)		45,909	(606,089)
Total	(386,965)	(4,519)	(3,045)		(394,529)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	Consolidated					
	2021	Recognized in the statement of profit or loss	Recognized directly in equity	Transfer to held for sale	Others	2022
	R\$				R\$	US\$
Deferred tax assets						
Income tax and social contribution loss carryforwards	451,922	189,521		(12,653)	120,511	628,790
Provisions	26,584	8,060		(128)	6,615	34,515
Other temporary differences arising from Law No. 12,973	236	(100)		48	35	184
Law No. 9656 - Post-employment benefit obligations	8,385	1,292	(1,795)	(9)	1,509	7,873
IFRS 16	4,365	497		(104)	912	4,758
Swap			6,986		1,339	6,986
Total deferred tax assets	491,492	199,270	5,191	(12,847)	130,921	683,106
Offset under CPC 32 (IAS 12)	(279,932)				(184,520)	(89,015)
	211,560	199,270	5,191	(12,847)	184,520	218,654
Deferred tax liabilities						
Deferred income (governmental bodies)	(192,028)	(28,759)			(42,315)	(220,787)
Revenue from and costs of construction - concessions - intangible assets	(7,991)	(6,949)		172	(2,830)	(14,768)
Revenue from and costs of construction and finance income - concessions/financial asset contracts	(144,539)	(29,928)			(33,438)	(174,467)
Capitalization of interest and transaction costs	(302,381)	(190,918)		340	(94,478)	(492,959)
Difference in the amortization rate of intangible assets	(9,213)	385			(1,692)	(8,828)
Goodwill (CVM Instruction No. 319/99)	(4,656)	232			(848)	(4,424)
Business combinations surplus value (property and equipment and intangible assets)	(208,164)	10,362		2,548	(37,421)	(195,254)
Other temporary differences arising from Law No. 12,973	(15,967)	1,502	(10)	(432)	(2,857)	(14,907)
IFRS 16	(1,327)	(390)			(329)	(1,717)
Swap		(11,881)			(2,278)	(11,881)
Other	245				47	245
Total deferred tax liabilities	(886,021)	(256,344)	(10)	2,628	(218,439)	(1,139,747)
Offset under CPC 32 (IAS 12)	279,932				184,520	89,015
	(606,089)	(256,344)	(10)	2,628	184,520	(675,295)
Total	(394,529)	(57,074)	5,181	(10,219)	(87,518)	(456,641)

Deferred tax assets are recognized for tax losses and temporary differences, in the proportion of the probability of the realization of the related tax benefit by means of future taxable profit and, for this reason, the Group did not recognize deferred tax assets in the amount of R\$ 217,881 – US\$ 41,758, accumulated through December 31, 2022, with respect to losses amounting to R\$ 640,826 – US\$ 122,818, arising mainly from the Company and subsidiaries BRK PNI, RDOPar and Ecoaqua Soluções, which may be offset against future taxable profit under applicable legislation. These losses, in spite of not being recognized, do not expire, in accordance with current legislation.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Reconciliation of the nominal rate with effective rate

The Group's income tax and social contribution, before income tax and social contribution, differ from the theoretical value that would be obtained with the use of the nominal income tax and social contribution rate applicable to the individual and consolidated profit, as follows:

	Parent			Consolidated		
	2022		2021	2022		2021
	US\$	R\$		US\$	R\$	
		(Note 29)			(Note 29)	
Profit before income tax and social contribution from continuing operations	6,119	31,921	81,802	27,765	144,865	156,149
Profit before income tax and social contribution from discontinued operations	(8,121)	(42,372)	(4,098)	(8,723)	(45,516)	(6,439)
Nominal rate	34%	34%	34%	34%	34%	34%
Income tax and social contribution at the nominal rate from continuing operations	(2,080)	(10,853)	(27,813)	(9,440)	(49,254)	(53,091)
Income tax and social contribution at the nominal rate from discontinued operations	2,761	14,406	1,393	2,966	15,475	2,189
Effect of permanent additions (exclusions)	(1,020)	(5,323)	35,771	(15,024)	(78,391)	(9,562)
Share of profit (loss) from continuing operations	15,525	81,007	50,777	(575)	(2,999)	(901)
Share of profit (loss) from discontinued operations	(2,957)	(15,430)	(2,251)			
Exclusions of discontinued operations				(2,550)	(13,305)	(706)
Tax incentives				2,253	11,755	11,710
Donations	(20)	(104)	(1,210)	(123)	(641)	(2,349)
Fines				(8)	(43)	(34)
Interest on capital	(318)	(1,660)		(139)	(723)	
Unrecognized deferred income tax and social contribution loss carryforwards (current year)	(11,773)	(61,426)	(9,547)	(13,274)	(69,262)	(15,757)
Unrecognized deferred income tax and social contribution loss carryforwards (prior years)						(64)
Others	(1,477)	(7,710)	(1,998)	(608)	(3,173)	(1,461)
Income tax and social contribution credit (expense)	(339)	(1,770)	9,351	(21,498)	(112,170)	(60,464)
Breakdown of income tax and social contribution:						
Current income tax and social contribution from continuing operations				(11,162)	(58,240)	(55,945)
Deferred income tax and social contribution from continuing operations	(339)	(1,770)	9,351	(10,939)	(57,074)	(6,861)
Deferred income tax and social contribution from discontinued operation				603	3,144	2,342
Income tax and social contribution credit (expense)	(339)	(1,770)	9,351	(21,498)	(112,170)	(60,464)
Effective rate	16.93%	16.94%	12.03%	-112.90%	-112.91%	-40.39%

23 Transactions with related parties

The following transactions were carried out with related parties:

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

			Parent			
			Current assets	Non-current assets	Non-current liabilities	Profit (loss)
					Related parties	General and administrative expenses
						Finance income (costs)
Annual effective interest rate	Maturity					2021
<u>Loan (i)</u>						
Araguaia	CDI + 4.5%	Dec/2025		2,009		
Ecoaquia	Selic 100%	Dec/2030			8,891	(374)
FAB, Zona Oeste	CDI + 3% to 5%	May/2022 to Jul/2022	15,688			534
Goiás	CDI + 2.25% to 5%	Jan/2022	65,303			2,818
Goiás	CDI + 2% to 5%	Jan/2023 to Dec/2038		157,310		7,402
Limeira	CDI + 2% to 5%	Dec/2039		2,246		152
Macaé	CDI + 3.5%	Dec/2038		85,971		7,715
Manso	CDI + 4%	Dec/2027		82,393		6,493
Maranhão	CDI + 2% to 5%	Dec/2040		38,814		8,535
Porto Ferreira	CDI + 1.5% to 5%	Jan/2023 to Dec/2033		21,714		1,088
RMR						5,535
Saneatins	CDI + 1.7% to 4.75%	Jan/2023 to Dec/2038		359,101		26,791
Santa Gertrudes	CDI + 3% to 5%	Dec/2037		8,387		516
Sumaré						407
Uruguiana	CDI + 2.25% to 5%	Jan/2022	1,680			170
Uruguiana	CDI + 2% to 5%	Jan/2023 to Dec/2037		55,299		3,588
			82,671	813,244	8,891	71,370
<u>Other related parties (ii)</u>						
Araguaia				11,971		88
Blumenau				1,256		5,621
BRK Negócios Industriais				110		37
Caçador				1,562		2,512
Cachoeiro				1,644		8,784
Centro Norte Participações				15,694		259
F. AB, Zona Oeste			12	1,025	12	11,019
Goiás				35,600		21,913
Jaguaribe				914		4,915
Limeira				15,159		15,347
Macaé				11,770		7,707
Maceió				9,386		18,841
Manso				776		8,397
Maranhão				46,102		10,335
Mauá				949	100	7,800
Porto Ferreira				8,881		3,060
RDOP				37,430	45	6,406
RMR				43,561		31,255
Saneatins				170,487		53,757
Sumaré				3,034		10,563
Uruguiana				16,754		6,915
Others				19,675	48	6,539
			12	453,740	205	242,070
			82,683	1,266,984	9,096	134,057

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements

at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	Annual effective interest rate	Maturity	Parent			
			Current assets	Non-current assets	Non-current liabilities	Profit (loss)
					Related parties	General and administrative expenses
						Finance income (costs)
						2022
<u>Loan (i)</u>						
Araguaia	CDI + 3.77 to 4.77%	Dec/2025		53		
Blumenau	CDI + 3.77% to 4.77%	Dec/2028		10,434		243
Caçador	CDI + 3.77% to 4.77%	Dec/2025		1,010		6
Ecoaquia	Selic 100%	Dec/2030			9,640	(1,079)
F. AB. Zona Oeste	CDI + 3.77% to 4.77%	Dec/2023	5,055			33
F. AB. Zona Oeste	CDI + 3% to 5%	Dec/2024		18,329		2,507
Goiás	CDI + 2.25% to 5%	Jan/2023 to Mar/2023	43,784			10,077
Goiás	CDI + 2% to 5%	Jan/2024 to Dec/2038		238,079		28,152
Limeira	CDI + 3.77% to 4.77%	Dec/2024		15,079		30
Macaé	CDI + 3.5%	Dec/2038		35,149		4,973
Manso	CDI + 4%	Dec/2027		96,276		13,883
Maranhão	CDI + 2% to 5%	Dec/2040		45,709		6,894
Porto Ferreira	CDI + 1.5% to 5%	Dec/2033		32,681		3,426
RMR	CDI + 3.77% to 4.77%	Jan/2025		32,857		1,773
RMM	CDI + 3.77% to 4.77%	Dec/2024		37,022		992
Saneatins	CDI + 1.7% to 4.77%	Dec/2038		467,357		58,791
Santa Gertrudes	CDI + 3% to 5%	Dec/2037		11,597		1,350
Sumaré	CDI + 3.77% to 4.77%	Dec/2027		7,262		281
Uruguiana	CDI + 2% to 5%	Dec/2037		33,361		9,561
			48,839	1,082,255	9,640	141,893
<u>Other related parties (ii)</u>						
Araguaia				263		
Blumenau				3,399	6,018	1,287
BRK Negócios Industriais				167	118	
Caçador				3,685	2,874	886
Cachoeiro				1,665	9,693	
Centro Norte Participações				17,727	166	1,867
F. AB. Zona Oeste				11,058	13,556	
Goiás				45,421	24,446	
Jaguaribe				933	4,931	
Limeira				8,756	16,527	3,059
Macaé				21,592	7,000	2,822
Manso				698	8,303	
Maranhão				58,661	12,030	528
Mauá				1,738	8,679	30
Porto Ferreira				12,367	3,487	
RDOP				21,846	6,595	3,436
RMR				76,652	35,023	13,855
Saneatins				233,963	59,834	3,642
Sumaré				17,544	11,654	3,880
Uruguiana				25,110	7,356	1,000
BRK Projetos Ambientais				9,788	225	
RMM				70,077	39,863	31,588
Others				13,445	7,340	8
				656,555	285,718	67,888
			48,839	1,738,810	9,640	285,718
						209,781
In US\$			9,360	333,252	1,848	54,759
						40,205

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements

at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

			Consolidated			
			Current assets	Non-current assets	Non-current liabilities	Profit (loss)
					Related parties	General and administrative expenses
						Finance income (costs)
Annual effective interest rate	Maturity					2021
<i>Loan (i)</i>						
Joint ventures						
F. AB. Zona Oeste	CDI + 3% to 5%	May/2022 to Jul/2022	15,688			534
Related companies						
CCB	CDI + 2% to 5%	Jan/2023 to Dec/2038			103,546	(4,595)
			15,688		103,546	(4,061)
<i>Other related parties (ii)</i>						
Joint ventures						
F. AB. Zona Oeste			12	1,025	456	10,576
			12	1,025	456	10,576
Related companies						
CCB				1,556		700
Others				7		30
				1,563		44,799
						44,799
			12	2,588	456	55,375
			15,700	2,588	104,002	55,375
						(3,331)

**Notes to the individual and consolidated financial statements
at December 31, 2022**
(In thousands of reais and U.S. dollars, unless otherwise stated)

Loan agreements maintained between the Company and its subsidiaries represent usual and recurring transactions, such as the coverage of operating cash deficits, performance of investments and compliance with the financial obligations provided for in loan, borrowing and debenture contracts of these subsidiaries. The remuneration and maturity of these agreements are presented in the table above and their classification in current and non-current assets and liabilities takes into consideration the maturity term established in each agreement, in accordance with the general criteria provided for in IAS 01/CPC 26. The loan agreements outstanding at December 31, 2022, classified in current assets, have, substantially, the same characteristics as the bridge loans made to subsidiaries whose projects for investment in infrastructure have the Company as sponsor and follow the investment schedule of the concessions.

This refers mainly to the apportionment of expenses, in accordance with the agreement between the parties, with no financial charges and with an undetermined maturity date.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(a) Compensation of key management personnel

Key management personnel include members of the Board of Directors and executive officers. The compensation paid or payable to key management personnel for services provided is presented below:

	Consolidated		
	2022		2021
	US\$		R\$
Salaries and other short-term benefits	2,895	15,106	13,471
Post-employment benefits	34	175	139
Other long-term benefits	166	864	265
	<u>3,095</u>	<u>16,145</u>	<u>13,875</u>

(b) Lease liabilities with related parties

Lessor	Lessee	Maturity	Consolidated		
			2022		2021
			US\$	R\$	R\$
Company	Ouro Verde	May/2024	13	69	
Rio Claro	Ouro Verde	Jun/2024 to Mar/2025	246	1,285	1,531
Rio das Ostras	Ouro Verde	Jan/2023 to Feb/2024	24	126	159
Mauá	Ouro Verde	Mar/2024 to Oct/2024	389	2,031	3,061
Blumenau	Ouro Verde	Aug/2024 to Apr/2027	227	1,184	1,036
Santa Gertrudes	Ouro Verde	Aug/2024 to Dec/2025	166	864	690
Mairinque	Ouro Verde	Apr/2025 to Apr/2025	143	748	
Uniguaiana	Ouro Verde	Aug/2024 to Jul/2027	178	928	592
Porto Ferreira	Ouro Verde	Aug/2024 to Feb/2026	145	756	330
Saneatins	Ouro Verde	Aug/2024	1,384	7,221	7,612
Araguaia (I)	Ouro Verde	Aug/2024			741
Maranhão	Ouro Verde	Aug/2024 to Aug/2025	900	4,695	2,709
Sumaré	Ouro Verde	Aug/2024	640	3,339	3,511
Caçador	Ouro Verde	Jun/2024 to Oct/2024	200	1,046	1,105
RMM	Ouro Verde	Apr/2024 to Mar/2025	1,739	9,076	7,075
Macaé	Ouro Verde	Feb/2023 to May/2024	48	252	265
RMR	Ouro Verde	Jun/2024 to Aug/2024	2,438	12,720	11,267
Manso	Ouro Verde	Mar/2024	43	224	220
Goias	Ouro Verde	Jul/2024 to Jan/2025	2,103	10,973	9,531
Limeira	Ouro Verde	Aug/2024 to Oct/2024	748	3,895	3,910
Jaguaribe	Ouro Verde	Apr/2025	17	90	
Cachoeiro	Ouro Verde	May/2024 to Aug/2024	77	400	1,100
Total			<u>11,868</u>	<u>61,922</u>	<u>56,445</u>
Current			<u>6,640</u>	<u>34,643</u>	<u>18,689</u>
Non-current			<u>5,228</u>	<u>27,279</u>	<u>37,756</u>
			<u>11,868</u>	<u>61,922</u>	<u>56,445</u>

(i) Transfer to discontinued operation (Note 1.1 (a) (ii)).

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Other related parties

	Non-current assets		Non-current liabilities		Profit (loss)	
	Contract assets		Trade payables		Operating costs/ expenses	
	2022	2021	2022	2021	2022	2021
Other related parties - Brookfield Group						
Brookfield Brasil Ltda (i)					582	2,859
Ascenty Data Centers e Telecomunicações (ii)				51	632	653
Brookfield Energia Comercializadora Ltda (iii)					12,352	12,553
Ferrovias Norte Sul S.A. (iv)					57	
Brookfield Brasil Asset Management (vi)			326		663	
			326	51	14,286	16,065
Non-controlling interests						
CCB (v)	181,823	123,231	4,481	546		
	181,823	123,231	4,481	546		
	181,823	123,231	4,807	597	14,286	16,065
In US\$	34,847	23,618	921	114	2,738	3,079

- (i) On August 1, 2018, the Company signed an agreement for reimbursement of expenses with Brookfield Brasil Ltda. with maturity on July 13, 2021.
- (ii) On May 11, 2020, the Company signed an agreement for data center and IT infrastructure services with maturity on May 11, 2023.
- (iii) On June 17, 2020, direct subsidiaries Blumenau and Uruguaiana and indirect subsidiaries RMR and Saneatins signed an agreement for the supply of electric energy with maturity on December 31, 2031.
- (iv) On September 16, 2020, indirect subsidiary Saneatins signed an underground right of way construction service agreement with maturity until the end of the subconcession agreement.
- (v) During 2020 and 2021, indirect subsidiary Goiás signed agreements for infrastructure construction with maturity on October 16, 2023.
- (vi) On August 3, 2022, the Company signed a service sharing agreement with Brookfield Brasil Asset Management Investimentos Ltda., with retroactive effect to July 15, 2022 and expiring on December 31, 2022.

In addition to the above transactions with related parties of the Brookfield Group, the Company has lease operations (Note 16.3) with Ouro Verde.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

24 Employee benefits

		Parent		Consolidated			
Note		2022	2021	2022	2021		
		US\$	R\$	US\$	R\$		
Actuarial liability	24.1	334	1,745	1,971	4,765	24,869	26,631
Long-term incentives	24.2	434	2,262	1,265	932	4,855	2,517
		768	4,007	3,236	5,697	29,724	29,148

24.1 Actuarial liability

Post-employment health care plan

(i) Actuarial assumptions

	2022	2021
Discount rate - actual rate (NTN-B)	6.40% p.a.	5.30% p.a.
Inflation rate	4.25% p.a.	3.50% p.a.
Medical inflation rate	3.00% p.a.	3.00% p.a.
Increase by age	3.00% p.a.	3.00% p.a.
Estimated plan stay rate	15%	15%
Turnover	0.60 (Length of service +1)	0.60 (Length of service +1)
Mortality table	AT-2000 smoothed by 10%	AT-2000 smoothed by 10%
Disability table	Álvaro Vindas	Álvaro Vindas
Disability mortality table	IAPB-57	IAPB-57
Age for retirement	100% at the age of 60	100% at the age of 60

(ii) Changes

	Parent				Consolidated	
	2022	2021	2022	2021		
	US\$	R\$	US\$	R\$		
Continuing operations						
At the beginning of the year	378	1,971	3,857	5,104	26,631	33,493
(-) Discontinued operation				(9)	(47)	
(+) Addition of principal	54	284	352	370	1,933	2,211
(+) Addition of interest	34	178	280	449	2,345	2,400
(-) Remeasurement of gains (losses) recognized in other comprehensive income	(132)	(688)	(2,518)	(1,149)	(5,993)	(11,473)
At the end of the year	334	1,745	1,971	4,765	24,869	26,631

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

24.2 Long-term incentives

The long-term incentive program (Matching Program) refers to the bonuses of eligible executives appointed by the Company's management, the main assumptions of which are to increase the ability to attract and retain professionals, as well as stimulate the commitment of the eligible executives to the Group's strategy, aligning interests and creating value for the business. The duration of the program (cycle) is three years starting in 2021, with a possibility of yearly adhesions, following the program's cycle.

The Matching Program is optional and is based on the acquisition of "virtual shares" based on the investment of the eligible executives, limited to a percentage of their Profit Sharing and/or Bonuses for the last year before the program. For the virtual shares acquired and maintained for a period of three years, the Company will grant the same number of virtual shares initially acquired, annually adjusted by the Company's valuation as a reference. The shares can be fully redeemed in cash as a bonus and the conversion of the virtual shares into common or preferred shares of the Company is not possible.

At December 31, 2022, the amount of long-term incentives liability in the Company and its subsidiaries and the related impact on profit or loss is R\$ 2,262 – US\$ 434 (2021 - R\$ 1,265) in parent and R\$ 4,855 – US\$ 930 (2021 - R\$ 2,517) in consolidated.

25 Equity

(a) Capital

	Type of shares	Equity interest %		Issued capital		Number of shares		
		2022	2021	2022	2021	2022	2021	
				US\$	R\$			
BR Ambiental Fundo de Investimento em Participações Multiestratégia Investment fund of the Severance Pay Fund (FI-FGTS)	ON	70.00	70.00	537,816	2,806,164	2,806,164	1,852,409,346	1,852,409,346
	ON	30.00	30.00	230,493	1,202,642	1,202,642	793,889,719	793,889,719
				768,309	4,008,806	4,008,806	2,646,299,065	2,646,299,065

(b) Legal reserve

This reserve is annually established through the appropriation of 5% of profit for the year until the reserve equals 20% of total capital or until its balance, plus capital reserves, exceeds 30% of total capital. The purpose of the legal reserve is to ensure capital integrity and it may only be used to offset losses and increase capital.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Revenue reserve

This reserve refers to the retention of the remaining balance of retained earnings as permitted by Article 202, paragraph 3, of Law No. 6,404/76.

(d) Dividends

The dividends are subject to the approval of shareholders at the General Shareholders' Meeting and are calculated under the terms of Brazilian Corporate Law, particularly the provisions in Articles 196 and 197.

Under the terms of the Bylaws, a minimum mandatory dividend of 25% of profit, calculated under the terms of Brazilian legislation, will be attributed, every financial year, to the holders of any kind of shares.

At December 31, 2022, there was no distribution of dividends due to the loss for the year in the amount of R\$ 12,221 – US\$ 2,342. At December 31, 2021, the distribution of minimum mandatory dividends amounted to R\$ 21,648 – US\$ 4,149 and its retention was approved by the shareholders on April 18, 2022.

(e) Basic earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of common shares outstanding in the period. Additionally, the Company does not have treasury shares.

	Parent and consolidated	
	2022	2021
	US\$	R\$
		(Note 29)
Profit attributable to equity holders of the parent - continuing operations	5,780	30,151
Loss attributable to equity holders of the parent - discontinued operations	(8,121)	(42,372)
		(6)
Weighted average number of common shares issued (thousands)	2,646,299	2,646,299
		2,646,299
Basic earnings per share (in R\$) - continuing operations	0.0114	0.0114
Basic loss per share (in R\$) - discontinued operations	(0.0160)	(0.0160)
		(0.0000)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(f) Diluted earnings (loss) per share

For the Parent, diluted earnings (loss) per share are calculated by adjusting to the weighted average the number of common shares outstanding, assuming the conversion of all potential preferred shares that would cause dilution.

The Company only has the categories of potential preferred shares that would cause dilution: stock options (Note 25 (h)).

	Parent and consolidated	
	2022	2021
	US\$	R\$
		(Note 29)
Profit attributable to equity holders of the parent - continuing operations	5,780	30,151
Loss attributable to equity holders of the parent - discontinued operations	(8,121)	(42,372)
		(6)
Weighted average number of common shares issued (thousands)	2,646,299	2,646,299
Adjustments for:		
Share options	14,227	14,227
		14,227
Weighted average number of common shares for diluted earnings per share (thousands)	2,660,526	2,660,526
		2,660,526
Basic earnings per share (in R\$) - continuing operations	0.0113	0.0113
Basic loss per share (in R\$) - discontinued operations	(0.0159)	(0.0159)
		(0.0000)

(g) Carrying value adjustment

Post-employment benefit obligations

In the year ended December 31, 2022, there was the remeasurement in the amount of R\$ 4,221 – US\$ 809 (2021 – 8,501) from continuing operations and the amount of R\$ 14 – US\$ 3 from discontinued operations, based on the evaluation carried out by independent actuaries, with the amounts recorded in other comprehensive income and the expenses were recorded as finance costs and expenses with services.

Hedge accounting

The amounts of R\$ 8,199 – US\$ 1,571 and R\$ 13,561 – US\$ 2,599 refer to the effective portion of the net variation in the fair value of cash flow hedge instruments (Notes 17 and 22 (a)).

	Parent		Consolidated	
	US\$	R\$	US\$	R\$
At January 1, 2022				
Cash flow hedge	2,381	12,423	3,938	20,547
Income tax and social contribution on hedge	(810)	(4,224)	(1,339)	(6,986)
At December 31, 2022	1,571	8,199	2,599	13,561

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

(h) Investment program

On January 24, 2020, the Company approved at an Extraordinary General Shareholders' Meeting the Company's Investment Program ("Program") aimed at some key executives of the Company's senior management ("Eligible Investors"). The purpose of the Program is to motivate, retain and align the interests of shareholders with the interests of executives, maximize the value of the Company and allow for the achievement of its objectives.

The Program consists of the onerous offer of purchase options or subscription of preferred shares ("Options") to the Eligible Investors, who may voluntarily choose whether or not to acquire them. The Option price is determined based on the Black-Scholes-Merton ("BSM") economic model. The BSM method was applied by a specialized and independent consulting firm, taking into consideration the variables of Brazilian capital markets and of the Brazilian and international sanitation industry, considering the assumptions established by the investment program such as: (i) estimated term for the liquidity event, (ii) strike price of the option applied on the base date of the option granting, plus annual carry fee, (iii) expected volatility in the value of options determined by the history of companies comparable to the Company for the reference period, (iv) dividend rate that reflects the average of comparable companies for the reference period and (v) risk-free rate determined by the DI swap curve on the grant date informed by B3.

Through the offer of Options by means of specific investment plans approved by the Board of Directors ("Plan"), the Eligible Investors will have the possibility to, voluntarily, acquire shares of the Company with a previously established term and price.

The Program is limited to the offer of Options representing up to 3% of the Company's total capital, taking into consideration the effect of the dilution arising from the exercise of all options granted and not yet exercised within the Program.

The Options will become exercisable under the Program and the Plan in the proportion of 20% (twenty percent) a year as from the first year of the date of the offer for a period of five (5) years. The Options offered under this Program will remain valid from the first (1st) anniversary of the date of the offer until the 10th anniversary of the date of the offer. After this period, the unexercised Options will be cancelled.

In May 2020, the Eligible Investors acquired the stock options for the total amount of R\$ 3,841 – US\$ 736, following the program's assumptions. In December 2022, the same Eligible Investors assumed the commitment to complement the value of the options acquired in the amount of R\$ 1,707 – US\$ 327, following the Program's assumptions.

The contra-entry of the amount paid by the Eligible Investors that chose to join the Plan was recorded in a capital reserve in the Company's equity. When they are exercised, they will be settled through the issuance of new shares whereas the current shareholders will continue to hold common shares.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

26 Profit (loss) for the year

(a) Revenue

The reconciliation of gross revenue with net revenue is as follows:

	Consolidated		
	2022		2021
	US\$		R\$
			(Note 29)
Water revenue	250,581	1,307,455	986,339
Sewage revenue	311,844	1,627,106	1,304,774
Sales revenue	784	4,092	6,903
Revenue from construction	331,987	1,732,209	1,326,475
Revenue from financial assets	36,899	192,530	101,736
Other services	2,555	13,335	7,756
	934,650	4,876,727	3,733,983
Taxes and contributions on services and sales	(63,177)	(329,638)	(251,014)
Rebates and cancellations	(13,129)	(68,505)	(42,399)
	858,344	4,478,584	3,440,570

The breakdown of net revenue is as follows:

	Consolidated		
	2022		2021
	US\$		R\$
			(Note 29)
Water revenue	222,067	1,158,678	879,767
Sewage revenue	275,408	1,436,995	1,155,643
Sales revenue	784	4,092	6,903
Revenue from construction	323,738	1,689,166	1,297,163
Revenue from financial assets	33,792	176,317	93,338
Other services	2,555	13,336	7,756
	858,344	4,478,584	3,440,570

There are no customers that individually represent more than 10% of the Group's net revenue, except for subsidiary RMR, because it is a concession classified as a financial asset and for a specific purpose, in which billing is carried out with COMPESA (Grantor) and represents 17% of the total.

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Revenue from construction

Net revenue from construction and construction cost are related to long-term concession agreements and are associated with the respective rights according to the type of asset (intangible assets or financial asset), as follows:

Company	Net revenue from construction				Construction cost				Construction margin			
	2022		2021		2022		2021		2022		2021	
	US\$	R\$	US\$	R\$	US\$	R\$	US\$	R\$	US\$	R\$	US\$	R\$
	(Note 29)				(Note 29)				(Note 29)			
Intangible assets												
Rio Claro	2,791	14,565	12,744	(2,736)	(14,274)	(12,489)	55	291	255			
Mauá	1,383	7,216	6,412	(1,355)	(7,071)	(6,283)	28	145	129			
Blumenau	11,192	58,395	34,001	(10,968)	(57,226)	(33,321)	224	1,167	860			
Santa Gertrudes	886	4,622	2,183	(868)	(4,529)	(2,140)	18	93	43			
Mairinque	991	5,170	8,206	(971)	(5,067)	(8,042)	20	103	164			
Uniguaiana	9,973	52,038	47,268	(9,774)	(50,997)	(46,322)	199	1,041	946			
Ponto Ferreira	2,863	14,940	6,599	(2,806)	(14,641)	(6,467)	57	299	132			
Saneatins	59,067	308,300	234,492	(57,906)	(302,134)	(229,802)	1,181	6,166	4,690			
Maranhão	11,643	60,747	44,411	(11,411)	(59,539)	(43,523)	232	1,208	888			
Sumaré	9,476	49,445	43,755	(9,287)	(48,459)	(42,682)	189	966	873			
Goias	70,076	365,633	306,951	(68,674)	(358,320)	(299,832)	1,402	7,313	6,119			
Macaé	6,332	33,040	56,324	(6,205)	(32,379)	(55,197)	127	661	1,127			
Caçador	3,582	18,691	13,570	(3,511)	(18,317)	(13,299)	71	374	271			
Limeira	8,573	44,733	36,349	(8,402)	(43,836)	(35,622)	171	895	727			
Cachoeiro	1,818	9,487	12,804	(1,782)	(9,297)	(12,549)	36	190	255			
RMM	42,328	220,854	146,818	(41,481)	(216,437)	(143,882)	847	4,417	2,936			
Subtotal intangible assets	242,994	1,267,876	1,011,887	(238,137)	(1,242,527)	(991,652)	4,857	25,349	20,235			
Financial assets												
Rio das Ostras	1,169	6,097	6,209	(1,142)	(5,960)	(8,068)	27	137	141			
RMR	77,594	404,863	273,369	(75,884)	(395,940)	(267,335)	1,710	8,923	6,024			
Manso	1,210	6,314	3,035	(1,183)	(6,175)	(2,988)	27	139	67			
Jaguaripe	770	4,016	2,541	(753)	(3,927)	(2,485)	17	89	56			
Cachoeiro			132		(146)				(14)			
Subtotal financial assets	80,743	421,290	285,276	(78,962)	(412,002)	(279,002)	1,781	9,288	6,274			
Total	323,737	1,689,166	1,297,163	(317,099)	(1,654,529)	(1,270,654)	6,638	34,637	26,509			

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

(c) Expenses by nature

Note	Parent		Consolidated	
	2022	2021	2022	2021
	US\$	R\$	US\$	R\$
		(Note 29)		(Note 29)
Continuing operations				
Classified by nature:				
Construction cost			(317,099)	(1,654,529)
Personnel				(1,270,654)
Compensation	(29,598)	(154,436)	(77,142)	(331,825)
Salaries and payroll charges	(7,436)	(38,798)	(22,187)	(94,367)
Benefits	(4,078)	(21,277)	(22,524)	(99,004)
	(41,112)	(214,511)	(121,853)	(635,791)
Materials				(525,196)
Services	(113)	(589)	(61,464)	(189,829)
Rentals and maintenance fees	(615)	(3,210)	(6,855)	(31,972)
Electric energy			(31,340)	(145,436)
Maintenance	(1,723)	(8,988)	(7,639)	(37,470)
Audit, consulting and advisory services	(8,956)	(46,731)	(14,890)	(72,219)
Services by individuals and legal entities	(9,606)	(50,121)	(36,045)	(162,683)
Others	(1,229)	(6,413)	(4,341)	(22,191)
	(22,129)	(115,463)	(101,110)	(471,971)
Taxes, fees and contributions	(340)	(1,776)	(8,295)	(40,427)
Related parties	54,759	285,718	12,830	55,375
Insurance	(160)	(835)	(1,994)	(8,520)
Depreciation and amortization	(12,051)	(62,879)	(86,492)	(322,150)
(+) PIS/Colins credit from operating costs	193	1,005	6,139	22,552
Travels	(893)	(4,660)	(2,179)	(7,528)
Allowance for expected credit losses			(9,835)	(37,316)
Others	470	2,452	4,133	(11,708)
	(21,376)	(111,538)	(687,219)	(2,807,372)
Classified by function:				
Cost of services and sales			(566,574)	(2,254,688)
General and administrative expenses	(22,433)	(117,055)	(130,767)	(571,832)
Other income	1,057	5,517	10,122	19,148
	(21,376)	(111,538)	(687,219)	(2,807,372)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

(d) Finance result

Note	Parent				Consolidated	
	2022		2021		2022	2021
	US\$	R\$	US\$	R\$	US\$	R\$
		(Note 29)		(Note 29)		
Continuing operations						
Finance income						
Income from financial investment	11,372	59,337	25,293	26,004	135,683	72,083
Related parties	23	40,412	210,860	134,431	487	2,540
Monetary variations		218	1,135	206	1,377	7,186
Transactions of derivative financial instruments		220	1,149		545	2,842
Foreign exchange variation on derivative financial instruments		10,942	57,093		19,814	103,386
Swap of derivative financial instruments		1,394	7,271		2,129	11,109
Late payment fine					4,556	23,773
Late payment interest					4,226	22,050
Foreign exchange variation		6,139	32,032	73	11,387	59,414
Conditional discounts obtained		1	7	(15)	(14)	(71)
(-) Taxes on finance income (Pis and Cofins)		(2,425)	(12,657)	(7,472)	(4,427)	(23,104)
		68,273	356,227	152,516	66,084	344,808
						100,252
Finance costs						
Bank commissions		(6,150)	(32,090)	(903)	(10,286)	(53,667)
Interest expenses		(53,413)	(278,694)	(126,199)	(125,492)	(654,782)
Related parties	23	(207)	(1,079)	(374)	(4,539)	(23,682)
Tax on financial transactions		(324)	(1,693)	(18)	(4,516)	(23,561)
Transactions of derivative financial instruments		(889)	(4,639)		(2,322)	(12,114)
Foreign exchange variation on derivative financial instruments		(6,101)	(31,835)		(11,340)	(59,171)
Swap of derivative financial instruments		(4,727)	(24,665)		(7,532)	(39,302)
Discounts granted			2		(7,130)	(37,201)
Adjustment to present value		(668)	(3,487)	(2,742)	(6,942)	(35,699)
Late payment fine and interest		(37)	(193)	(462)	(707)	(3,686)
Foreign exchange variation		(10,994)	(57,366)		(19,931)	(103,996)
Interest post-employment benefit obligations		(34)	(178)	(280)	(449)	(2,345)
Others		(2,897)	(15,107)	(11,055)	(6,667)	(34,788)
		(86,441)	(451,024)	(142,033)	(207,753)	(1,083,994)
						(574,656)
Finance result, net		(18,168)	(94,797)	10,483	(141,669)	(739,186)
						(474,404)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements

at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

27 Segments

The Group operates in the Water and Wastewater segment all over the country, through public concession contracts, public-private partnerships, provision of services, among others.

(a) Reconciliation of the result of the segment with the accounting result

	In thousands of reais				
	Consolidated				
	2021 (Note 29)				
	Water and wastewater	Holding and others	Adjustments and eliminations	Total from continuing operations	Total from continuing and discontinued operations
Net service and sales revenue	3,440,580	99	(109)	3,440,570	3,440,570
Costs of services and sales	(2,254,728)		40	(2,254,688)	(2,254,688)
Gross profit	1,185,852	99	(69)	1,185,882	1,185,882
General and administrative operating expenses	(476,062)	(95,770)		(571,832)	(571,832)
Other operating income (expenses), net	17,719	1,429		19,148	19,148
Operating profit (loss)	727,509	(94,242)	(69)	633,198	633,198
Share of profit (loss) of subsidiaries and joint ventures		348,629	(351,274)	(2,645)	(2,645)
Finance income	76,871	171,234	(147,853)	100,252	100,252
Finance costs	(550,998)	(171,511)	147,853	(574,656)	(574,656)
Current income tax and social contribution	(54,977)	(968)		(55,945)	(55,945)
Deferred income tax and social contribution	(21,388)	14,527		(6,861)	(6,861)
Loss for the year from discontinued operations					(6)
Profit (loss) for the year	177,017	267,669	(351,343)	93,343	93,337

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements

at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

	In thousands of reais				
	Consolidated				
	2022				
	Water and wastewater	Holding and others	Adjustments and eliminations	Total from operations	Total from continuing and discontinued operations
Net service and sales revenue	4,478,584			4,478,584	4,478,584
Costs of services and sales	(2,956,214)			(2,956,214)	(2,956,214)
Gross profit	1,522,370			1,522,370	1,522,370
General and administrative expenses	(546,347)	(135,963)		(682,310)	(682,310)
Other income	47,302	5,511		52,813	52,813
Operating profit (loss)	1,023,325	(130,452)		892,873	892,873
Share of profit (loss) of subsidiaries and joint ventures		523,597	(532,419)	(8,822)	(8,822)
Finance income	99,186	548,245	(302,623)	344,808	344,808
Finance costs	(740,078)	(645,742)	301,826	(1,083,994)	(1,083,994)
Current income tax and social contribution	(57,221)	(1,019)		(58,240)	(58,240)
Deferred income tax and social contribution	(56,483)	(591)		(57,074)	(57,074)
Provision for losses on investments classified as held for sale, in the parent company				(39,134)	(39,134)
Loss for the year from discontinued operations				(3,238)	(3,238)
Profit (loss) for the year	268,729	294,038	(533,216)	29,551	(12,821)

	In thousands of U.S. dollars				
	Consolidado				
	2022				
	Water and wastewater	Holding and others	Adjustments and eliminations	Total from operations	Total from continuing and discontinued operations
Net service and sales revenue	858,344			858,344	858,344
Costs of services and sales	(566,574)			(566,574)	(566,574)
Gross profit	291,770			291,770	291,770
General and administrative expenses	(104,710)	(26,057)		(130,767)	(130,767)
Other income	9,066	1,056		10,122	10,122
Operating profit (loss)	196,126	(25,001)		171,125	171,125
Share of profit (loss) of subsidiaries and joint ventures		100,350	(102,041)	(1,691)	(1,691)
Finance income	19,010	105,073	(57,999)	66,084	66,084
Finance costs	(141,840)	(123,760)	57,847	(207,753)	(207,753)
Current income tax and social contribution	(10,968)	(195)		(11,163)	(11,163)
Deferred income tax and social contribution	(10,825)	(113)		(10,938)	(10,938)
Provision for losses on investments classified as held for sale, in the parent company				(7,500)	(7,500)
Loss for the year from discontinued operations				(621)	(621)
Profit (loss) for the year	51,503	56,354	(102,193)	5,664	(2,457)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

(b) Other gains and losses

In thousands of reais				
				2021 (Note 29)
	Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>				
Water and wastewater	(267,689)	76,871	(408,293)	(76,365)
Other segments (Services / Holding company)	(54,461)	23,381	(166,363)	13,559
	(322,150)	100,252	(574,656)	(62,806)

In thousands of reais				
				2022
	Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>				
Water and wastewater	(372,022)	99,185	(441,540)	(113,704)
Holding and others	(79,269)	245,623	(642,454)	(1,610)
	(451,291)	344,808	(1,083,994)	(115,314)

In thousands of U.S. dollars				
				2022
	Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>				
Water and wastewater	(71,300)	19,009	(84,623)	(21,792)
Holding and others	(15,192)	47,075	(123,130)	(309)
	(86,492)	66,084	(207,753)	(22,101)

(c) Assets

	In thousands of reais			In thousands of U.S dollars			In thousands of reais		
	2022			2022			2021		
	Total assets	Investments in joint ventures	Additions to non-current assets	Total assets	Investments in joint ventures	Additions to non-current assets	Total assets	Investments in joint ventures	Additions to non-current assets
Water and wastewater	14,022,097	71,308	1,495,815	2,687,410	13,667	286,681	12,164,619	80,050	2,427,397
Holding company and others	1,742,416		1,744,661	333,944		334,374	1,463,251		495,739
	15,764,513	71,308	3,240,476	3,021,354	13,667	621,055	13,627,870	80,050	2,923,136

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

28 Insurance

The identification, mitigation and management of risks and contracting of insurance are addressed by the Company in compliance with parameters and coverage established by management.

At December 31, 2022, the Group had contracted insurance policies to cover mainly buildings and installations, guarantees of the agreements signed related to the provision of services, in addition to civil liability insurance for engineering and operational risks and guarantee of compliance with the obligations of the concession agreement, summarized as follows:

Type of coverage	Consolidated		
	2022		2021
	US\$		R\$
Contract guarantee	161,240	841,303	775,995
Aviation insurance (drone)	435	2,272	1,721
Legal guarantee	7,207	37,602	11,749
Civil liability	201,238	1,050,000	1,050,000
Engineering risk	464,154	2,421,815	2,255,407
Sundry risks	3	16	16
Operational risks	998,792	5,211,396	8,440,843
Vehicles	527	2,750	2,250
Energy guarantee	2,992	15,610	
Environmental risk	523,219	2,730,000	2,730,000
Cyber insurance	3,833	20,000	20,000
D&O insurance	15,332	80,000	80,000

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

29 Restatement

As a result of the Company recording transactions from discontinued operations, as detailed in note 9, below we present the effects of the transactions for the year ended December 31, 2021:

29.1 Restatement of the statement of profit or loss for the year ended December 31, 2021:

	Parent				Consolidated	
	December 31, 2021	Discontinued operations CPC 31	December 31, 2021	December 31, 2021	Discontinued operations CPC 31	December 31, 2021
Continuing operations						
Net service and sales revenue	99		99	3,454,132	(13,562)	3,440,570
Costs of services and sales				(2,268,875)	14,187	(2,254,688)
Gross profit	99		99	1,185,257	625	1,185,882
Operating income (expenses)						
General and administrative expenses	(77,591)	(1,985)	(79,576)	(536,478)	1,962	(534,516)
Allowance for expected credit losses				(37,672)	356	(37,316)
Other income (expenses), net	1,453		1,453	19,474	(326)	19,148
Share of profit (loss) of subsidiaries and joint ventures	144,796	4,547	149,343	(2,645)		(2,645)
Profit before finance income and costs	68,757	2,562	71,319	627,936	2,617	630,553
Finance result						
Finance income	153,055	(539)	152,516	100,892	(640)	100,252
Finance costs	(142,033)		(142,033)	(577,044)	2,388	(574,656)
Finance result, net	11,022	(539)	10,483	(476,152)	1,748	(474,404)
Profit before income tax and social contribution	79,779	2,023	81,802	151,784	4,365	156,149
Current income tax and social contribution				(55,945)		(55,945)
Deferred income tax and social contribution	9,351		9,351	(4,519)	(2,342)	(6,861)
Profit for the year from continuing operations	89,130	2,023	91,153	91,320	2,023	93,343
Profit (loss) for the year from discontinued operations	2,017	(2,023)	(6)	2,017	(2,023)	(6)
Profit for the year	91,147		91,147	93,337		93,337
Attributable to						
Equity holders of the parent				91,147		91,147
Non-controlling interests				2,190		2,190
				93,337		93,337

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022 (In thousands of reais and U.S. dollars, unless otherwise stated)

29.2 Restatement of the statement of cash flows for the year ended December 31, 2021:

	Parent		Consolidated			
	December 31, 2021	Discontinued operations CPC 31	December 31, 2021	December 31, 2021	Discontinued operations CPC 31	December 31, 2021
Cash flows from operating activities						
Profit before income tax and social contribution	79,779	2,023	81,802	151,784	4,365	156,149
Profit (loss) before income tax and social contribution from discontinued operations	2,017	(2,023)	(6)	2,017	(4,365)	(2,348)
Adjustments						
Depreciation and amortization	31,582		31,582	280,174	(2,414)	277,760
Amortization of right-of-use asset	6,489		6,489	44,989	(599)	44,390
Residual value of property and equipment and intangible asset disposed of	851		851	2,564		2,564
Residual value of right-of-use assets disposed of	(1,640)		(1,640)	(10,324)	300	(10,024)
Share of profit (loss) from continuing operations	(144,796)	(4,547)	(149,343)	2,645		2,645
Share of profit (loss) from discontinued operations	2,075	4,547	6,622			
Profit (loss) from discontinued operations				2,075		2,075
Write-off of provision for loss on investments of discontinued operation	(4,092)		(4,092)	(4,092)		(4,092)
Allowance for expected credit losses				37,672	(356)	37,316
Provision for contingencies	710		710	11,892	89	11,981
Income from restricted funds				(21,966)		(21,966)
Construction profit margin				(26,596)	87	(26,509)
Employee benefits	1,617		1,617	4,727	(22)	4,705
Adjustment to present value	2,742		2,742	30,467	(177)	30,290
Interest and monetary and foreign exchange variations, net	55,248		55,248	478,374	(1,504)	476,870
Other adjustments				(3,612)		(3,612)
Adjusted profit from operations	32,582		32,582	982,790	(4,596)	978,194
Adjustments for reconciling profit for the year from available-for-sale assets					4,596	4,596
Changes in assets and liabilities						
Trade receivables	(355)		(355)	(328,882)	(512)	(329,394)
Advances to suppliers	(54)		(54)	(9,501)		(9,501)
Taxes recoverable	(6,377)		(6,377)	(38,123)	(108)	(38,231)
Inventories				(8,768)	(135)	(8,903)
Dividends and interest on capital received	73,691		73,691			
Judicial deposits	(44)		(44)	(19,611)	194	(19,417)
Other assets	9,859		9,859	12,153	16	12,169
Trade payables	(1,182)		(1,182)	48,311	(1,031)	47,280
Salaries and payroll charges	2,608		2,608	11,063	(54)	11,009
Taxes payable	5,645		5,645	49,903	(405)	49,498
Deferred PIS and COFINS				(13,409)		(13,409)
Concession rights payable				(13,246)	(60)	(13,306)
Provisions for contingencies				(13,743)	22	(13,721)
Related parties	(65,451)		(65,451)	(18,898)	(86)	(18,976)
Other liabilities	5,879		5,879	(11,375)	(106)	(11,481)
Cash from (used in) operations	56,801		56,801	628,674	(2,267)	626,407
Income tax and social contribution paid				(64,733)		(64,733)
Cash from (used in) continuing operations	56,801		56,801	563,941	(2,267)	561,674
Total net cash flows from discontinued operating activities					2,267	2,267
Total net cash flows from operating activities	56,801		56,801	563,941		563,941
Cash flows from investing activities						
Advance for future capital increase	(52,390)		(52,390)			
Capital increase in subsidiaries	(398,306)		(398,306)			
Restricted funds				1,184,399		1,184,399
Purchase of property and equipment	(5)		(5)	(9,351)	51	(9,300)
Additions to contract assets and intangible assets	(130,685)		(130,685)	(2,353,638)	5,040	(2,348,598)
Net cash flows from (used in) continuing investing activities	(581,386)		(581,386)	(1,178,590)	5,091	(1,173,499)
Net cash used in discontinued investing activities	(5,451)		(5,451)	(5,451)	(5,091)	(10,542)
Total net cash used in investing activities	(586,837)		(586,837)	(1,184,041)		(1,184,041)
Cash flows from financing activities						
Dividends and interest on capital paid				(3,373)		(3,373)
Proceeds from loans and borrowings				468,832		468,832
Transaction cost on proceeds from loans and borrowings				(1,219)		(1,219)
Repayment of loans and borrowings				(334,347)		(334,347)
Interest paid on loans and borrowings				(244,447)	1,196	(243,251)
Interest paid on derivative financial instruments						
Proceeds from debentures	200,000		200,000	1,189,000		1,189,000
Transaction cost on proceeds from debentures	(1,931)		(1,931)	(12,965)		(12,965)
Amortization of debentures				(271,684)		(271,684)
Interest paid on debentures	(67,066)		(67,066)	(298,442)		(298,442)
Amortization of lease liabilities	(8,406)		(8,406)	(61,932)	542	(61,390)
Related parties	34,820		34,820	43,170		43,170
Total net cash flows from continuing financing activities	157,417		157,417	472,593	1,738	474,331
Net cash used in discontinued financing activities					(1,738)	(1,738)
Total net cash flows from investing activities	157,417		157,417	472,593		472,593
Net decrease in cash and cash equivalents	(372,619)		(372,619)	(147,507)		(147,507)
Cash and cash equivalents at the beginning of the year	784,437		784,437	1,247,394		1,247,394
Cash and cash equivalents at the end of the year	411,818		411,818	1,099,887		1,099,887

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

29.3 Restatement of the statement of value added for the year ended December 31, 2021:

	Parent				Consolidated	
	December 31, 2021	Discontinued operations CPC 31	December 31, 2021	December 31, 2021	Discontinued operations CPC 31	December 31, 2021
Revenues						
Gross revenue from services and sales	109		109	3,748,755	(14,772)	3,733,983
Other revenues (expenses)	1,453		1,453	19,474	(326)	19,148
(-) Rebates and cancellations				(42,669)	270	(42,399)
(-) Allowance for expected credit losses				(37,672)	356	(37,316)
	1,562		1,562	3,687,888	(14,472)	3,673,416
Inputs acquired from third parties						
Construction cost				(1,274,910)	4,256	(1,270,654)
Materials, electric energy, outsourced services and others	(118,616)		(118,616)	(665,440)	4,885	(660,555)
	(118,616)		(118,616)	(1,940,350)	9,141	(1,931,209)
Gross value added	(117,054)		(117,054)	1,747,538	(5,331)	1,742,207
Depreciation and amortization	(38,071)		(38,071)	(325,163)	3,013	(322,150)
Net value added generated by the entity	(155,125)		(155,125)	1,422,375	(2,318)	1,420,057
Value added received in transfer						
Share of profit (loss) from continuing operations	144,796	4,547	149,343	(2,650)		(2,650)
Profit (loss) from discontinued operations	2,017	(4,547)	(2,530)	2,017	(2,023)	(6)
Transfer of expenses	244,761		244,761	12,651	88	12,739
Finance income	153,055		153,055	100,892	(640)	100,252
Total undistributed value added	389,504		389,504	1,535,285	(4,893)	1,530,392
Distribution of value added						
Personnel	139,209		139,209	459,198	(3,278)	455,920
Direct compensation	116,353		116,353	333,781	(1,956)	331,825
Benefits	14,990		14,990	100,144	(1,140)	99,004
Government Severance Pay Fund (FGTS)	7,866		7,866	25,273	(182)	25,091
Taxes, fees and contributions	13,973		13,973	373,074	985	374,059
Federal	13,878		13,878	361,140	1,105	362,245
State				5,086	(55)	5,031
Municipal	95		95	6,848	(65)	6,783
Remuneration of third-party capital	145,175		145,175	609,676	(2,600)	607,076
Finance costs	142,033		142,033	577,044	(2,388)	574,656
Rentals	3,142		3,142	32,632	(212)	32,420
Equity remuneration	91,147		91,147	93,337		93,337
Retained earnings for the year	91,147		91,147	91,147		91,147
Non-controlling interests				2,190		2,190
Value added distributed	389,504		389,504	1,535,285	(4,893)	1,530,392

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

30 Non-cash transactions (statement of cash flows)

In the year ended December 31, 2022, non-cash transactions were carried out and presented in the statement of cash flows and the main ones are presented below:

Trade receivables	Consolidated			
	2022			
	US\$		R\$	
Total movement in trade receivables (Note 8)	125,233		653,427	
Non-cash items (see breakdown below)	(14,501)		(75,663)	
Total movement in trade receivables as per the statement of cash flows	110,732		577,764	
Investment and financing transactions that affected trade receivables, but did not involve cash:				
Interest capitalized in the year	(10,483)		(54,696)	
Capitalized corporate guarantees	(1,394)		(7,275)	
Capitalized loan interest	(3,390)		(17,690)	
Transfer to discontinued operation	423		2,208	
Other capitalizations	(144)		(750)	
Trade payables	681		3,555	
Allowance for expected credit losses	9,835		51,316	
Deferred taxes	(8,249)		(43,043)	
Construction margin for the year (Note 26 (b))	(1,780)		(9,288)	
Total	(14,501)		(75,663)	

Contract assets and intangible assets	Parent		Consolidated	
	2022		2022	
	US\$	R\$	US\$	R\$
Total additions to contract assets and intangible assets (Notes 12 and 14)	41,660	217,371	348,970	1,820,820
Non-cash items (see breakdown below)	8,281	43,204	(72,092)	(376,156)
Total additions to contract assets and intangible assets as per statement of cash flows	(49,941)	(260,575)	(276,878)	(1,444,664)
Investment and financing transactions that affected intangible assets, but did not involve cash, or that affected cash in the current year and refer to additions in prior years:				
Interest capitalized in the year	(17)	(95)	(78,758)	(410,934)
Trade payables	8,298	43,299	11,524	60,127
Construction margin for the year (Note 26 (b))			(4,858)	(25,349)
Total additions to contract assets and intangible assets as per statement of cash flows	8,281	43,204	(72,092)	(376,156)

BRK Ambiental Participações S.A. and subsidiaries

Notes to the individual and consolidated financial statements at December 31, 2022

(In thousands of reais and U.S. dollars, unless otherwise stated)

31 Events after the reporting period

(a) Issuance of debentures

On February 10, 2023, indirect subsidiary Cachoeiro carried out the 2nd issuance of simple non-convertible debentures, issued on January 15, 2023, in the amount of R\$ 30,000 – US\$ 5,750, maturing on December 15, 2029.

On March 6, 2023, the Company carried out the 11th issue of simple debentures, non-convertible into shares, in the total amount of R\$ 710,000 – US\$ 136,075, with settlement and disbursement scheduled for March 29, 2023 and with the principal due in full on 5 years.

(b) ESG Risk Rating da Sustainalytics

In the first quarter of 2023, the Company went through a new external assessment to update the score of the ESG Risk Rating of Sustainalytics. The rating evaluates the degree of robustness of companies' sustainability practices and how they manages their ESG risks. More than 15,000 companies worldwide have gone through this process. The Company obtained the best score in the Americas and the second best in the world among the sanitation companies. Sustainalytics is an independent international organization that measures the exposure and management of ESG risks of companies.

(c) Resignation of the CEO of the Company

On March 02, 2023, in compliance with the provisions of paragraph 4, article 157, of Law No. 6,404, of December 15, 1976, as amended, and with CVM Resolution No. 44, of August 23, 2021, as amended, the Company informs to its shareholders and the market in general that it has received, on the current date, the resignation request of Ms. Teresa Cristina Querino Vernaglia to the position of CEO of the Company, effective as from March 31, 2023. Due to Ms. Vernaglia's resignation, as from March 31, 2023, Mr. Alexandre Honoré Marie Thiollier Neto will assume the position of acting CEO until the process of selection of a new CEO is completed.

* * *